



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,
& Karen Palladino
(212) 624-1132 (888) 885-6100

www.e-windham.com

NATURAL GAS & POWER MARKET REPORT FOR APRIL 9, 2009

NATURAL GAS MARKET NEWS

Baker Hughes reported that the number of drilling rigs search for natural gas during the current week stood at 790 rigs, down 18 from last week.

The Ziff Energy Group in a research report released today called for shale gas production by 2020 in the United States coupled with some output from Canada will more than triple current levels. The group called for production from Haynesville Shale regions will surpass production from the Barnett formation around 2015.

Generator Problems

NPCC – Constellation Energy’s 621 Mw Nine Mile Point #1 nuclear unit was at 1% power this morning as operators began to repower the unit following its recent refueling outage.

ERCOT – Luminant’s 565 Mw Monticello #1 coal fired unit was expected to be restarted today. Meanwhile operators said the #3 sister unit was running at reduced output for pollution control work.

PJM- PPL’s 1149 Mw Susquehanna #1 nuclear unit was at 66% power this morning, down 28% from yesterday.

The NRC reported this morning that 80,236 Mw of nuclear generation capacity was on line, down 0.5% from yesterday but up 7.7% from the same time a year ago.

The FERC has granted approval for the Midcontinent Express Pipeline to begin interim service in Texas starting April 10th. The interim service will deliver gas to NGPL’s Atlanta, Texas receipt point, which is located near the Carthage Hub. Midcontinent Express will begin flowing up to 300,000 Mcf/d on the 100-mile portion of the line starting on Friday. The line will eventually have a capacity of 1.8 bcf/d.

Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
<u>Location</u>	<u>Traded</u>	<u>Price</u>		<small>(As of 12:30 PM)</small>		<u>Moving Avg</u>
Henry Hub	566,600	\$3.588	\$0.087	\$0.008	\$0.063	(\$0.190)
Chicago City Gate	628,100	\$3.455	\$0.023	(\$0.125)	\$0.067	(\$0.070)
NGPL- TX/OK	783,900	\$3.301	\$0.042	(\$0.279)	\$0.086	(\$0.328)
SoCal	374,300	\$2.955	(\$0.077)	(\$0.625)	(\$0.033)	(\$0.572)
PG&E Citygate	735,400	\$3.506	\$0.001	(\$0.075)	\$0.045	(\$0.070)
Dominion-South	281,100	\$4.061	\$0.047	\$0.481	\$0.091	\$0.487
USTRade Weighted	15,178,600	\$3.376	\$0.019	(\$0.204)	\$0.06	(\$0.190)

The Rockies Express Pipeline reported that initial service on a 683 mile eastern portion of its pipeline will be delayed until mid-May due to weather-related delays, including the flooding from

the Walbash River. In early March the company had reported that it was projecting that interim service was being delayed from April 1st to the first half of April. The company though did re-affirm its previously projected in-service dates for Lebanon, Ohio on June 15th and Clarington, Ohio by November 1st. Initial REX East service will include deliveries to pipelines NGPL in Moultrie County, IL; Trunkline in Douglas County, IL; Midwestern, in Edgar County, IL; and PEPL in Putnam County, IN.

Bloomberg News reported today that according to ship tracking data compiled by the new agency, there are currently 6 LNG carriers bound for U.S. facilities compared to four a week ago. The Maran Gas Asciepius signaled today it was sailing to Cove Point, having previously transmitted its destination as the Isle of grain, U.K LNG terminal.

Chevron reported this afternoon that U.S. domestic production of natural gas in the first two months of this year reached 1.358 bcf/d, up 2.9% from the 4Q2008 but 18.5% less than the 1Q2008.

Royal Dutch Shell and Gazprom announced yesterday a series of 20-year agreements in which both will be buying LNG supplies from the eastern Russian Sakhalin II production area. It is seen some of these gas supplies will be headed towards Sempra Energy's underutilized West Coast LNG terminal.

