



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR APRIL 26, 2010

NATURAL GAS MARKET NEWS

The EIA said today that its new methodology is being implemented with the monthly natural gas production estimates from the EIA-914 survey this month. The estimates, to be released April 29, 2010, include revisions for all of 2009. Previously the EIA said it would only look to revise 2010 production levels. The fundamental changes in the new process include the timeliness of the historical data used for estimation and the frequency of sample updates, both of which are improved.

According to a recent report from Ernst & Young, it sees the oil and gas industry fundamentals as improving in stride with the global economy and the outlook for natural gas in particular is "very strong".

API estimates 7,663 oil and natural gas wells and dry holes were completed in the United States in the first quarter, down 24% on the year and halting an uptick in well completion

Generator Problems

NPCC- OPG's 490 Mw coal fired Unit #3 at the Nanticoke power station was shut early Monday.

OPG's 535 Mw oil and gas fired Lennox Unit #4 returned to service today. The unit had been off line since March 5th.

Sithe Global Power's 880 Mw Goreway natural gas fired power station returned to service three units today totaling 647 Mw of generating capacity. All three units had been off line since April 19th.

OPG's 881 Mw Darlington #4 nuclear unit returned to service today. The unit had been shut since April 22nd.

Bruce Power's 750 Mw Unit #3 at the Bruce Nuclear power station returned to service on Sunday. The unit had been offline since February 25th for planned maintenance.

Entergy's 620 Mw Vermont Yankee nuclear unit was shut for routine refueling and maintenance today. The unit had been at 93% power on Friday.

ERCOT – AEP's 528 Mw coal fired Welsh #3 power unit was planned to be restarted this week.

Luminant's 750 Mw Monticello #3 coal fired power plant was expected to be restarted this past Sunday. The unit had been shut on Saturday to fix a primary heater.

The Gibbons Creek coal generating plant reported an air shutdown at Unit #1 on Sunday.

The Big Brown coal fired power station was slated to have maintenance today on Unit #2.

SPP – Entergy's 1207 Mw Grand Gulf nuclear unit was shut yesterday for its scheduled refueling outage.

SERC – Dominion Power's 917 Mw North Anna #2 nuclear unit was at 12% power this morning. The unit was ramping up from its March 21st refueling and maintenance outage.

The 938 Mw Brunswick #1 nuclear unit has been restarted and was at 6% power this morning. The unit was shut in February for refueling and maintenance.

Duke Energy's 846 Mw Oconee #2 nuclear unit has been shut down. The unit was at full power on Friday. The unit has been shut for scheduled refueling.

Southern continues to ramp up production at both of its Hatch nuclear units. Hatch #1 was at full power, up 50% from Friday, while Hatch #2 was at 99% power up 3% from yesterday.

MISO – NextEra Energy resources shut the 580 Mw Duane Arnold nuclear unit today due to high turbine vibrations.

WSCC – SCE's 1080 Mw San Onofre #3 nuclear unit ramped up to 76% power this morning, up 23% from Friday.

The NRC reported that there was some 75,476 Mw of nuclear power generated today, down 1.5% from yesterday and off 3.1% from a year ago.

activity that began in the second half of 2009. But the trade group noted that there was an uptick in permits and rig activity at the end of the quarter and as a result expects this increased activity will result in an uptick in completions in the second quarter. There were 3,216 natural gas well completed

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	951,100	\$4.227	\$0.161	\$0.003	\$0.182	(\$0.090)
Chicago City Gate	574,900	\$4.310	\$0.205	\$0.086	\$0.180	(\$0.008)
NGPL- TX/OK	723,000	\$4.153	\$0.184	(\$0.071)	\$0.159	(\$0.158)
SoCal	372,300	\$4.172	\$0.233	(\$0.052)	\$0.208	(\$0.123)
PG&E Citygate	775,700	\$4.597	\$0.215	\$0.373	\$0.190	\$0.323
Dominion-South	455,100	\$4.381	\$0.116	\$0.157	\$0.091	\$0.139
USTRade Weighted	20,998,000	\$4.220	\$0.207	(\$0.004)	\$0.18	(\$0.090)

in the quarter, down 36% from a year earlier. First quarter natural gas well exploration completions slipped by 27% to 255 well completions, versus 349 a year ago.

