



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR APRIL 7, 2011

NATURAL GAS MARKET NEWS

North America

The U.S. Climate Prediction Center said today that the current La Nina weather anomaly will continue to keep weakening in the coming months, with the majority of its computer models calling for a return to normal conditions by May-June 2011, while forecasts for the late summer and beyond remain highly uncertain.

Crosstex Energy announced it has completed its north Texas gas gathering projects. The company expects peak flow rates from the gathering project to be 150-175 Mmcf/d by 2012. The company also reported it has reactivated its Eunice NGL fractionator in southern Louisiana after spending more than \$7.6 million. The start up coupled with the expansion efforts will increase the company's fractionation capacity for liquids by 40,000 bpd to 55,000 bpd.

The U.S. Energy Information Administration said today that a possible federal government shutdown would not delay the release of its weekly petroleum and natural gas inventory reports next week. It is unclear if there would be problems on releasing everything on schedule the following week if a government shutdown does occur.

In a research report from the Calgary based investment bank, AltaCorp Capital, natural gas is seen playing a central role in meeting global energy needs in the coming years especially as the market tries to undergo a paradigm shift towards a greater reliance on renewable fuels. The investment bank

believes natural gas will become the largest source of energy on the planet and sees long-term demand for this fuel coming from four main sectors: Gas to liquids, LNG, power generation and transportation.

Barclays Capital in a research note today said that as gas production from the

Marcellus Shale grows and gas continues to move eastward on the Rockies Express Pipeline, gas fired power generation and exports to Canada are about the only avenues to relieve the oversupply facing the Northeast market in coming months. The bank noted that gas gained market share from coal in the region during 2009 and 2010, helped in part by warmer than normal summers, but with the prospects for a return to a more normal summer demand this year, demand gains will be limited.

EIA Weekly Report

	04/01/2011	03/25/2011	Change	04/01/2010
Producing Region	742	740	2	623
Consuming East	616	668	-52	750
Consuming West	221	216	5	292
Total US	1579	1624	-45	1665

*storage figures in Bcf

International

Royal Dutch Shell reported this morning that it had been forced to cut production at its Ormen Lange gas processing plant in Norway on Thursday after a power failure on the grid. Shell did report that production has been partially restored by midday and that full production should return by Friday morning.

Britain's South Hook Gas signed a deal with ConocoPhillips to provide it with access to spare LNG import capacity at the terminal.

