



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,
& Karen Palladino
(212) 624-1132 (888) 885-6100

www.e-windham.com

NATURAL GAS & POWER MARKET REPORT FOR MAY 27, 2009

NATURAL GAS MARKET NEWS

Barclay's Capital energy stock analyst Tom Driscoll in a research note to clients warned today that it took 25 years for wellhead prices to recover from the lower prices and surging supplies caused by the unwinding of a tightly-regulated market into today's more liberal and volatile environment. He noted that conventional gas is being displaced by unconventional gas and it may take 20 years for natural gas prices to recover. He noted that the emergence of low-cost unconventional gas, especially shale gas, resources may lead to lower than expected natural gas prices for the next five to ten years. He said during the last gas bubble natural gas prices did move in tandem with crude oil but at a ratio of 10-12 to 1, rather than the current 6 to 1 seen for most of this decade. He expects that despite the decline in natural gas rigs by nearly 50% since their peak last year, he looks for natural gas production in the 4Q2009 will basically show little or no decline from 4Q2008 production levels. He estimates that the market will average a 4 bcf/d worth of oversupply this year and a 3 bcf/d worth of excess gas in 2010. He estimates that the more productive horizontal rigs are profitable at prices "materially below" \$6 per Mcf.

Private weather forecasting service Planalytics said today that they expect to see a less active hurricane season in the tropical Atlantic, due to current water temperatures and wind shear patterns. The group looks for 10 named storms and six of which will become hurricanes with one or two hitting category 3 or higher status. Forecasters also noted that dust blown over the Atlantic from Africa and increased surface temperatures will also contribute to a calmer season. Last season 16 named storms formed.

WSI Corp said today that they look for cooler than normal temperatures for much of the eastern United States this summer, while they expect above normal temperatures across the Western U.S. Their forecasters noted that the North Atlantic and North Pacific Oceans are now both cooler than normal for the first time in 15 years, which should result in a relatively cool summer east of the Rockies. They said

Generator Problems

FRCC – Operators at FPL's 693 Mw Turkey Point #4 nuclear unit, which had been at full power yesterday was down to 53% capacity this morning.

SERC – Progress Energy's 937 Mw Brunswick #2 nuclear unit ramped up 5% from yesterday and was at 50% power this morning.

Southern's 1752 Mw Hatch #1 and #2 nuclear units both ramped higher from yesterday. Unit #1 was up 6% at 96% power while Unit #2 was up 16% to 37%.

Duke Power's 846 Mw nuclear Unit #3 was back to full power this morning, up 4% from Tuesday.

MISO – Exelon's 1118 Mw La Salle #1 nuclear unit returned to full power this morning up 70% from yesterday.

Xcel Energy's 538 Mw Prairie Island #1 nuclear unit was back at full power today, up 48% from yesterday's operating level.

Operators at FirstEnergy's Perry #1 nuclear unit ramped the unit back to full power today up 11% from yesterday.

The NRC reported this morning that 90,715 nuclear generation capacity was on line, up 1.1% from yesterday and up 1.3% from the same time a year ago.

the best chance for “market-moving” heat in the highly populated Northeast will be early in the summer before cooler patterns set in later.

