



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR APRIL 29, 2010

NATURAL GAS MARKET NEWS

The Energy Information Administration today finally released the results of their new methodology that has been implemented to estimate U.S. natural gas production for not only the first two months of 2010 but also all of 2009. The new report showed that gross natural output in the lower 48 states in February 2010 reached 63.85 bcf/d, up from 62.85 bcf/d in January or 1.6%. The EIA revised the January production data down 0.9% from 63.43 bcf. The biggest percentage increase in natural gas output in February occurred in Louisiana, where production was up 5.7% to 5.4 bcf/d. The EIA also reported that net imports on the month were some 9.1% less than January but 8.7% higher than a year ago, helped in part by LNG imports, which were 48.5% higher than a year ago. Consumption in February was estimated at 89.7 bcf/d, up 8.8% from a year ago. While

EIA Weekly Report

	04/23/2010	04/16/2010	Change	04/23/2010
Producing Region	727	696	31	801
Consuming East	867	829	38	704
Consuming West	318	304	14	306
Total US	1912	1829	83	1811

*storage figures in Bcf

consumption was up in the residential and commercial sectors by 10% and 9.5% respectively on the month from a year ago, the industrial sector showed the greatest gains, up 10.9%, while the electric generating sector increased by 5.5% versus a year ago. The EIA also estimated that working gas inventories of natural gas stood at 1.696 tcf, some 9 bcf less than the weekly storage report indicated.

The American Gas Association said in its latest "Natural Gas Market Indicators" that April marketed gas production in the United States averaged 59.5 bcf/d, "the strongest production month in 2010" but year to date production lags that of the same period in 2009 by about 1.7%. The AGA said that pipeline imports from Canada rebounded slightly to 6.7 bcf/d during April after declining to 6.2 bcf/d in March and less than 1% from last year's level. Meanwhile about 1.2 bcf/d of LNG was placed into

Generator Problems

PJM – At PPL's Susquehanna nuclear plant, Unit #1 remained unchanged at 35% power, but Unit #2 saw output reach 76% of capacity, up 2% from yesterday.

PSEG Nuclear's Salem #1 nuclear unit was at 18% power this morning, up from 1% on Wednesday.

ERCOT – The AEP coal fired Welsh power plant was expected to see maintenance on its Unit #2 starting today and continuing until May 6th. The unit was shut down this morning but was being restarted this afternoon.

Luminant's Comanche Peak #1 nuclear unit was at 80% power, up 35% from Wednesday.

SPP – Entergy's 836 Mw Arkansas Nuclear One #1 nuclear unit was at 63% power up 29% from a day ago.

SERC – Duke Energy's 846 Mw Unit #3 at the Oconee nuclear power station returned to full power today, up 52% from yesterday after leak repairs were completed.

The 938 Mw Brunswick #1 nuclear unit was at 62%, up 22% from yesterday.

Dominion's 917 Mw North Anna #2 nuclear unit was restarted and at 10% power this morning. The unit went off line on April 27th due to a turbine trip.

The NRC reported that there was some 78,880 Mw of nuclear power generated today, up 1.9% from yesterday and up 0.5% from a year ago.

