



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR MAY 29, 2009

NATURAL GAS MARKET NEWS

Economic news on Friday was a mixed bag. The Institute of Supply Management reported its Chicago business barometer fell to 34.9 in May from 40.1 in April. Expectations had been just for a modest number of 42. A reading below 50 indicates contraction in the regional economy. Meanwhile the group's Milwaukee business barometer rose to a seasonally adjusted May reading of 43 from an April number of 39. Meanwhile the Reuters/University of Michigan Surveys of Consumers said its final reading for May on consumer sentiment was 68.7, higher than the earlier May reading of 67.9 and a final reading of 65.1. The U.S. Commerce Department reported that the U.S. economy in the first quarter contracted slightly less than it had initially reported. It now sees GDP falling at a 5.7% rather than the 6.1% decline it reported last month. The Economic Cycle Research Institute said its weekly leading index ticked up to a 30 week high of 111.9 for the week ending May 22nd.

The CEO of Chesapeake Energy said yesterday that he looked for the Haynesville Shale will surpass the Barnett Shale play to become the largest source of domestic natural gas production by 2014 or 2015. He then expects the Marcellus Shale will in just a few short years later become the largest producing source.

Northwest Natural Gas Company said that due to current economic conditions, the company has requested an early refund to Oregon customers of \$32 million in gas cost savings achieved from November 1, 2008 to March 31, 2009.

International Oil Daily reported today that Yemen is stepping up its naval security arrangements to ward off potential piracy efforts as it prepares to start its LNG exports later this summer.

The US Natural Gas Fund (UNG) ETF posted a record traded volume on Thursday with over 48 million shares traded. Estimated volume on Friday was even higher with just over 49 million shares traded.

Generator Problems

NPCC- OPG's 494 Mw Lambton coal fired Unit #1 was shut for short-term maintenance on Friday.

Entergy's 1025 Mw Indian Point #3 nuclear unit remained off line after tripping off line early Thursday.

FRCC – FPL said its 693 Mw Turkey Point #4 nuclear unit was running at 43% capacity this morning up 3% from yesterday.

SERC – Progress Energy's 937 Mw Brunswick nuclear unit #2 was at 66% capacity, up 16% from Thursday.

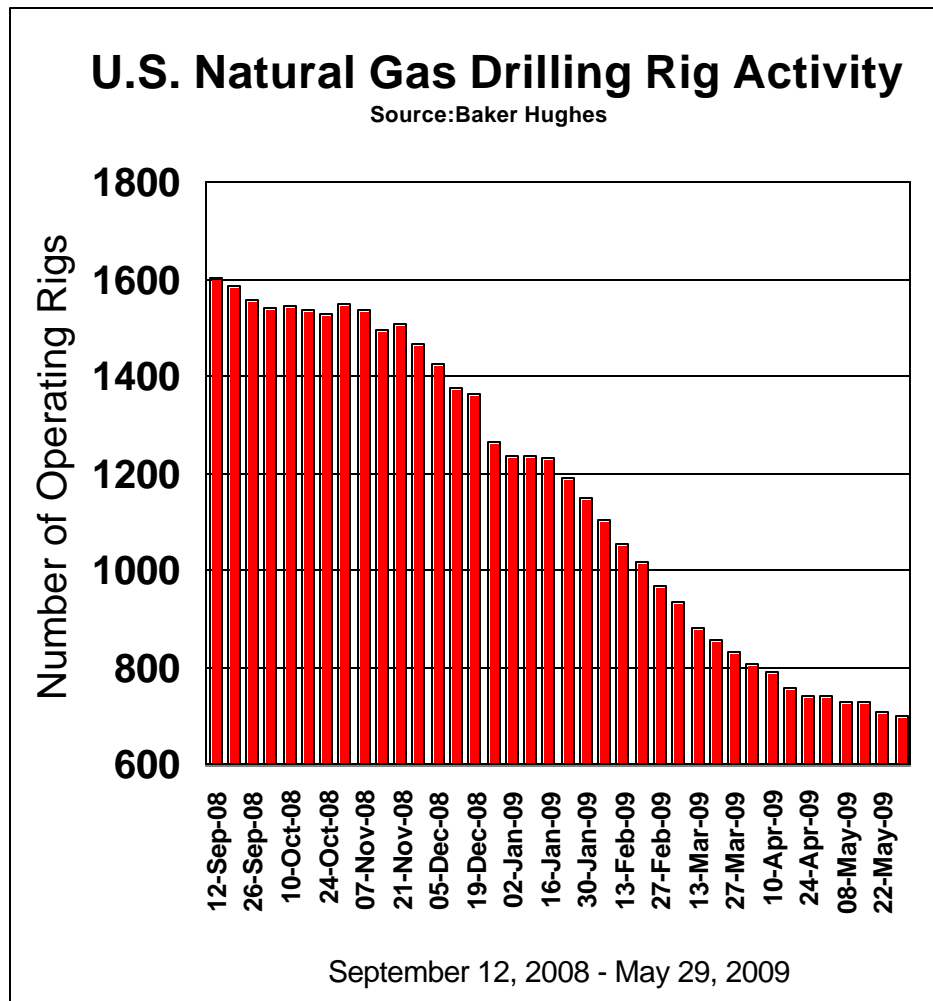
Southern Nuclear's 883 Mw Hatch #2 nuclear unit was at 84% capacity this morning up 12% from Thursday.

