



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR APRIL 1, 2009

NATURAL GAS MARKET NEWS

On the economic front, the Institute for Supply Management said that U.S. factory activity shrank in March, though at a slower pace than the previous month. It reported its index was at 36.3 slightly higher than market expectations and above last month's index of 35.8. A reading below 50 indicates contraction in the sector. For the first quarter, the ISM manufacturing index averaged 35.9, which corresponds to a 1.6% fall in real gross domestic product. Meanwhile ADP Employer Services reported that private employers cut jobs by a record 742,000 in March versus a 706,000 job loss in February. The February job loss had originally been reported at 697,000. The market had been expecting a loss of only 655,000 jobs.

The EIA said Wednesday that it was delaying the release of its monthly natural gas production report until Thursday at noon. The EIA said it was delaying the report in order to review its data for accuracy. The report will show the agency's estimate for January domestic production.

Generator Problems

NPCC – OPG's 490 Mw Nanticoke coal fired Unit #5 was shut for short-term maintenance work.

SPP – Entergy's 966 MW River Bend #1 nuclear unit in Louisiana was operating at 88% capacity this morning down from 100% power the day before.

SERC- TVA's 1150 Mw Sequoyah #2 nuclear unit was back to full power this morning, up 25% from yesterday.

The NRC reported this morning that 82,670 Mw of nuclear generation capacity was on line, up 0.2% from yesterday and up 7.85% from the same time a year ago.

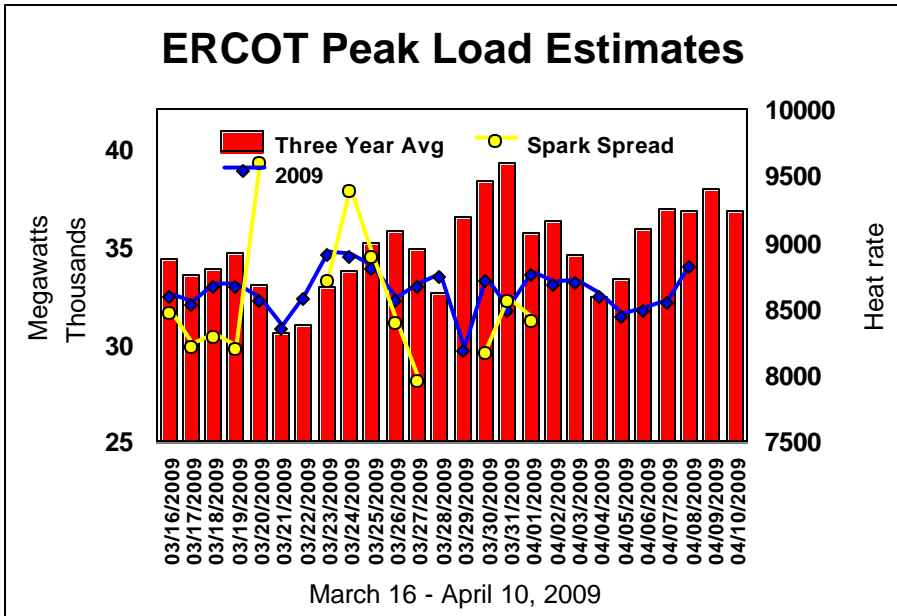
Barclay's Capital in a research report this week said that demand weakness has forced domestic gas producers to shut down rigs at a fast pace, but they said that inventories could still end this upcoming injection season at 3.9 tcf.

