



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR MAY 28, 2008

NATURAL GAS MARKET NEWS

The private weather forecasting company WSI said this week that they see cooler than normal temperatures dominating the Southeast and Pacific Coast states in June, July and August, while warmer than normal temperatures will grip much of the rest of the nation, especially the northern Rockies and northern Plains states.

Iran announced today that the country's first LNG facility would be in service by December 2010. The first phase of operation by the facility is targeted to produce 10.8 million tons a year of LNG, of which 70% will be exported to Europe and Asia. The second phase of operation is expected to begin in 2013 and should see production to grow to 21.6 million tons a year. The project is currently 8-9% completed. The facility will receive 3 bcf/d of gas produced at Area 12 of Iran's South Pars field. Iran has said it is seeking to produce 80 million tones of LNG a year by 2020 which would make it the largest LNG exporter.

Dow Chemical said today that due to rising energy and transportation costs it would raise the price of all of its products by up to 20% effective June 1st.

Generator Problems

NPCC – OPG's 535 Mw Unit #1 at the Lennox oil and gas fired power plant returned to service this morning. The unit dropped off line on May 27th.

Dominion Energy has restarted its 866 Mw Millstone #2 nuclear unit but the unit remained off line at 1% of power. The unit was taken off line on May 22nd, when lightning struck an on site transformer.

Energy's 535 Mw Vermont Yankee power plant was at 87% power down 13% from Tuesday.

PJM – PSEG Nuclear's 1050 mw Hope creek nuclear plant was at 96% power this morning up 5% from Tuesday.

FirstEnergy's 864 Mw Beaver Valley Unit #2 was at 94% capacity this morning, up 19% from the prior day.

SERC – TVA's 1121 Mw Watts Bar nuclear unit was at 85% power up 15% from Tuesday.

FRCC – FPL St Lucie Nuclear power plant was back to full power this morning up 10% from yesterday.

WSCC- Complete Energy's 1008 Mw la Paloma natural gas fired power plant returned to service on Tuesday afternoon.

Energy Northwest's 1200 Mw Columbia Generating nuclear station was back to full power after being at 85% on Tuesday. The unit had been at reduced levels since last week.

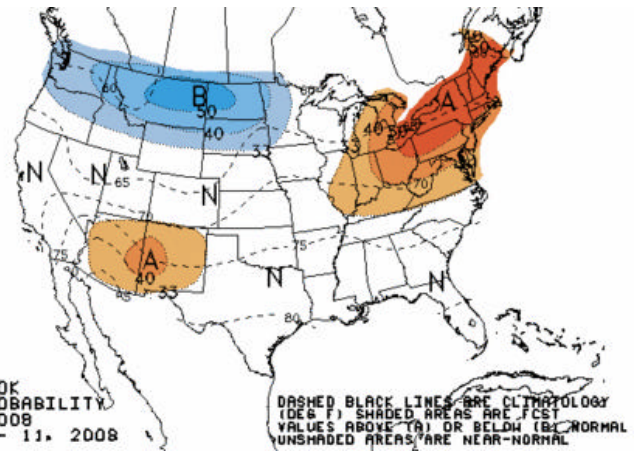
The NRC reported that 89,559 Mw of nuclear capacity is online, basicall unchanged from yesterday and up 3.9% on the year.

One of the CFTC commissioners said yesterday that he was concerned about the trading of U.S. look-alike energy products on foreign exchanges and the transparency of the UK Financial Service Authority's oversight of these markets. He did note that he was pleased with the FSA's recent efforts to increase data and information sharing with the CFTC though. The commissioner also expressed his unease over the impact of sovereign wealth funds assuming positions in derivatives based on geopolitical factors rather than a basic investment strategy. He noted that he would like to know about their levels of investments by these funds, especially the oil markets. These comments come on the same day that Senator Bingaman sent a letter to CFTC officials in which he criticized the CFTC for underestimating the role of speculators in the energy markets and for using a "glaringly incorrect data set" to defend its position that speculators provide market liquidity and follow price trends rather than set them. He specifically questioned the role of the CFTC as classifying swap dealers or large investment banks as commercial market participants. He also noted that the same level of transparency requirements that

are applicable to the agricultural markets are not currently applied to energy markets. As a result he urged the commission “to dig deeper” into the role of speculators in energy futures and options trading. He called on the CFTC to answers his various questions by no later than June 10, 2008.

