



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR MARCH 31, 2010

NATURAL GAS MARKET NEWS

The AGA today released its latest update on U.S. natural gas reserves of the 30 largest natural gas producers and it showed that in 2009 the group added 23 tcf of reserves, however revisions to existing estimated reserves were revised downward so the net increase in reserves was 16.9 tcf. Production for these companies was 10.5 tcf last year. The AGA said the 30 companies accounted for about 53% of U.S. reserves and for about half of the domestic production. The trade group estimates that overall U.S. reserves probably increased in 2009 for the eleventh straight year. They also estimated that total U.S. domestic production of natural gas in March reached 59.3 bcf/d up 0.5 bcf/d from February.

The Canadian National Energy Board said today that a shift in Canadian natural gas spending to British Columbia's shale prospects from Alberta's conventional plays will not arrest the decline in Canadian natural gas production that is expected to continue over the next several years. The NEB looks for production to fall to 13 bcf/d by 2012 down 14% from last year's estimated production of 15.1 bcf/d. The NEB though does expect an 11% increase in drilling days between 2010 and 2012.

President Obama today proposed to open up drilling for oil and natural gas off the U.S. East Coast. South of Delaware, in the eastern Gulf of Mexico and parts of Alaskan offshore areas in what he called is part of his plan to transition to a new-energy economy. Congressional approval though would be required for the lifting of the moratorium on drilling in the eastern Gulf of Mexico.

Goldman Sachs in a research report this week said that commodities are set for "violent price spikes" as constraints on investment in new supplies and emerging market demand lead to shortages. The

Generator Problems

PJM – PSEG Nuclear's Salem #1 nuclear unit is still scheduled to begin a planned maintenance and refueling outage starting on April 3rd. The unit though was still at full power this morning.

NPCC – Constellation Energy's 1140 Mw Nine mile Point #2 nuclear unit reportedly remains slated to go into maintenance and refueling outage beginning April 3rd. The unit was running at 99% power this morning.

MISO –DTE Energy's 1,222 Mw Fermi #2 nuclear unit ramped up from yesterday and stood at 37% power, up 27%. The unit has reconnected to the grid.

SERC – Southern Nuclear's Farley #2 nuclear unit continue to coast down towards its April 3rd maintenance outage. The unit was at 94% power this morning down 2% from yesterday.

TVA's 1150 Mw Sequoyah #2 nuclear unit was at 58% power this morning, down 1% from yesterday.

WSCC – APS 1270 Mw Palo verde #1 nuclear unit is reportedly scheduled to go into turnaround on April 3rd. The unit remains at 97% power for the past several days.

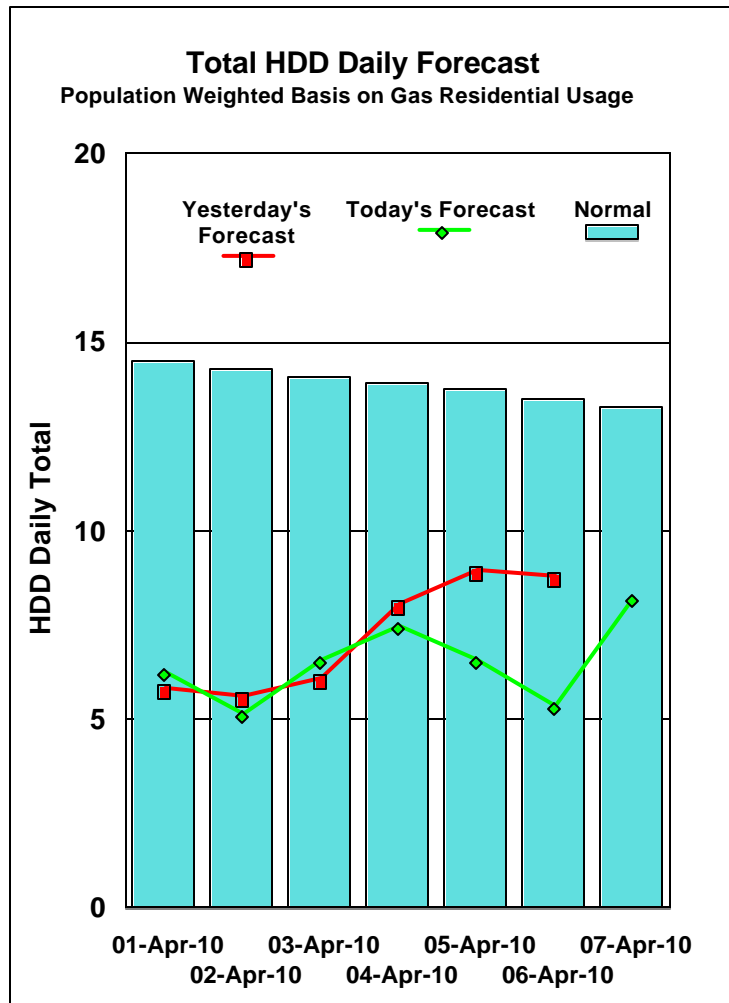
Energy Northwest's Columbia nuclear unit was at 40% power this morning, down 41% from yesterday. No reason has been given for power being lowered.

