



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR MAY 28, 2009

NATURAL GAS MARKET NEWS

The Commerce Department reported this morning that new orders for U.S. manufactured goods rose more than expected in April, posting their largest gain in 16 months, up 1.9%. However, March orders were revised sharply lower, falling 2.1% from the previously reported 0.8% decline. Market expectations had been for a 0.4% rise. Meanwhile the Department of Labor reported that the number of U.S. workers filing new claims for jobless benefits dropped by 13,000 from last week to a seasonally adjusted 623,000. It was the second straight week in which new claims fell. But the prior week's numbers were revised upward by 5,000 so the decline was not as great as first seen. The number of people staying on benefit rolls after drawing an initial week of aid, increased by 110,000 to a higher than forecast 6.79 million for the week ending May 16th.

The EIA this morning revised its weekly natural gas data. The agency reported a revision in total stocks for the week ending May 15th. It lowered its prior estimate by 9 bcf to 2107 bcf. The agency also revised its estimates for total working stocks for the weeks of May 1st and May 8th by 9 and 8 bcf respectively. The agency said the revisions were made as a result of resubmissions by one or more respondents of their data.

BP's LNG tanker, British trader, is reportedly scheduled to arrive at Cove Point on June 6th from Trinidad. The terminal is expected to receive up to five cargoes of LNG in June, totaling up to 15 bcf of natural gas. Elsewhere the

Generator Problems

NPCC- Entergy's 1025 Mw Indian Point #3 nuclear unit was shut tis morning due to a high vibration on one of the two main boiler feed pumps.

FRCC – FPL's 693 Mw Turkey Point #4 nuclear unit was running at 40% capacity this morning, off 13% from yesterday.

SERC – TVA's 1126 Mw Sequoya #2 nuclear unit which at full power yesterday had tripped off line this morning due to a fault caused in a reactor protection system.

Operators at Southern's Hatch nuclear plant continued to ramp up production on both nuclear units. Unit #1 was at 72% capacity, up 35% from yesterday and Unit #2 was back to full power, up 4% from yesterday.

MISO – FPL's 513 Mw Point Beach #1 nuclear unit was at 72% power this morning up 17% from yesterday.

WSCC – APS has restarted its 1270 Mw Palo Verde #3 nuclear unit and the unit was at 12% power this morning. The unit has been off line since April 6th for regularly scheduled refueling and maintenance.

The NRC reported this morning that 90,025 nuclear generation capacity was on line, down 0.8% from yesterday and off 0.8% from the same time a year ago.

BG Group tanker Bluesky is expected to arrive at the Elba Island terminal on Friday from Egypt.

PECO reported that effective June 1, 2009 it will reduce its natural gas rate by 11%, on average, due to lower costs for buying wholesale gas on behalf of its customers.

