



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR APRIL 7, 2010

NATURAL GAS MARKET NEWS

Weather forecasters at Colorado State University said the 2010 Atlantic hurricane season will see above normal activity. They predict 15 named storms and eight hurricanes, including four major hurricanes. The forecasters had previously predicted 11 to 16 named storms, six to eight hurricanes and three to five major hurricanes. The forecasters said the expectations of above average activity are based on the premise that El Nino weather conditions dissipate by the summer and that warm tropical Atlantic sea surface temperatures will persist. The Colorado State University forecast team said for the Gulf Coast, from the Florida Panhandle west to Brownsville, Texas, including the Gulf of Mexico oil patch, the probability of a major hurricane making landfall was seen at 44% compared with a long-term average of 30%.

EOG Resources announced it has increased its natural gas reserves estimates. Its Barnett Shale reserve potential in Texas is now estimated at 370 million boe from the 56 million boe it had booked at the end of last year. EOG said initial

Generator Problems

PJM – PSEG Nuclear's 1,100 Mw Salem 2 nuclear unit ramped up its output to 98% of capacity early Wednesday from 76% on Tuesday. The unit was curtailed during the weekend due to river grass clogging the reactor's circulating water screens.

NPCC – OPG's 490 Mw Nanticoke #1 coal fired power plant was shut early Wednesday.

MAIN – FPL Group's 513 Mw Point Beach 1 nuclear unit returned to 96% of capacity on Wednesday, up from 80% on Tuesday. The unit was taken offline on March 1st for planned maintenance and refueling and was restarted on April 4th.

WSCC – TransAlta's 450 Mw Genesee #3 coal fired power plant returned to service yesterday. The unit had been shut since April 3rd.

SERC – Southern's 1127 Mw Vogtle #2 nuclear unit started to exit its recent refueling outage and was at 12% power this morning. The unit had been off line since March 8th.

ERCOT – AEP planned to restart the 528 Mw Welsh #1 coal fired unit between April 7th and 11th. The unit was shut on Tuesday to fix a boiler tube leak.

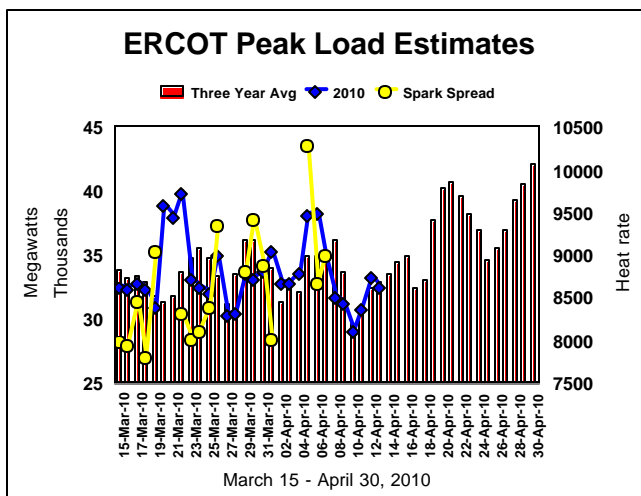
Luminant's 750 Mw Monticello coal fired unit #3 was planned to be shut today for repairs to fix an electrohydraulic fluid leak

The NRC reported that there was some 75,129 Mw of nuclear power generated today, up 0.56% from yesterday and off 6.77% from a year ago.

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	977,500	\$4.084	(\$0.071)	\$0.028	\$0.024	(\$0.120)
Chicago City Gate	701,700	\$4.188	(\$0.035)	\$0.132	\$0.059	(\$0.085)
NGPL- TX/OK	682,800	\$4.000	(\$0.066)	(\$0.056)	\$0.028	(\$0.251)
SoCal	404,500	\$4.218	(\$0.023)	\$0.162	\$0.071	(\$0.090)
PG&E Citygate	837,300	\$4.624	(\$0.118)	\$0.568	(\$0.024)	\$0.456
Dominion-South	554,100	\$4.293	(\$0.052)	\$0.237	\$0.042	\$0.024
USTrade Weighted	22,189,200	\$4.124	(\$0.070)	\$0.068	\$0.02	(\$0.120)

results from its Eagle Ford acreage in South Texas indicated reserve potential of 900 million boe with first production expected next year. The CEO of the company said he looks for the

Eagle Shale to become one of the largest U.S. discoveries in the last 40 years. The company still plans to develop its Horn River acreage at a moderate pace and that it may look for a joint venture partner for some of its shale gas plays.