ERCOT – The Comanche peak #1 nuclear unit is coasting down to its planned refueling outage scheduled for April 2nd. The unit though is expected to be down only 17 days.

FRCC – FPL's 853 Mw St. Lucie #1 nuclear unit was at 76% power this morning. Operators are coasting the unit down towards its planned April 5th outage.

The NRC reported that there was some 79,613 Mw of nuclear power generated today, down 0.4% from yesterday and off 3.7% from a year ago.

investment bank noted that volatility in prices is driven limits in the production and storage of commodities, not by financial investors. The bank's analysts noted that contrary to views of other analysts, there is "no empirical evidence" that oil prices or commodity prices are swayed by movements in currencies such as the U.S. dollar. Goldman noted that commodities are four to five times more volatile than currencies.



Barclays Capital in a research report this week noted that they see the U.S. natural gas market to remain awash in natural gas and as a result sees no price recovery through 2011.

GE Energy Financial Services has bought Crest Group's 30% stake in the U.S. Gulf LNG Energy terminal in Mississippi for \$150 million. The \$1.1 billion terminal currently under construction will have a send out capacity of 1.3 bcf/d and two storage tanks with a combined capacity of 6.6 bcf. The project has secured 20-year LNG supply agreements with major oil and gas companies to meet all of the terminal's capacity. The facility is expected to come online in the third quarter of 2011.

The FERC said today that TransCanada has received conditional regulatory approval to begin an open season in order to gauge commercial interest in shipping natural gas on its proposed Alaska gas pipeline project. The open season is expected to begin around April 30th and last for 90 days and

will be conducted to gather binding commitments from parties looking to buy capacity in the pipeline. Results of the open season are to be announced by October 31st. The cost of the line has been

estimated at between \$32-\$41 billion and have a capacity of 4.5 bcf/d with an in-service date of 2020.

Singapore confirmed that construction has begun on its first

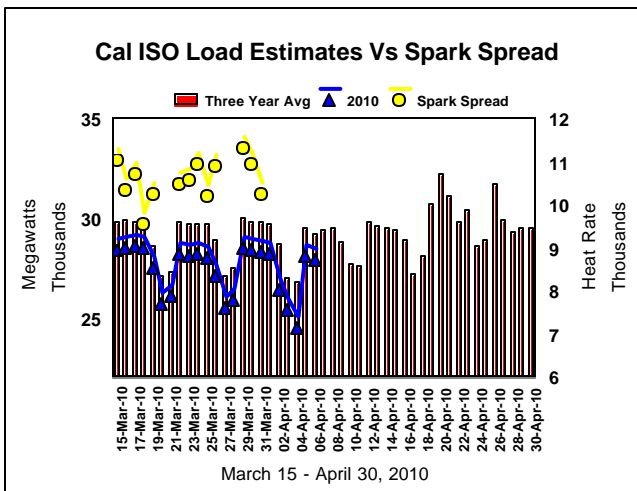
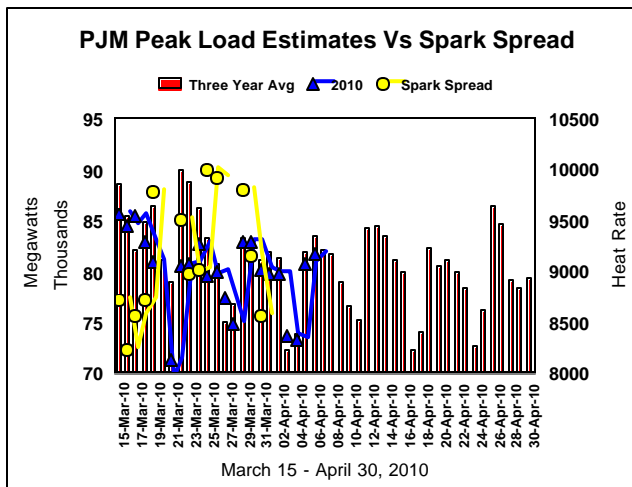
LNG import terminal. The facility will have the ability to import LNG as well as re-export LNG from multiple suppliers. Singapore is looking at establishing itself as a center for LNG in Asia. The facility is planned to have an import capacity of 3.5 million tons of LNG per year beginning in the first 2013. The project cost is estimated at S\$1.5 billion.

