



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR APRIL 1, 2010

NATURAL GAS MARKET NEWS

Baker Hughes reported today that for the 14th straight week the number of drilling rigs search for natural gas in the United States has grown, this week increasing by 9 rigs to a 13 month high of 949 rigs.

BG Group's Methane Princess LNG tanker was expected to arrive at the Dragon LNG terminal in Britain on April 8th according to local port officials. The tanker, which had loaded in Trinidad, had originally been expected to arrive at Elba Island on April 5th.

JPMorgan Chase announced its entrance into the LNG market on Wednesday under a deal it has signed with Cheniere Energy. Under the two-year deal, JPMorgan Chase and Cheniere will jointly look for buying opportunities in the global LNG market. Under the agreement JP Morgan will now have import rights for up to 2 bcf/d of gas at Cheniere's Sabine Pass import terminal. Cheniere Energy said the deal allows Cheniere to buy much larger quantities of LNG with the help of JPMorgan than they could have on their own. JPMorgan follows other banks such as Morgan Stanley, Citi and Barclays into the LNG market.

The US Labor Department reported that the number of initial claims field for unemployment benefits fell by 6,000 to 439,000 in the week ending March 27th. The previous week's level was revised upwards to 445,000 from 442,000. The market expected initial claims to fall by 2,000. The four week moving average fell by 6,750 to 447,250 from the previous week's revised average of 454,000. The number of continuing claims fell by 6,000 to 4,662,000 from the preceding week's revised level of 4,668,000. The unemployment rate for workers with unemployment insurance for the week ending March 20th was 3.6%, unchanged from the week.

Generator Problems

PJM – PSEG Nuclear's Salem #1 nuclear unit was still at full power today despite market expectations that the unit would enter a scheduled maintenance shutdown beginning April 3rd.

NPCC – OPG's 490 Mw Nanticoke #2 coal fired power plant was shut early Thursday, joining two other sister units that are currently down for maintenance.

Constellation Energy's 1140 Nine Mile Point #2 nuclear unit was at 97% power this morning as it began coasting down to a planned outage beginning April 3rd.

MISO – DTE Energy's 1122 Mw Fermi #2 nuclear unit was at 97% power this morning up 60% from yesterday.

FirstEnergy's 1231 Mw Perry #1 nuclear unit was back at full power this morning, up 15% from yesterday.

FRCC – FPL's 853 Mw St Lucie #1 nuclear unit was at 73% power this morning down 1% from Wednesday. The unit is expected to begin a maintenance outage starting April 5th.

SERC – Southern Nuclear's Farley #2 nuclear unit was at 93% power this morning down 1% from the previous day. The unit is expected to enter a turn around this weekend.

WSCC – Energy Northwest's C1131 Mw Columbia nuclear unit was at 62% power this morning, up 22% from yesterday.

APS 1270 Mw Palo Verde #1 nuclear unit was at 97% power this morning and reportedly had been scheduled to enter a maintenance shutdown on April 3rd. Industry traders though were unsure if a recent outage at the plant would alter this maintenanceschedule though.

The NRC reported that there was some 80,494 Mw of nuclear power generated today, up 1.1% from yesterday and off 1% from a year ago.

The US Commerce Department said US construction spending fell for the fourth consecutive month in February. Spending fell by 1.3% in February to a seasonally adjusted annual rate of \$846.23 billion compared to the prior month. January spending was revised down, falling 1.4% instead of 0.6% as previously estimated. Spending fell 3.4% in December and 2.5% in November.