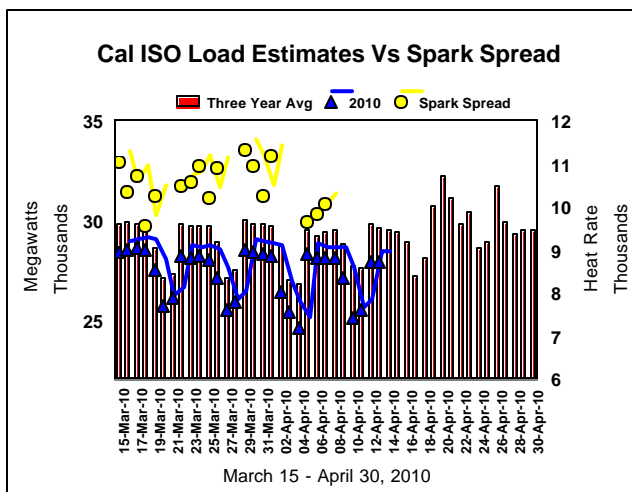


Australia's Arrow Energy has found a potential major coal seam gas resource in Nw South Wales and it said it plans to rapidly determine its production potential.

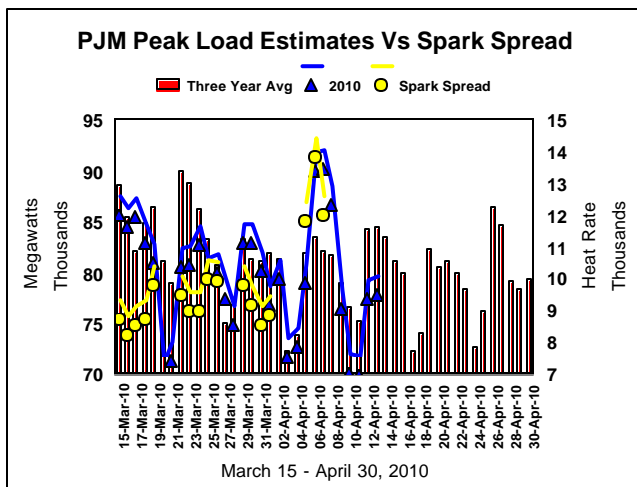
The U.S. State Department said today that the U.S. plans to offer other countries help in determining whether they have big natural gas resources trapped shale rock and show them how to bring those supplies to market. The U.S. Geological Survey will offer its services to 7 to 10 countries that have the best potential for holding shale gas, such as China and India. The government is looking at these efforts as a way to

help countries reduce their dependence on coal especially for power generation. The U.S. government is also asking for countries that accept the assistance to allow the USGS to make the gas resource information public so as to give companies that want to develop the shale resources the confidence that the resource assessments are accurate.

According to shipping sources the Lake Charles LNG terminal is expected to receive a tanker of LNG from Nigeria on April 11th. This would be the third tanker to arrive at the facility since its start up of a new unit that can extract liquids such as butane and propane from imported gas at the terminal.



The Norwegian Kollsnes gas processing plant was shut on Wednesday after a minor condensate leak was discovered Tuesday evening. The operator of the facility, Gassco though expected some capacity to return by the afternoon. As a result Norwegian gas flow to Britain via the Langeled pipeline fell to 10 million cubic meters a day down from 40 mcm/day earlier on Wednesday, and a normal capacity of 70 mcm/day.



The LNG tanker, the British Merchant is scheduled to arrive at the Isle of Grain terminal on Thursday. While the Qatari LNG tanker, Al Jassasiya is due to arrive in Belgium on April 22nd.

