



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 28, 2010

NATURAL GAS MARKET NEWS

Energy traders and major energy producers filed objections to a proposed plan to limit speculative positions in US oil and gas futures. In letters to the Commodity Futures Trading Commission, Morgan Stanley, Barclays Capital and BlackRock Inc said the proposal to set a limit on the number of contracts any single party can hold would hurt hedgers and lead to a loss of liquidity. Morgan Stanley told the CFTC its position limit plan would have an adverse impact on the ability of energy market participants to manage the complex risks associated with physical assets. It said it should rely on existing reporting requirements and market surveillance structure. It also said it should refrain from taking further action until Congress completes its work on financial reform legislation. Morgan Stanley said the plan may increase systematic risk without preventing excessive speculation. Barclays Capital said CFTC position limit plan would force many large, diverse traders to downsize significantly. It said it would hurt liquidity, corporate risk management strategies and capital investment. It said the CFTC should instead consider enhanced accountability levels that include OTC market positions. BlackRock Inc said the CFTC's plan would hurt liquidity of energy contracts, making them more susceptible to sudden price movements. It said the CFTC should not impose limits on passive commodity index investors. Merrill Lynch said it was concerned that the position limit plan would eliminate independent account controller exemptions. It said the plan may prohibit it from hedging or speculating in certain energy commodities. Cargill said the energy position limit proposal would restrict legitimate hedging and impact speculation needed for liquidity. The API warned that the limits could severely limit hedging activity of energy companies that engage in swap trading. Meanwhile, Royal Dutch Shell said the CFTC's plan

could impair the efficient operations of the energy derivatives markets and would impose new costs and risks without providing the benefits intended by the commission. It may create unintended limitations on legitimate activities. Vitol said the position limit plan may drive parties to take physical market risk to avoid regulatory exposure. However, Delta Air Lines said the market needs overall cap on speculative interest, otherwise position limits will not control excessive speculation. It said the

Generator Problems

PJM – PPL continues to ramp up operations at its Susquehanna nuclear plant. Unit #1 was at 35% power this morning, up 4% from yesterday, while Unit #2 was at 74% power up 1% on the day.

PSEG Nuclear's Salem #1 nuclear unit was warming up and was at 1% power this morning. The unit has been off line since April 3^d for planned maintenance.

Exelon's 619 Mw Oyster Creek nuclear unit was at 32% power this morning, off 68% from yesterday. No reason for the reduction was given.

ERCOT – Luminant's Comanche Peak #1 nuclear unit has reconnected to the grid and was at 45% up 44% from yesterday.

NRG's 836 Mw Limestone #1 coal fired power plant was expected to be taken off line Wednesday evening for repairs.

SPP – Entergy's 836 Mw Arkansas Nuclear One #1 nuclear unit was at 24% power this morning, up 2% from yesterday.

SERC – The 938 Mw Brunswick #1 nuclear unit was at 40% power up 19% from yesterday.

Dominion Power's 917 Mw North Anna #2 nuclear unit has been shut down. The unit had been at 74% capacity yesterday after ramping up from a recent outage.

Duke Energy's 846 Mw Oconee #3 nuclear unit saw output cut by 11% from Tuesday to 48% power.

WSCC – SCE's 1080 Mw San Onofre #3 nuclear unit was at 85% power this morning up 4% from yesterday as the unit continues to ramp up from its recent outage.

CFTC needs to address the issue of passive, long only traders. EnCana Oil & Gas told the CFTC that the agency should not proceed with energy position limits until Congress gives it authority to limit OTC positions.

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	914,900	\$4.187	\$0.011	(\$0.059)	\$0.001	(\$0.100)
Chicago City Gate	504,100	\$4.255	(\$0.013)	\$0.010	(\$0.018)	(\$0.015)
NGPL- TX/OK	692,100	\$4.111	(\$0.001)	(\$0.135)	(\$0.006)	(\$0.164)
SoCal	491,700	\$4.082	(\$0.010)	(\$0.163)	(\$0.014)	(\$0.162)
PG&E Citygate	772,500	\$4.557	\$0.032	\$0.312	\$0.027	\$0.282
Dominion-South	486,100	\$4.354	\$0.002	\$0.109	(\$0.003)	\$0.099
USTrade Weighted	19,299,900	\$4.179	\$0.006	(\$0.066)	\$0.00	(\$0.100)

Marathon's CEO said today that he sees the U.S. natural gas market remaining oversupplied "for quite some time."