Canadian Gas Association

Weekly Storage Report

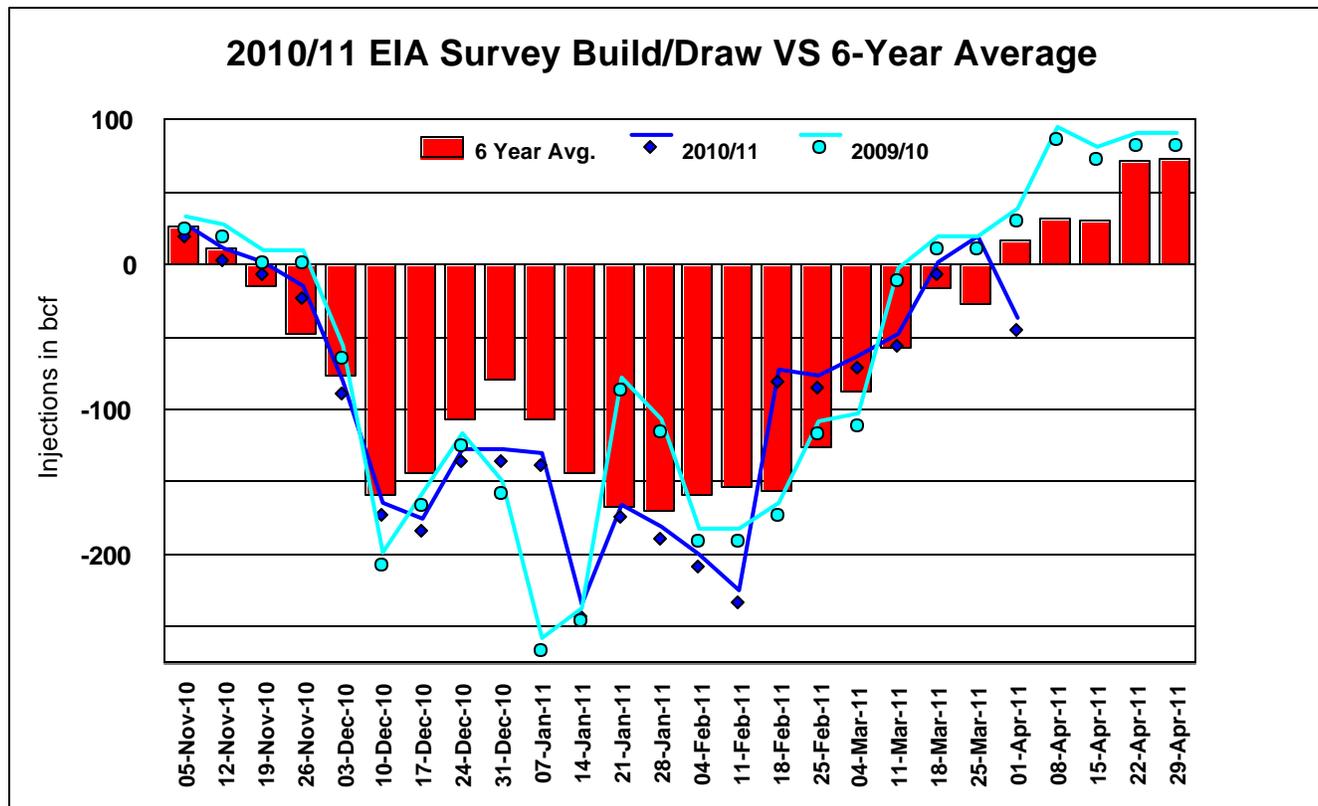
	01-Apr-11	25-Mar-11	02-Apr-10
East	58.9	63	81.6
West	136.6	137.5	200.9
Total	195.4	200.5	282.4

storage figures are in Bcf

The Al Thakihira LNG tanker is scheduled to unload at the Zeebrugge terminal on April 22nd according to port officials. The tanker is coming from Qatar. Reuters also reported that the Excalibur is scheduled to arrive at Teeside on May 1st.

The operators of the Trans Adriatic Pipeline and the Bosnian BH-Gas have signed an agreement to develop natural gas markets in southeast Europe. TAP is looking to build a \$2.1 billion pipeline that would carry 10-20 bcm of Caspian gas a year through Greece, Albania and onto Italy. It also looking to develop an offshoot of the line, the Ionian Adriatic Pipeline that would deliver supplies into the Balkans.

Gazprom said Thursday that it would consider reducing the Ukraine's gas price by \$8 billion per year if the Ukraine joined Russia, Belarus and Kazakhstan in a customs union.



The Serbian gas company, Srbijagas will seek government approval for price hikes of 20% and 15% for residential and commercial customers respectively. The hike is needed for the company to cover a debt generated mainly because of overdue payments amounting to as much as 680 million euros, which has become unsustainable.

China's CNPC and Gazprom reportedly are moving closer to finalizing a commercial agreement on the price of Russian gas deliveries to China. The deal is expected to be ready by June according to a Chinese source reported by Reuters. Gazprom is seeking to export up to 30 bcm of natural gas to China by the end of 2015. The negotiations which are expected to resume next week are also working on details of a potential Chinese loan to Russia to build a pipeline that would move gas from the Yamal gas fields over the Altai mountains to the Chinese border.

Gazprom said today that Gazprom, Total and Statoil will make a final investment decision on the Arctic Shtokman gas field by the end of this year.

ELECTRIC MARKET NEWS

The U.S. Northwest River Forecast Center on Thursday projected water runoff at the Dalles Dam for the April-September period should be 108% of normal, up 1% from last week's forecast and 24% better than a year ago.

The Japanese utility, Hokuriku Electric Power, in northwest Japan said today that it may impose rolling blackouts this summer if its sole nuclear plant remains shut for an extended period. The utility said that before restarting the reactors it would impose extra safety measures the government has asked operators to implement.

