



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR MAY 21, 2008

NATURAL GAS MARKET NEWS

Williams announced plans today that it would seek to significantly increase processing and natural gas liquids production capacities at the Echo Springs processing plant in Carbon County, WY. The company said it looks to roughly double the plant's processing and NGL production, which would add about 350 mmcf per day and some 30,000 b/d of NGL production. The cost of the expansion is pegged at \$233 million.

In a report from the U.S. Bureau of Land Management released today, the government agency said that U.S. onshore federal lands contain an estimated 31 billion barrels of oil and 231 Tcf of natural gas. But the agency noted that 62% of the oil and 41% of the natural gas reserves are inaccessible for development. The BLM noted that an additional 30% of onshore federal oil and 49% of natural gas "may only be developed subject to restrictions over and above standard environmental lease terms, including seasonal timing limitations.

The CFO at EnCana Corp said today that he expects the company's natural gas spinoff should regain the top spot among North American gas producers within two years as output from its East Texas and other production properties ramps up. The company's natural gas spinoff company is expected to produce more than 2.9 bcf/d of natural gas this year, which would make it the second largest natural gas producer in North America this year.

A ConocoPhillips executive today predicted that North American natural gas prices are not likely to fall below \$7.00 per Mcf again "unless and until" there is an excess of LNG supplies heading to the region.

The Federal Reserve Bank released their minutes of their last policy meeting back on April 29-30th today. It revealed that discussions at the meeting highlighted worries over inflation and signaled more interest rate cuts were unlikely. The Fed also lowered its 2008 growth forecast and warned of higher unemployment.

PIPELINE RESTRICTIONS

FGT continued to warn its customers that there is the potential for it to call an Overage Alert Day.

Generator Problems

NPCC – OPG's 490 Mw Unit #8 at the Nanticoke coal fired power plant had returned to service.

OPG's 535 Mw Unit #1 at the Lennox oil and natural gas fired power station, which had gone off line on Tuesday, was back in service.

PJM – PSEG Nuclear's 1100 Mw Salem #2 nuclear unit was back to full power this morning up 5% from Tuesday.

SERC – TVA's 1100 Mw Brown's Ferry #3 nuclear unit was at 73% capacity this morning down 17% from Tuesday.

Dominion Resources said its 800 Mw Surry #2 nuclear unit was back online and at 30% of capacity after restarting late Tuesday.

MAPP – NPPD's 800 Mw Cooper nuclear facility was at 82% power this morning up 24% from Tuesday.

FRCC – Progress Energy's 870 Mw Crystal River #3 nuclear unit was at 49% power this morning.

WSCC- Dynegy's 739 Mw Unit #6 at the Moss Landing natural gas fired power plant was shut for unplanned maintenance on Tuesday afternoon.

MAIN – Exelon's 1120 Mw Braidwood #2 nuclear unit was at 85% capacity up 5% from yesterday.

The NRC reported that 86,439 Mw of nuclear capacity is online, down 1.14% from Tuesday and up 0.7% on the year.

PG&E California Gas transmission called a system wide OFO for Thursday. PG&E issued the restriction because of high inventory on the system. Tolerance was set at 5% and there is a Stage 2 noncompliance charge of \$1.00 Dth.

PIPELINE MAINTENANCE

Northwest Pipeline said that after performing it annual inspections at the Buhl compressor station, it discovered engine damage that will require an immediate engine exchange.

Beginning May 22nd

the company will bring one unit online, which will result in an available capacity of 538,000 Dth/d until the exchange is complete. This would be a 47,000 Dth/d deficiency, which is expected to last through May 24th.