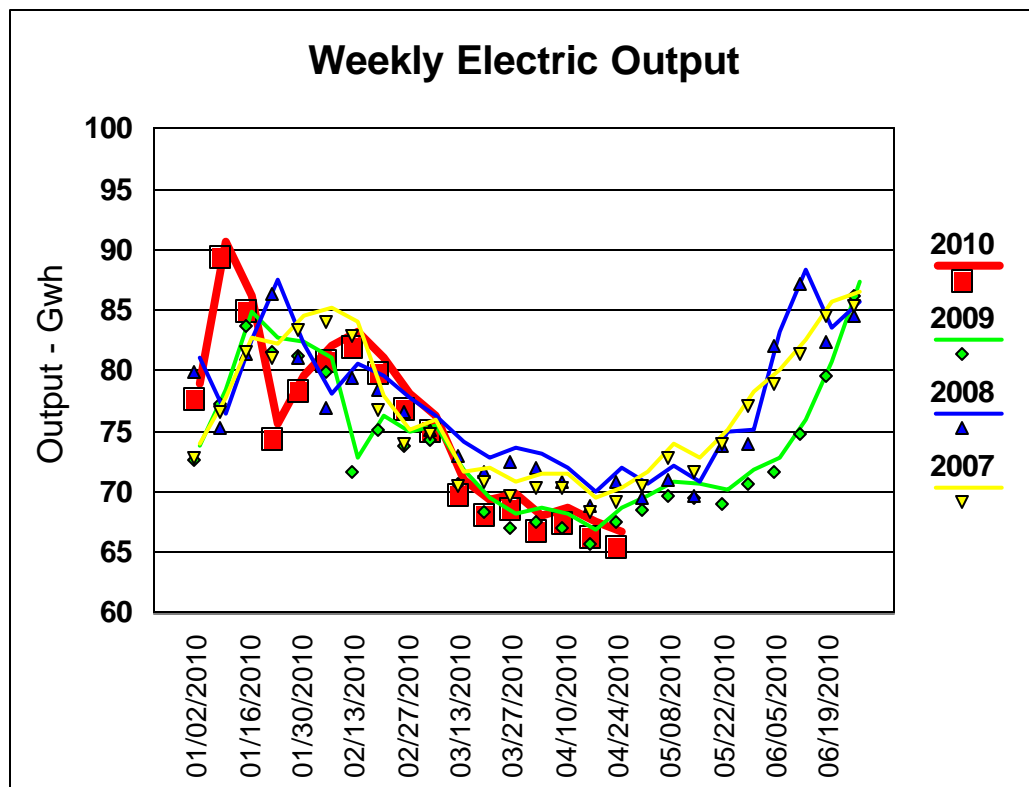
National Grid said it expects no further fall in UK

power demand, but little growth in the current financial year due to slow economic growth.

The Turkish pipeline operator, BOTAS said today that he transport of Iraqi gas to the Turkish Mediterranean port of Ceyhan and then liquefied into LNG for export to world markets is an option that needs to be closely examined. Such an option for the flow of Iraqi gas would be seen as a direct threat to the proposed Nabucco pipeline project.

ConocoPhillips reportedly has pulled out of its \$10 billion Shah gas field joint venture with ADNOC. The project, which has already been delayed three years, was slated to start up by the second or third quarter of 2014. Reportedly the company withdrew from the project since "it is not in line with the company's new strategy." The UAE though reportedly will proceed with development of the project, whether it finds a new partner or not.