EIA Weekly Report

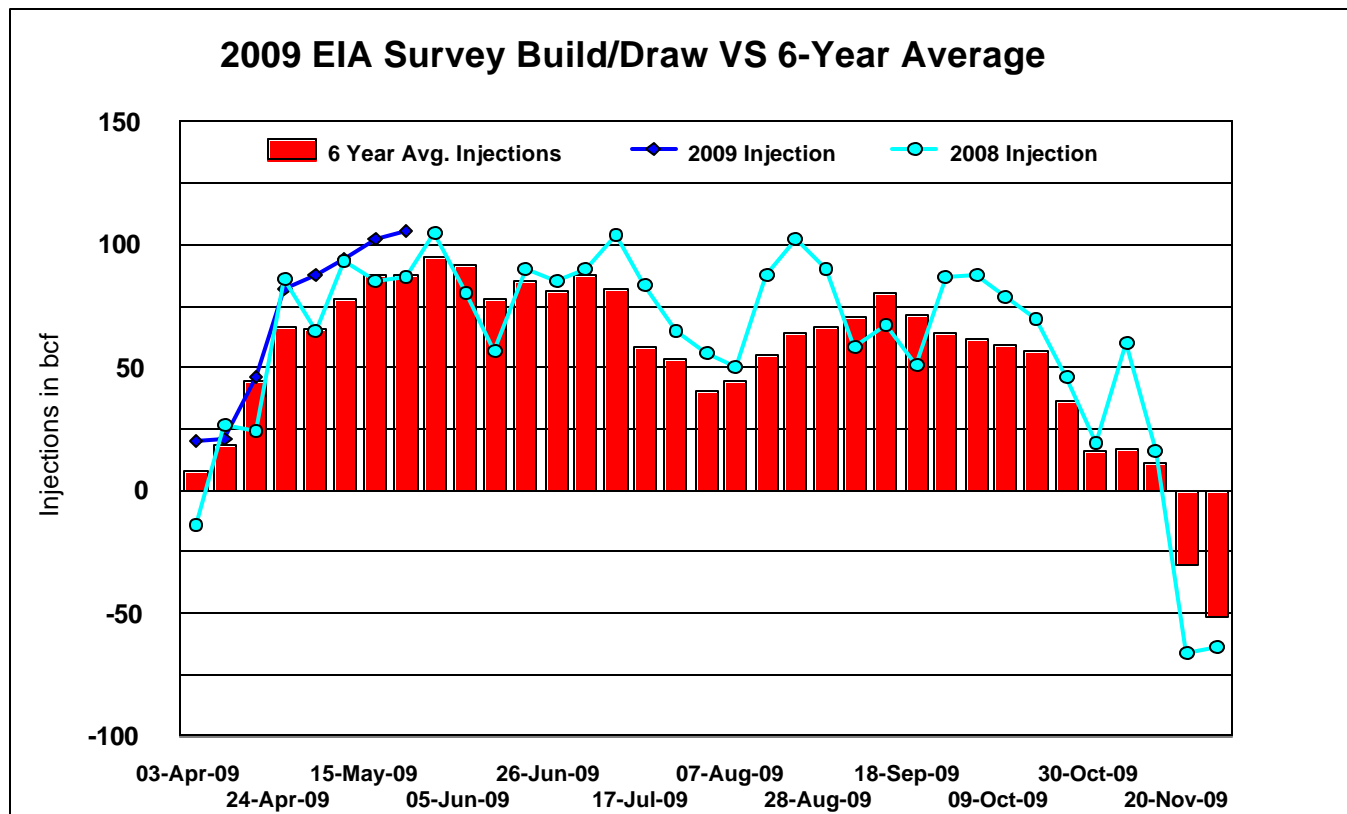
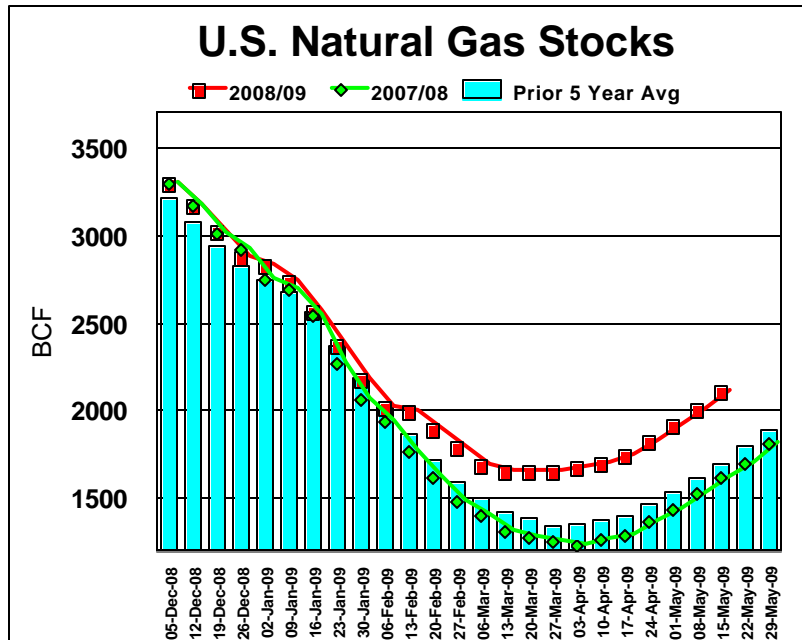
	05/22/2009	05/15/2009	Chg	Year Ag
Producing Region	900	870	30	618
Consuming East	953	892	61	838
Consuming West	360	345	15	232
Total US	2213	2107	106	1689

*storage figures in Bcf

Sonatrach said it is currently exporting 60 billion cubic meters of gas per year and is targeting 85 bcm by 2012.

