



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 5, 2011

NATURAL GAS MARKET NEWS

North America

The Texas Senate yesterday passed legislation that would abolish the Railroad Commission of Texas and replace it with the one-member Texas Oil and Gas Commission. The bill is now headed towards the House Energy Resources Committee where it may be amended to change it to a three-person commission. Independent producers in the state are seeking that the commission members be elected and not appointed by the governor.

Generation Outages

SERC – Duke Energy’s 1100 Mw McGuire #2 nuclear unit has exited its recent outage and is now at 10% power. The unit had been shut since February 26th for planned refueling.

The NRC reported this morning that some 74,239 Mw of nuclear generation capacity is online, down 0.83 % from yesterday and down 0.63% from a year ago.

EnCana Natural Gas announced today that its new mobile LNG fueling stations will be used to fuel a heavy duty truck fleet owned by Heckmann Water Resources. Heckmann will operate these trucks primarily in the Haynesville shale region and calculated that it will lower its carbon foot print by 30%. Heckmann reportedly has ordered 200 LNG powered trucks from Peterbuilt Motors.

The Marcellus Shale Coalition unveiled the idea today of a Pennsylvania Clean Transportation Corridor, a network of fueling stations connecting major urban areas across the state and serving as a foundation for a regional transportation system for natural gas vehicles. The proposal calls for building up to 17 fueling stations and 850 natural gas vehicles at a cost of \$208 million, paid for through various public-private partnership arrangements. The group estimates that an aggressive expansion such as this program could increase natural gas demand by as much 5.4 bcf over the next decade and displace 9.2 million gallons of diesel fuel with about 1.4 bcf of natural gas each year.

International

Yemen LNG said its LNG facilities and exports are operating as usual, despite some media reports yesterday that the firm’s facilities had been attacked. The company said today that there was “no attack against any Yemen LNG facility; there was no evacuation of any personnel”. LNG production and exports continue at normal rates.

Kuwait Petroleum said today that development of the Dorra natural gas field is running behind schedule, in part due to a lack of agreement between Saudi Arabia and Kuwait on the joint development of the field. Kuwait is seeking to nearly quadruple its gas production to more than 4 bcf/d by 2030.

Azerbaijan and Greece signed an agreement today on direct gas supplies, bypassing Turkish intermediaries. The volume of the agreement was not disclosed nor when the supply agreement would begin.

The Al Kharaitiyat LNG tanker is scheduled to arrive at the South Hook LNG terminal on April 9th from Qatar. Meanwhile the Al Khuwair LNG tanker is expected to arrive at the Isle of Grain terminal on April 11th.

Tokyo Electric Power Company reportedly is seeking to meet a part of its additional LNG requirements through short term contracts starting as early as June. The company is looking to secure these additional supplies through one and two year contracts. For June the company is looking at needing an additional 10 LNG contracts similar to its needs for April and May. TEPCO restarted the #1 gas fired unit at the Higashi Ogishima power plant in Tokyo Bay in late March, with other gas fired generation capacity coming back on line from scheduled maintenance. The company plans to install a new 400 Mw combined cycle gas turbine at an undisclosed existing power plant by the end of July.

Qatargas said it will increase LNG shipments to Tokyo Electric Power Co and Tohoku Electric Power Co. The two power companies are scrambling to restore generating capacity. Qatargas' chief executive officer Khalid Bin Khalifa Al Thani said some of the additional shipments to TEPCO and Tohoku Electric are already en route. He added that Qatargas is ready to expand supplies to the rest of its Japanese customers on request but he did not disclose specific amounts or prices.

GE Energy in a report released recently noted that associated gas flaring is one of the most challenging and environmental problems facing the world today. The company estimates that close to 150 bcm of natural gas is flared in the world each year. While technology exists to capture this flared gas, deeper issues regarding infrastructure development and market design hinder progress in the places where gas flaring is most rampant.

ELECTRIC MARKET NEWS

The US Northwest River Forecast Center said projected water runoff at The Dalles Dam on the Columbia River in Oregon increased to 111% of normal for January-July. It is up from last week's forecast of 107% of normal.

Tokyo Electric Power Co said it found water with 5 million times the legal limit of radioactivity inside a reactor at its struggles for a fourth week to contain the nuclear disaster. The Japanese government said it was considering imposing radioactivity restrictions on seafood for the first time since the crisis started after contaminated fish was found in seas well south of the damaged nuclear reactors at the Fukushima Daiichi nuclear power plant. There is a total of 60,000 tons of highly contaminated water in the plant. TEPCO on Monday started releasing 11,500 tons of low level radioactive seawater after it ran out of storage capacity. The release will continue until Friday.

The World Bank said it sold 500,000 UN backed certified emissions reductions for its adaptation fund which finances clean energy projects in developing countries. The value of the deal was not disclosed. Bank of America Merrill Lynch acted as a dealer for the sale and has now sold a total of 1.6 billion CERs on behalf of the fund.

ECONOMIC NEWS

The Institute for Supply Management said its index of non-manufacturing activity fell to 57.3 in March, down from 59.7 in February, a five year high. The business activity/production index fell to 59.7 from 66.9 in February while the new orders index slowed slightly to 64.1 in March from 64.4 in February. The ISM employment index fell to 53.7 from 55.6 in February. The ISM prices index fell to 72.1 in March from 73.3 in February.

The CFTC reportedly will issue a proposal for margin requirements for uncleared swaps for swap dealers and major swap participants on April 12th.

MARKET COMMENTARY

The natural gas market ended the session in negative territory for the third consecutive session as it was pressured by mild weather forecasts and some spill over from a bearish UK market which is awash in LNG imports. While the futures market spent much of the day contained within yesterday's trading range, prices though did punch through yesterday's low late in the session and settled down 5.8 cents at \$4.231.

The natural gas market is seen trending lower, with initial support at its low of \$4.221, \$4.198, \$4.165 and \$4.103. More distant support is seen at \$3.991. Resistance is however seen at \$4.293, \$4.322, \$4.355, \$4.364 and \$4.388. More distant resistance is seen at \$4.428, \$4.442 and \$4.453.

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.