NRG Energy officials today said that the company has yet to “receive a “substantive response” to its \$9.2 billion takeover bid for Calpine Corp.

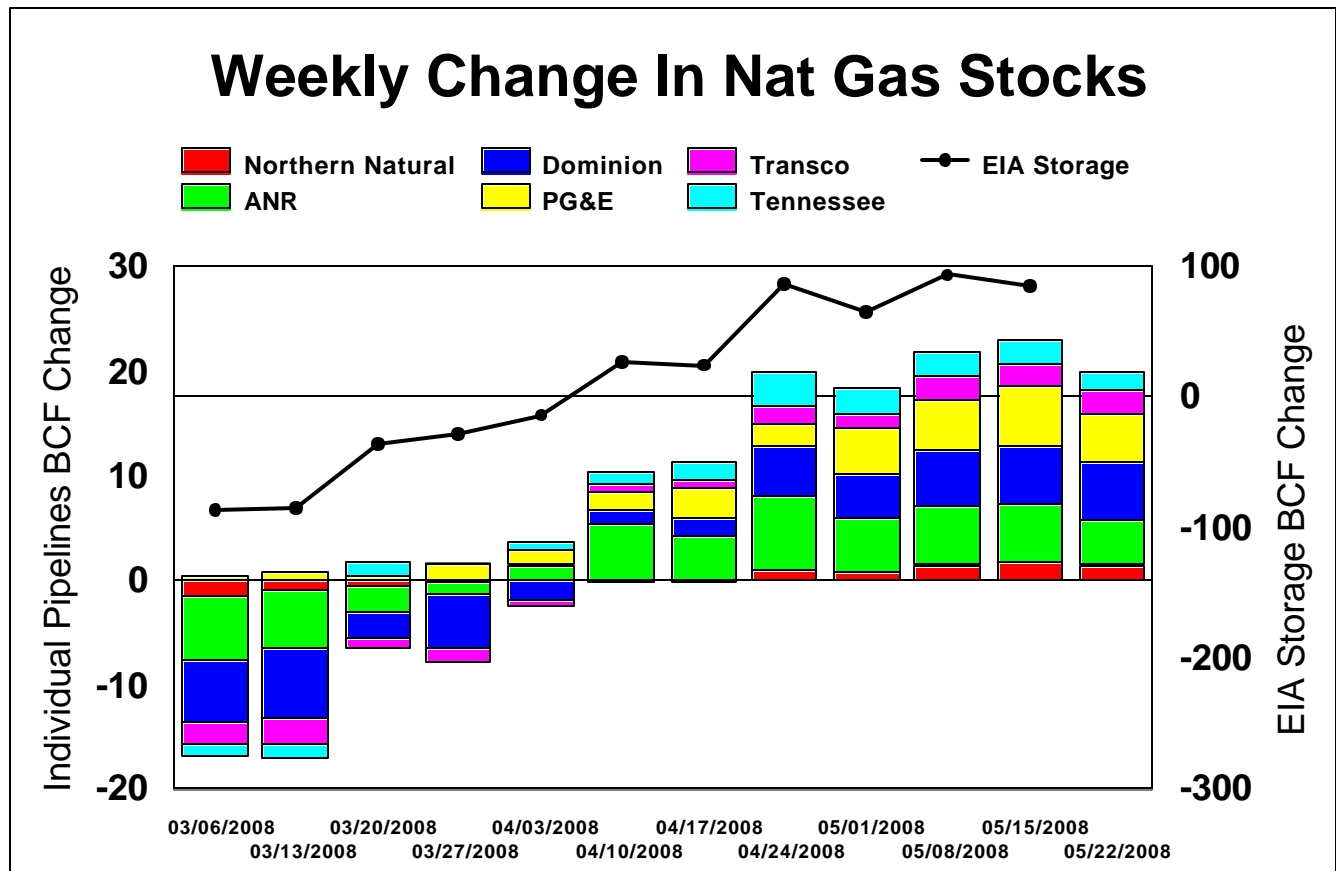
The Alaskan governor’s office said today that the TransCanada proposal to build an Alaskan natural gas pipeline would bring in \$261 billion in revenues for the state of Alaska and \$147 billion for Alaska’s major energy producers over a 25 year period. The governor has already endorsed the TransCanada pipeline plan. The Alaskan legislature is scheduled to take up debate on the topic on June 3rd.