The State oil Company of Azerbaijan said it is in talks with BP on developing deep natural gas deposits from the Caspian Sea's Azeri-Chirag-Gubeshi fields, which have previously yielded crude oil. The company believes significant gas deposits lie below the crude oil.

The first tropical depression of the Atlantic hurricane season formed today off the mid-Atlantic coast. While the storm has a 30% chance of becoming a tropical storm over the next 12-24 hours, it is not expected to be a threat to the U.S Northeast as it continues to move northeastward at 17 mph.



Canada's National Energy Board in its summer outlook released today said it expects oil to average \$50-\$60 a barrel and natural gas to average between \$3.20 and \$4.20 per Mmbtu this summer. The board also predicted adequate supplies of electricity after new generation came online in several regions and transmission capacity was expanded between Ontario and Quebec and between New Brunswick and the United States.

A trunk pipeline carrying natural gas exploded in the Russian region of Tver on Thursday. The pipeline typically supplies natural gas to Russia's northern regions. This is the second natural gas pipeline explosion this month in Russia. The other occurred earlier in this month in Moscow.

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	958,100	\$3.549	\$0.060	(\$0.348)	(\$0.371)	(\$0.305)
Chicago City Gate	453,000	\$3.326	(\$0.053)	(\$0.571)	(\$0.417)	(\$0.243)
NGPL- TX/OK	495,000	\$3.220	\$0.005	(\$0.677)	(\$0.359)	(\$0.379)
SoCal	325,900	\$2.098	(\$0.905)	(\$1.799)	(\$1.269)	(\$0.747)
PG&E Citygate	641,600	\$3.328	(\$0.002)	(\$0.569)	(\$0.366)	(\$0.231)
Dominion-South	240,200	\$3.726	(\$0.005)	(\$0.172)	(\$0.369)	\$0.113
UStTrade Weighted	16,628,300	\$3.309	(\$0.007)	(\$0.588)	(\$0.37)	(\$0.305)

PIPELINE RESTRICTIONS

California Gas Transmission issued a system wide OFO for today due to high inventory on its system. Customers were required to be within an 8% tolerance.

Tennessee Gas Pipeline said this morning that for today it anticipated restrictions on the Carthage Line Lateral. It restricted through approximately 63% of Supply to Market Secondary Out of the path nominations.