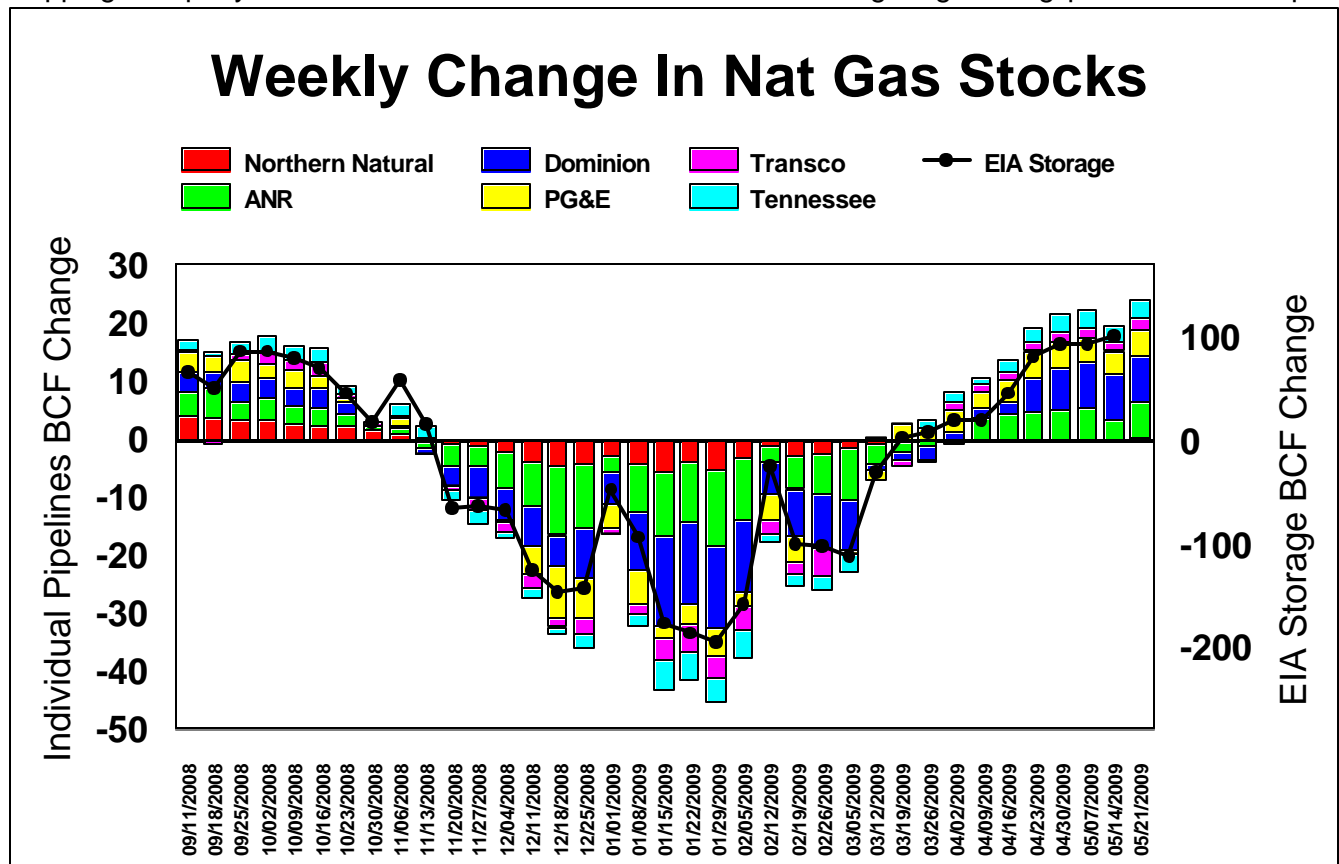
The EIA released its International Energy Outlook for 2009 and it sees worldwide natural gas consumption of natural gas by 2030 will have increased by 32%, jumping to 53 tcf compared to the 104 tcf consumed in 2006.

Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
Location	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	1,263,700	\$3.488	\$0.137	(\$0.045)	\$0.096	(\$0.250)
Chicago City Gate	493,800	\$3.379	\$0.151	(\$0.154)	\$0.109	(\$0.173)
NGPL- TX/OK	611,000	\$3.215	\$0.105	(\$0.318)	\$0.063	(\$0.315)
SoCal	440,000	\$3.004	\$0.084	(\$0.529)	\$0.042	(\$0.492)
PG&E Citygate	638,500	\$3.330	\$0.078	(\$0.203)	\$0.036	(\$0.157)
Dominion-South	280,000	\$3.730	\$0.115	\$0.197	\$0.073	\$0.177
USTRade Weighted	17,809,400	\$3.316	\$0.138	(\$0.217)	\$0.10	(\$0.250)

Kern River Gas transmission announced today that it is holding a non-binding open season to determine shipper interest in firm year round transportation service from receipt points in Wyoming and Utah to delivery points into California. If the company goes ahead with the expansion service it would be in service January 1, 2013.

QatarGas said today that its plans to add 23.4 million metric tons of capacity before the end of next year, but they did leave over the possibility that some of this production capacity could actually be delayed and started in 2011.

Platts reported late yesterday that a LNG logistics joint-venture between Malaysia’s Petronas, state shipping company MISC Berhad and the American firm Mustang Engineering planned to develop a



floating LNG liquefaction project offshore of Malaysia. The group expected the facility to be operational by 2013.

BG Group and China's CNOOC Ltd said today that they plan to build a pair of ships to transport LNG to China.

PIPELINE RESTRICTIONS

Questar announced it has been forced to cut injection capacity at its Clay Basin storage facility due to a water pump leak on Unit #3. As a result injection capacity will be reduced to 325,000 Dth/d, down 50,000 Dth/d while repairs are made.

