



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR MAY 27, 2010

NATURAL GAS MARKET NEWS

The National Weather Service today warned that the upcoming Atlantic hurricane season might be the most intense since 2005. The government forecasters said they are looking for 14-23 named storms with 8-14 developing into hurricanes, with 3-7 reaching Category 3 or higher status. The forecasters noted that with the greater number of storms there is an increased risk of landfall.

The EIA said in its "Natural Gas Weekly Update" released today noted that domestic marketed natural gas production remains strong at over 60 bcf/d. Despite expectations for reduced drilling activity production remains strong, in particular from unconventional gas fields such as Marcellus Shale and the Haynesville Shale plays. The EIA estimates that overall supply levels during the week ending May 26th were about 2.9% higher than last year.

Alberta announced it was setting royalty incentives for unconventional gas and oil today. It set a 5% royalty rate for shale gas, coal bed methane, horizontal gas and horizontal oil.

Generator Problems

NPCC – Entergy's 620 Mw Vermont Yankee nuclear plant was removed from service on Wednesday afternoon due to a reactor scram. The unit had been at 55% power before the shutdown.

MISO- Xcel Energy's 545 Mw Prairie Island #2 nuclear unit has exited its outage and ramped up to 52% power by early Thursday.

SERC- Progress Energy's 938 Mw Brunswick #2 nuclear unit was at 90% power this morning, down 1% from yesterday

TVA's 1121 MW Watts Bar #1 nuclear unit was at 46% capacity, up 32% from Wednesday.

Southern Nuclear's Farley #2 nuclear unit was back to full power this morning, up 5% from yesterday.

WSCC – APS said its 1270 Mw Palo Verde #1 nuclear unit remains at 55% power unchanged from yesterday. The reactor was restarted on May 24th.

ERCOT – AEP Pirkey coal fired power plant reportedly was scheduled for May 27 –29th.

STP Nuclear's 1250 Mw South Texas Nuclear unit#2 was at 89% power this morning off 2% from yesterday

SPP – Entergy's 1207 Mw Grand Gulf nuclear unit was up to 19% power this morning, up 6% from yesterday.

The NRC reported this morning that some 89,722 Mw of nuclear power was generated today, up 0.5% from yesterday but 0.3% below the same day a year ago.

Natural Gas Cash Market

ICE Next Day Cash Market

Location	Volume	Avg	Change	Basis	Change	Basis 5-Day
	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	828,100	\$4.224	\$0.034	(\$0.045)	(\$0.114)	(\$0.027)
Chicago City Gate	487,200	\$4.236	\$0.012	(\$0.033)	(\$0.082)	\$0.035
NGPL- TX/OK	698,600	\$4.100	\$0.032	(\$0.169)	(\$0.062)	(\$0.108)
SoCal	529,700	\$3.960	(\$0.033)	(\$0.309)	(\$0.127)	(\$0.212)
PG&E Citygate	629,400	\$4.301	\$0.002	\$0.032	(\$0.092)	\$0.149
Dominion-South	453,400	\$4.379	(\$0.092)	\$0.110	(\$0.186)	\$0.234
UStTrade Weighted	19,780,600	\$4.141	(\$0.020)	(\$0.127)	(\$0.11)	(\$0.027)

Injections into Britain's Rough gas storage facility will be cut by 50% on June 1st due to maintenance.

Sempra's Energy Costa Azul LNG terminal in Baja

California is expected to receive a cargo of LNG on May 29th from the Tangguh project in Indonesia. This would be the third cargo to arrive at the terminal this month.

EIA Weekly Report

	05/21/2010	05/14/2010	Change	05/21/2009
Producing Region	845	814	31	896
Consuming East	1047	992	55	944
Consuming West	377	359	18	358
Total US	2269	2165	104	2198

*storage figures in Bcf

The Department of Labor reported this morning that new applications for state jobless benefits dropped to 460,000 in the week ending May 22nd from an upwardly revised 474,000 the prior week. Most market analysts had been looking for claims to fall to 455,000.

Algeria's Berge Arzew LNG tanker was slated to arrive in the UK on June 4th.