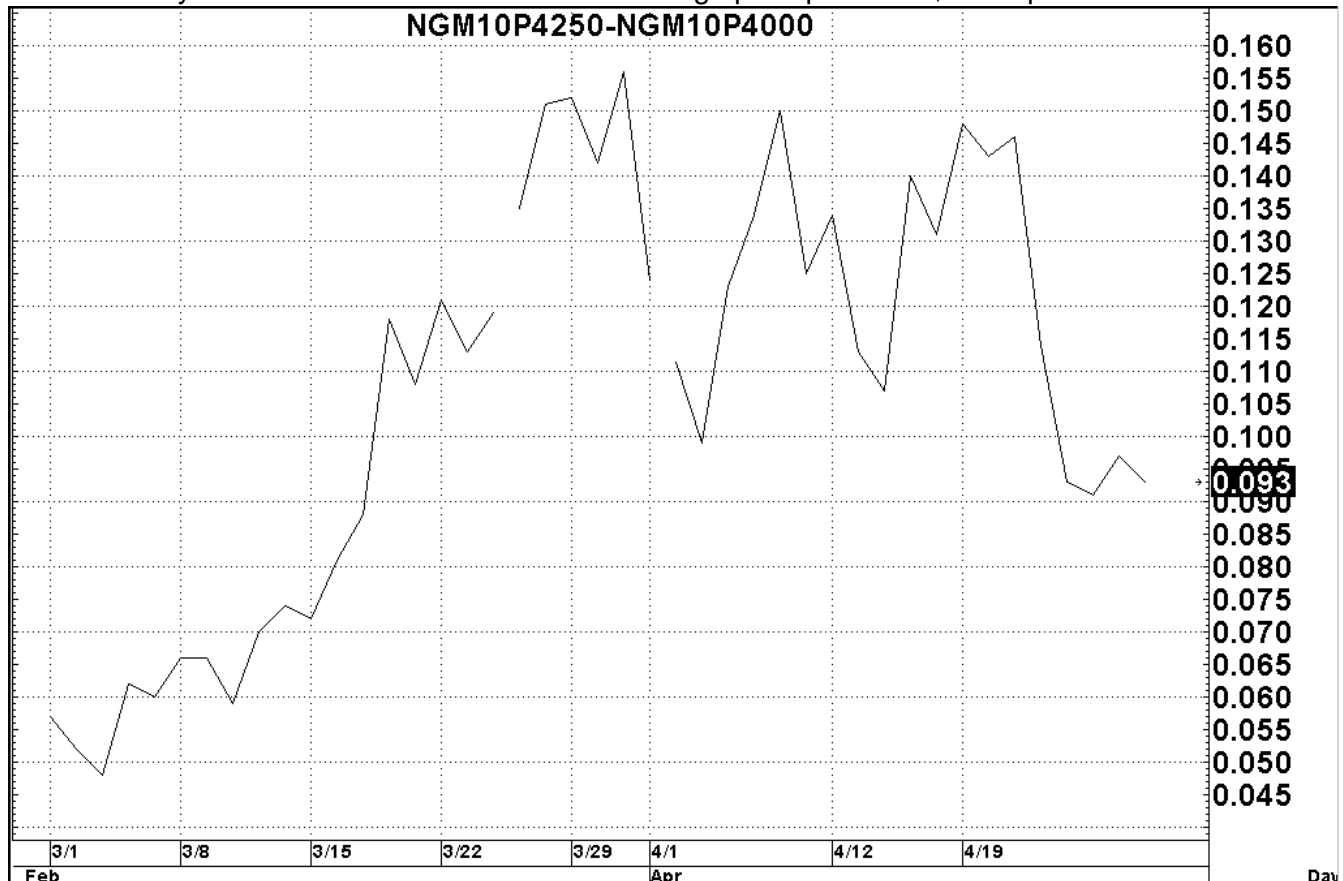
Indonesia expects to produce a small volume of coal bed methane for the first time next year and this gas will be used by the power generation sector. The government is looking for combined total production from cbm to reach 9.2 million cubic feet per day, but will grow to 100 million cf/d by 2015 and 500 million cf/d by 2020.



Regional governmental officials in Germany estimated that German natural gas storage capacity could rise by over 75% over the next ten years, if currently planned or started projects are completed. Germany's current storage capacity is 21 bcm and could increase to 37 bcm. Germany can currently

store 20% of its annual gas demand and holds the 4 largest storage capacity for gas after the U.S., Russia and the Ukraine.

The Japanese Finance Ministry reported today that Japanese LNG imports in March were up 11.3% from February to 6.710 million tones. The LNG average price paid was \$10.53 per Mmbtu.