NEW YORK MERCANTILE EXCHANGE(r)									
NYMEX OPTIONS CONTRACT LISTING FOR 05/27/2009									
				TODAY'S	PREVIOUS	ESTIMATED	DAILY	DAILY	
-----CONTRACT-----				SETTLE	SETTLE	VOLUME	HIGH	LOW	
LN	7	9	C	5	0.0247	0.0282	4803	0.028	0.0225
LN	7	9	P	3	0.0652	0.0691	3680	0	0
LN	7	9	P	3.25	0.1308	0.1359	3009	0	0
LN	7	9	P	3.5	0.2292	0.2349	2780	0	0
LN	10	9	C	5.5	0.2502	0.2545	2560	0.255	0.255
LN	7	9	P	2.5	0.014	0.0156	2560	0.013	0.013
LN	7	9	C	4	0.1656	0.1749	2378	0	0
LN	10	9	C	6	0.1781	0.1815	2300	0	0
LN	8	9	C	4	0.343	0.3514	2300	0	0
LN	10	9	P	8.75	4.7464	4.7386	2100	0	0
LN	8	9	C	5	0.1136	0.1185	2050	0	0
LN	8	9	P	3	0.1313	0.1325	2000	0	0
LN	7	9	C	4.75	0.041	0.0457	1973	0	0
LN	7	9	P	2.75	0.0308	0.0335	1900	0	0
LN	10	9	P	2	0.036	0.0387	1875	0.045	0.045
LN	8	9	P	3.5	0.3102	0.3109	1850	0	0
LN	10	9	C	9	0.0309	0.0317	1850	0	0
LN	12	9	P	3	0.0341	0.0334	1800	0.0425	0.0425
LN	7	9	C	4.5	0.0667	0.073	1762	0	0
LN	8	9	C	5.5	0.0633	0.0667	1702	0.0525	0.0525
LN	8	9	C	6	0.0358	0.0381	1700	0	0
LN	7	9	C	5.25	0.0147	0.0171	1370	0.016	0.014
LN	11	9	P	3	0.1097	0.1097	1325	0	0
LN	10	9	P	2.75	0.1508	0.1553	1300	0	0
LN	8	9	C	4.5	0.2002	0.2069	1300	0	0
LN	10	9	P	2.5	0.0978	0.1028	1250	0.106	0.106
LN	9	9	P	3	0.1821	0.1839	1150	0	0
LN	3	11	C	7	1.2796	1.2635	1100	0	0
LN	3	11	P	7	1.2347	1.2371	1100	0	0
LN	10	9	P	3	0.2188	0.2232	1053	0.22	0.22

Midcontinent Express Pipeline said it has firm transportation capacity available for June at NGPL Lamar and HPL Lamar for delivery to Texas Gas Perryville Ouachita, ANR Perryville Richland, NGPL Atlanta and Centerpoint Delhi Richland. MEP continues to have pipeline capacity to transport a total of approximately 1,147,000 Dth/d depending on the delivery points elected by shippers.

ELECTRIC MARKET NEWS

Southern Company today announced it will manage and operate the U.S. Department of Energy's new National Carbon Capture Center, which will develop and test advanced technologies to capture carbon dioxide from coal based power plants. The center is expected to be fully operational in 2010.

The Connecticut Department of Public Utility Control has filed comments with the FERC opposing the Independent System Operator of New England's compliance filing. The state agency has criticized ISO NE for failed market oversight. IS ONE has filed with the FERC to act as the sole watchdog against market abuses in the wholesale power markets that it operates in. The state agency has urged the FERC to order an independent third party be granted broad authority to continually investigate the operation of the markets within ISO NE's region and that this independent authority should report any concerns directly to state regulators and the FERC.

MARKET COMMENTARY

The market saw an expiration day that like last month was rather uninspired, as the trading range today in the June contract was just 12.6 cents. While the market did spend much of the trading session in negative territory, the spot contract was able to eek out a higher settlement on the day, but the back months though finished the session in negative territory yet again. The July contract for eighth time out of the last the eleven trading session, session finished lower, and throughout this period the July contract has been unable to post two consecutive higher settlements. Given that volatility in this market is often associated with the release of the EIA storage report, there is an added probability that tomorrow could be a volatile trading session given that today was an inside trading session and this market historically see prices post an expanded trading range following an inside trading session.

Market expectations for tomorrow's EIA Storage Report range between 90-125 bcf build, with the consensus centering around a 105-110 bcf..Our model appears to be point towards a 109 bcf build. Stocks rose an adjusted 87 bcf for the same week last year, while the five year average gain for the same week is 91 bcf. We feel though that any triple digit gain in inventories will ultimately be seen by this market as bearish and the price pressure on this market will remain.

We see resistance tomorrow \$3.687-\$3.697 followed by \$3.719 and \$3.786. More significant resistance we see at \$3.955, \$4.09-\$4.13, and \$4.235. Support we see at \$3.55, \$3.50, \$3.43 and \$3.40-\$3.39. Additional support we see at \$3.266 and \$3.155.