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	906,600	\$3.930	\$0.146	\$0.017	\$0.162	(\$0.011)
Chicago City Gate	610,000	\$3.981	\$0.085	\$0.068	\$0.125	\$0.084
NGPL- TX/OK	644,600	\$3.808	\$0.125	(\$0.105)	\$0.165	(\$0.135)
SoCal	386,700	\$3.947	\$0.158	\$0.034	\$0.198	\$0.006
PG&E Citygate	907,500	\$4.494	\$0.136	\$0.581	\$0.176	\$0.495
Dominion-South	742,400	\$4.064	\$0.152	\$0.151	\$0.192	\$0.106
UTrade Weighted	22,339,400	\$3.932	\$0.122	\$0.019	\$0.16	(\$0.011)

Total SA said it has obtained a five-year permit to study the gas shale potential of an area near the Montpellier region in southern France.

Tokyo Gas said Wednesday that it has agreed with BG Group to buy LNG from Australia's Queensland Curtis project. The supply agreement is for 1.2 million tonnes of LNG per year for 20 years beginning in 2015. Production from the facility is expected to begin in 2014 with a production capacity of 8.5 million tonnes per year.

Reuters reported today that according to a research paper published recently by Ecology Professor Robert Howart, from Cornell University, natural gas produced via hydraulic fracturing may contribute significantly to greenhouse gas emissions and so should not be considered as a cleaner alternative to coal or oil. He noted that if one combines all the estimated greenhouse gas emissions from hydraulically fractured natural gas it would be slightly more than coal and well above the output from burning gasoline or diesel. He further claimed that natural gas "clean fuel" label is further undermined by leaked methane which is many times more potent as a greenhouse gas component than CO2.

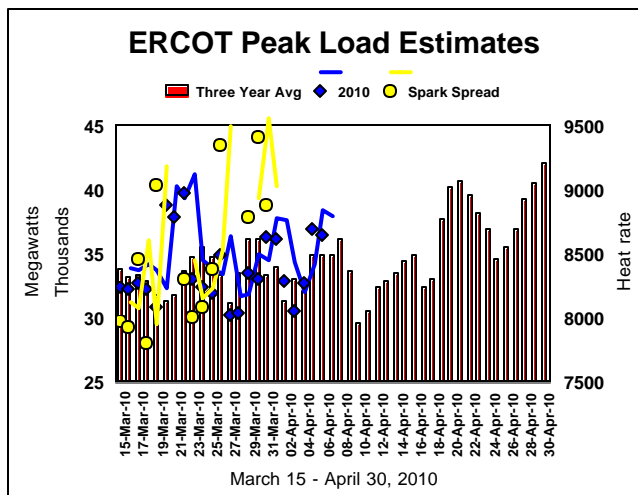


Ukraine's Naftogaz said it will pay for Russian gas imports in March without any financial aid from the government. The March bill is estimate dat \$700 million.

The US Commerce Department reported that US factory orders posted stronger than expected gains in February. Demand for manufactured goods increased by 0.6% in February to a seasonally adjusted \$383.53 billion. It is the 10th increase in the past 11 months. It said orders in January increased by 2.5%, revised up from a previously

reported 1.7% increase. Factory orders for durable goods increased by 0.9%. Meanwhile, the Institute for Supply Management-New York's seasonally adjusted index of current business conditions fell to 60.6 in March from a revised 78.1 in February.