MISO – FPL's 513 Mw Point Beach #1 nuclear unit was at full power this morning up 28% from yesterday.

WSCC – APS 1270 Mw Palo Verde #3 nuclear unit was at 21% power this morning, up 9% from yesterday when the unit was restarted from its April 6th refueling outage.

The NRC reported this morning that 89,522 nuclear generation capacity was on line, down 0.6% from yesterday and off 2% from the same time a year ago.

Iran confirmed that it has started construction on the 1740-kilometer pipeline to carry Iranian natural gas through Turkey and onto consumers in Europe. The line is expected to move 20.4 billion cubic meters of gas a year from Iran's South Pars gas field.



GDF Suez LNG tanker, the Maran Gas Coronis, has docked at the Isle of Grain terminal on Friday afternoon.

Bloomberg reported that AMP Capital Investors, with \$95 billion under management, has said it is selling oil futures to buy natural gas contracts in anticipation of an "imminent" price spike. The group looks for fuel switching from oil to natural gas coupled with declining natural gas production and a slight uptick in industrial demand could lead to a price spike. Earlier this month AMP Capital upgraded its holdings of commodities to an "overweight" allocation from "underweight" taking money from its cash reserves on speculation demand with strengthen.

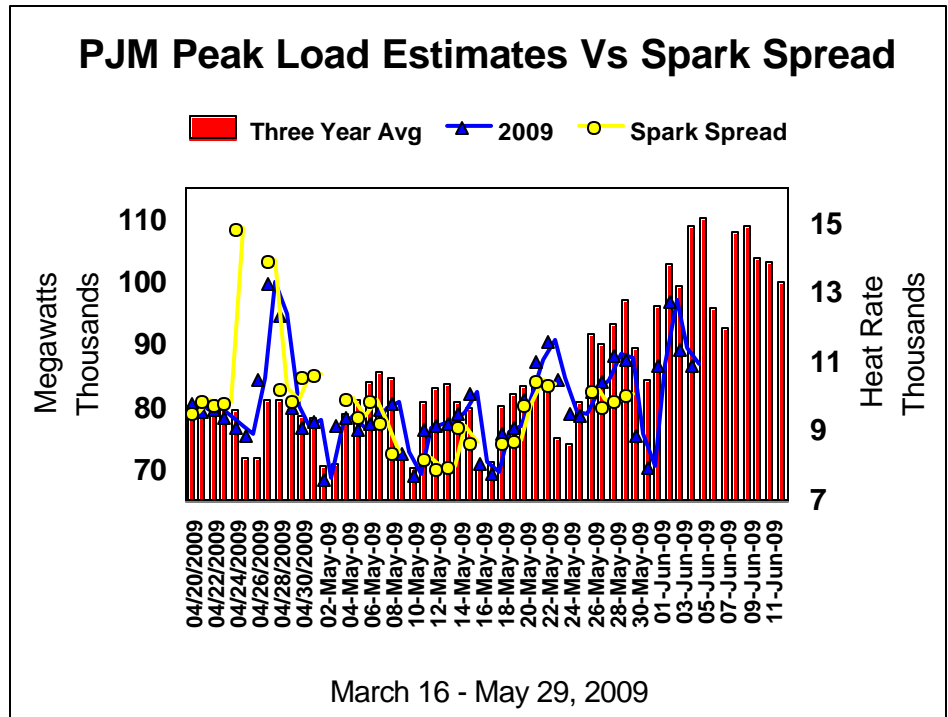
Europe and Russia to work together to prevent another crisis over natural gas supplies via the Ukraine. The head of Gazprom called for the parties to make financial investment in such projects as the South Stream pipeline but there was no time to lose.