The CFTC published on Wednesday trade positions for ICE natural gas, which was not included in Friday's weekly report due to a clearing member reporting problem. It showed in its futures only report that noncommercials were 447,221 lots net long, managed money 448,833 net long, swap dealers 843,058 net short, producers 383,446 net long with other reportables 1,612 net short.

The head of the CFTC planned to tell Congress today that the agency is underfunded and lacks the necessary resources to do its work, a problem that could worsen if Congress moves forward with financial reforms that would give it new powers. He noted that more resources were needed for the agency to automate surveillance of trades, boost its enforcement staff and conduct annual examinations of exchanges, clearing houses and other facilities. The Obama administration has asked Congress to increase funding for the agency by 28%.

PIPELINE MAINTENACE

Transco said it will perform line lowering on an offshore segment of the Southeast Louisiana Lateral beginning May 15th and last for two weeks. The work is being done to lower and cover exposed pipe on the sea floor. During the outage approximately 10 MMcf/d will be impacted.

NGPL said it began installing new mainline valves on April 27th and will perform hydrostatic testing on the Gulf Coast #2 mainline between Station 306 in Hot Springs County, Arkansas and Station 307 in White County, Arkansas. The work is expected to be completed by June 10th and will require NGPL to shut in CE-Arkla #2 Lonoke and CEM Beebe White.

PIPELINE RESTRICTIONS

REX said that based on operating conditions, effective for today and until further notice the available capacity for delivered quantities to Columbia Gas Fairfield will be limited to 250,000 Dth/d.

Tennessee Gas Pipeline reported that it has restricted the Niagara Spur Backhaul point but has lifted restrictions at the Leidy meters. The company reported that it restricted through approximately 42% of market to supply secondary out of the path nominations pathed through the Niagara Spur Backhaul point.

ELECTRIC MARKET NEWS

The Edison Electric Institute reported that for the week ending April 24th power production in the U.S fell 2.9% from the same week a year ago and down 1.1% from the prior week.

U.S. Interior Secretary Salazar today finally announced he would approve the controversial 130-turbine proposal from Cape Wind Associates to be constructed offshore in Nantucket Sound. The approval though was subject to certain conditions being met that would protect offshore waters and reduce visibility.

U.S. Senate Majority Leader Reid said today that he would work to pass energy legislation before tackling immigration reform, and as a result potentially restarting the bipartisan climate bill that Lieberman, Kerry and Graham had been working on.

The U.S. Energy Secretary said today that his department would need an additional \$13 billion in authority from Congress to provide loan guarantees for building three new nuclear power plants. The department awarded \$8.3 billion in loan guarantees in February to help build the first new nuclear power plant in nearly three decades.

MARKET COMMENTARY

While the May natural gas contract posted an outside trading day for its expiration day the trading range was just barely better than the prior two trading sessions as the market appeared to remain focused more on the results of tomorrow's storage report as well as the expected release of the revised monthly production numbers for the past 14 months, which are expected to be supportive for the market. As a result the market finished the day higher after the June contract earlier in the session did just barely set a new high for the month.

Expectations for tomorrow's EIA Natural Gas Storage report appear to be running between a build of 55-80 bcf with most expectations falling in around a 70 bcf build. For the same week a year ago stocks rose by an adjusted 77 bcf while the 5-year seasonal average is for a 66 bcf build.

The two reports tomorrow will set the tone and direction for this market for at least the next week. We feel that this market may be susceptible for some disappointment if these reports are not as bullish as expected, especially the monthly production report. As a result we would be prepared to be a scale up seller of this market tomorrow starting at \$4.49 tomorrow. We see additional resistance at \$4.511, \$4.775 and \$4.978. We see support at \$4.26 followed by \$4.174, \$3.996 and \$3.916. A more conservative approach may be being a buyer of the \$4.25-\$4.00 put spread at 9 cents or better.

The information contained in this letter is taken from sources, which we believe to be reliable, but is not guaranteed by us as to accuracy or completeness and is sent to you for information purposes only. The Windham Group bases its market recommendations solely on the judgment of its personnel. Reproduction in whole or part or other use without written permission is prohibited.