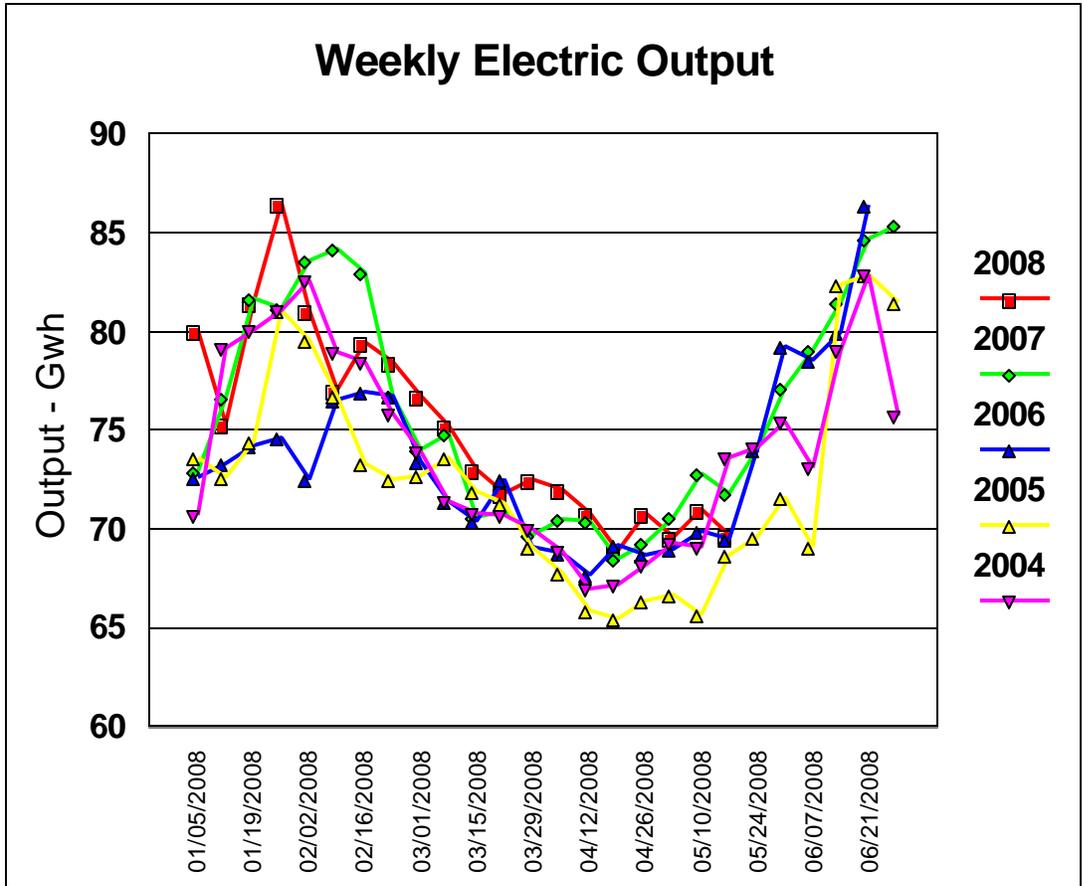
Gulf South Pipeline said that it has been notified by Targa Midstream Services that effective May 22nd and 23rd the LOC 464 Venice PLT receipt location will be shut in due to operator maintenance.