Canadian Gas Association

Weekly Storage Report

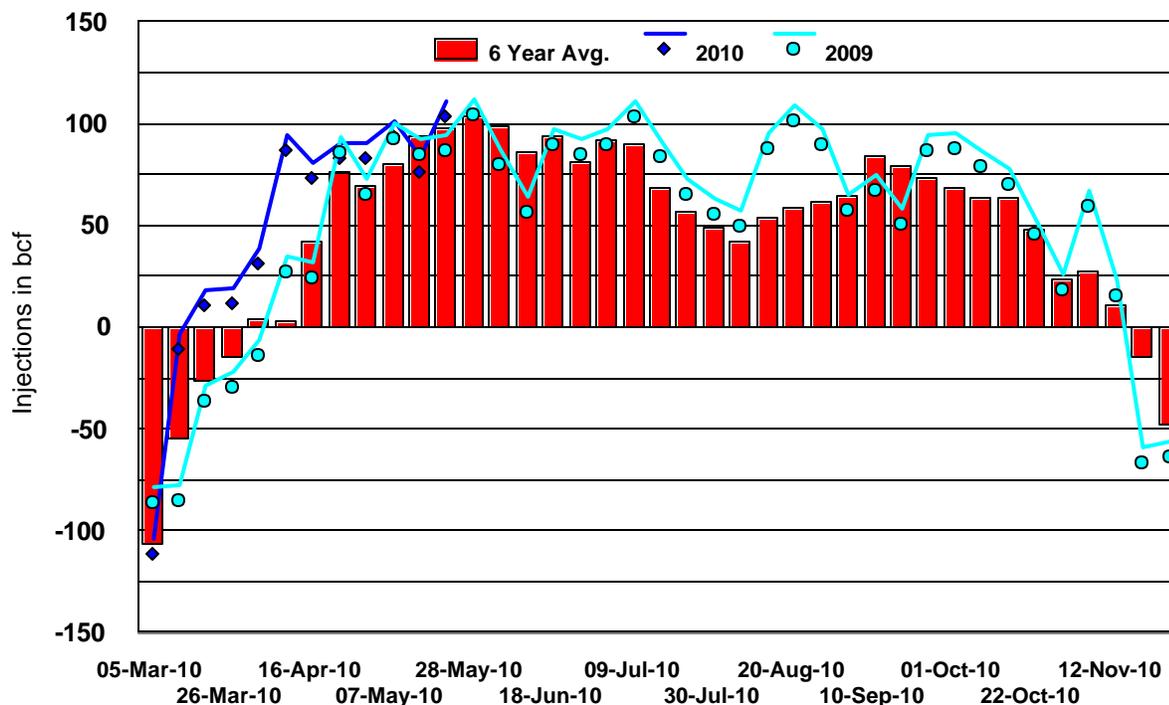
	14-May-10	14-May-10	22-May-09
East	100.9	100.9	115.2
West	243.2	243.2	218.8
Total	344.1	344.1	334

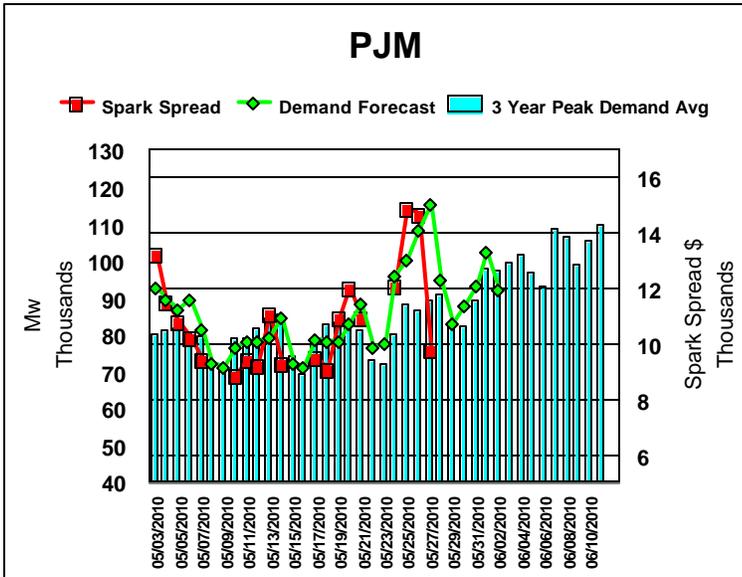
storage figures are in Bcf

The Russian energy minister said today that the control of the national Belarusian gas grid by a Russian company will not solve existing problems in negotiations between the two nations over energy prices. Belarus' president earlier today said his country was ready to sell control of its gas pipelines and its oil refinery to Russia in exchange for lower Russian energy prices.

President Barack Obama announced a halt to drilling operations at all 33 deepwater exploratory rigs in the Gulf of Mexico for 6 months or until a presidential commission completes its work. Some of the rigs are already drilling and will have to halt its operations while others were preparing to drill. US Interior Secretary Ken Salazar unveiled a series of measures in the wake of the BP leak. He said new drilling will be allowed for wells in depths of less than 500 feet of water. He said the Interior Department will require that blowout preventers at offshore exploratory wells be certified to ensure they are working properly. He said the 6 month ban on deepwater permits does not affect oil and natural gas prices. In response to the measures, an energy consulting group said the six month extension of

2010 EIA Survey Build/Draw VS 6-Year Average





the drilling ban would cut 80,000 bpd of US oil production that was expected in 2011.

The Commerce Department said the US economy grew in the first quarter, but its pace was slightly weaker than originally thought. GDP increased by a 3% annual rate in the first quarter. The Commerce Department had originally reported first quarter GDP increased by 3.2%. The latest report showed that consumers increased their spending by 3.5%.

