



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR APRIL 22, 2010

NATURAL GAS MARKET NEWS

Gazprom announced it has reached agreement with Sempra LNG for deliveries into the U.S. Gulf Coast. Under the agreement Gazprom will pay Sempra LNG for the right to sell and deliver up to two LNG cargoes per month to the Cameron LNG terminal starting by June 2010.

Sempra Energy said it plans to send nearly three cargoes a month to its Costa Azul LNG terminal in Baja California as supply from Indonesia's Tangguh LNG plant finally begins to ramp up. Sempra bought 500 million bcf of LNG from Tangguh for 20 years. Tangguh has the option to divert half of those cargoes away from Costa Azul should more attractive options arise. The plant came on line last year but has experienced some early operation problems.

Martin King an analyst with FirstEnergy Capital Corp noted today that he has lowered his outlook for natural gas prices for 2010-2013. He said he was surprised that the U.S. rig count has climbed steadily for 16 straight weeks especially given the pace of gas drilling in North America looks unsustainable given low gas prices and what appear to be higher than reported break even costs. He noted that at least some of the gas drilling in the first half of this year is likely being done so companies can retain leases and for other operational issues, while others have already hedged this projected production. But he noted that given the latter part of this year and into next year, with forward prices being lower, some lease retention agreements are possibly going to expire as some companies are facing a 50% reduction in cash flow from some projects. His estimate for 2010 is for NYMEX gas prices to average \$5 per mmbtu, down from his earlier estimate of \$6.50. In 2011 he sees prices of \$5.75 and \$6.25 per mmbtu in 2012. He noted that some companies have noted their breakeven costs in major shale plays have fallen toward \$4 per Mmbtu as technology has improved.

EIA Weekly Report

	04/16/2010	04/09/2010	Change	04/16/2009
Producing Region	696	665	31	776
Consuming East	829	795	34	666
Consuming West	304	296	8	293
Total US	1829	1756	73	1734

*storage figures in Bcf

Generator Problems

NPCC- OPG's 535 Mw Lennox oil and gas fired Unit #3 was shut early Thursday morning.

OPG's 881 Mw Darlington #4 nuclear unit was shut early Thursday. Earlier this week the unit returned to service from two-month maintenance outage.

PJM – PPL's 1149 Mw Susquehanna #1 nuclear unit has exited a refueling outage and ramped up to 25% power by early Thursday.

MISO – Exelon's 855 Mw Quad Cities #2 nuclear unit was at 99% power up 13% from yesterday.

FRCC – FPL restarted its 853 Mw St Lucie #2 nuclear unit and it was at 2% power.

SERC – Duke Energy's 1100 Mw McGuire #1 nuclear unit ramped up to 74% this morning up 26% from a Wednesday. The unit continues to ramp up from its recent refueling outage.

Southern Nuclear's cut power at both its Hatch #1 and Hatch #2 nuclear units. Hatch #1 was at 48% power, down 10% from Wednesday while its sister unit was at 86% power down 9%.

The NRC reported that there was some 77,146 Mw of nuclear power generated today, up 0.5% from yesterday and off 5.9% from a year ago.

Qatar's 266,000 LNG tanker Al Mafyar is slated to arrive in the UK on April 23rd. Algeria's Berge Arzew LNG tanker and a tanker from Gaz de France's are due to arrive at the Isle of Grain terminal by May

3rd. Meanwhile National Grid confirmed that the Iberica Knutsen LNG tanker berthed at the Isle of Grain terminal today. It carried LNG from Trinidad.