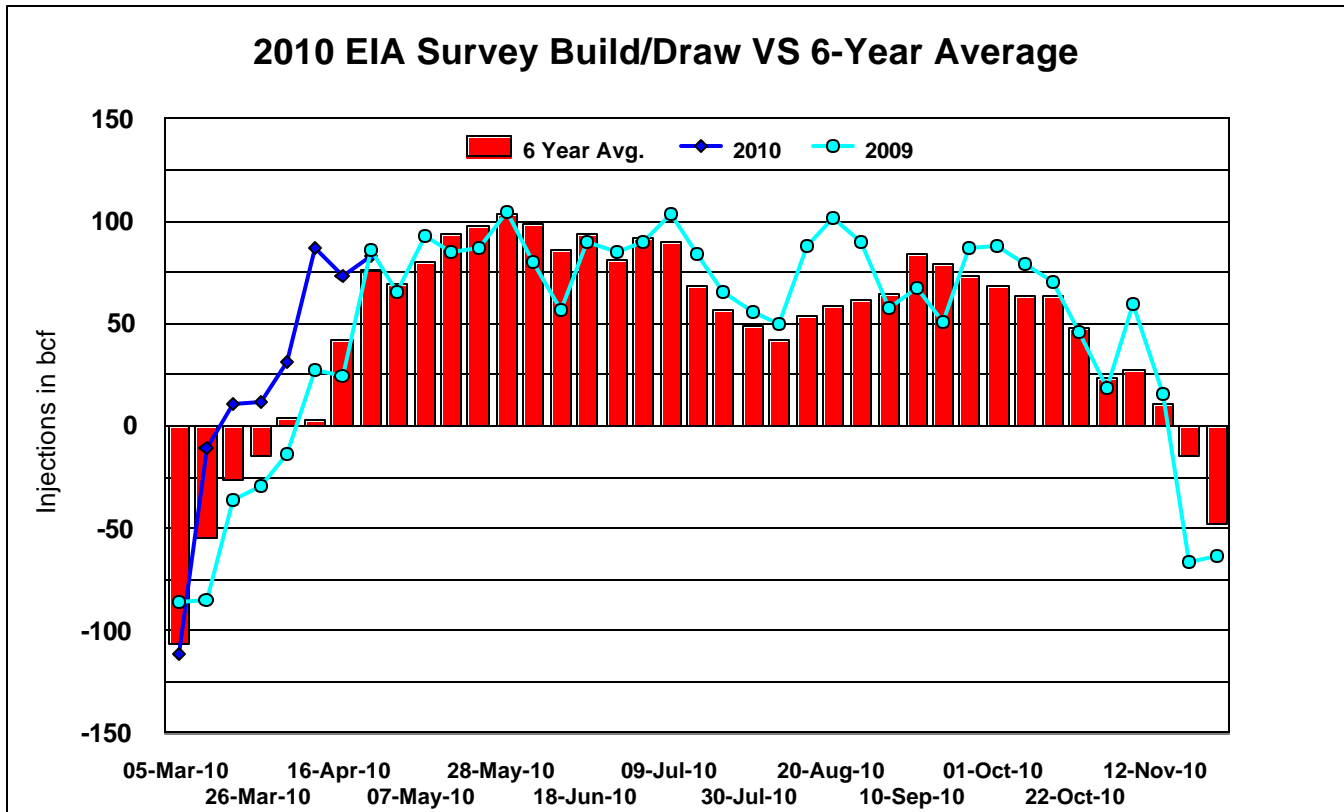
Canadian Gas Association

Weekly Storage Report

	23-Apr-10	16-Apr-10	24-Apr-09
East	88.9	86.1	66.9
West	236.2	225.5	166.4
Total	325.1	311.6	233.3

storage figures are in Bcf

the U.S. pipeline system, the same daily volume as March. The AGA said the natural gas market for the past month in both the cash and futures markets may best be described as “choppy”. This market condition “may well persist until a summer weather event, such as persistent heat in key areas of the



country or a summer hurricane that temporally impacts daily supply.”

Koreas Gas Corp, South Korea’s sole wholesaler of LNG said today that it planned to buy 28 million tones of LNG this year.

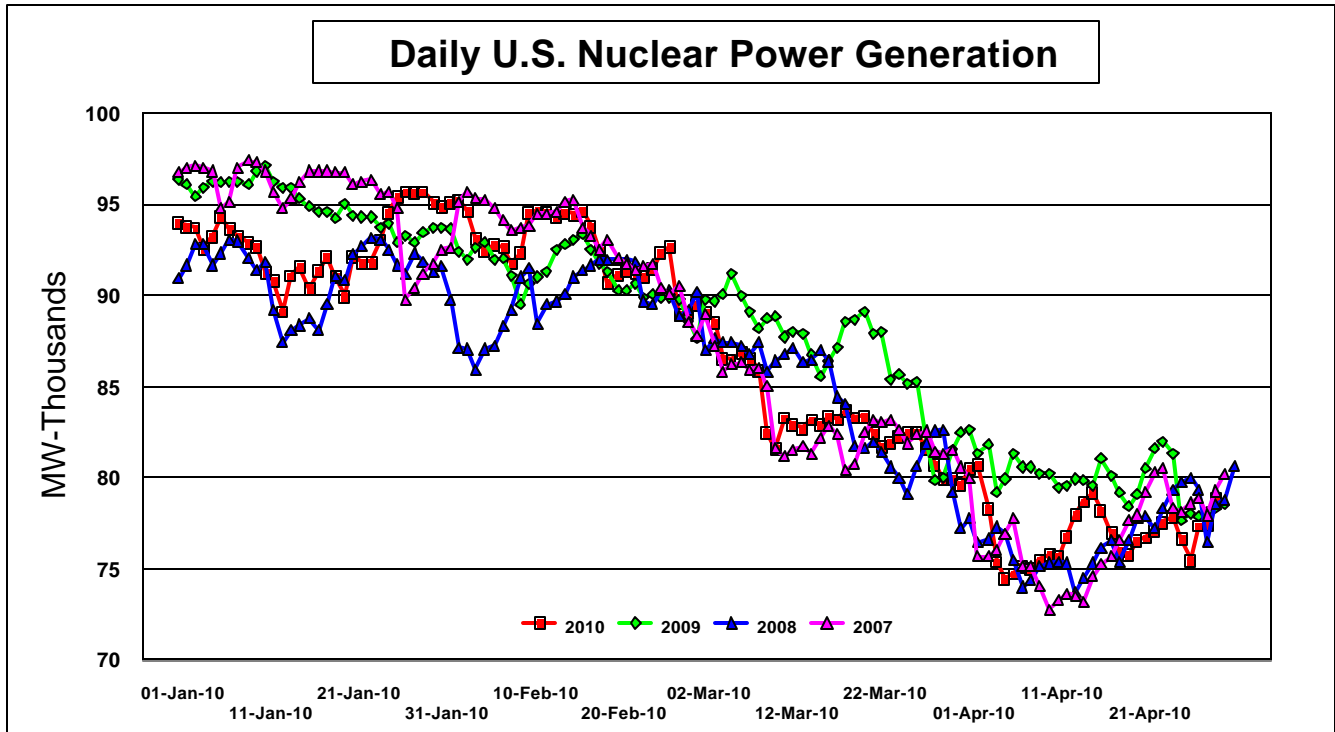
Port officials at the Dragon LNG terminal said they expect the 138,000 tonne LNG tanker, the Methane Princess to arrive at the port on May 6th, carrying LNG from Trinidad.