EIA Weekly Report

	04/03/2009	03/27/2009	Change	Year ago
Producing Region	744	731	13	498
Consuming East	647	641	6	565
Consuming West	283	282	1	173
Total US	1674	1654	20	1236

*storage figures in Bcf

Gazprom said it looks for global demand for natural gas and its own natural gas production will be depressed by around 10% for the next 4-5 years. The company also said it sees its position in Europe declining by 2020 as it focuses on LNG exports and deliveries into the Asian market. Gazprom also said today that

the company and their Central Asian partners may double the capacity of the planned Caspian gas pipeline. In 2007 Russia, Turkmenistan, Kazakhstan and Uzbekistan agreed to build the Caspian pipeline, but construction has yet to begin. The CEO of Gazprom did note that the feasibility study is under way on the project.

Canadian Gas Association

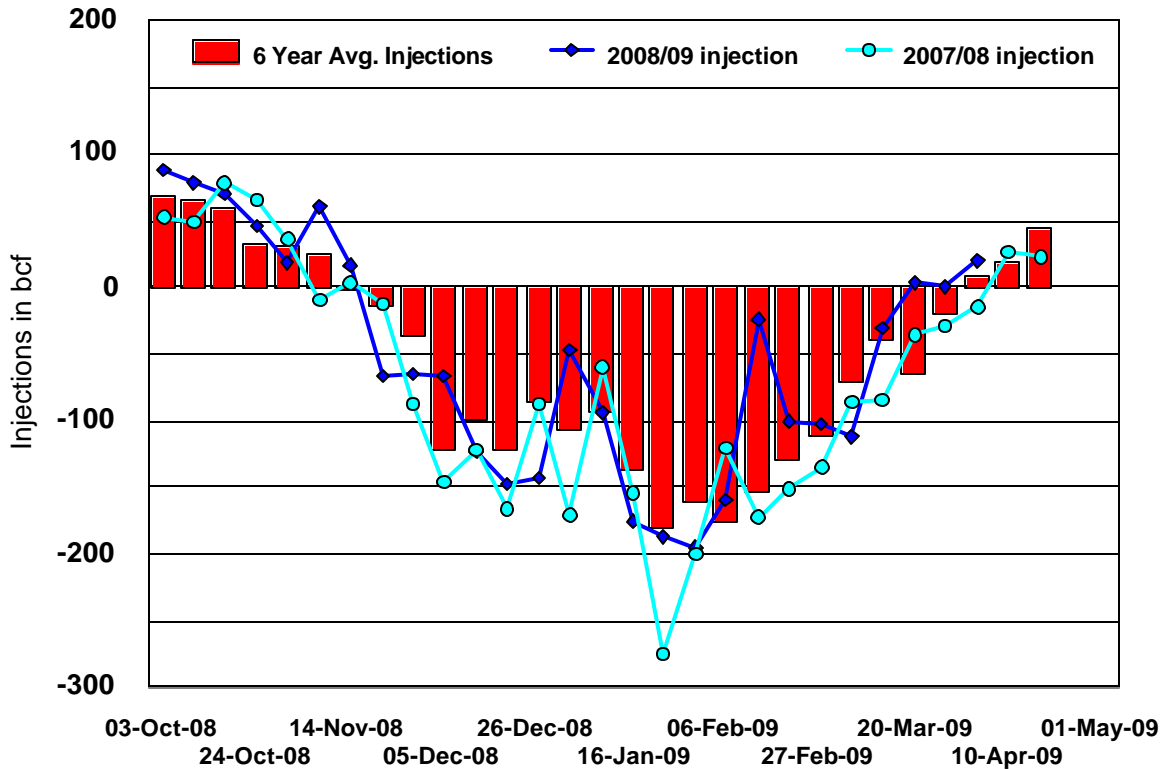
Weekly Storage Report

	03-Apr-09	27-Mar-09	04-Apr-08
East	67.7	60	39.4
West	133.7	130.1	114.1
Total	198.4	190.1	153.4