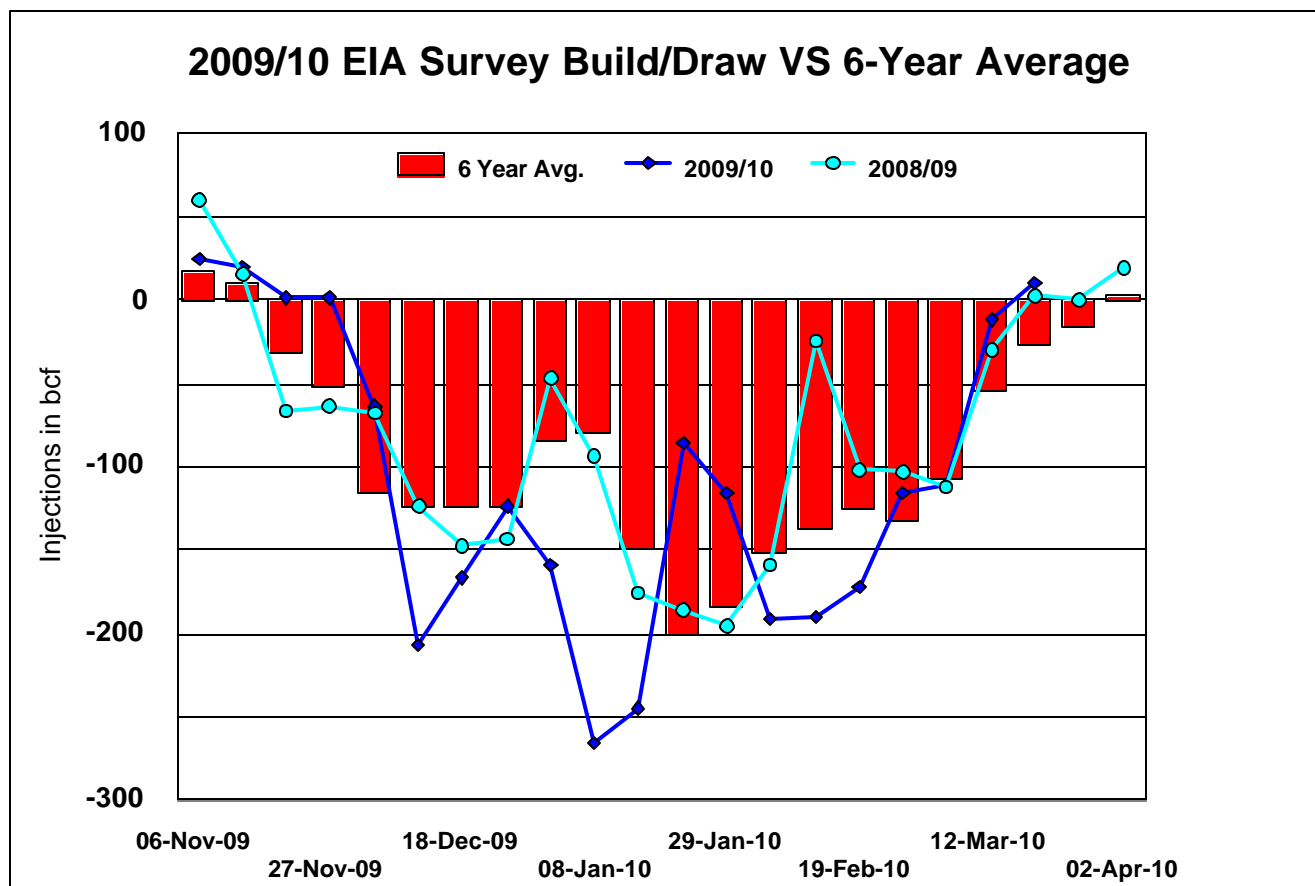
EIA Weekly Report

	03/26/2010	03/19/2010	Change	03/26/2009
Producing Region	596	581	15	728
Consuming East	753	760	-7	644
Consuming West	289	285	4	282
Total US	1626	1626	0	1654

*storage figures in Bcf

The Institute of Supply Management said the US manufacturing sector expanded in

March at its fastest rate in more than five years. Its index of national factory activity increased to 59.6 from 56.5 in February. It was the highest reading since July 2004. The index's employment index fell slightly to 55.1 in March from 56.1 the prior month.



Goldman Sachs lowered its forecast for the March US payrolls report to a gain of 200,000 jobs from its previous expectation of a 275,000 rise. The March payrolls report is due at 8:30 am on Friday. Economists expect a rise of 190,000 in March payrolls following a 36,000 drop in February.

PIPELINE RESTRICTIIONS

Tennessee Gas Pipeline announced today that effective April 1st and until further notice it has restricted the Niagara Spur Backhaul through 100% of market to supply secondary out of the path nominations. The company said oit would not accept any market to supply increases pathed to meters located on the Spur.

Canadian Gas Association

Weekly Storage Report

	26-Mar-10	19-Mar-10	27-Mar-09
East	79.5	79.1	60
West	193.7	192.6	130.1
Total	273.2	271.7	190.1

storage figures are in Bcf

KMIGT said it has lifted previously posted storage withdrawal restrictions effective April 1st and until further notice. The company said nominations for interruptible storage service injections and daily overrun injection nominations for all firm storage services may not be fully scheduled depending on the total level of nominated storage injections and/or daily operating conditions.

Southern Natural said today that it has scheduled a shut-in test at the Muldon Storage Field from April 6 – April 12th. This shut in test constitutes an event of force majeure. As a result of the test the company will reduce carbon sequestration and storage customer's daily imbalance quantities and daily withdrawal quantities on a pro-rata basis during the shut-in test.

MEP said that effective April 1st and until further notice it has limited capacity available for gas flow to the ENOGEX/MEP Bennington point. Limited interruptible transportation service/authorized overrun and secondary out of path firm transports are available.

MARKET COMMENTARY

The natural gas market saw an outside trading session today as the market just prior to the release of the storage report barely breached the recent support at \$3.83-\$3.822, only to rebound strongly after the release of the report when traders were surprised to see a weekly storage level that finally came in slightly less than market expectations. The May contract jumped 30 cents basically in an instant and did not even pause at yesterday's high instead ran up to \$4.11 before sellers returned to the market and provided a temporary top to the rally. The market though never attempted to retrace the morning's significant gains but rather traded in a sideways pattern and then ground a bit higher later in the morning reaching \$4.157 just a few points shy of the high of \$4.16 from March 25th (the last time we were at such "lofty" price levels). While the market did settle a nickel off its highs it still finished the week on a positive note, up for the day up 21.7 cents and up on the week by 21.4 cents. This was the first time since February 5th that the natural gas market was actually able to post a net gain for the week. Volume today was impressive with the May contract trading over 147,000 lots with the market posting one of the best volume days of the year.

While technically this could finally be the start of a corrective period, we do not think the bear move is over for this market given the continued bearish production outlook for this market, as today's Baker Hughes reported underlined yet again, that production has still not been throttled back. As a result we would look for a price rebound possibly back towards the \$4.40-\$4.60 level propelled by profit taking on shorts, we are still a long ways away from seeing strong fundamentals to support the taking on new long term long positions. We would look for an initial upside target of \$4.225 followed by \$4.365 and \$4.572. Support we see at \$3.878, \$3.818, \$3.66 and \$3.531.

In regards to the Oct Jan spread we would also be patient and look for this spread to possibly bounce a bit higher in favor of the October contract looking for resistance at a 92 cent October discount to the January, before over the intermediate term it heads back down head towards the \$-1.20-\$1.40 area before it is a long term buy.

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