PIPELINE MAINTENANCE

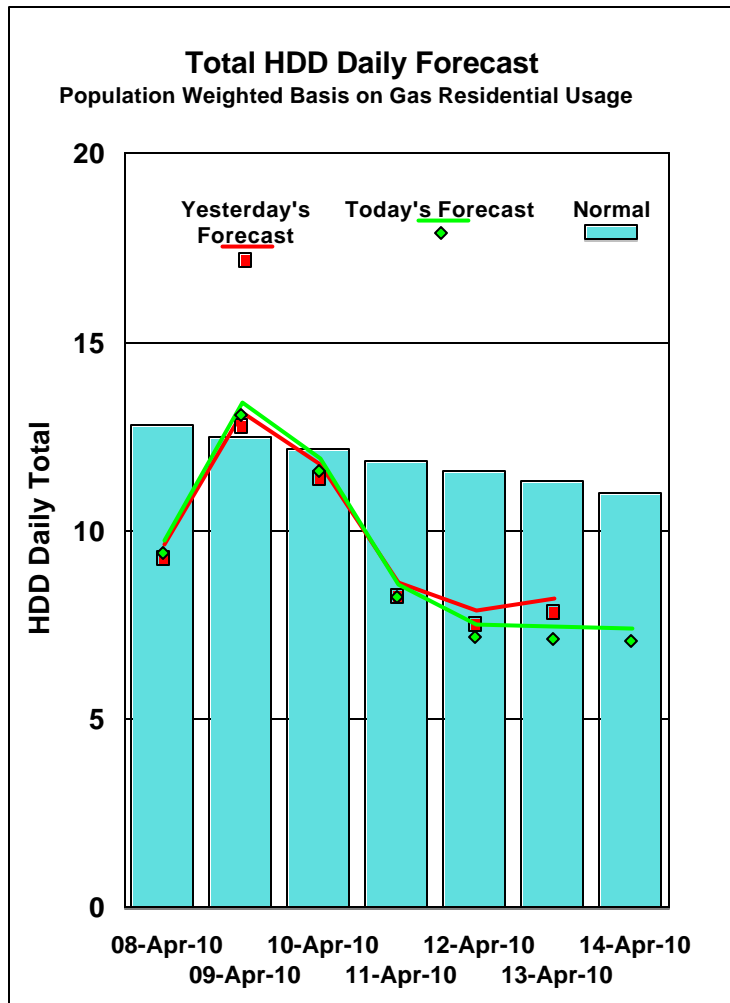
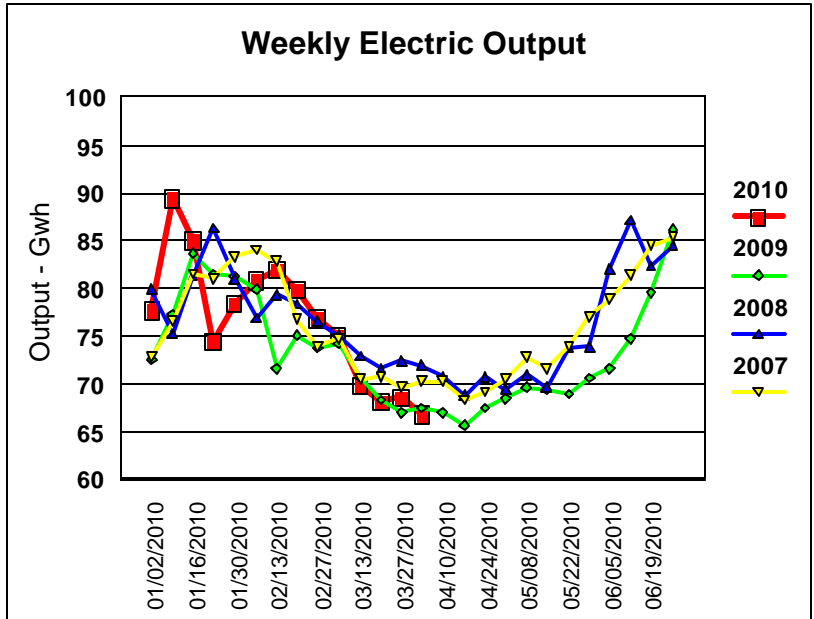
Southern said the unscheduled repairs at the Bienville Compressor Station, which began on March 30th, have been completed. Available

capacity in Group-48-Perryville West will return to normal effective with the intraday 1 cycle on April 7.

ELECTRIC MARKET NEWS

The U.S. Northwest River Forecast Center today projected water run off at the Dalles Dam on the Columbia River would be just 65% of normal, down 1% from last week's forecast and some 19% worse than the water flows experienced last summer. Water flow projected for the Grand Coulee Dam for the April-September period was set at 73% of normal also 1% worse than last week's forecast.

Denali, the company created by BP and ConocoPhillips to build and operate the natural gas pipeline from Alaska's North slope to North American markets, filed documents with federal regulators today that estimated the cost of the project at \$3 billion. The 4.5 bcf/d pipeline would have an in service date of 2020. The company said its open season would begin on July 6th and last for 90 days. The competing gas pipeline project sponsored by TransCanada and ExxonMobil will start its open season on April 30th.



The Edison Electric Institute reported today that U.S. electric generation in the week ending April 3rd fell by 0.9% on the year to 66,843 Gwh.

MARKET COMMENTARY

While in past years, a bullish hurricane forecast from Dr Gray and his team at Colorado State University would have translated into at least an up day for the natural gas market. But it appears that yesterday's bearish Short Term Energy Outlook has spooked the bulls from returning to this market with out a bullish inventory report that could signal the start of production declines starting to take hold. With a relative poor heating demand outlook for the next week coupled with little cooling demand especially as the this week's early heat wave in the eastern U.S. comes to an end there is little on the demand side to make traders embrace a bullish outlook for this market near term.

Tomorrow's EIA Storage Report is expected to show a build of 30 bcf. Stocks a year ago rose an adjusted 17 bcf for the same week, while the five year seasonal average is for a gain of 11 bcf.

Without a bullish surprise tomorrow it appears to us that this market near term is probably headed back below \$4.00 once again. We see support \$3.91 followed by \$3.85 and \$3.81. Additional support we see at \$3.66 and \$3.60. Resistance we see at \$4.07 followed by \$4.12 and \$4.173. Additional resistance we see at \$4.287 and \$4.334.

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