



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR MAY 30, 2008

NATURAL GAS MARKET NEWS

Barclay's Capital said yesterday that the U.S. natural gas market should experience heightened volatility over the remainder of this year and prices should remain strong. The bank noted that while the run up in oil prices had a role in supporting gas prices, the fundamentals of the gas market itself are playing a role, with "U.S. gas storage levels acting as the chief agitator. They noted that while domestic production is growing, it is not sufficient to fill storage. The analysts also noted U.S. demand for natural gas is robust underpinned by nearly inelastic power demand and the increasing use of gas for fertilizer, steel, ethanol and synthetic oil production. All these factors add up to a tight market. They note as the summer gets hotter and hurricane risks in the Gulf of Mexico emerge, they see price spikes well above current levels. While they see price spikes unlocking new layers of supply, the time lag for this new supply will be relatively long. The bank sees gas prices averaging \$10.70 per Mmbtu in the second quarter, \$11.80 in the third quarter of this year and \$11.70 in the final three months of 2008.

Generator Problems

NPCC – OPG's 535 Mw Units #3 and #4 at the Lennox oil and gas fired power plants returned to service today after going off line yesterday.

OPG's 490 Mw Unit #5 at the Nanticoke coal fired power station returned to service today, after being off line yesterday for repairs.

Dominion Energy's 866 Mw Millstone #2 nuclear unit was at full power this morning up 19% from Thursday.

PJM – Exelon's 1112 Mw Peach Bottom #3 nuclear unit was back to full power this morning, up 11% from yesterday.

SERC – TVA's 1121 Watts Bar nuclear unit was back to full power this morning up 8% from yesterday.

WSCC- SSCE's 1080 Mw San Onfre 3 nuclear unit was at 99% of power on Friday, up 19% from Thursday.

The NRC reported that 91,3324 Mw of nuclear capacity is online, up 0.6 % from yesterday and up 2.39% on the year.

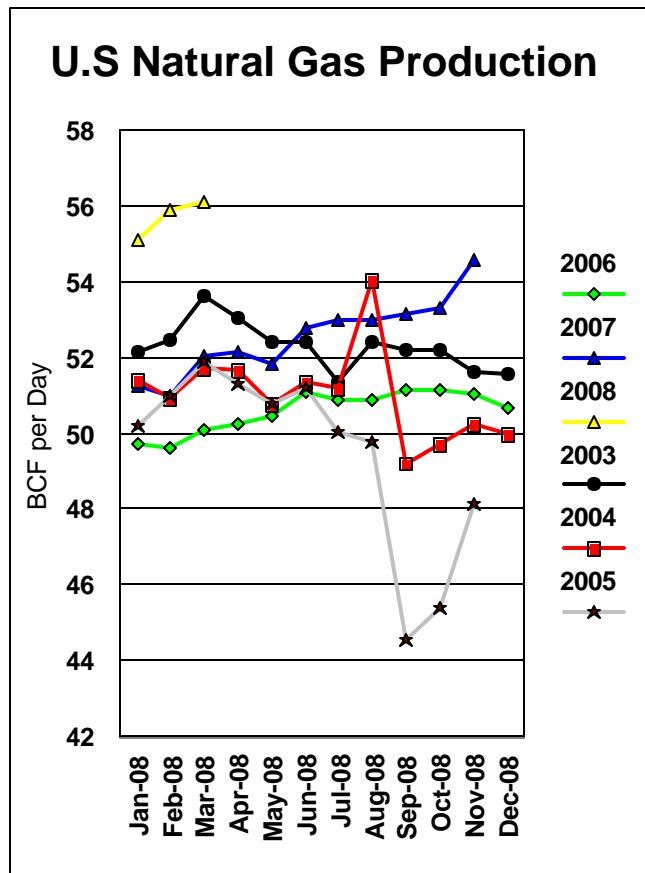
The EIA today released its latest Natural Gas Monthly report, for the period ending March 2008. It estimated that domestic production of natural gas rose for the second month in a row and for the sixth time out of the last seven months. The agency estimated production at 56.1 bcf/d up 7.8% from the same time a year ago. Net imports on the month were pegged at 8.5 bcf/d, some 3.7% higher than February levels but 18.3% less than the same time

a year ago. As a result net supply was 64.7 bcf on the month some 3.46% more than the same month a year ago. LNG imports on the month were estimated at 0.76 bcf/d some 73% less than the same month a year ago. Consumption was estimated at 73 bcf/d up 7.2% from March

Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
<u>Location</u>	<u>Traded</u>	<u>Price</u>		(As of 12:30 PM)		<u>Moving Avg</u>
Henry Hub	1,077,600	\$11.434	(\$0.372)	(\$0.219)	(\$0.232)	(\$1.042)
Chicago City Gate	598,900	\$11.371	(\$0.416)	(\$0.282)	(\$0.330)	(\$0.121)
NGPL- TX/OK	786,800	\$11.054	(\$0.346)	(\$0.599)	(\$0.260)	(\$0.546)
SoCal	1,162,900	\$8.582	(\$0.084)	(\$3.071)	\$0.002	(\$2.605)
PG&E Citygate	679,400	\$10.927	(\$0.167)	(\$0.726)	(\$0.081)	(\$0.640)
Dominion-South	246,600	\$11.891	(\$0.338)	\$0.238	(\$0.252)	\$0.357
Transco Zone 6	90,800	\$12.042	(\$0.343)	\$0.388	(\$0.257)	\$0.462

2007. All four consuming sectors showed year on year increases with residential, commercial and industrial sectors in March up 6.6%, 6.5% and 6.9% respectively. The electrical generation sector saw the largest year on year gain growing by 8.6%. The agency also estimated end of March working gas inventories at 1.247 tcf only 47 bcf higher than the weekly storage report for the same period.

Baker Hughes reported today that for the week ending May 30th, some 1,479 rigs were search for natural gas in the United States, down 14 on the week and some 5 less than the same week a year ago.



Congressional observers believe that there is enough votes in the Senate to allow the debate of the proposed greenhouse gas reduction bill in the chamber but it remains unclear if the bill will be able to advance, given the threat of filibusters and other members looking at the legislation as a political exercise rather than a legislative one before the elections later this year.

Sempra's Chief Operating Officer said that despite delays at several of its LNG projects and the poor price economics for importing LNG into the U.S., they remain bullish on their LNG activities and that they see the Costa Azul facility in Mexico that began operations earlier this month to have at least 25% of its capacity used at any given time starting next year.

Spectra Energy has launched an open season to solicit participation in the expansion of raw natural gas transmission capacity in the Horn River Basin area near Fort Nelson, in northeast British Columbia.

Tropical Storm Alma moved ashore late yesterday in Central America and was dissipating over land today. Forecasters say there is the potential for the remnants of the storm could emerge into the Bay of Honduras later today before moving westward and tracking into Belize and the Yucatan Peninsula late Friday and into Saturday. Forecasting models seem to place the remnants of this system remaining near the Bay of

Campeche and moving in an erratic loop-de-loop pattern over this region over much of next week. But while this system could eventually re-intensify it does not appear will ever pose a threat to the U.S. coastline.

The FERC staff has prepared a Final Environmental Impact Statement for the Midcontinent Express Pipeline project, which would consist of approximately 500 miles of new 30, 36 and 42-inch diameter pipelines running between Oklahoma and Alabama,

PIPELINE RESTRICTIONS

FGT announced today that it was extending its Overage Alert Day again today.

PIPELINE MAINTENANCE

SONAT said that it expects the unscheduled engine outage at the White Castle Compressor Station, which began back on May6th should be completed by June 16th. The company does not anticipate any impact to Firm capacity, however the company sees a 40,000 Dth reduction in available IT capacity.

El Paso Natural Gas said yesterday that the Schafer #3 fuel control valve failure will necessitate a replacement valve. The company does not expect the unit back in service until June 1st. The company sees capacity reduced by 150 Mmcf.