Canadian Gas Association

Weekly Storage Report

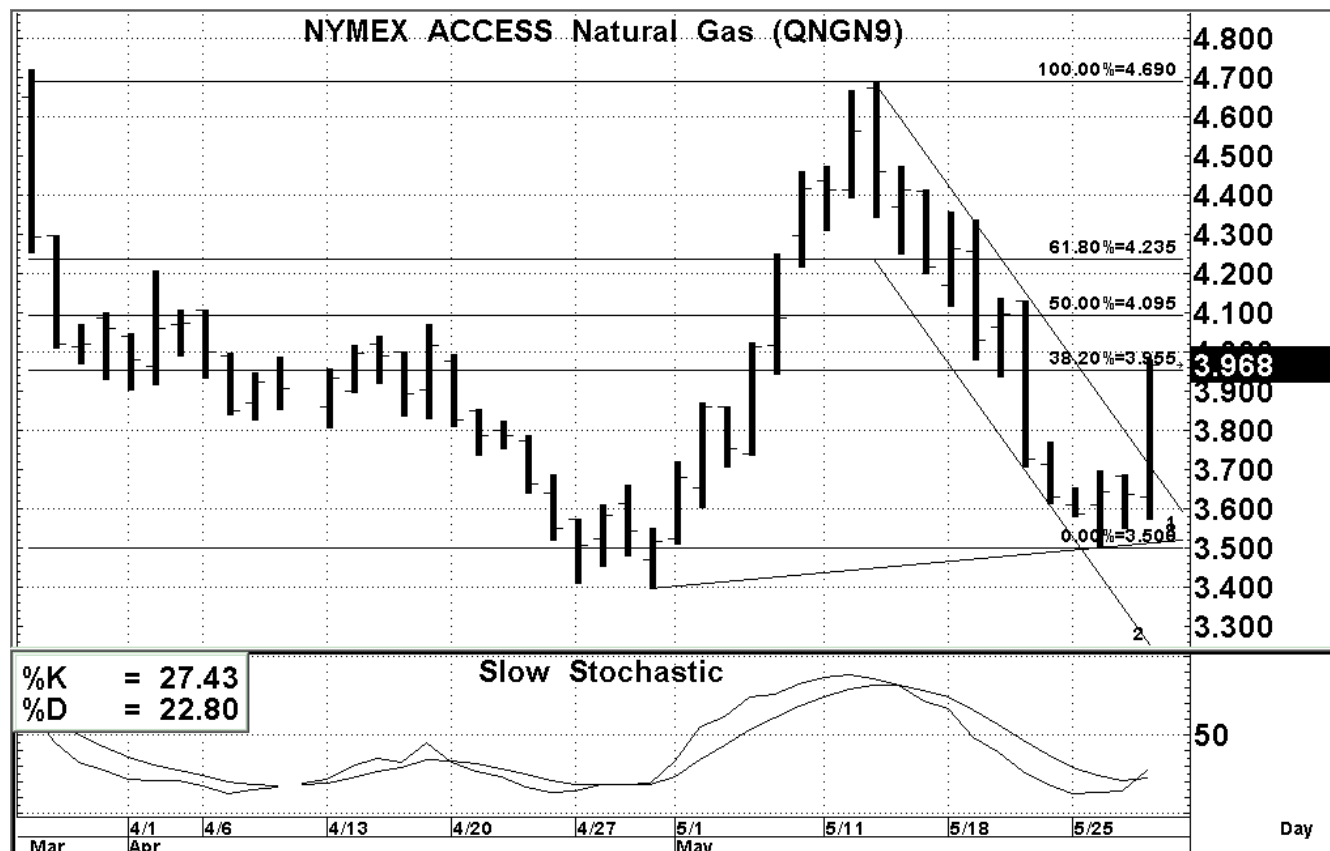
22-May-09 15-May-09 23-May-08

East	115.2	88.7	77.9
West	218.8	193.2	171.6
Total	334	281.9	249.6

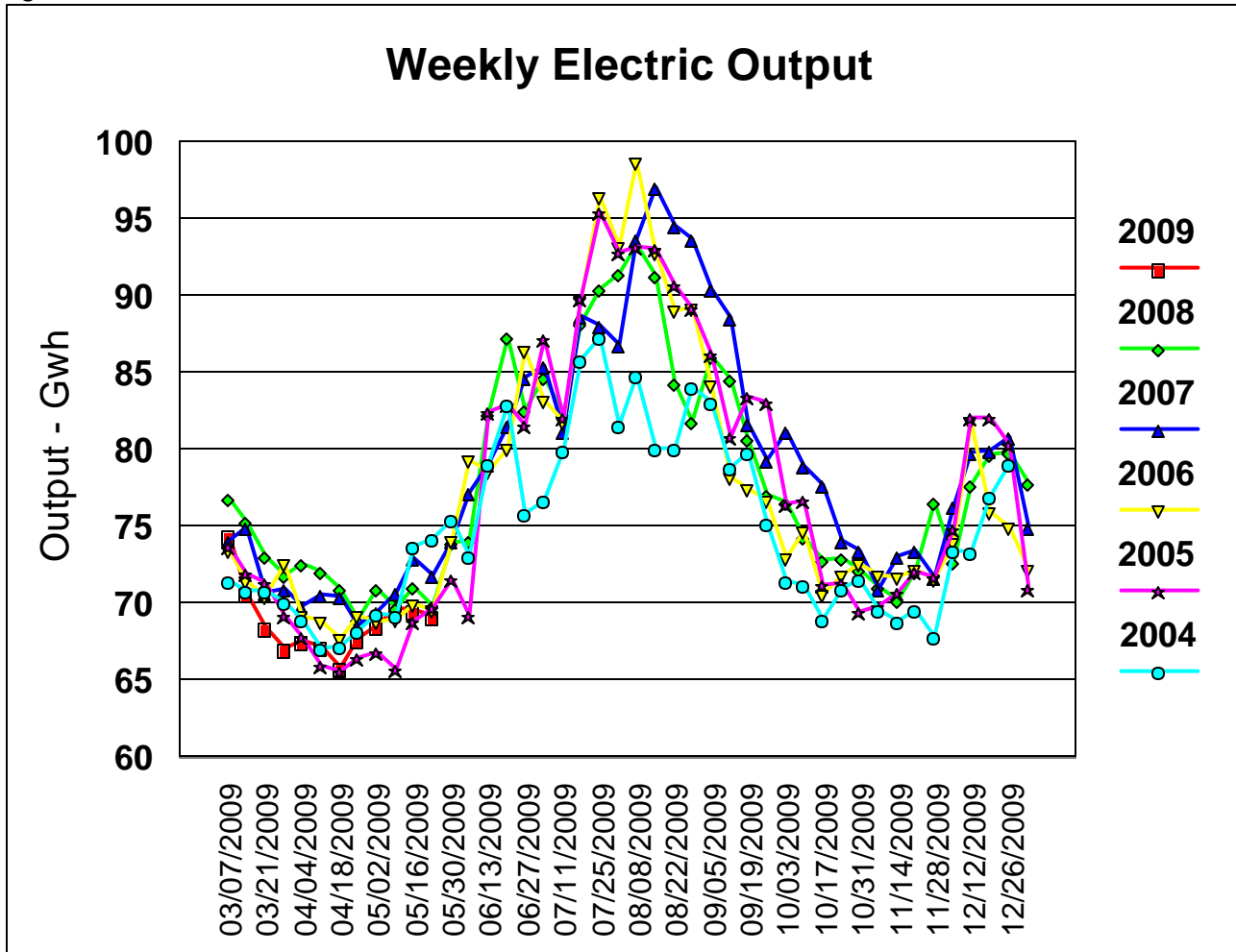
storage figures are in Bcf