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	982,400	\$4.243	\$0.057	\$0.229	\$0.266	(\$0.024)
Chicago City Gate	477,200	\$4.310	\$0.055	\$0.295	\$0.286	\$0.065
NGPL- TX/OK	540,800	\$4.161	\$0.050	\$0.147	\$0.281	(\$0.083)
SoCal	520,000	\$4.161	\$0.079	\$0.147	\$0.310	(\$0.095)
PG&E Citygate	561,400	\$4.532	(\$0.025)	\$0.518	\$0.206	\$0.334
Dominion-South	404,400	\$4.379	\$0.024	\$0.365	\$0.255	\$0.162
UTrade Weighted	19,159,400	\$4.214	\$0.035	\$0.200	\$0.27	(\$0.024)

Apache Corp reported today that for the first quarter of 2010 in North American

natural gas production volume averaged 985,356 mcf/d, up 1.6% from a year ago but 3.7% less than average production in the 4th quarter of last year.

Columbia’s state oil company, Ecopetrol said it expects to increase natural gas exports to Venezuela to 150 million cf/d over the next few months.



The US Labor Department said the number of initial claims for unemployment benefits fell by 11,000 to 448,000 in the week ending April 24th. The previous week's level of new claims was revised slightly upward to 459,000 to 456,000. The four week moving average increased by 1,500 to 462,500 from the previous week's revised average of 461,000. The Labor Department reported that the number of continuing claims fell by 18,000 to 4,645,000 from the preceding week's revised level of 4,663,000. The unemployment rate for workers with unemployment insurance for the week ending April 17th was 3.6%, unchanged from the prior week's unrevised rate.

The Federal Reserve Bank of Kansas City's Manufacturing Output Index increased to 24 in April compared with 18 in March.

PIPELINE MAINTENANCE

Gulf South said it will perform system compressor maintenance at the Longview Compressor Station #2 on Unit #3 beginning May 17th and continuing for five days. Based on system operations and nominations, the company does not anticipate any impact to shippers utilizing the Longview Compressor Station #2.

PIPELINE RESTRICTIONS

Tennessee Gas Pipeline reported it has restricted through approximately 47% of market to supply secondary out of path nominations pathed through the Niagara Spur Backhaul point. The company was not accepting any market to supply increases pathed through the point, but was allowing shippers to adjust nominations.

Midcontinent Express Pipeline's pre-approved expansion capacity of 100,000 Dth/d in Zone 1 is anticipated to be in service by May 1st with the pre-approved expansion capacity of 200,000 Dth/d for Zone 2 to be in-service on or about June 1st.