PAA Natural Gas Storage announced

today that it had commenced commercial operations on the second of three storage caverns at its Pine Prairie facility in Evangeline Parish, Louisiana, increasing the aggregate working gas capacity to 13.8 bcf

Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume Traded	Avg Price	Change	Basis (As of 12:30 PM)	Change	Basis 5-Day Moving Avg
Henry Hub	895,700	\$3.562	(\$0.024)	(\$0.084)	\$0.096	(\$0.281)
Chicago City Gate	782,700	\$3.339	\$0.146	(\$0.307)	\$0.214	(\$0.503)
NGPL- TX/OK	982,000	\$3.247	\$0.192	(\$0.399)	\$0.260	(\$0.755)
SoCal	531,100	\$3.043	\$0.027	(\$0.603)	\$0.095	(\$0.700)
PG&E Citygate	765,200	\$3.583	(\$0.106)	(\$0.063)	(\$0.038)	(\$0.013)
Dominion-South	267,300	\$3.997	(\$0.021)	\$0.351	\$0.047	\$0.289
UTrade Weighted	18,674,200	\$3.407	\$0.028	(\$0.239)	\$0.10	(\$0.281)

North Sea gas flows via the Langeled pipeline this morning dropped by nearly half to 35 million cubic meters per day. In flows from St. Fergus Mobil also fell to about 35 million cubic meters from above 50 million. While StatoilHydro declined comment, Gassco, the pipeline operator said there had been no technical issues that would have hampered gas flows into Britain.

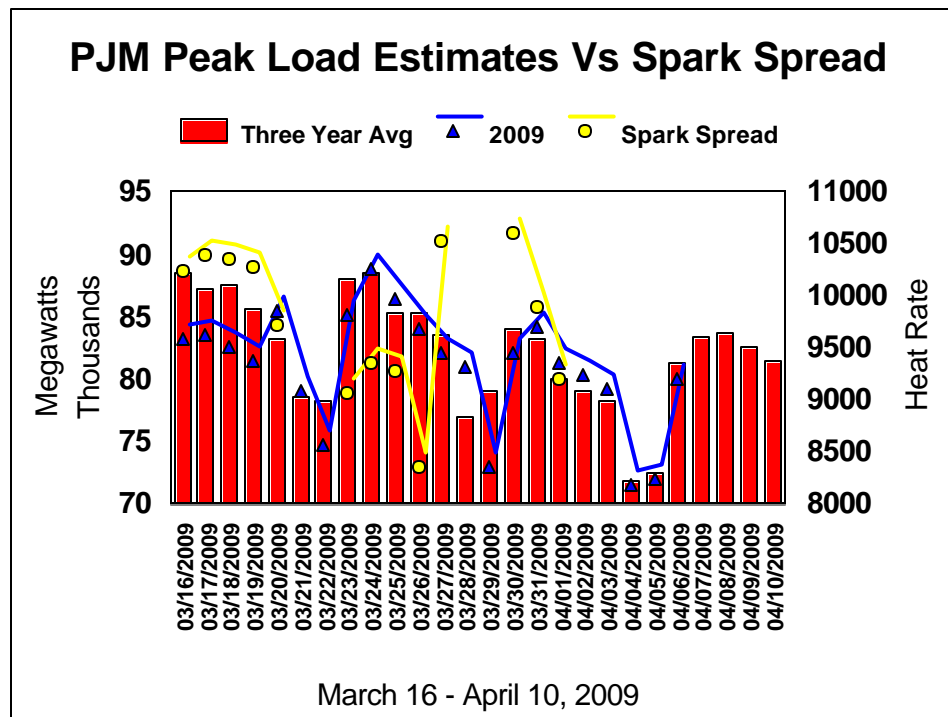


Two of the nine gas storage caverns at Britain's new Aldbrough storage facility are nearly ready for use and three more should be available by the end of 2009. Operators said there were a "few teething problems" that has delayed the start up of the new facility. When completed the nine caverns will be able to store up to 120 million cubic meters of working gas

Ukraine's Naftogaz said Wednesday that it has restored Russian gas supplies to the Balkans via Moldova to