Vermont Senator Sanders today urged federal regulators to stop speculators from "artificially" driving up energy prices. The senator called on the

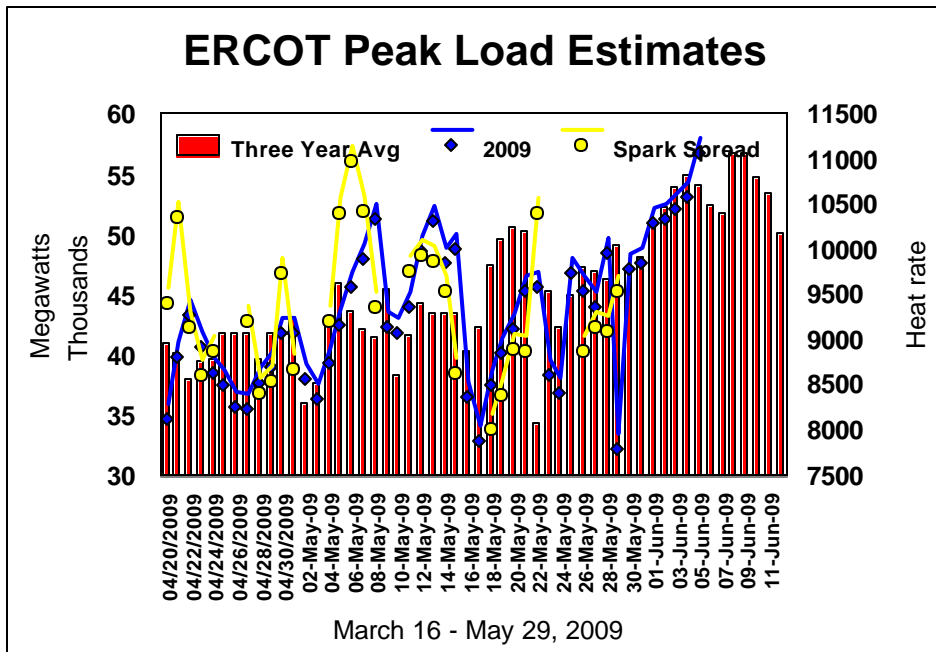
Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
Location	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	766,000	\$3.924	\$0.375	\$0.022	\$0.340	(\$0.339)
Chicago City Gate	614,200	\$3.676	\$0.350	(\$0.226)	\$0.345	(\$0.294)
NGPL- TX/OK	783,400	\$3.594	\$0.374	(\$0.308)	\$0.369	(\$0.411)
SoCal	308,400	\$3.303	\$0.204	(\$0.600)	\$0.199	(\$0.614)
PG&E Citygate	579,200	\$3.641	\$0.313	(\$0.261)	\$0.308	(\$0.292)
Dominion-South	262,300	\$4.083	\$0.358	\$0.181	\$0.353	\$0.085
UTrade Weighted	17,082,000	\$3.655	\$0.345	(\$0.247)	\$0.34	(\$0.339)

CFTC to use its emergency powers, which include the authority to impose speculation limits, increased margin requirements and suspend trading, in order to ensure that oil prices accurately reflect supply and demand.

The U.S. Geological Survey reported today that its recent drilling program with an industry consortium in the Gulf of Mexico confirmed that gas hydrate energy resources targets with the potential for commercial gas production can be predicted and found via a successful drilling program. This is the first such potential production area where this has been accomplished. Gas hydrate, a substance comprised of natural gas and water, is thought to exist in great abundance in nature and has the potential to be a significant new energy source to meet future energy demand. The consortium noted that the Gulf of Mexico appears to contain very thick and concentrated gas-hydrate bearing reservoir rocks.



