



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR APRIL 4, 2011

NATURAL GAS MARKET NEWS

North America

The U.S. Climate Prediction Center estimated that heating demand this week on a gas home heating weighted basis would reach 80 HDD some 25.2% less than normal but some 23% more than the same time a year ago.

The U.S. Secretary of Transportation announced today a series of initiatives aimed at increasing scrutiny of the nation's oil and natural gas pipeline infrastructure. The Obama administration is seeking Congressional approval to increase the maximum civil penalties for pipeline safety violations and to boost the Transportation Department's staff of inspectors. The department also called on Congress to close loopholes and strengthen data reporting to better identify pipeline safety risks.

The Millennium Pipeline this past Friday began a binding open season to gauge customer interest in shipping natural gas on its New York pipeline. The open season runs through April 15th and is seeking firm transportation capacity starting July 1st to support mainline expansions. The system has the capacity to deliver more than 525 dekatherms per day of supply to customers in New York's Southern Tier and lower Hudson Valley.

International

Iran said today that it is looking for its gas production to rise to 700 million cubic meters per day by March 2012. This will be a 100 mcm increase over current levels as new phases of the South Pars project are brought on line.

Generation Outages

SERC – Duke Energy's 846 Mw Oconee #1 nuclear unit was shut early Saturday for scheduled refueling.

Southern's 1150 Mw Vogtle #1 nuclear unit ramped up to 80% power on early Monday. The unit had been at just 2% power on Friday. The unit had been shut on March 7th for refueling.

TVA's 1123 Mw Watts Bar #1 nuclear unit was shut early Monday for scheduled refueling outage. The unit had been coasting down since last week. The unit was at 82% power on Friday.

NPCC – OPG's 494 Mw Lambton #3 coal fired power station returned to service on Sunday. The unit had been shut on March 9th.

Dominion's 877 Mw Millstone #2 nuclear unit was shut on Sunday for scheduled refueling. The unit had been at full power on Friday.

ERCOT – Luminant's 765 Mw Monticello #3 coal fired power plant will begin startup on Monday after completing unplanned maintenance earlier in the day.'

Luminant's 575 Mw Big Brown #2 coal fired power plant tripped off line Saturday. The company also reported that it was taking its 617 Mw coal fired Unit #1 down for scheduled maintenance.

STP Nuclear's 1280 Mw South Texas #1 nuclear unit was shut early Sunday. The unit had been at full power on Saturday.

Luminant's 1150 Mw Comanche Peak #2 nuclear unit was shutdown early Sunday for scheduled refueling.

WECC – Energy Northwest's 1131 Mw Columbia nuclear unit was shut early Monday. The unit had been at full power on Friday.

APS' 1314 Mw Palo Verde #2 nuclear unit was shut over the weekend.

PG&E's 1118 Mw Diablo Canyon #2 nuclear unit was back at full power this morning. The unit was ramping back since last week, when on Friday the unit had been at 35% power.

The NRC reported this morning that some 74,863 Mw of nuclear generation capacity is online, down 0.7% from yesterday and basically unchanged for a year ago.

National Grid reported today that combined inputs from Britain's three largest LNG terminals, set a new record of supply today reaching 121 mcm per day, surpassing the previous record set on January 21, 2011. The three terminals were supplying nearly half of National Grid's expected demand for the day compared with the previous market share of just over a third of the total UK demand in late summer 2010.

Centrica said on Monday that physical gas injections into Britain's largest storage site, Rough, will be restricted on Thursday as operators implement maintenance work to prepare the facility for the 2011 injection season. As a result capacity for that day will be cut to 45%.

Qatargas said on Sunday that all seven of its LNG production trains had reached full production capacity.

The Al Thumama LNG tanker is slated to arrive at the Zeebrugge terminal on April 17th. The vessel has a capacity of 216,500 cubic meters. Zeebrugge port authorities also were reporting that the Maersk Qatar is scheduled to arrive at the port on April 20th.

Gazprom said Monday that it sold more natural gas to Europe in the first quarter than expected, due to higher demand and the loss of Libyan gas exports. European demand is seen strong as gas companies seek to refill their depleted storage levels before higher prices take effect. Long term gas contract prices are linked to a basket of oil products which have a 6-9 month lag.

ELECTRIC MARKET NEWS

Genscape reported this morning that it estimates U.S. power output for the week ending March 31st rose 3.2% from the prior week and was 5.9% higher than the same week a year ago.

Germany has become a net importer of power since its nuclear moratorium, which shut seven old reactors last month. The Germans have been importing power mainly from France and the Czech republic.