Canadian Gas Association

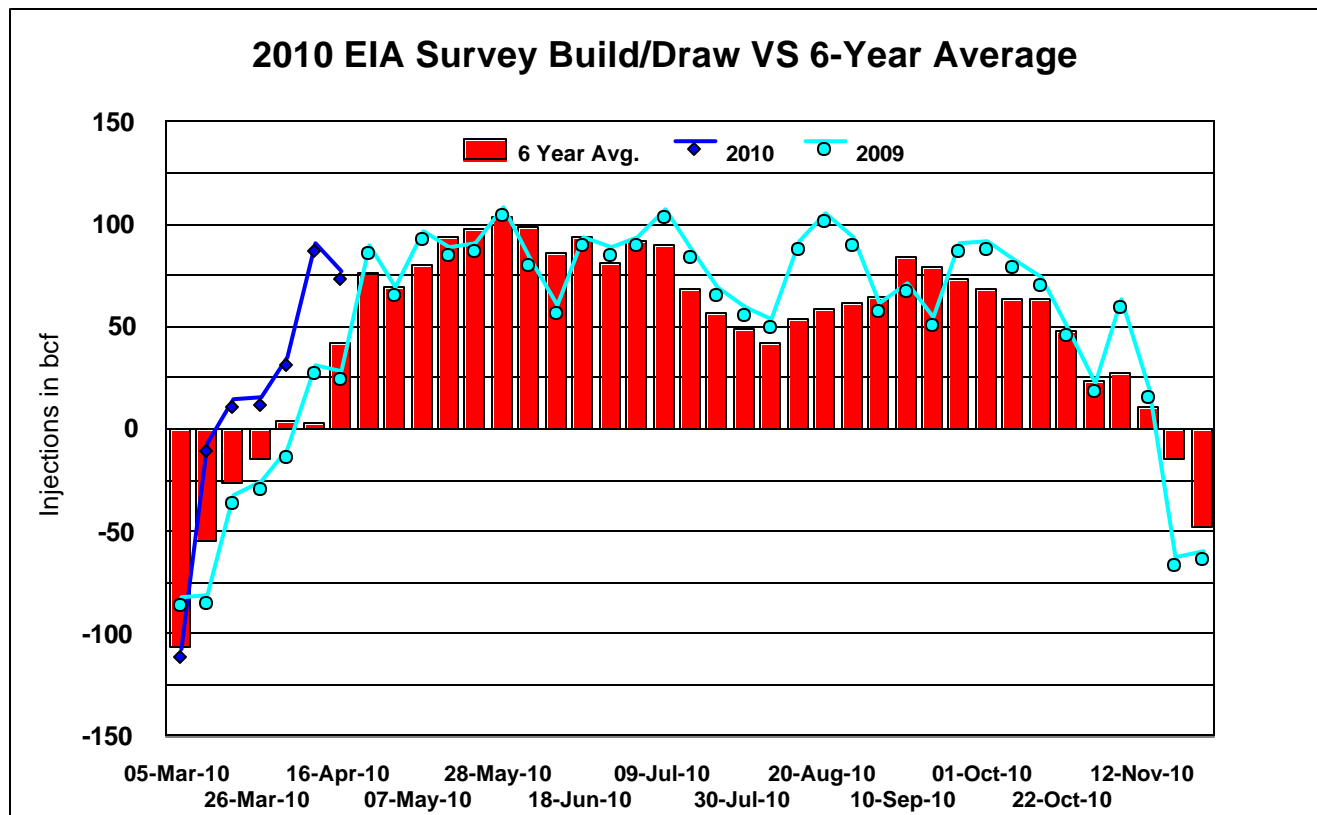
Weekly Storage Report

	16-Apr-10	09-Apr-10	17-Apr-09
East	86.1	85.1	60.1
West	225.5	208.4	154.4
Total	311.6	293.5	214.5

storage figures are in Bcf

The executive director for upstream operations at Royal Dutch Shell said today that he sees global gas demand rising by at least 2% per year for the foreseeable future and sees global gas demand reaching 4.5 tcm by 2030. He expects LNG demand will double this decade with Chinese gas demand to double or treble by 2020 from just 100 bcm currently. He sees China becoming the world's third largest gas market by 2020.

Kuwaiti energy official said today that Kuwait has restarted its seasonal imports of LNG for power generation needs. These imports are expected to last through the end of October.