ELECTRIC MARKET NEWS

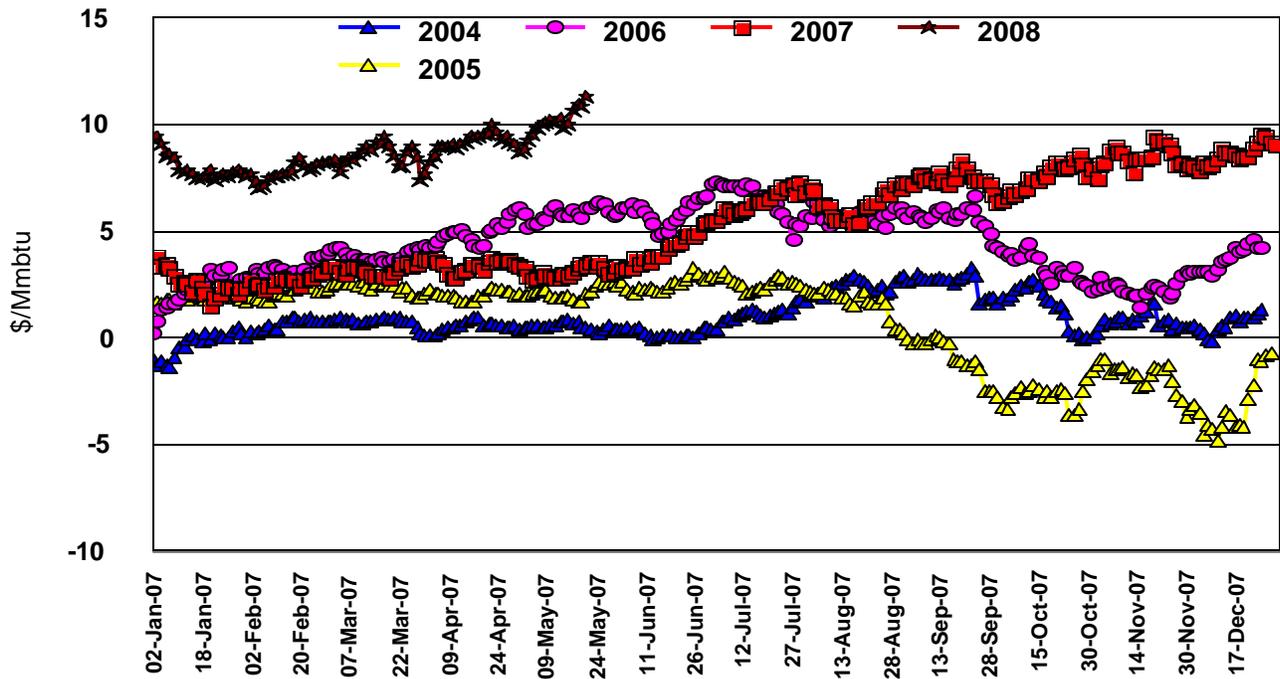
A climate bill circulating around the U.S. Senate offices currently has provisions in which some \$5.65 trillion dollars could be made available to consumers and industry through 2050 in an attempt to ease the switch to a low-carbon economy. Senate Majority Leader Harry Reid reportedly has said the Senate will take up debate on the bill beginning on June 2nd. The bill will seek to reduce emissions from covered facilities by 19% below current levels by 2020 and by 71% by 2050. It is estimated to reduce the total U.S. emissions from all sources, capped and non-capped, by up to 66% by 2050.

The California Energy Commission said today that they expect adequate power supplies this summer to meet peak demand even if the state experiences a warmer than normal summer. The Commission sees reserve margins of generation at about 22% for average weather conditions and 14% under hotter than normal weather. The Commission also noted that while the state experienced the driest March and April since 1921, hydroelectric capacity will be available to meet peak power needs. The Commission also noted that some 671 Mw of new generation capacity would be coming on line by August.