T. Boone Pickens said today that natural gas prices are likely to remain “cheap” for the next two to three years because of oversupply. He placed the price range of \$4-\$6 for this period.

Independent oil and gas explorer Newfield Exploration said it was raising its forecast for full year production to the upper end of its earlier estimate to 288 bcfe. Much of these higher gains are coming from expected oil production which it sees growing 20% year on year as it allocates greater capital to this production. The company though does see a planned reduction in natural gas volumes in the second half of 2010 as natural gas production that will be offset by higher oil production. The company looks to the Woodford and Granite Wash natural gas plays to grow by 20% or more this year. But the company noted they are electing to slow the pace of their development drilling in Woodford and plan to drop several rigs in the second half of this year.

Questar Corp raised its E&P production guidance for 2010 as a result of strong fiscal quarter results. The company is now looking for 2010 production to grow by 12-15% over 2009 levels. It noted that natural gas production in the 1Q2010 accounted for 90% of its production. It reported that it has increased its acreage holdings in Haynesville play by 4% to over 48,000 net acres. Its current production from its wells in this play is over 180 mmcf/d.

Iran’s oil minister said today while Iran is ready to supply natural gas to the UAE, it will not hold any talks with Crescent Petroleum, with which it has a long standing dispute over gas supply. Iran and Crescent back in 2001 signed a 25 year gas contract for supply based on a price linked to the price of oil. But as oil prices rallied in the following years, some officials and politicians in Iran called for a revision to the price formula and blamed the price dispute for delivery delays. The offshore Salman gas field was meant to have started pumping Iran’s first gas exports to the UAE in December 2005.

The CEO of Statoil said today that his country is pleased with the progress in discussions with Russia on the Shtokman project, as well as Norway and Russia making progress on finally settling their decade long Arctic maritime border dispute. He also outlined that his company is very interested in pursuing oil and gas prospects in Greenland.

National Grid reported on Monday that the Berge Arzew LNG tanker had berthed at the Isle of Grain terminal on Sunday.

Russian Natural Resource Minister Yuri Trutnev said today that Russia may allow TNK-BP to keep its license for the Kovykta gas field should the company agree to develop the project in conjunction with Gazprom. The Russian government and TNK-BP have been dickering over the eastern Siberian gas field for more than a decade. The Russian government in past months had been threatening to revoke

the license, but seems to be tempering its position for fear of sending a damaging signal to the investment market.

Italy's Eni and Russia's Gazprom said today that work on the South Stream natural gas pipeline will start in the first half of 2012, and that France's EDF will take a 20% stake in the venture. The agreement is expected to be finalized in June.

Vitol announced it has signed a four-year deal today to supply LNG to Kuwait Petroleum for the summer months of April through October from 2010 through 2013. It was rumored that Vitol loaded the LNG tanker Trinity Arrow in Belgium in March for this potential deal with Kuwait

Britain's Elgin Franklin gas field in the North Sea was in the process of restarting Monday following technical problems that shut the field down late Friday. The field produced 19.8 million cubic meters of gas or 6.6 mcm/day in April 2009 as well as 62,389 b/d of crude oil.

AccuWeather's 30 day forecast released this morning and continued to show most population areas east of the Rockies will be normal to 2-3 degrees warmer than normal while the western third of the nation could average out to being 1-2 degrees cooler than normal.

A senior executive with Royal Dutch Shell noted today that natural gas demand in the middle east has been rising by as much as 5% a year, equal to Chinese growth rates but the region remains hamstrung by supply shortages, despite holding possibly 40% of the world's natural gas reserves, due to poor transportation infrastructure.. He noted the region should explore using new technology and investing in LNG infrastructure.

The Turkish Energy Minister said today that Iran may export gas to Switzerland Via Turkey, but Iran must pay a transit fee to Turkey. Iran's oil minister said on Saturday that his country was ready to finalize a supply contract with Switzerland for natural gas.

The API said Monday that it was concerned that the CFTC's proposed energy position limits would hurt the hedging activities of its members, and that the new regulations would push energy trading to overseas markets, thus decreasing market transparency.

Saudi Arabia said today that it currently produces 10.2 bcf/d of raw gas and sees that production increasing to 15.5 bcf/d by 2015.