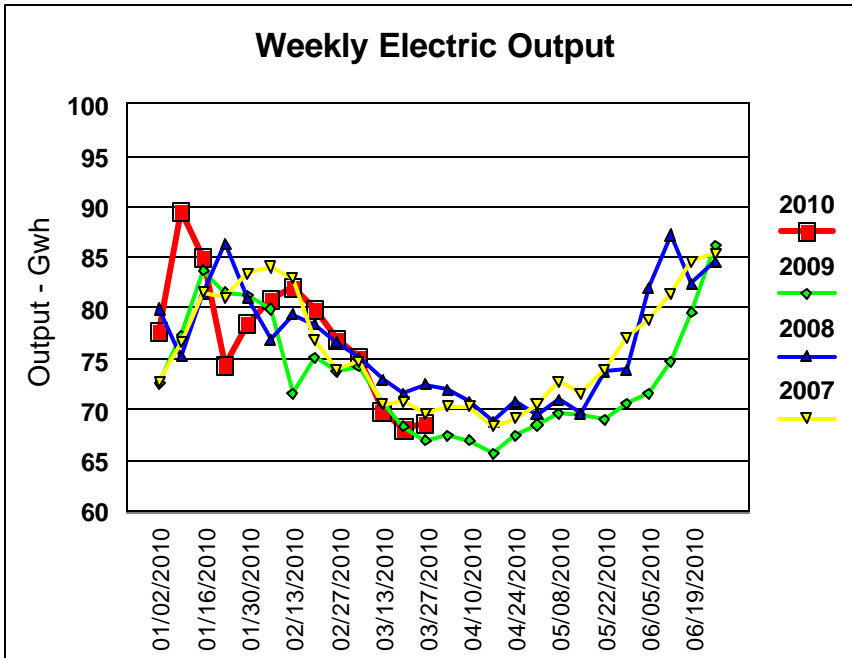
According to ADP, private payrolls unexpectedly fell in March. Private sector jobs in the US fell by 23,000 in March compared with market expectations of a 50,000 gain. The change in employment from January 2010 to February 2010 was revised down slightly from a decline of 20,000 to a decline of 24,000.



PIPELINE MAINTENACE

Gulf South Pipeline said it will be performing additional maintenance on Index 293 starting today and lasting for 5 days.

Southern natural said it has experienced an unscheduled outage at the Bienville Compressor Station in north central Louisiana. The company though did not anticipate any impact to firm capacity, but some reduction in available IT capacity will occur in the Group 48-Perryville West. The company also said that work at the Mississippi Chemical pipeline did not start as planned yesterday. The work was expected to last through April.



PIPELINE RESTRICTIIONS

SONAT said that due to poor demand expected for this upcoming weekend a Type 6 OFO was a possibility. They estimate that based on current supplies and anticipated demand, storage requirements to exceed

maximum injection capability by 100,000 Mdth as early as today.



Northern natural Gas said that it is experiencing excessively high carbon dioxide levels for receipts at the TBPL/NNG Beatrice interconnect. As a result without a significant changes to the situation the company will begin allocating the TBPL/NNG Beatrice interconnect, which could result in cuts of more than 200,000 Mmbtu/d starting on April 8th.

Tennessee Gas Pipeline said that effective April 1st it is requesting that customers match physical flow with scheduled quantities to prevent imbalances from occurring across the system.