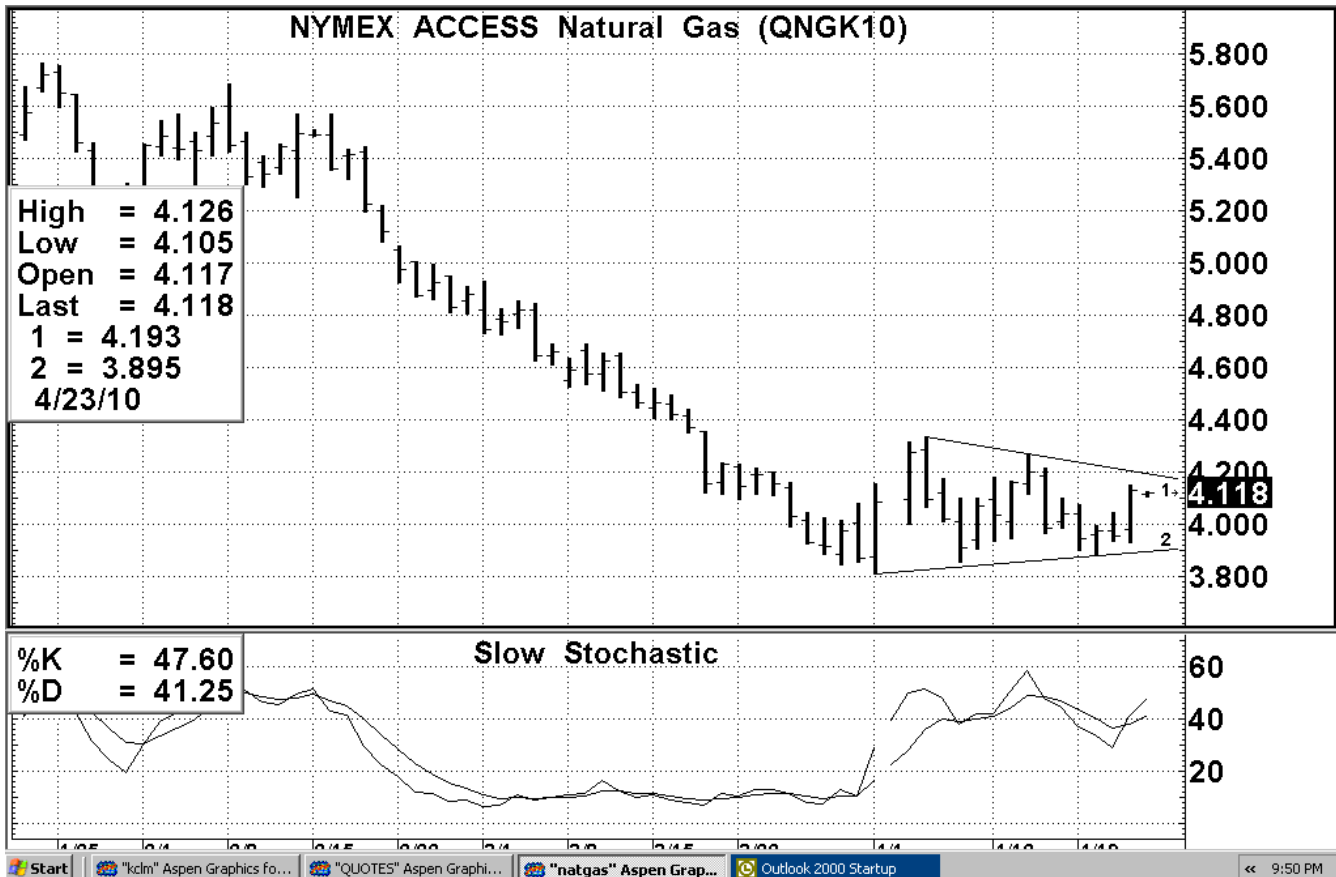


The Russian energy minister said today that Russia and the Ukraine would step up efforts to create a consortium to modernize the Ukrainian gas pipeline system. Russia has been seeking a stake in the Ukraine's pipeline system for nearly a decade. Russia Wednesday agreed to a large discount on gas to Ukraine in return the Ukraine extending the lease of Russia's Black Sea fleet base in Crimea. Prime Minister Putin though said Thursday that Russia was not interested in using discounted natural gas pricing to build or maintain any other military bases around the world, outside of its agreement with Ukraine yesterday.

Turkish officials said today that it has awarded a 10-year license to a unit of Aygaz to import LNG as a wholesaler on the spot market.