PIPELINE RESTRICTIONS

FGT said that the expectations for 90+ degree weather in its Market Area over the next several days, could result in the company calling for an Overage Alert Day.

PG&E California Gas Transmission announced a system wide operational flow order will be in effect for May 29th due to high inventory. Tolerance was set at 5% with a Stage 2 non-compliance charge of \$1.00 Dth.



PIPELINE MAINTENANCE

Gulf South Pipeline said that unscheduled maintenance began on its Montpelier Compressor Station Unit #2 is expected to continue through June 1st.. Capacity through the station could be reduced by as much as 75,000 Dth/day.

TransColorado Gas Transmission said it will be performing maintenance at its Whitewater Compressor Station today. Capacity through Segment 220 will be limited to 340,000 Dth and through Segment 240 will be limited to 390,000 Dth. Based on current level of nominations, AOR/IT, secondary and primary FT quantities are at risk of not being fully scheduled.

Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg Price	Change	Basis	Change	Basis 5-Day
Location	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	1,181,300	\$11.601	(\$0.249)	(\$0.269)	(\$0.182)	(\$0.891)
Chicago City Gate	531,800	\$11.709	(\$0.281)	(\$0.161)	(\$0.172)	(\$0.114)
NGPL- TX/OK	948,800	\$11.199	(\$0.291)	(\$0.671)	(\$0.182)	(\$0.572)
SoCal	951,600	\$9.812	(\$0.540)	(\$2.058)	(\$0.431)	(\$1.975)
PG&E Citygate	673,400	\$11.162	(\$0.337)	(\$0.708)	(\$0.228)	(\$0.635)
Dominion-South	383,500	\$12.142	(\$0.273)	\$0.272	(\$0.164)	\$0.368
Transco Zone 6	244,900	\$12.204	(\$0.333)	\$0.334	(\$0.224)	\$0.457

MARKET COMMENTARY

The natural gas market started the trading day a bit weaker in part due to weaker cash values, but as the oil markets stabilized and worked higher this morning it dragged the natural gas market higher with it. But natural gas values topped out at mid morning and basically decoupled with oil prices as gas moved in a sideways pattern while oil moved higher. While the June contract had a brief rally on the close it could not be maintained and prices finished up basically seven plus cents across the board.

Traders will await tomorrow's EIA storage report for help in price direction. Currently the market is looking for a 84 bcf build in gas inventories, with our model coming a bit less with a 77 bcf increase. The same week a year ago saw an adjust build of 106 bcf, while the five year season gain is 92 bcf.

While forecasters appear to be hedging themselves on the potential development of a tropical depression in the western Caribbean later this week, this will still warrant watching but we feel that thi will eventually be a non event. As a result still do not feel that the \$12.00 price level is a good price level to establish a new long with the eventual return of the Independence Hub production into the market. as a result we prefer to remain patient and await lower values to establish a long position. We see resistance tomorrow at \$12.169 and \$12.209. Additional resistance we see at \$12.344, \$12.569, \$12.715 and \$12.986. Support we see at \$11.769, \$11.718, \$11.609 and \$11.544. Additioanl support we see at \$11.467, \$11.40 and \$11.369.