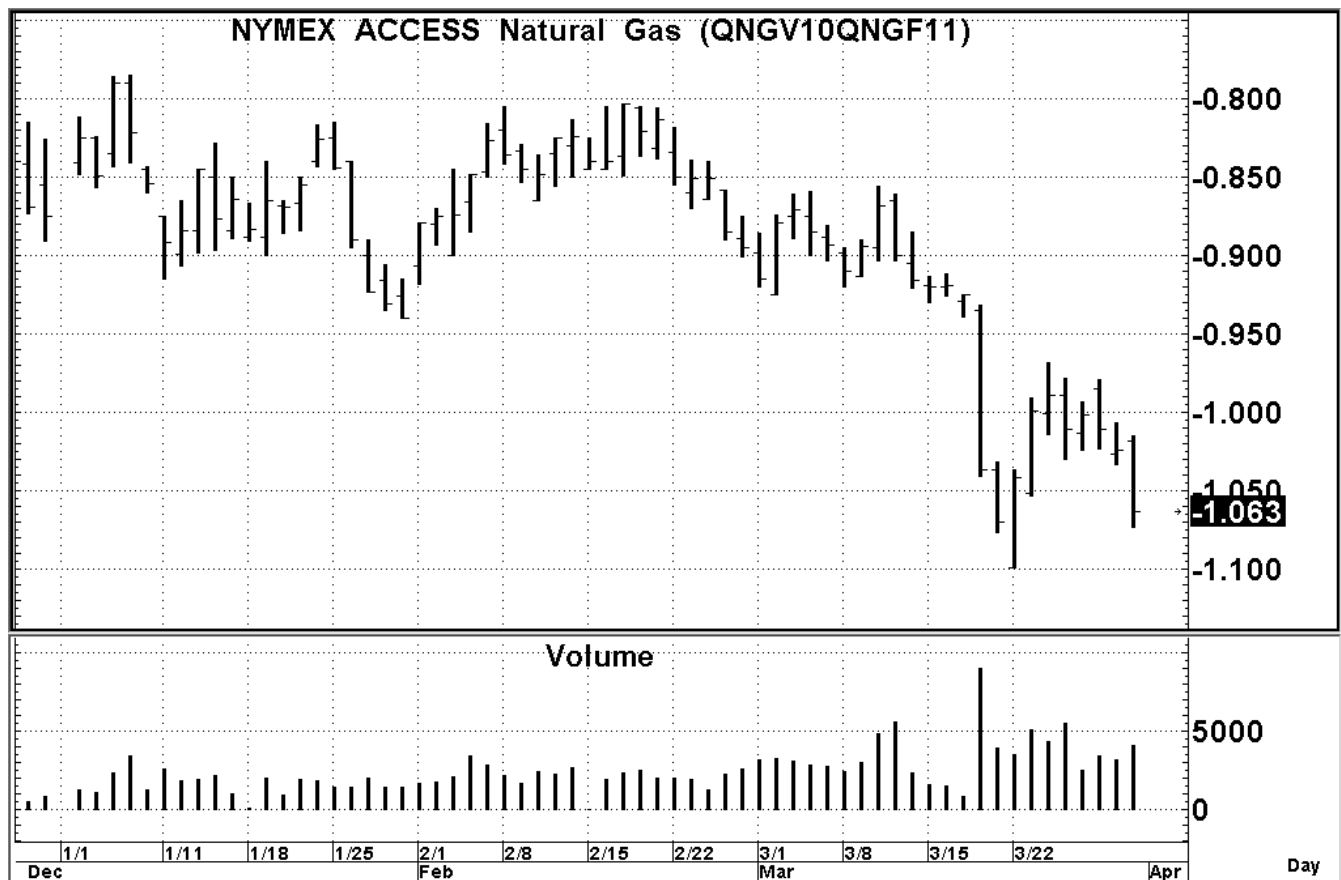
ELECTRIC MARKET NEWS

The Edison Electric Institute reported today that for the week ending March 27th there was some 68,684 Gwh of power produced in the United States, some 0.75% higher than the prior week and 2.5% above the same week a year ago.

MARKET COMMENTARY

While the natural gas market this morning started out well above the \$4.00 price barrier, price pressure began to build on the market right from the start as the market was surprised by the news from ADP that private firm payrolls experienced an unexpected declined in March. While positive economic news from a slightly stronger than expected factory orders report appeared to halt temporarily the price erosion, selling returned again to the market just before the close as nervous and weak bulls seemed to scramble to exit this market in front of tomorrow’s storage report. Prices challenged yesterday’s lows late in the session but held. Cash prices meanwhile were stronger on the day at most locations.

Two of the most watched longer dated spreads, the October-January and the March-April both saw selling pressure in the near term contract months moving these spreads back to new lows or near near term lows.



Market expectations for tomorrow's EIA Natural gas Storage Report appear to be some 15 bcf higher than the prior week. For the same week a year ago stocks were flat while the five-year seasonal average shows a decline of 27 bcf.

We continue to look at the \$3.85-\$3.822 area as key and critical support for this market. If the market is successful in breaching this area tomorrow with the assistance of a larger than expected build in working gas stocks, the next significant area of support would be \$3.66 followed by \$3.563. Resistance we see starting at \$4.059 tomorrow followed by \$4.079, \$4.234 and \$4.31.

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