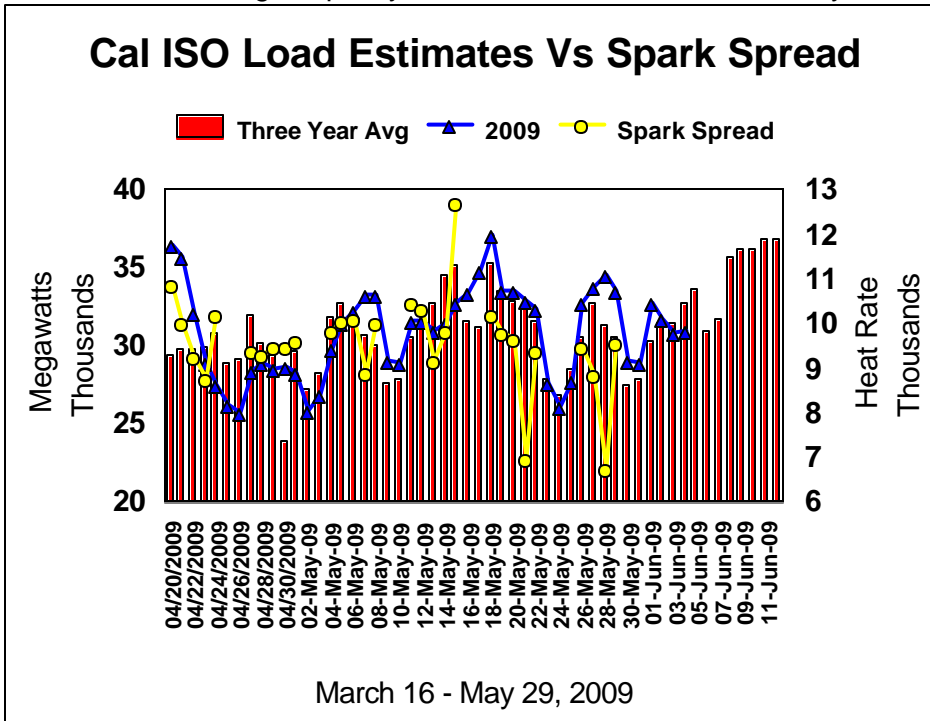
Baker Hughes reported today that for the week ending May 29th the number of drilling rigs searching for natural gas in the United States stood at 703, down 8 from the prior week. This was a new 6 and 1/2 year low for drilling activity. But the pace of the shutdown in rigs seems to be moderating in recent weeks.



The Delaware River Basin Commission said that due to its concerns over water withdrawals, wastewater disposals and other activities associated with drilling in the Marcellus shale region in the Delaware River basin, it has required energy companies to obtain its approval before beginning extraction. While there is currently no current gas development in the region, the commission has received 100 applications for approval so far.

Greece said on Friday that it will store more LNG to secure supplies in case of disruptions, like the one this past winter. The country will build a third LNG tank at its LNG terminal of Revythousa near Athens.

The expansion would provide the terminal with a 40% higher send out rate and would be completed by 2013. Current storage capacity is 130,000 cubic meters, or 5 days of current Greek demand.



PIPELINE MAINTENANCE

Panhandle Pipeline said late yesterday that the maintenance associated with the Centralia 200 Line outage has been completed. Effective May 29th primary and secondary in path nominations were being scheduled. On May 20th the company reported a line break upstream of the Centralia Compressor Station on the 200 line.