ELECTRIC MARKET NEWS

Edison Electric Institute reported this morning that power production in the United States for the week

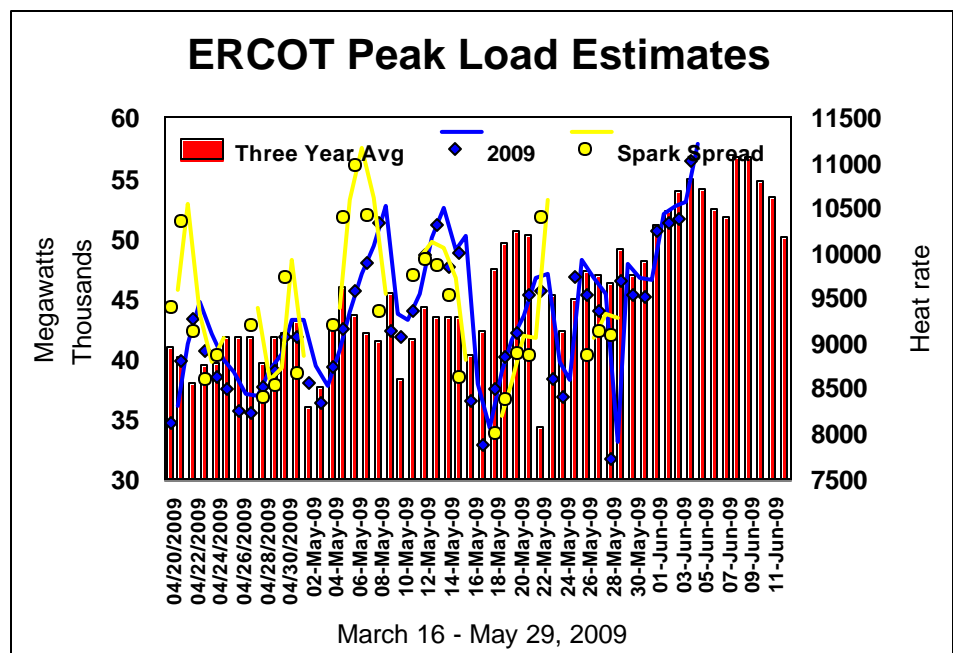


ending May 23rd stood at 69,050 Gwh, down 0.61% from the prior week and off some 6.9% from a year ago.



