



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR MAY 23, 2008

NATURAL GAS MARKET NEWS

U.S. Energy Secretary Bodman said today that despite calls for significantly raising margin requirements on energy trading at the NYMEX, he did not see these proposed changes would "...have any impact on it."

PEMEX reported that natural gas production in Mexico in April reached 6.714 bcf/d, up 0.5% from March.

A federal court denied a motion by Amaranth and former trader Brian Hunter to dismiss charges of attempted market manipulation that were brought by the CFTC.

Petrobras said that it expects to receive its first LNG cargo in July. Brazil will become the second Latin American country this year to start imports of LNG. The LNG imports into Brazil will be used in the power sector. Brazil will look to supplement its power generation with LNG in the dry season as the vast majority of power is generated via hydropower. Brazil is expected to open a second LNG terminal before the end of the year. Some traders look for Petrobras to divert future LNG cargoes to the United States when Brazilian demand drops during the rainy season.

NiSource said today that as a result of the Supreme Court of Appeals of West Virginia refusing to hear the company's appeal of a \$404 million verdict against it in a royalties state class action lawsuit last year, it would appeal to the U.S. Supreme Court. The company said the punitive damages awarded in the original decision were unprecedented and "contrary to the most basic principle of fairness. The case, which dated back to 2003, found that Columbia Natural Resources, the company's former subsidiary, has erred in deducting a portion of post production costs related to gathering and transmission. The company had been found not to have paid market value for gas produced under all leases.

Generator Problems

NPCC – Dominion Energy's 866 MW Millstone #2 nuclear unit was at full capacity this morning, following a lightning strike, which struck the site's transformer yesterday.

OPG's 494 Mw Lambton coal fired Unit #4 was taken off line for maintenance work on Friday.

Bruce Power's 822 mw Bruce #7 nuclear unit was taken off line today for short-term maintenance work.

ECAR – FirstEnergy's 864 Mw Beaver valley nuclear unit #2 has been restarted and was at 17% capacity. The unit had been off line since April 14th.

MAPP – NPPD reduced operations at its 800 Mw Cooper nuclear facility by 14% to 86%.

ERCOT – AEP's 528 Mw Unit #1 at the Welsh coal fired power unit was taken down today for repair work and is expected to be out of service until May 28th.

WSCC- Energy Northwest has scaled back operating levels at its 1200 Mw Columbia generating nuclear station by 18% to 82% capacity this morning.

California's Department of Water Resources 848 Mw Hyatt-Thermalito pumped storage hydropower station returned to full service on Thursday afternoon.

Calpine's 530 Mw Sutter natural gas fired power plant was shut on Thursday afternoon for planned maintenance.

Dynergy's 739 Mw Moss Landing natural gas fired Unit #6 returned to service Thursday afternoon.

SERC – Dominion Resources 800 Mw Surry #2 nuclear unit was at full power this morning up 30% from yesterday.

The NRC reported that 87,684 Mw of nuclear capacity is online, down 1.8% from Thursday and up 1.8% on the year.

Data from the Interconnector UK shows that low demand from continental Europe has pulled average UK gas exports through the UK-Belgium Interconnector pipeline to their lowest level ever for May, some 68.9% below the historical average. The daily gas flows so far this is running at only 10.81 million cubic meters. A year ago, the month of May saw daily flow rates of 30.11 million cubic meters.

Questar Pipeline said that in order to correspond with the closing date of the Rockies Alliance Pipeline open season, Questar Overthrust Pipeline has extended its Wamsutter, Opal and White River lateral open season, until June 16th instead of closing it by May 30th.

PIPELINE MAINTENANCE

Alliance Pipeline reported that it would be conducting three maintenance projects next week. The Carson Creek Unit #1 compressor will be taken offline for 10 hours on May 27th. Station capacity will be reduced to 335.0 e3m3. The AB11 Pouce Meter Station will be unavailable for six hours on May 28th for maintenance. Station capacity will be cut to 1627 e3m3. The company will also be performing routine maintenance on the Irma Compression station to be offline for four hours on May 29th. System throughput is not likely to be impacted though.