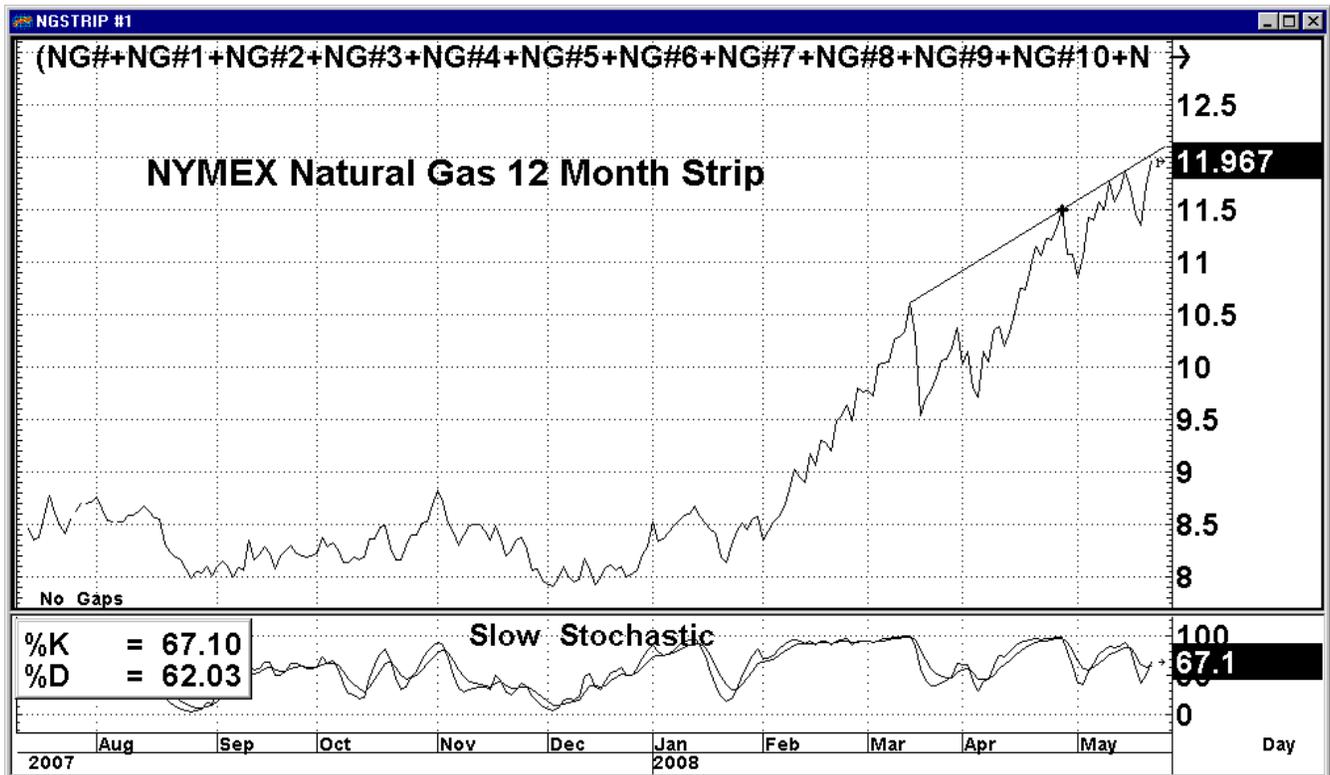
The Edison Electric Institute reported that power production in the United States for the week ending May 17th fell 2.9% from the same week a year ago and off 1.82% from the previous week. For the first 20 week of 2008 power production is up 0.5% over 2007 levels.



Crude Oil Vs Natural Gas: NYMEX Spot Futures Settle



Progress Energy Florida announced it has selected a “preferred corridor” for potential transmission lines that predominantly follows the path of existing lines across nine central Florida counties. More than 90% of the preferred corridor follows existing rights of way. The company is looking to add a new 230 and 500 Kv



transmission lines

MARKET COMMENTARY

The natural gas market finished stronger yet again today as the relentless march of oil prices dragged this market higher yet again. Following the release of supportive oil inventory statistics this morning, the oil markets spiked higher and with this move their premium over natural gas continued to move out to yet new highs once again, as it appeared the speculative buying remains focused in the oil markets not the natural gas market. This market will undoubtedly look to tomorrow's storage report but unless the report shows a significant deviation from market expectations it will remain the oil markets price direction that will drive the flat price direction for this market.

We see initial resistance tomorrow at the \$11.79-\$11.794 area followed by \$11.937 and \$12.145. Support we see at \$11.433, \$11.397, \$11.294, \$11.225 and \$11.19. More distant support we see at \$11.077 and \$10.955

Market expectations are for an 85 bcf increase in natural gas inventories for the week ending May 15th. For the same week a year ago inventories rose an adjusted 101 bcf while the five year average gain was a 91 bcf build.