PIPELINE MAINTENANCE

Transco said it has begun repairs on the shut down boarding valve on Ship Shoal 224 and the work is expected to take 14 days. Nominations will not be accepted from Ship Shoal 224 and 246 during the outage period.

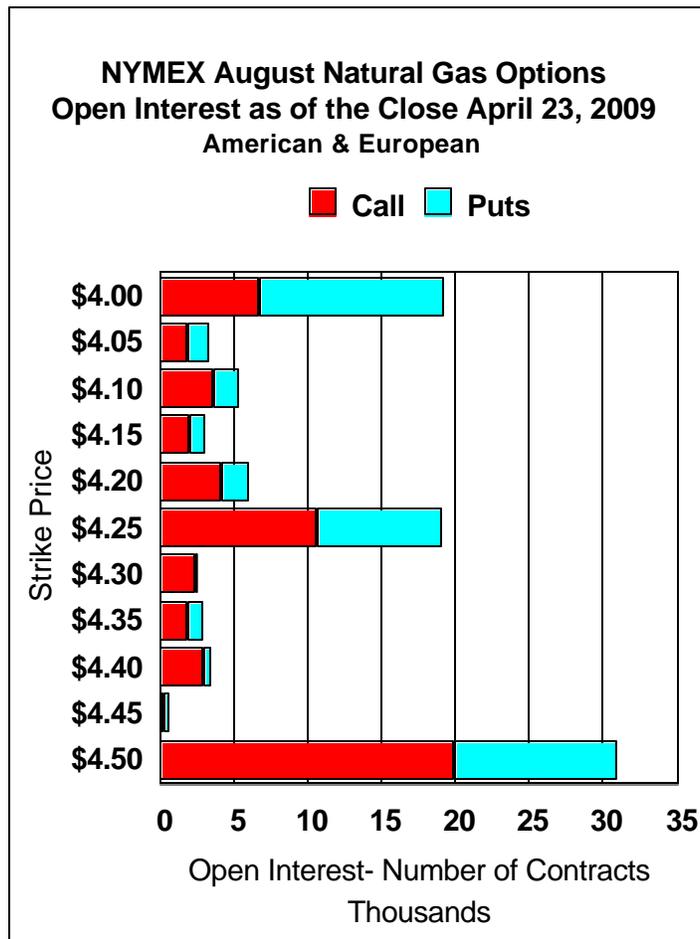
PIPELINE RESTRICTIONS

The Rockies Express Pipeline said that effective from April 26th and until further notice it is at capacity for delivered quantities to Columbia Gas Fairfield. Based on the level of nominations, interruptible transportation/authorized overrun and secondary quantities are at risk of not being scheduled.

Tennessee Gas Pipeline said today that due to reduced nominations; it will accept increases for nominations pathed for delivery to the Leidy Delivery meters. The company estimated that the available capacity of 4000 Dth. The company also said it was lifting the imbalance warning across the system.

ELECTRIC MARKET NEWS

Genscape reported today that it estimates U.S. power output for the week ending April 12th in the United States fell 0.3% from the prior week, but was 1.2% greater than the same week a year ago. The company noted that higher natural gas prices has limited fuel switching by utilities and independent generators.



A group of British geologists and engineers in an email to Reuters refuted today a report in January that appeared in the Guardian newspaper that had cast doubt on the viability of the carbon capture technology. The group of scientists pointed to the success of pilot projects as well as the success of Norway in burying millions of tones of CO₂ for more than a decade below the seabed of the North Sea. But EU Energy Commissioner Oettinger said Monday he doubted that the technology would take off in Germany because of the difficulty forcing states to take and store CO₂ from each other. Some have estimated that the CCS would add \$1 billion to the capital cost of a power plant while cutting the efficiency of the plant by 25%.

Canada's environmental minister, said the Canadian government is considering making natural gas fired power plants the new clean power standard as the country's coal fired power plants reach the end of the operating lives over the next 15 years. He noted a company would still be able to choose their generating fuel but the standard that would be expected from a new licensed emission facility is the standard of combined-cycle natural gas.

If another generating fuel created higher carbon dioxide emissions the facility would need to be equipped with technology such as carbon capture and storage to lower its emissions back in line with natural gas.