French utility workers went on strike today to protest against pay levels. The strike had reportedly cut some 9000 Mw of nuclear generation at 12 plants. The strike action cut a combined total of 18,210 Mw of generation as output was also cut at thermal and hydroelectric power plants as well.

ECONOMIC NEWS

The US Labor Department said initial jobless claims fell by 10,000 to a seasonally adjusted 382,000 in the week ending April 2nd. The prior week's figures were revised up to 392,000 from an originally reported 388,000. The four week moving average of new claims fell by 5,750 to 389,500 in the week ending April 2nd. It stated that the number of continuing claims fell by 9,000 to 3,723,000 in the week ending March 26th. The unemployment rate for workers with unemployment insurance was 3% in the week ending March 26th, unchanged from the previous week.

Analysts were expecting a total of 25 major retailers to show a fall of 0.7% in sales at stores open at least a year. Of the first 17 retailers to report sales, 11 beat expectations.

The European Central Bank increased its key interest rate by 25 basis points to 1.25% on Thursday, tightening policy as expected. It also increased its deposit rate by 25 basis points to 0.50% and increased its marginal lending rate by the same amount to 2%.

MARKET COMMENTARY

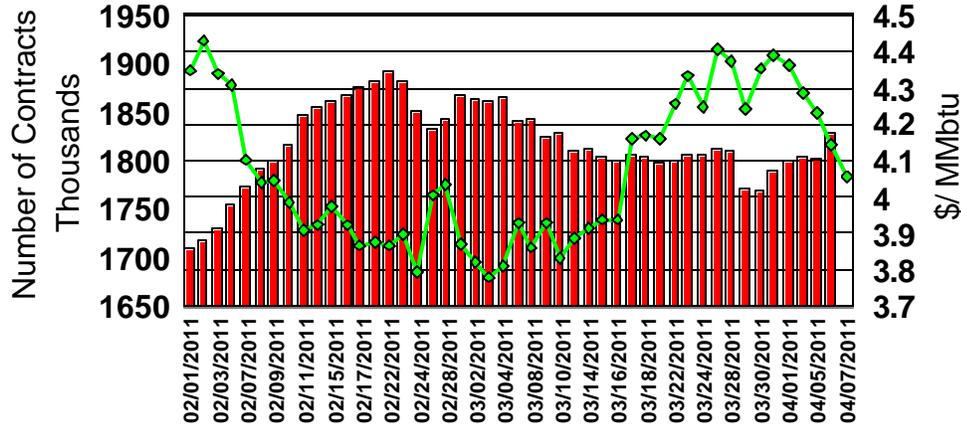
The natural gas market posted its fifth consecutive lower session today. It appeared that's once the EIA storage report was released bears saw a bearish report as the go ahead to potentially add to their shorts. This selling pressure at mid morning sent prices down to test the support line drawn off the lows from early March. While support was found at this line, there appears little in this market right now outside of some light profit-taking going into the weekend that may keep this market from testing the \$4.00 price level once again.

Last week's Commitment of Traders Report appeared to show that through March the commodity funds were quickly building a net long position and that this was potentially the driving force behind this market's rally. But late this week it appears that the dramatic build in open interest in Henry Hub swaps and futures open interest appears to point to the return to new sellers to this market, possibly from producers. Open interest on Wednesday, as reported at midday today showed that as prices broke out of their congestion area of the past three weeks yesterday to the downside, the market saw nearly

NYMEX Henry Hub Natural Gas

Adjusted Open Interest of Futures and Swaps
Versus Spot Settlement Price 2011

■ Combined Open Interest ◆ Settle Price



24,000 new positions added, in what had to be new shorts coming into the market. This was the largest gain in open interest since March 1st.

We see support for this market tomorrow at \$4.045-\$4.033, followed by \$4.007, \$3.979, \$3.855, \$3.80 and \$3.731. Resistance we see at \$4.11, \$4.147 and \$4.234-\$4.264. Additional resistance we see at \$4.296 and \$4.358. More distant resistance we see at \$4.396, \$4.453 and \$4.559.

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