Romania said it would take part in the Russian backed South Stream pipeline project, which is slated to run through Romania territory on the way to the rest of Europe.

The US Labor Department said initial claims for unemployment benefits in the week ending April 17th fell by 24,000 to 456,000. The previous week's level was revised downward to 480,000 from 484,000. The four week moving average increased by 2,750 to 460,250 from the previous week's revised average of 457,500. The number of continuing claims in the week ending April 10th fell by 40,000 to 4,646,000 from the preceding week's revised level of 4,686,000. The unemployment rate for workers with unemployment insurance in the week ending April 10th was 3.6%, down from the prior week's



revised rate of 3.7%.

PIPELINE RESTRICTIONS

Rockies Express Pipeline announced that the force majeure declared on Tuesday for the booster facility at the Wamsutter Echo Springs interconnect has been lifted effective today.

Tennessee Gas Pipeline announced that effective for today it has restricted Leidy delivery meters and the Niagara Spur Backhaul Spur. The company restricted through approximately 7% of supply to market

		Natural Gas Cash Market					
		ICE Next Day Cash Market					
		Volume	Avg	Change	Basis	Change	
		Traded	Price		(As of 12:30 PM)	Basis 5-Day	
						Moving Avg	
secondary	out	Henry Hub	988,300	\$3.950	\$0.011	(\$0.167)	(\$0.096)
of	path	Chicago City Gate	726,600	\$4.012	(\$0.008)	(\$0.106)	(\$0.094)
nominations		NGPL- TX/OK	551,600	\$3.859	(\$0.008)	(\$0.259)	(\$0.094)
pathed	for	SoCal	544,900	\$3.929	(\$0.010)	(\$0.188)	(\$0.096)
for	delivery to the	PG&E Citygate	575,600	\$4.374	\$0.000	\$0.257	(\$0.086)
Leidy	meters	Dominion-South	314,500	\$4.166	(\$0.031)	\$0.049	(\$0.117)
and	has	UStTrade Weighted	19,448,700	\$3.936	(\$0.010)	(\$0.181)	(\$0.10)
restricted							
through							
approximately							
26% of market							

to supply secondary out of path nominations pathed through the Niagara Spur Backhaul point.

Southern Natural has ended its force majeure following the completion of maintenance on the Southeast Supply Header pipeline interconnect with Southern Natural. Capacities have returned to normal operating levels.

ELECTRIC MARKET NEWS

The U.S. Congressional Budget Office reported today that it estimates the costs of the House of Representatives passed Waxman-Markey climate bill would average some \$90 a year per household in 2012 and \$550 a year in 2030 and \$930 a year by 2050. While the loss would be modest as a share of GDP in all years between 2012 and 2050, it would rise over that period as the cap became more stringent and more resources were dedicated to cutting emissions. The loss would equal about 0.1% of GDP in 2012 and about 0.5% in 2030 and 0.8% in 2050. A year ago the CBO estimated the average cost of the cap and trade program passed by the House of Representatives would cost \$22 billion by 2020 or \$175 for each household.

MARKET COMMENTARY

While this morning's inventory storage report came in higher than last year's injection rate as well as the five year seasonal average, the market was able to rally following the release of the report, as the report came in some 5-10 bcf less than most market participants had been expecting. In fact this was the first storage report in some time that did not send the bulls running for the exits. Prices following the report jumped some 15 cents within minutes, as it appeared the short covering trend of the past couple of days continued through mid morning. But prices quickly stalled out and went in to a sideways trading pattern for the remainder of the session as no significant follow through buying was unlocked as judging by the relatively modest volume for a storage report day.

While it appears that this market will probably not challenge to break below the lows from earlier this month, we do not think that the market will run away to the upside either right now before the May contract expires next week. We feel that in order for this market to make a push to new lows we will need cooling demand to remain restricted while nuclear generation levels rebound, as well as LNG imports bounce back from their recent low levels. We would look for this market to remain basically in a sideways pattern for the remainder of the life of the May contract. We see support in the May contract at \$3.895 followed by \$3.837 and \$3.81. Resistance we see at \$4.193 followed by \$4.269 and \$4.334.

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