Tokyo Electric Power said Monday that it was planning to release more than 10,000 tonnes of contaminated water from its crippled Fukushima nuclear plant into the sea to free up more storage space for water that had much higher levels of radioactivity. The water to be released has 100 times more radioactivity than legal limits. Meanwhile Japan's protracted nuclear problem is casting doubt on that nation's pledge for an ambitious goal to cut carbon emissions by 25% by the end of the decade. Government officials over the weekend noted that this target will be impacted significantly and that the target year and size of the reduction is now up for review.

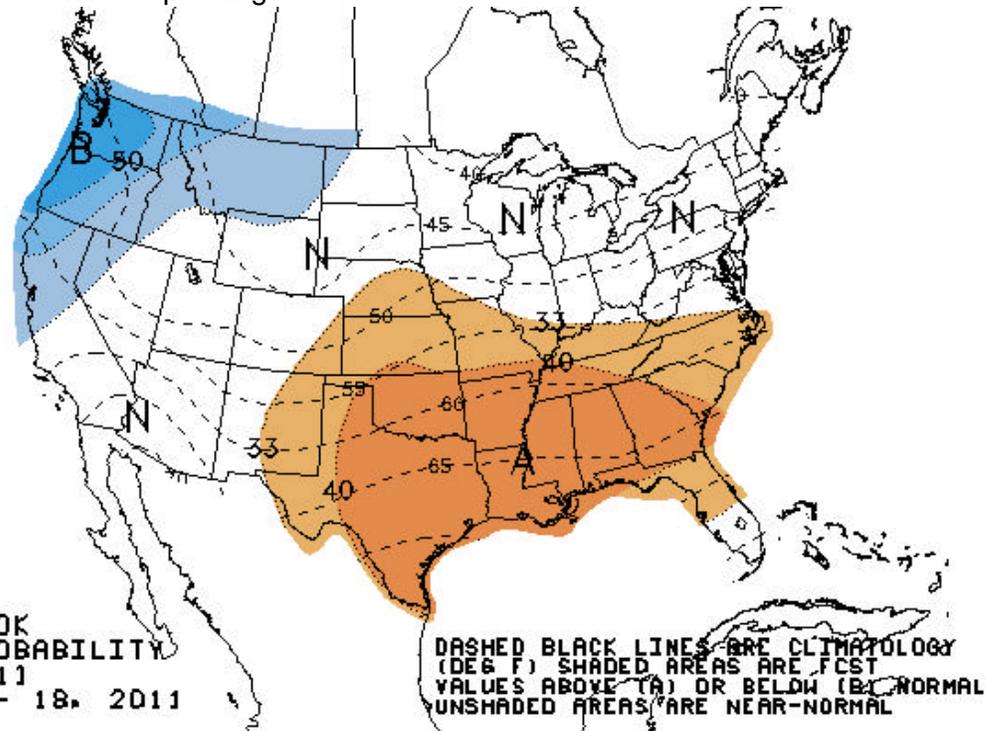
The head of the U.N.'s IAEA said today that the world cannot take a "business as usual" approach to nuclear power in the wake of the current disaster in Japan. He noted that it is clear that more needs to be done to strengthen the safety of nuclear power plants so that the risks of a future accident is significantly reduced.

ECONOMIC NEWS

The European Union's statistics office Eurostat said producer prices in the 17 countries using the euro increased by 0.8% on the month for a 6.6% year on year increase. It revised down producer price data for January to 1.3% month on month from 1.5% and to 5.9% year on year from 6.1%.

Atlanta Federal Reserve Bank President Dennis Lockhart said US inflation is likely to remain low for now but policymakers will keep a close eye on potentially self-fulfilling consumer expectations for higher prices. He said US consumers are a lot more cautious about their spending than they were before the recession. He said the more subdued approach to spending, even if negative for short term

economic growth, is healthy in the long run, helping address international imbalances characterized by high savings overseas and excess spending at home.



MARKET COMMENTARY

The natural gas market posted its second consecutive lower settlement today in moderate volume. Traders seemed to find little support from a moderating weather forecast coupled with the spill over bearishness of last Friday's Baker Hughes report. But with the nuclear maintenance period in full swing, the bears were tempered as well. We continue to hold to our outlook for prices to grind lower in coming days and or weeks. We see support at \$4.20-\$4.18 followed by \$4.10-\$4.09. Additional support we see at \$32.99-\$3.97, \$3.805 and \$3.71. Resistance we see at \$4.41 followed by \$4.43-\$4.455 and \$4.56.

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