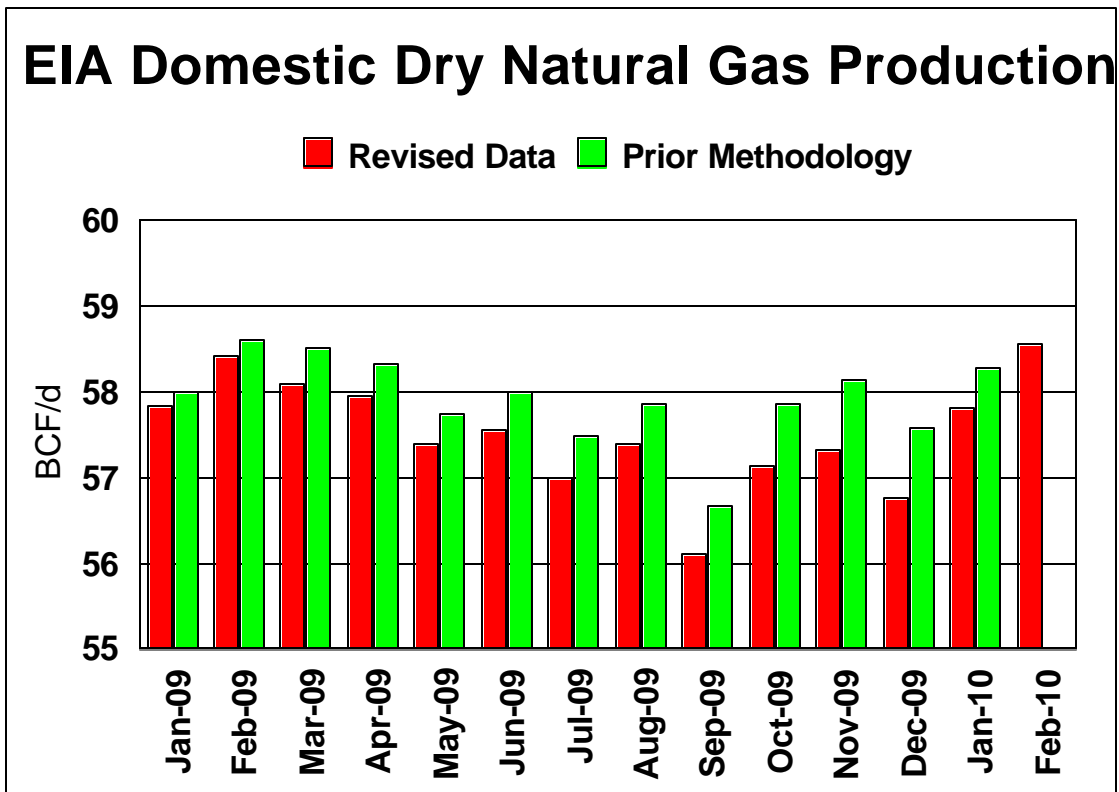
ELECTRIC MARKET NEWS

The U.S. Army Corps of Engineers reported a sharp 17.7% year on year drop in total hydropower production in the Pacific Northwest in March. The Army showed total hydro generation from the 23 plants in the region was about 4.3 million Mwh last month, down from 4.37 million Mwh in February and down from 5.23 million Mwh from a year ago. With some reservoirs below average coupled with lower expected water flows this spring and summer, hydro generation at some points could be at 50 year lows. One market analyst estimated that this month lower hydro generation led to 0.8 bcf/d more in demand for gas generation than a year ago, and for April through July power generation demand from gas could be 0.6-1.2 bcf/d more this year than last.

MARKET COMMENTARY

As we feared the market was disappointed with the two major events it was waiting for this week, the storage report and the EIA Monthly Natural Gas Production Report. With the release of the storage report this morning, prices quickly dropped 20 cents as storage built by some 10 bcf more than most market participants had been expecting. Prices received a second shove lower late in the morning as

the EIA released their long awaited monthly production report which incorporated its new methodology which the agency felt would provide a more accurate estimation of domestic production. The market had been looking for potentially significant lower estimates for



domestic production but was disappointed in the limited downward revisions. As a result prices once again dropped below the \$4.00 price level, with the June contract settling at \$3.98, its lowest settlement since March 31st. Volume today was outstanding as the spot contract posted its most active session since September 10th of last year.

We feel though that given the strength in the oil market as well as the equity markets, we do not think this market will continue to dive lower but rather remain mired in the sideways trading pattern of the past month. Further supporting this outlook is the fact that while the market has yet to see definitive contraction in domestic production, it is seeing LNG imports being choked off by the fact that UK spot gas values are running more than a \$1.20 per mmbtu above U.S. values. LNG imports, which in January had been averaging 2.3 bcf/d have been steadily declining ever since and in the latest week was seen averaging only 1 bcf/d.

We look for support in the June contract tomorrow starting at \$3.967 followed by the \$3.914 and \$3.81. Resistance we see at \$4.142, \$4.196 and \$4.249. Additional resistance we see at \$4.424-\$4.429 and \$4.611.

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