MARKET COMMENTARY

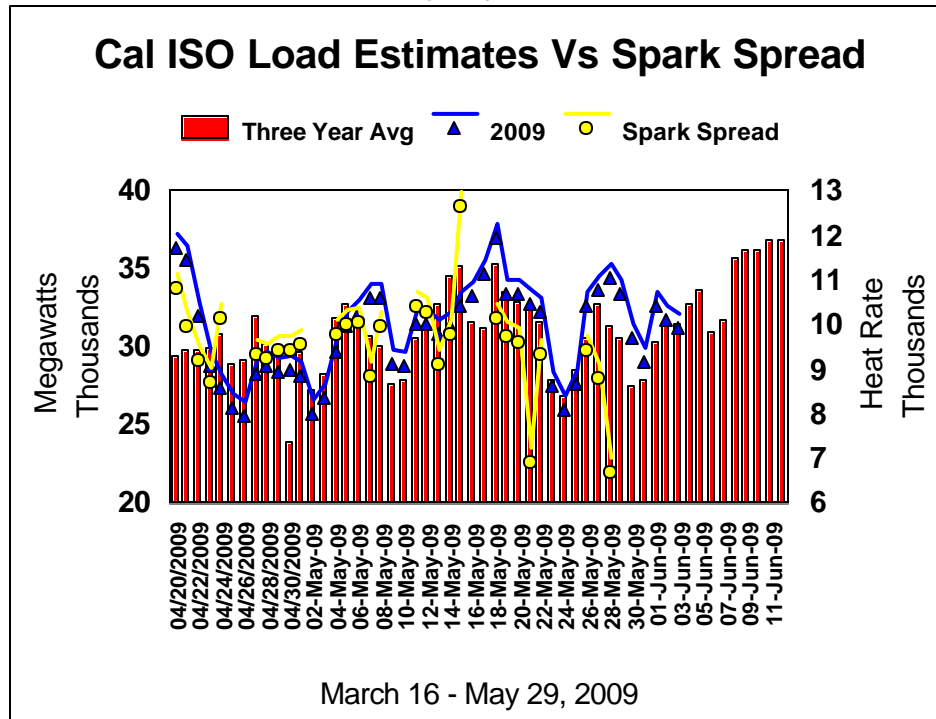
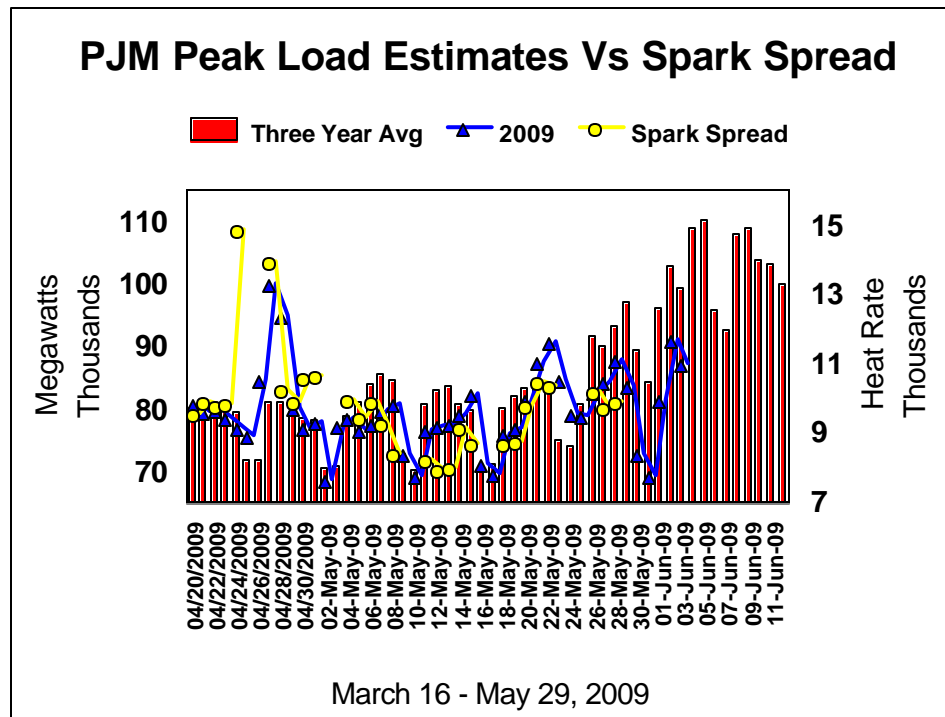
The natural gas market once again demonstrated the high probability of a volatile trading session following an inside trading day. This morning's prices surged above yesterday's highs following the release of the EIA storage report. While the actual inventory number was only several bcf less than market expectations, bulls took comfort in the news that last week's inventory number had been revised lower by 9 bcf thus making a storage number that was effectively 10-12 below consensus expectations.