storage figures are in Bcf

Gazprom said a blast on a pipeline in Turkmenistan and the subsequent suspension of Turkmen gas deliveries would not have any impact on its customers. Gazprom said Turkmenistan is studying the possibilities for a speedy resolution of the accident and options for gas deliveries via previously unused links of the trunk pipeline Central-Asia-Center. The blast which occurred on Thursday has fully halted Turkmen gas exports to Russia. Repairs were expected to take up to three days to be completed. Turkmen exports some 50 billion cubic meters of its gas a year to Russia. While the loss of this production in the past would have disrupted sales by Gazprom, the recent decline in demand for gas both in Europe and internally in Russia has left Gazprom with a supply cushion. Late in the day there were reports that Turkmenistan officials were blaming Gazprom for the pipeline blast by "overstraining" the pipeline network.

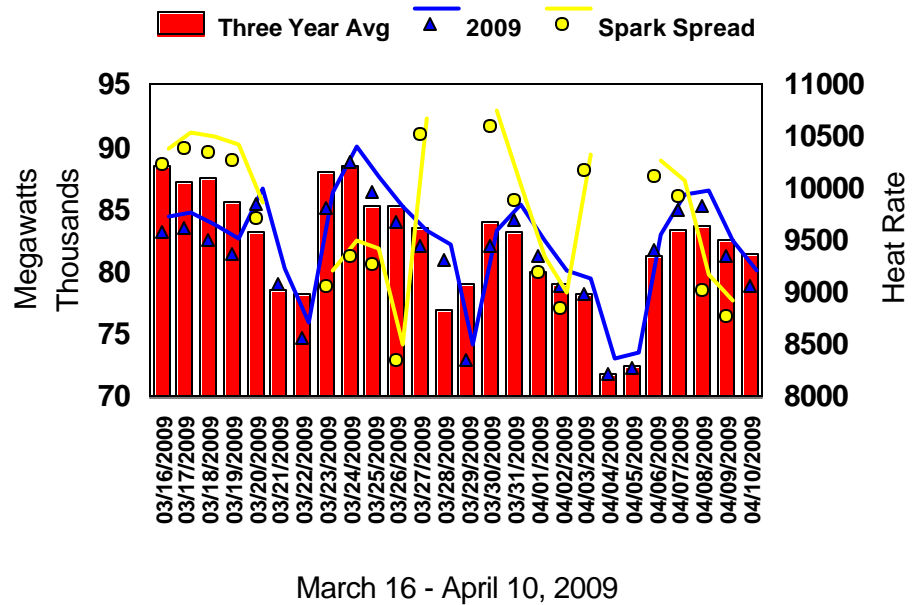
2008/09 EIA Survey Build/Draw VS 6-Year Average



PIPELINE MAINTENANCE

Cheyenne Plains Gas Pipeline reported that it has changed scheduled maintenance that will impact nominated activities at the Wyoming Interstate Company Cheyenne Compressor Station on April 14th. As a result of the work WIC deliveries to CP at Thunder Chief will be unavailable. To provide an additional outlet for gas on their WIC Wyoming mainline, WIC and CIG will set up a new aggregate WTM (WIC to CIG Mainline). WTM will allow WIC Wyoming mainline shippers to deliver gas into the CIG mainline in the Cheyenne Hub area. The WTM interconnect will

PJM Peak Load Estimates Vs Spark Spread



support additional transportation to CIG delivery points, including the Red Cloud which is CIG's Cheyenne Hub.

PG&E California Transmission said it will continue Baja Path Maintenance that will cut capacity at its Kettleman compressor station to 86% to 984 MMcf/d for April 9th. The compressor work cut capacity at the station by 93% for April 6 and 7th and dropped capacity to 81% on April 8th.

PIPELINE RESTRICTIONS

Tennessee Gas Pipeline said that it is lifting the Imbalance Warning at Zones 5 and 6.

El Paso Natural Gas issued an OFO notice for today. The company also said the probability of declaring a Strained Operating Condition or Critical Operating Condition is high for Thursday due to a high line pack condition.