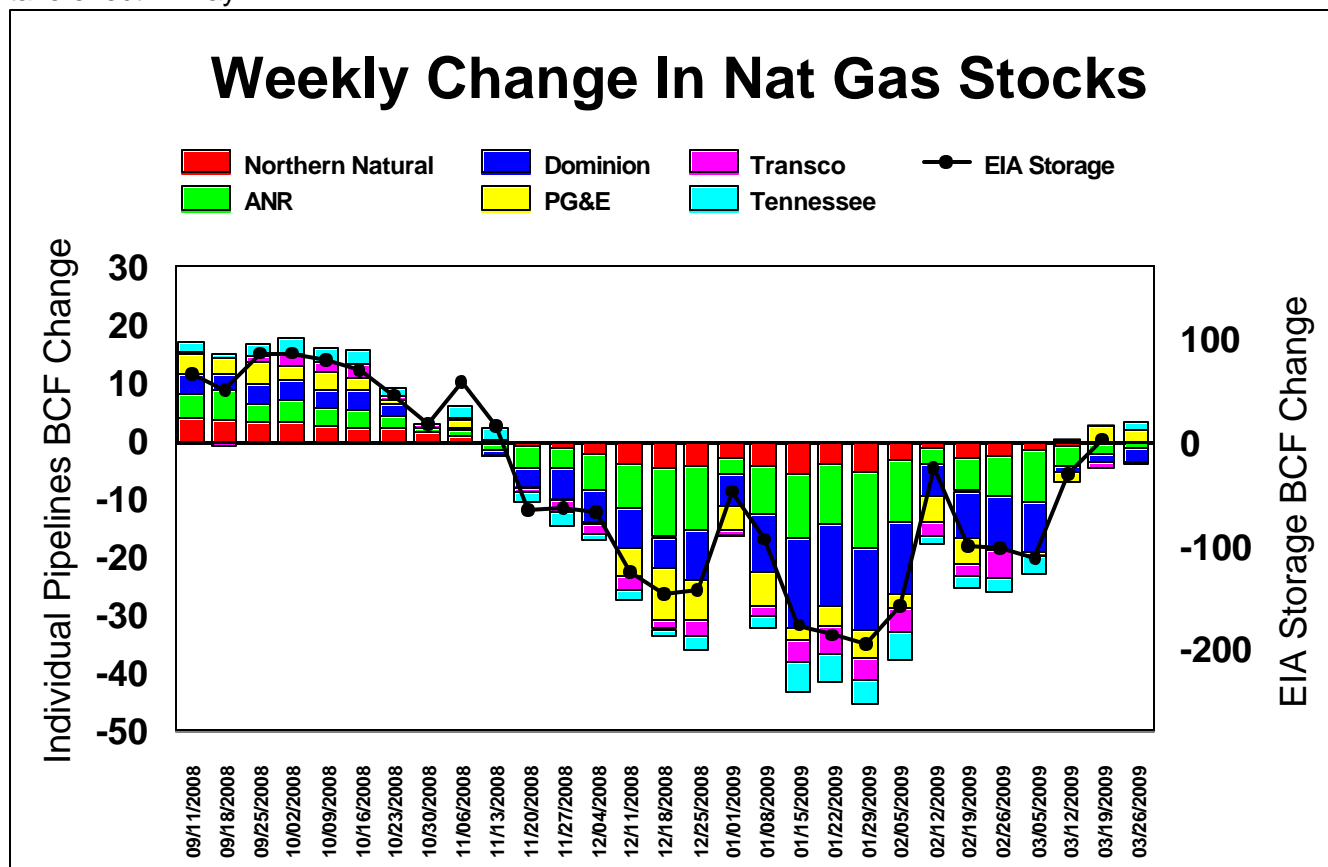
90% of normal volumes. The flow had been disrupted as a result of a blast on one of the three transit lines in Moldova. Moldova's transport firm MoldovaGaz said it would take up to three days to repair the damage and fully restore deliveries. But Russian officials said gas supplies had been fully restored as a result of it using alternative routes to pump gas to the Balkans.

The Russian Energy Ministry has finalized and submitted a draft ruling to governmental agencies on the introduction of exchanges for natural gas trading, Russian press agencies reported on Wednesday. Under the draft ruling Gazprom and its affiliates will be able to sell up to 10 billion cubic meters a year of gas on exchanges starting from 2009. Gazprom will be able to sell 15% more gas than independent producers. Until early this year, natural gas was traded on an exchange run by Mezhtregiongaz, a Gazprom subsidiary, for two years as part of an experiment launched by the government. Under the experiment, Gazprom and independent producers could each sell up to 7.5 billion cubic meters of gas.