Gulf South Pipeline said that it will be performing maintenance at the Cartage T6 Compressor Station on May 28th for 12 hours. Capacity through the 42 inch East Texas Expansion will be reduced by as much as 350,000 Dth during the period. The company will be scheduling the Expansion Area 16 scheduling group for all cycles for gas day May 28th based on reduced capacity. Based on current nominations, primary firm nominations may be prorated to obtain the reduction needed for maintenance. The company also said it will perform scheduled maintenance at the Carthage Junction Compressor Station on the Expansion Turbine Unit #6 on May 28th for 12 hours. Capacity through the 42 inch East Texas Expansion pipeline will be reduced by as much as 350,000 Dth during the maintenance based on current nominations.

ANR Pipeline said that it has completed inline inspections on the 24-inch Marshfield to Appleton line.

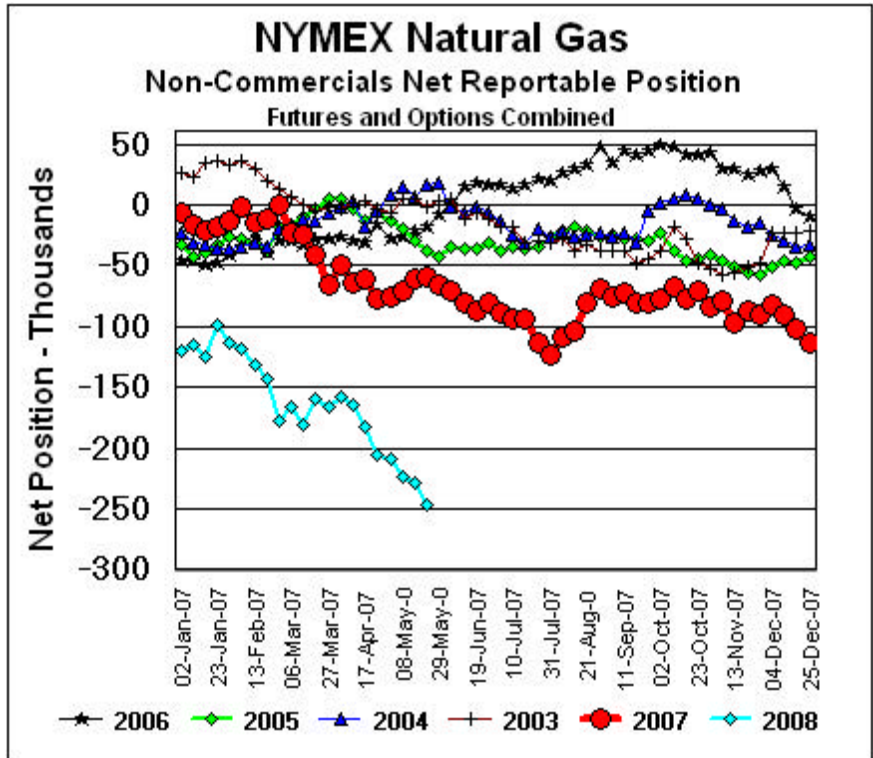
ELECTRIC MARKET NEWS

A federal court found yesterday that Duke Energy's Cinergy Corp, violated the U.S. Clean Air Act when it modified the coal fired Wabash River power plant back between 1989 and 1992. The case had been in the courts since 1999. The court though cleared the company of wrongdoing at four other sites. The EPA will seek fines and remediation orders at a new trial set for December 8th.

MARKET COMMENTARY

The natural gas market appeared to take a breather today as it posted an inside trading session in front of the long holiday weekend. But prices still settled up for the fourth consecutive trading session, helped in part by relatively stronger oil prices and the prospects for high power generation needs next week.

But the big news on the day was the follow up from yesterday strong volume trading day. Open interest numbers released by the exchange at mid-day showed that open interest increased by 25,357 contracts. While the soon to expire spot June contract saw open interest drop by 16,298 lots, the July contract saw a boost of 11,073 lots.



The real net changes though came in the 2009 and 2010 calendar years, which saw a combined increase of 10,988 lots and 15,651 lots, respectively.

The latest Commitment of Traders report showed that non-commercials in the natural gas market increased their net short positions by 2,362 contracts to 67,530 contracts in the week ending May 20th as the market retraced some of its previous gains. The combined futures and options report showed that non-commercials increased their net short position by 18,043 contracts to yet another record short position of 246,849 contracts on the week.

Technically, the natural market is seen finding support \$11.85, \$11.74, \$11.668 and \$11.60. More distant support is seen at \$11.478 and \$11.357. Resistance is seen at \$11.95, \$11.979, \$12.10 and \$12.29.