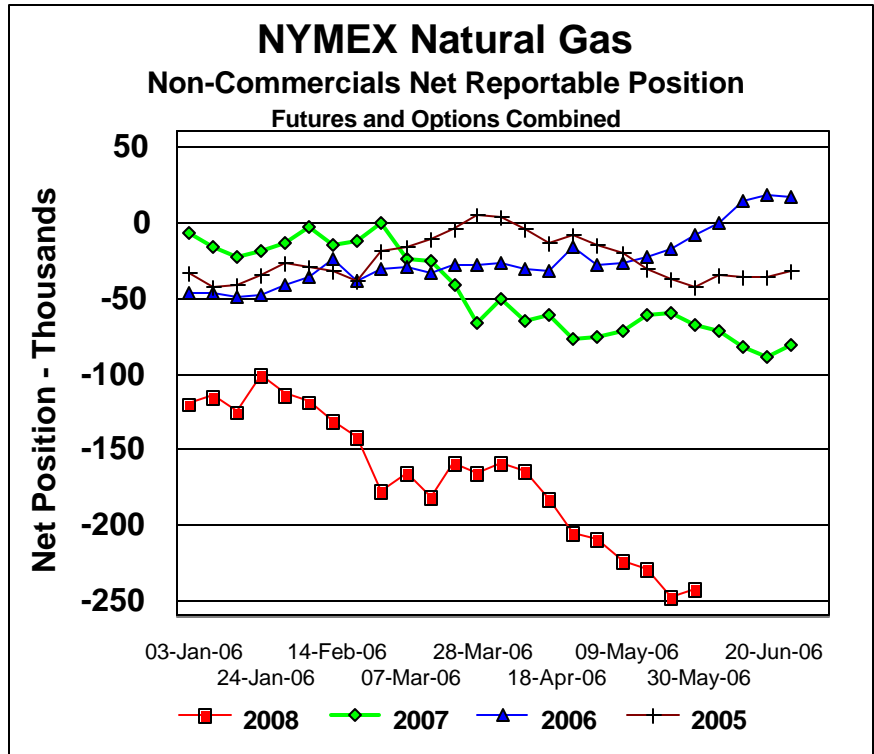
ELECTRIC MARKET NEWS

Calpine Corp said today that it was rejecting the NRG Energy \$11 billion offer as inadequate and the company may seek further negotiations. NRG said it was disappointed by Calpine’s rejection but it was still interested in a combination with the company.

Progress Energy Florida announced that on June 12th, the company will issue a RFP to supply approximately 1200 Mw of generating capacity beginning in 2013. Proposals will compete with progress Energy’s self-build option consisting of a highly efficient, combined cycle, natural gas unit to be built on company property at its existing Suwannee plant. The proposed unit will have an in service date of June 1, 2013.

The U.S. Northwest River Forecast Center yesterday reported that they predict that water flows through the Dalles Dam on the Columbia River from April through September will be at 100% of normal up 5% from its forecast two weeks Ago. Water flows through the Grand Coulee Dam and the Lower granite Dam were also revised higher 4% and 5% respectively, to 101% and 100% of normal.

The DOE reported yesterday that the U.S. wind power capacity increased by 46% in 2007, making it the fastest growing wind power market in the world for the third straight year. Wind projects account for 35% of all new U.S. electric generating capacity in 2007.



SCE&G today filed a combined application with the South Carolina Public Service Commission and the Office of Regulatory Staff for the construction of two 1117 Mw nuclear generating units at the site of the existing Summer nuclear station.

The California Public Utilities Commission yesterday approved Southern California Edison to enter into a contract for a new project that could be on line by August 2010. The 10-year contract with Blythe Energy is for up to 490 Mw of expected capacity and energy from an existing power plant that will be connected to Edison’s service territory via a recently constructed, 67-mile transmission line.

MARKET COMMENTARY

The natural gas market overnight held yesterday’s lows and as a result

spent the day gradually working higher. This price recover was assisted by the usual Friday strength found in the oil markets, despite a weaker cash market and a relative outlook for normal heating cooling and heating demand over the next two weeks. The futures market though posted an inside trading session which again acts as a warning signal to us that Monday could be a volatile trading session. The last time the July posted an inside trading session was back on Friday, May 2nd to be followed the following Monday with a settlement that was 40 cents higher.

We would look for this market to work lower on Monday if as expected the tropical threat to the Gulf of Mexico remains non-existent and temperature forecasts remain moderate. We look for the \$11.43 area to be critical support area and if this can be breached we think a fresh wave of selling could roll into the market. We see additional support at \$11.322, \$11.194 and \$11.00. Resistance we see at \$11.82-\$11.83, \$11.91, \$11.958, and \$12.149.

Tthis afternoon's Commitment of Traders Report showed that for the week ending May 27th, non commercials combined futures and options net short position was reduced by 5,013 lots off of last weeks recor short position.