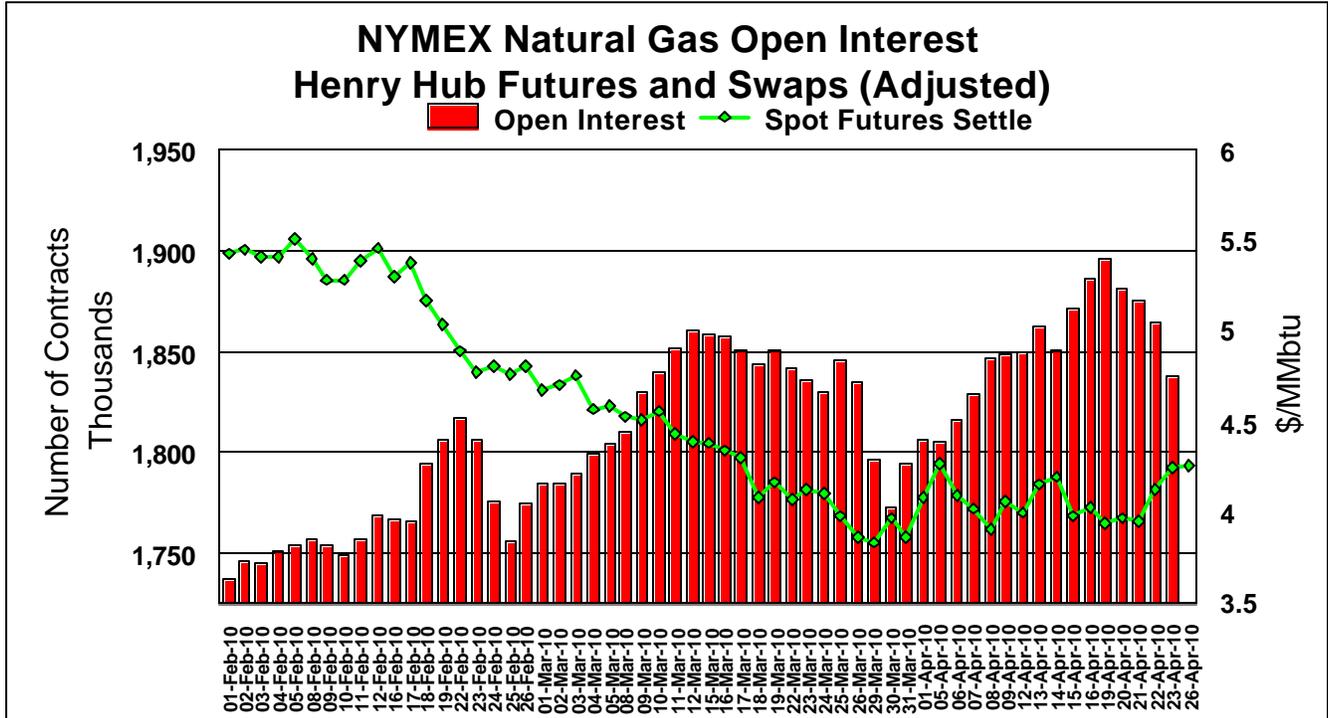
MARKET COMMENTARY

The natural gas market posted an inside trading session. While prices this morning were under pressure values basically retraced nearly 38% of last week's rally and found support back at the trend line that was resistance for three week's prior. While volume was good on the downside move this morning, the late morning price rebound though occurred with relatively light volume. Prices though were able to finish the day higher for the third consecutive session, but values in the back month were stronger than the fronts.

Open interest reported at mid day showed that the Henry Hub futures and swaps on a combined and adjusted basis declined by nearly 26,000 lots on Friday, marking the fourth consecutive session of contracting open interest and further supporting the belief that the rally in values is driven by short covering.

We would look for tomorrow to be potentially be a volatile trading session, as a trading session following an inside trading session typically are. The risks for a wide trading range are further compounded especially with tomorrow being expiration day for the May options. While the \$4.25 strike

price appears could act as a magnet for prices to settle at tomorrow, any major move towards the \$4.00 or \$4.50 price levels could help hold prices at these levels late in the day given the large level of open interest at these strike levels. Given the high level of nuclear generation off line currently coupled with limited LNG imports we feel the risks to the upside are greater than to the downside over



the next couple of days, but look for the \$4.00-\$4.50 call spreads recommended last week to easily settle in the month tomorrow.

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