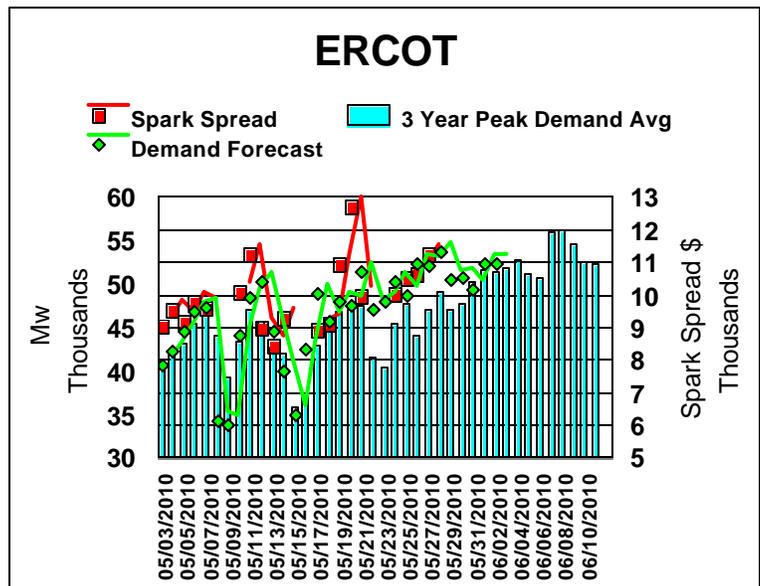
Agriculture Committee chairman Blanche Lincoln, the author of a US Senate proposal to force banks to spin off their swaps desks said she will fight to see the

idea is part of a House-Senate compromise on financial regulatory reform. Her committee wrote the section on regulation of the \$615 trillion market in over-the-counter derivatives, including the provision on swaps desks.

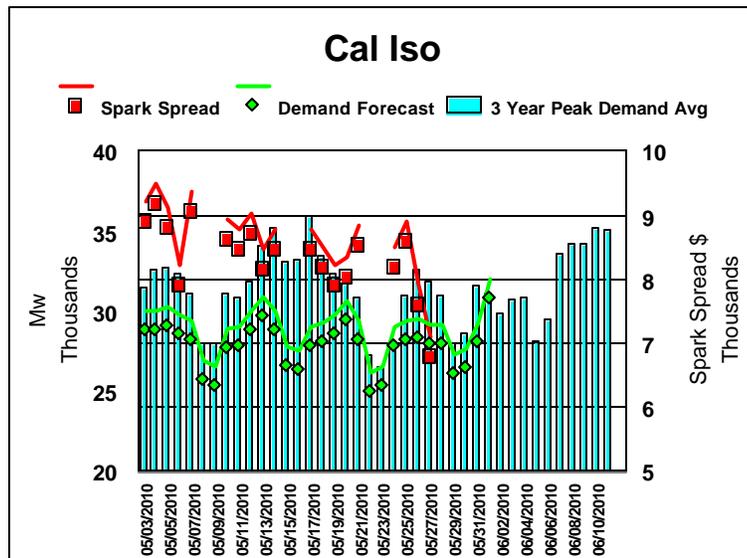
PIPELINE RESTRICTIONS

The Rockies Express Pipeline reported that it was at capacity for receipts at Wamsutter Echo Springs. Based on the current level of nominations, interruptible transportation service/authorized overrun and secondary quantities are at risk of not being scheduled.

Tennessee Gas Pipeline said that due to reduced nominations it will accept



increases for nominations pathed for delivery to the Leidy Delivery meters. The company estimates it has some 3600 Dth available.



ELECTRIC MARKET NEWS

The EIA reported this afternoon that coal production in the United States totaled only 20.440 million short tons for the week ending May 22nd down 2.5% from the previous week but 0.4% more than the same week a year ago. Year to date production has been running 2.9% less than a year ago.

MARKET COMMENTARY

The natural gas market this morning

reacted initially poorly to the slightly larger than expected EIA Storage Report. But the market was able to shake off the report and resume its upward trend helped by stronger equity and oil markets along with firmer cash market values. The energy markets in the afternoon were also spooked by the initial news that President Obama was suspending all activities at deepwater platforms; only to be clarified later that this applied only to current or future drilling activities not production activities. The bulls also found comfort in the continued drumbeat of warnings of a potentially very active hurricane season. We



feel though despite all the bullish news flowing through the market in the past couple of days, this market not only remains firmly within its two sideways trading range, but at the close tonight this market finds its self basically back at the midpoint of this trading range. We would look for tomorrow to be potentially a lighter volume trading day in front of the long holiday weekend. We would look for traders to return on Tuesday and re-evaluate weather both cooling demand as well as tropical developments along with tomorrow's Baker Hughes report to be used in setting the tone of trading to start the month of June.

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