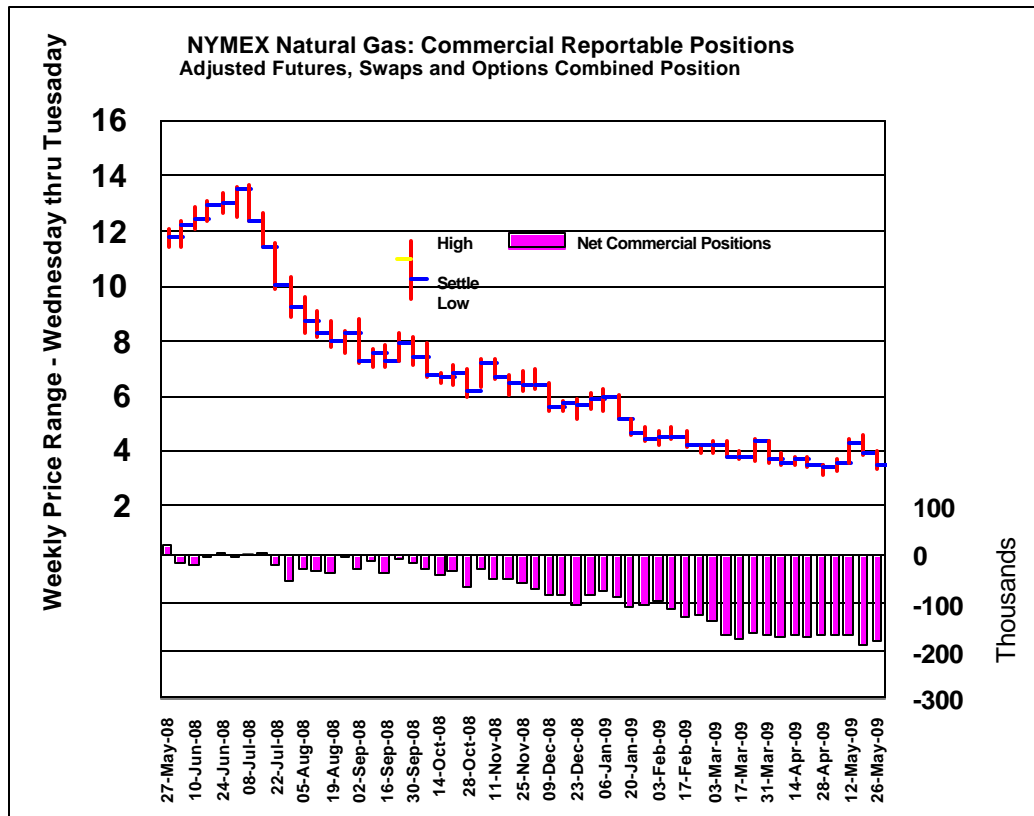
PIPELINE RESTRICTIONS

Southern LNG issued a notice to all shippers indicating that previously scheduled critical piping tie-ins associated with the Elba

III expansion will affect the facility capacity starting around midnight May 29th through May 31st. During this time the company will have no capability to send out or unload cargoes. Beginning June 1st through June 2nd, send out capability will be limited to 675 Mmcf/d and there will be no cargo off loading. Send out capacity will be limited to 675 Mmcf/d on June 3rd through June 11th.

Colorado Interstate Gas issued an OFO at Keys South Compressor for May 30th and until further notice. Capacity at the station will be reduced from 218 MMcf/d to 200 MMcf/d due to a failure in the system control process at KEC, located in the Oklahoma Panhandle on Segment 119.