Russia's Gazprom said it will consider new projects to liquefy gas instead of supplying it to Europe through pipelines. Gazprom's chief executive Alexei Miller said when documents ignoring Russia's interests are signed, it will need to study the need to start new projects. While he did not specify which documents he was referring to, Russian leaders and Gazprom have criticized a March agreement between Ukraine and the European Union, which foresees the EU investing in Ukraine's gas network.

The Colorado Oil and Gas Conservation Commission reported that producers operating in Colorado filed a record number of applications for drilling permits in March. But this action appears more to be driven by companies seeking to secure drilling permits under the state's "old" natural gas and oil rules. New rules to drill on state lands took effect April 1st, with federal lands drilling regulation revisions to take effect in May.



Enbridge said it will conduct a nonbinding open season beginning April 13th for an interstate gas pipeline from Carthage, Texas to Washington Parish in southeastern Louisiana, as the company seeks to target Haynesville Shale gas. The 300 Mile LaCrosse Pipeline would have a completion target of late 2011 or early 2012. The line would have up to 12 interconnects with five or six major interstate pipelines. The company is also exploring the possibility of extending the line to FGT's Station 10 near Wiggins, Mississippi. The line would have a projected capacity of 1 bcf/d.

China bought one LNG spot cargo from a Southeast Asian producer late last month for delivery in April to its Guangdong LNG terminal at a price between \$5.00-\$5.50 per Mmbtu.

StatoilHydro's 147,200 cubic meter Arctic Princess liquefied natural gas tanker is expected to arrive at the Cove Point terminal in Maryland on April 12. StatoilHydro has the capacity to import 1 bcm of LNG to the US terminal along with Algeria's Sonatrach, which has the right to import 2 bcm/year.

Nigeria's Gbaran Ubie oil and gas facility should be ready for commissioning this year. The Shell Petroleum Development Co hopes Gbaran Ubie will produce 1 bcf/d of gas and more than 70,000 bpd once it is completed in 2010 or 2011.

PIPELINE MAINTENANCE

Gulf South Pipeline said it has extended maintenance at the Montpelier Compressor Station on Unit #3 through September 25th. Work began on January 5th, with the work originally expected to last 6-8 weeks. Capacity through the compressor station with Unit #3 in repair could be reduced by as much as 75,000 Dth for the duration of the work. The company also said it began planned maintenance yesterday at its Index 269-1. The work, which was originally scheduled to begin on March 24th, will last for about two days.