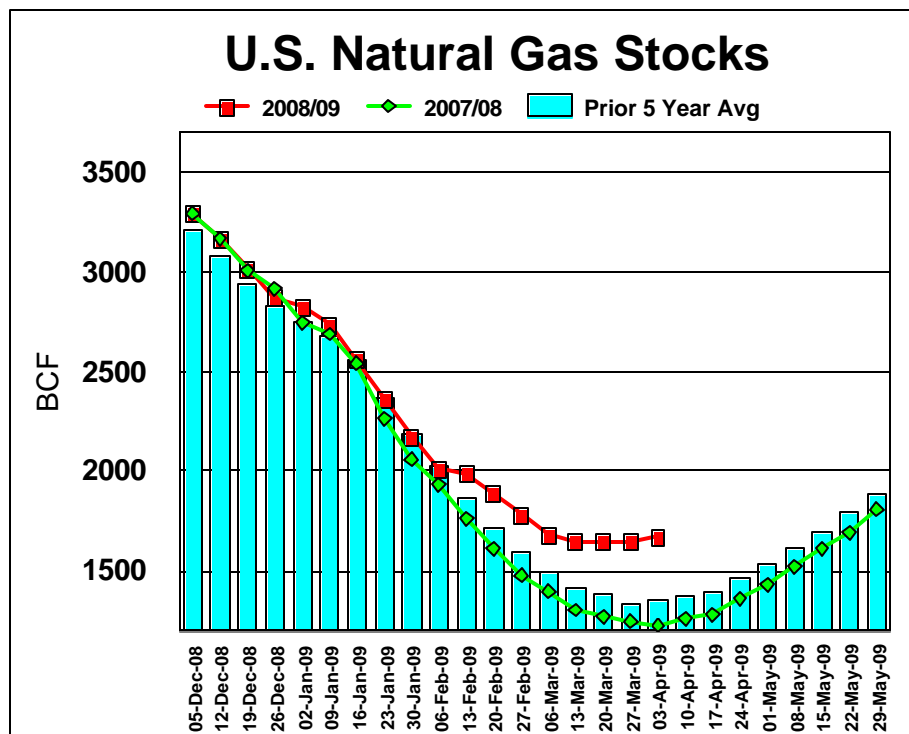
ELECTRIC MARKET NEWS

The NRC today renewed the operating license for Exelon's Oyster Creek Nuclear Generating Station for an additional 20 years.

New York Iso reported yesterday that wholesale electricity prices in New York State in March were at their lowest rate since November 2003 due mainly to weaker natural gas prices. The average cost of wholesale power was \$45.63 Mwh.. In January prices averaged \$73.28 Mwh. Demand in March for power was 422,000 Mwh per day some 2.3% less than the same month a year ago.

PacifiCorp said in a planned filed yesterday with the Utah Public Service Commission said it plans to significantly cut its reliance on coal fired generation by adding about 2,180 Mw of renewable and natural gas fired generation over the next nine years. The company is looking to add 1400 Mw of wind

generation by 2018, with 830 Mw of gas fired generation added by 2018. The utility said that it may retire some coal units early depending on future CO2 regulation. Under its filing PacifiCorp assumed CVO2 emissions would cost between \$45-\$100 per ton.



MARKET COMMENTARY

The natural gas market saw a relatively light volume day in front of the holiday weekend in both the cash and futures market. As a result when the EIA storage report was released, a rather illiquid market reaction led to a 26.9 cent trading ranging being posted in a matter of minutes. Ultimately the storage report was seen as slightly bearish

as the injection rate of 20 bcf placed total inventories some 310 bcf above the five year seasonal average and nearly 440 bcf above a year ago. The market as a result finished the day down despite the gains from the oil and equity markets.

We feel natural gas prices will remain under pressure over the next several weeks and thus would be a seller on any rally approaching \$4.00. We ultimately feel that this market could grind lower possibly challenging the \$3.40-\$3.00 area, with some seeking to test the \$2.80 area. We see initial support though at \$3.53 followed by \$3.45. We see resistance at \$3.824 followed by \$4.00, \$4.143 and \$4.287.

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