CGT issued a system wide OFO



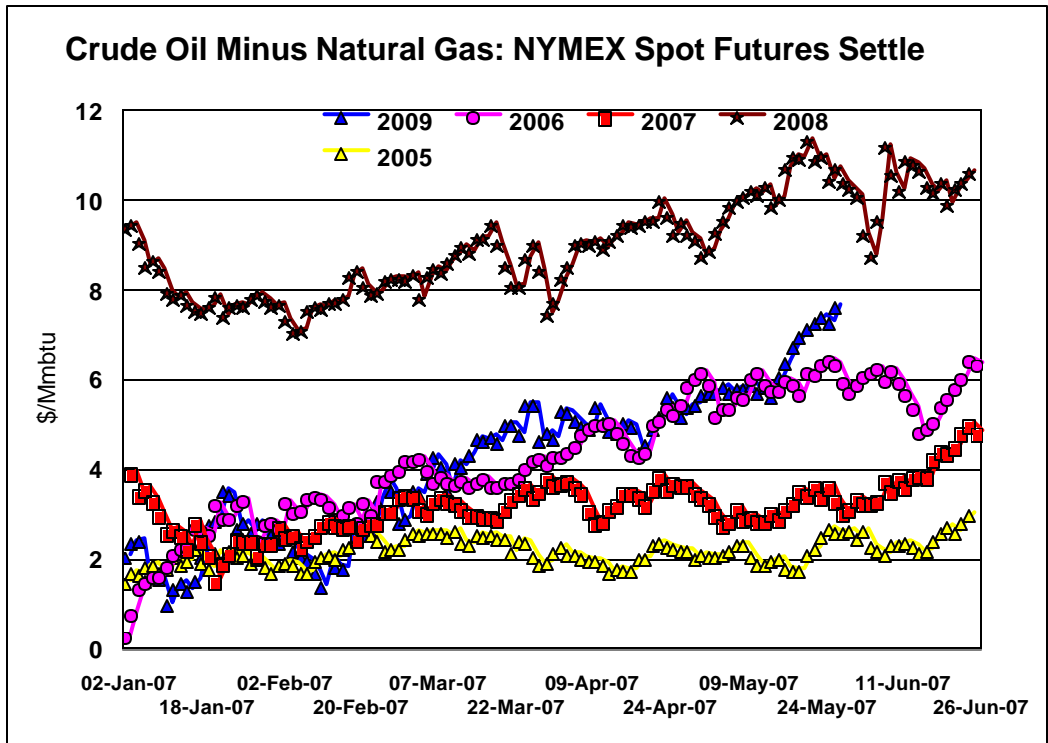
for May 29th due to high inventory. The company placed a 13% tolerance requirement.

Transco Pipeline issued a notice of a potential OFO for Receipt and Delivery Balancing based on weather forecasts and current operating conditions.

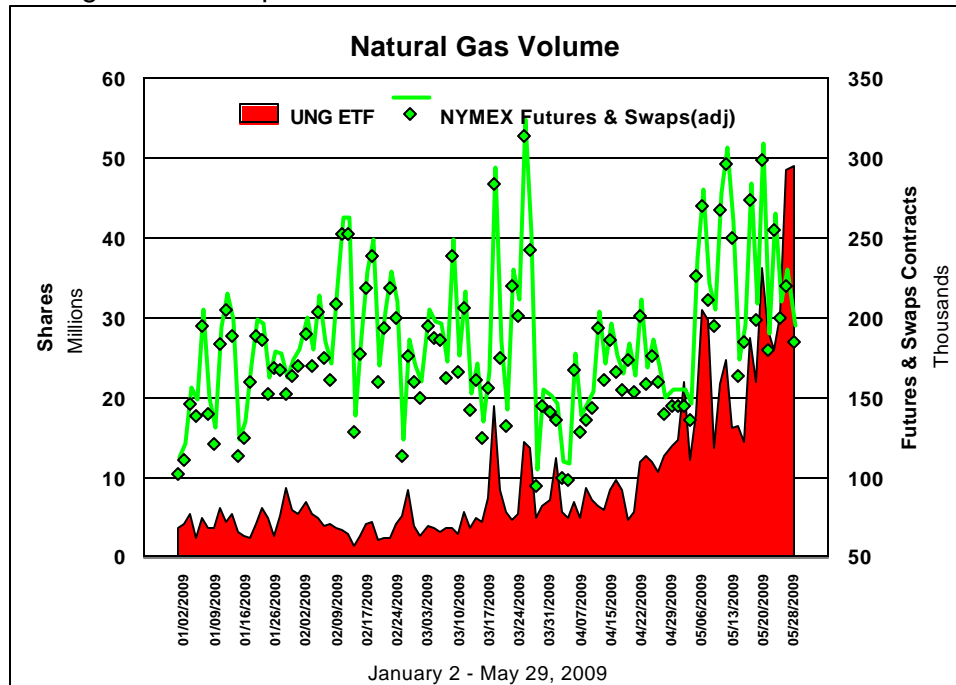
Tennessee Gas Pipeline said effective for today it anticipated restrictions along its Carthage Line Lateral. The company restricted through approximately 20% of Supply to market Secondary Out of the Path nominations pathed from meters along the line.