Thus this news was enough to breach yesterday's highs as well as the upper end of a month long bearish channel which this morning was at \$3.719. The rally though seemed to stall out initially as prices had reached \$3.954 level basically a 38% retracement of the may sell off in the July contract. Prices though did push modestly through this level later in the day, but there appeared little follow through and prices flat lined for the remainder of the session.

While the daily stochastics have rolled over and now are pointing higher we are not a believer in this bull market. Instead we feel any move back over the \$4.00-\$4.20 price level is a selling opportunity given the fact that inventories are some 393 bcf above the five year seasonal average and 524

bcf above year ago seasonal levels. Thus with the expectations of a diminished threat to production from hurricanes and the lower prospects for a hot summer, we feel that this storage overhang will



increasingly weigh on this market in the coming weeks, especially as industrial demand appears will be extremely restricted this summer, as the auto industry goes through its restructuring process. We would also keep an eye on the March 2010-April 2010 spread in the coming days and if this spread rebounds back to a 20 cent plus March premium we would look to be a seller of this as well. This spread tonight finished at 14 cents.

NEW YORK MERCANTILE EXCHANGE(r)									
NYMEX OPTIONS CONTRACT LISTING FOR 05/28/2009									
				TODAY'S	PREVIOUS	ESTIMATED	DAILY	DAILY	
-----CONTRACT-----				SETTLE	SETTLE	VOLUME	HIGH	LOW	
LN	7	9	P	3	0.0299	0.0652	5800	0	0
LN	7	9	P	3.5	0.1186	0.2292	3655	0.24	0.15
LN	7	9	C	4.5	0.128	0.0667	2875	0.12	0.115
LN	7	9	C	4	0.2891	0.1656	2153	0	0
LN	8	9	P	3.5	0.2082	0.3102	1750	0	0
LN	7	9	C	5	0.0511	0.0247	1750	0	0
LN	7	9	P	2.5	0.0062	0.014	1550	0.005	0.005
LN	8	9	C	4	0.5027	0.343	1511	0	0
LN	8	9	P	3	0.0794	0.1313	1450	0	0
LN	8	9	C	4.5	0.3081	0.2002	1200	0	0
LN	7	9	P	3.25	0.0593	0.1308	1185	0.07	0.07
LN	11	9	C	7	0.2449	0.1899	1100	0	0
ON	7	9	C	4.4	0.152	0.081	1082	0.165	0.078
ON	7	9	C	3.9	0.336	0.196	1052	0.3	0.3
LN	11	9	P	4	0.3132	0.379	925	0	0
LN	8	9	P	2.5	0.0204	0.0388	850	0	0
LN	10	9	P	2	0.031	0.036	800	0.0325	0.03
LN	8	9	C	5	0.1832	0.1136	788	0.145	0.145
LN	7	9	C	3.75	0.4157	0.2504	700	0	0
LN	10	9	P	4	0.5308	0.6475	675	0	0
LN	10	9	C	5.5	0.3399	0.2502	675	0	0
LN	8	9	C	5.5	0.1064	0.0633	625	0	0
LN	7	9	C	3.65	0.4757	0.2927	585	0	0
LN	7	9	P	3.65	0.1688	0.3047	585	0	0
LN	10	9	C	5	0.4658	0.3501	575	0	0
LN	8	9	P	3.25	0.1337	0.2091	505	0	0
LN	9	9	C	4	0.6609	0.4898	500	0	0
LN	10	9	C	4	0.8608	0.6714	500	0	0
LN	7	9	C	5.25	0.0313	0.0147	500	0	0
LN	8	9	P	3.15	0.1096		500	0	0

NYMEX Most Active Spreads Traded on Globex May 29, 2009

Contract	LastPrc	Volume
JUL09:-1xAUG09	-124	15773
JUL09:-1xOCT09	-383	6872
JUL09:-1xSEP09	-221	3645
AUG09:-1xSEP09	-96	3361
SEP09:-1xOCT09	-160	2684
OCT09:-1xJAN10	-1714	2130
OCT09:-1xNOV09	-671	1668
AUG09:-1xOCT09	-250	1613
NOV09:-1xDEC09	-733	1076
MAR10:-1xAPR10	140	942
OCT09:-1xDEC09	-1404	734

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