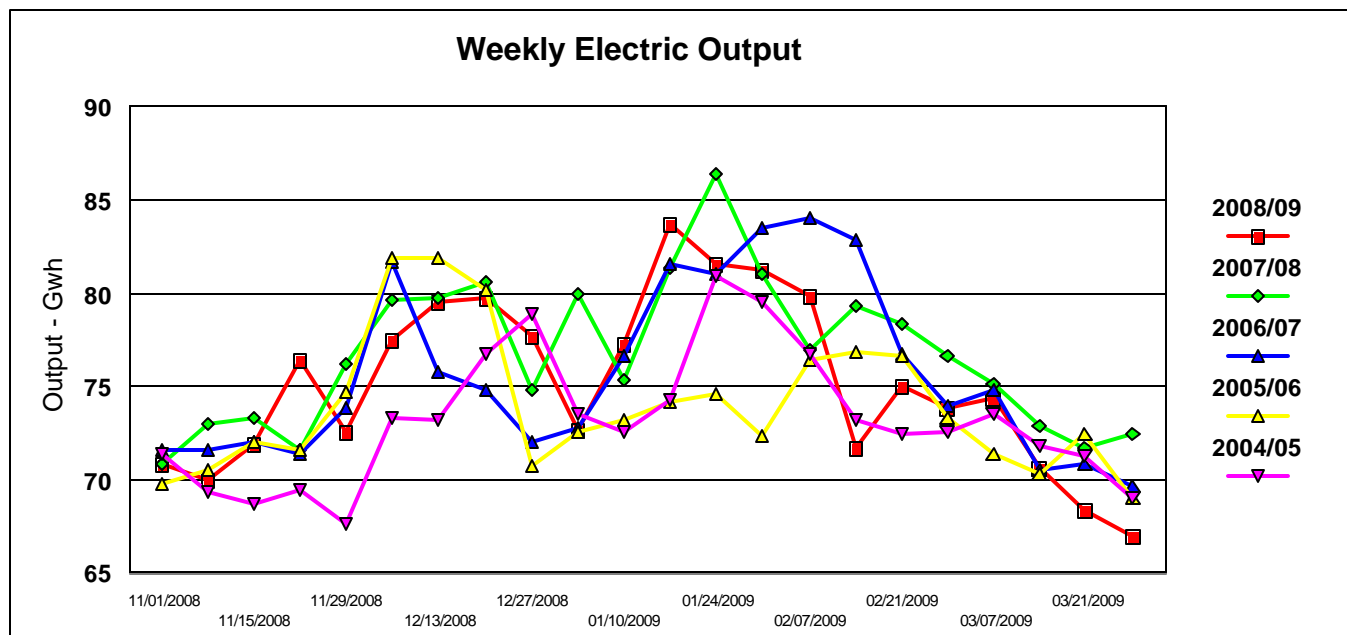
Sea Robin Pipeline said it has begun unscheduled maintenance and repair work from SMI 33 to VM 149. The work is expected to take 6-8 days

Alliance Pipeline said minor maintenance will require the Irma Compression station to be off line for six hours on April 2nd. System throughput (AOS) is not likely to be impacted but will be determined closer to the outage.

Alliance Pipeline said it shut the AB 21 Teepee Creek Lateral Meter/Compressor Station for eight hours today. Station capacity was being reduced to 984 e3/m3/day/

ELECTRIC MARKET NEWS

The Chairman of the House Energy and Commerce Committee Henry Waxman has drafted legislation that would require a 20% reduction in U.S. greenhouse gas emissions from 2005 levels by 2020 and mandate the use of renewable-energy supplies. The mandate would require that a quarter of U.S.



electricity supplies come from renewable sources by 2025. The legislation would include rebates for certain industries to compensate for higher energy costs. If the president determines the rebates are not enough to keep U.S. companies competitive with overseas rivals, he could impose fees on imports. NRG Energy today reported its support for the legislation. Meanwhile the AGA gave the bill high marks since the proposed legislation would exclude residential and commercial natural gas customers from a cap-and-trade system until 2016.

Genscape reported that for the week ending March 31st, coal stocks at U.S. power plants fell 0.1% from the prior week, but are still some 16.8% greater than the same week a year ago.

Edison Electric Institute reported that power production in the United States for the week ending March 28th stood at 66,970 Gwh. This was some 2% less than the prior week and 8.2% less than the same week a year ago.

MARKET COMMENTARY

The natural gas market basically reflected yesterday's trading ranges. Traders once again challenged the support on the downside that has been demonstrated over the prior four trading sessions. While the bears were able to push to a new near term low in the May contract basis the discouraging economic news this morning, they were unable to breach the lows set by the expired April contract and as a result prices bounced back and recovered approximately half of the morning's sell off. It appears traders are awaiting tomorrow's EIA Storage Report before make an additional commitment to this market on either side. Market expectations appear to be running between a build of 10 bcf to a draw of 12 bcf, with the median consensus looking at a 2-4 bcf build. Stocks a year ago fell an adjusted 30 bcf for the same week, while the five year average decline is 23 bcf. Our pipeline storage model appears to point to a 9-12 bcf build, which in our mind could be seen as mildly bearish and possibly could finally push prices below the \$3.60 support level but we feel it will not keep it there for any extended time. We would see additional support at \$3.538, \$3.44 and \$3.31. Resistance we see at \$3.82 followed by \$3.95, \$4.06, \$4.192 and \$4.324. More distant resistance we see at \$4.468.

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