



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR MAY 28, 2010

NATURAL GAS MARKET NEWS

The Commerce Department reported that US consumers saved more of their income in April, leaving spending flat last month even as prices remained low. Consumer spending was unchanged in April after rising by 0.6% in March. Incomes increased by 0.4%, mainly due to a gradual turnaround in the jobs market and low inflation.

Royal Dutch Shell Plc confirmed it acquired new position in high potential US shale gas acreage. Shell has acquired East Resources, a major player in the Marcellus Shale, with control of 1.05 million net acres. In 2010, Shell has added a total of about 1.3 million acres of North America gas acreage.

Shell estimated that these new positions have the potential to yield over 16 trillion cubic feet of gas equivalent of resources. East Resources has about 60 million standard cubic feet equivalent a day of production, mostly in natural gas.

Baker Hughes reported that the number of rigs searching for oil and natural gas in the US this week increased by 17 to 1,535. The number of rigs searching for natural gas fell by 2 to 967.

The Ejan liquefied natural gas tanker is expected to deliver a cargo to Belgium's Zeebrugge terminal on June 6th. The ship can carry 145,000 cubic meters of gas.

The LNG Finima liquefied natural gas tanker is due to arrive at Britain's Dragon terminal on June 3^d from Nigeria.

Iran has awarded a business unit of the elite Revolutionary Guards the rights to develop phases 13 and 14 of the South Pars gas field. The move comes after Royal Dutch Shell Plc and Repsol YPF SA were given two weeks on May 10th to say whether they wished to move forward on the two phases.

PIPELINE MAINTENANCE

Gulf South will perform pipeline maintenance on Index 301-4-2, the Bogalusa to Amite line, started June 1st and continuing for about 48 hours. It will also perform compressor maintenance at the Marksville Compressor Station on unit#2 on June 1st and continuing for about four days. Capacity

Generator Problems

MISO- Xcel Energy's 545 Mw Prairie Island #2 nuclear unit ramped up its power to 73% capacity on Friday from 21% on Thursday.

SERC- Dominion Power's 917 Mw North Anna 2 nuclear unit was shut early Friday after it automatically tripped from 100% capacity due to the loss of a reactor coolant pump.

Progress Energy's 938 Mw Brunswick #2 nuclear unit returned to 100% of capacity on Friday, up from 90% power on Thursday.

WSCC – APS said its 1270 Mw Palo Verde #1 nuclear unit ramped up its power to 85% on Friday, up from 55% power on Thursday.

SPP – Entergy's 1207 Mw Grand Gulf nuclear unit increased its power to 58% on Friday from 19% power on Thursday.

The NRC reported this morning that some 89,620 Mw of nuclear power was generated today, down 0.11% from yesterday but 0.11% above the same day a year ago.

through the Marksville Compressor Station could be reduced by as much as 150,000 Dth during the maintenance period.

PIPELINE RESTRICTIONS

Midcontinent Express Pipeline lifted a force majeure at Centerpoint-Delhi after unplanned maintenance on the filter separator was completed. It said effective for gas day May 27, intraday 1 flow from MEP to Centerpoint at this bi-directional interconnect will be fully available.

Northern Natural Gas expected to end a force majeure after it completes necessary equipment repairs at the Plains compressor station by Friday afternoon. It issued a force majeure on Thursday after it discovered a problem.

MARKET COMMENTARY

Unlike the oil market, the natural gas market ended the session in positive territory. It continued its upward trend but still remained within its sideways trading range. The market posted a low of \$4.26 early in the session but quickly bounced off that level. It rallied to a high of \$4.399 by mid-day amid firm cash prices. It later erased some of its gains only to see it bounce back ahead of the close. The market remained supported ahead of the long Memorial Day holiday weekend and settled up 4.7 cents at \$4.341. Volume during this recent move up has been gaining, with today's holiday session slightly lighter. We believe that this increase in volume is based on technical traders expecting the July contract to test the upper line of the slightly ascending sideways formation that can be depicted on a daily bar chart. At the start of next week, this trendline comes in set at \$4.604. Slow stochastics, having crossed to the upside, support further upside movement in prices. Eyes and ears will be on the weather forecasts as we approach the U.S. hurricane season. So far there are expectations of between 8–23 storms, with the possibility of forming up to 14 hurricanes. This will only add to the upside potential for prices.

The Commitment of Traders report showed that on a combined basis non-commercials cut their net long position by 9,727 contracts to 19,199 contracts while commercials cut their net short position by 14,528 contracts to 46,527 contracts. The disaggregated futures and options report showed that managed money funds increased their net short position by 19,907 contracts to 77,121 contracts in the week ending May 25th.