ELECTRIC MARKET NEWS

Genscape reported that it U.S. national coal burn index was up 2% fro the previous week but was still 7% below the same week a year ago.



The EIA reported that U.S. coal production for the week ending May 23rd stood 20.2 million tons some 4% higher than the previous week but some 7% less than the same week a year ago.



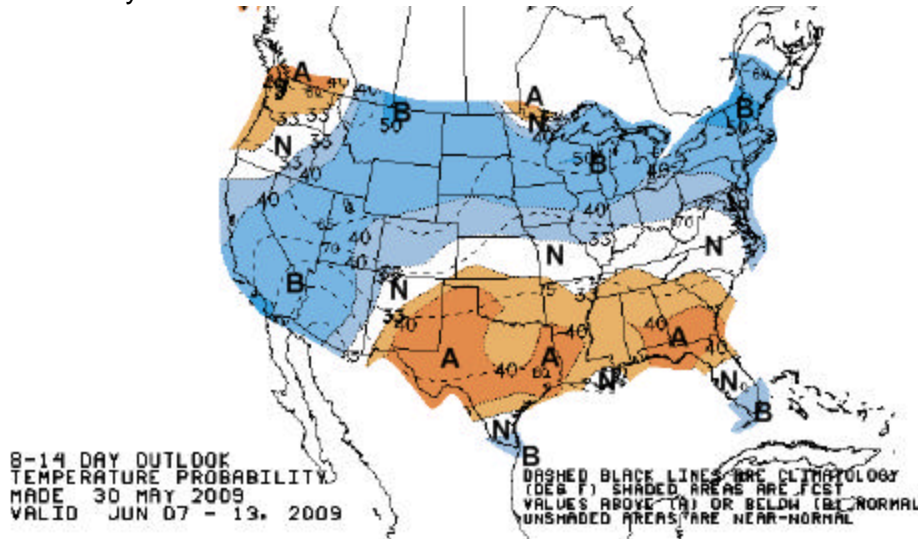
LS Power announced today that it plans to build a 780 Mw natural gas fired power plant in Lent, Minnesota.

The U.S. Northwest River Forecast Center today predicted water runoff at the Dalles Dam for the April-September period would be 87% of normal, 1% less than last week's forecast. It also lowered its forecast at the grand Coulee Dam by 1% to 88% of normal.

PPL said today it has agreed to sell its power

generation business on New York's Long Island to J-Power USA for \$135 million plus working capital. The business consists of a 79.9 Mw natural gas fired power plant and a 79.9 Mw oil fired unit. The power from both plants is contracted to the Long Island Power Authority.

ERCOT today lowered their 2009 summer power forecast. ERCOT expects peak summer demand of 63,491 Mw, down nearly 4.2% from 2008's forecast but above 2008's actual demand peak, which was reduced by cooler weather.



MARKET COMMENTARY

The natural gas market today continues to closely test key Fibonacci levels. This morning's rally slightly exceeded the 50% retracement of the May sell off by less than a penny before it stalled out and some selling moved prices lower despite the strength of the oil markets. The sell off in natural gas from mid morning and into the afternoon basically gave back half the gains recorded

on the week before stalling out on the close, as bulls were not anxious to carry home long positions given the relatively mild forecast seen over the first half of June. While today saw yet another record session of trading volume in the natural gas ETF, the combined futures and swaps basis Henry Hub saw a more subdued trading session.

Despite what appears to be continued speculative interest in the natural gas market, the supply/demand balance for natural gas continues to raise its head and weigh on any rallies in this market as it attempts to follow equity and oil markets higher. We continue to look to be a scale up seller of the July contract from \$4.00 upwards. We see resistance Monday at \$4.10-\$4.138 followed by \$4.235 and \$4.261. More distant key resistance is at \$4.69. Support we see at \$3.80 followed by \$3.731, \$3.643 with major support at \$3.524, \$3.395 and \$3.25.

The Commitment of Traders Report provided little insight into the natural gas market since the data was through Tuesday, May 26th one day prior to the expiration of the June contract. While all three trader classes saw overall decline in positions, the commercial sector saw its net short position of futures, swaps and options decrease by 9,163 lots, while non-commercials and small specs decreased their net long positions by 8,346 and 815 lots respectively.