



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR APRIL 14, 2011

NATURAL GAS MARKET NEWS

North America

Bentek Energy told clients yesterday that excess hydroelectric supplies in the western U.S. this year should reduce natural gas demand by 295 bcf. They noted that forward gas prices in the region are overvalued. The consultants said the lost gas demand would be the equivalent of about 7% of U.S. gas storage capacity. The group sees this supply situation impacting Henry Hub prices from pushing the forward curves averages of \$4.15 for the spring and summer months down to \$3.95 Mmbtu. They feel that this additional downside price pressure could ultimately result in some additional well shut-ins.

Generation Outages

PJM –FirstEnergy’s 892 Mw Beaver Valley #1 nuclear unit was shut early Thursday for planned maintenance. The unit had been at full power on Wednesday.

ERCOT – AEP’s 528 Mw Welsh #2 coal fired power plant was shut for scheduled maintenance. The outage is expected to last until May 2nd.

SERC – TVA’s 1104 Mw Browns Ferry #2 nuclear unit dropped to 65% power this morning, down 33% from yesterday.

Progress Energy’s 920 Mw Brunswick #2 nuclear unit has been restarted. The unit has been off line since March 4th for maintenance.

The NRC reported this morning that some 74,440 Mw of nuclear generation capacity is online, down 1.6% from yesterday and down 6.1% from a year ago.

Consul Energy announced Wednesday that its plans to drill 70 wells in the Marcellus Shale play by the end of this year were actually ahead of schedule, as 13 horizontal wells were already drilled in the region during the first quarter. Just this month the company has drilled four additional wells.

EIA Weekly Report

	04/08/2011	04/01/2011	Change	04/01/2010
Producing Region	763	742	21	660
Consuming East	623	616	7	789
Consuming West	221	221	0	295
Total US	1607	1579	28	1744

*storage figures in Bcf

International

The Al Mafyar LNG tanker is expected to arrive at the South Hook LNG terminal from Qatar on April 21st.

Spanish utility Gas Natural said today that the company hoped a more “rational” board of directors at Sonatrach would help resolve the pricing dispute between the two companies. The two companies have been fighting in courts over Sonatrach’s demand to raise past and future gas prices. Sonatrach management and board of directors just recently were changed.

Canadian Gas Association

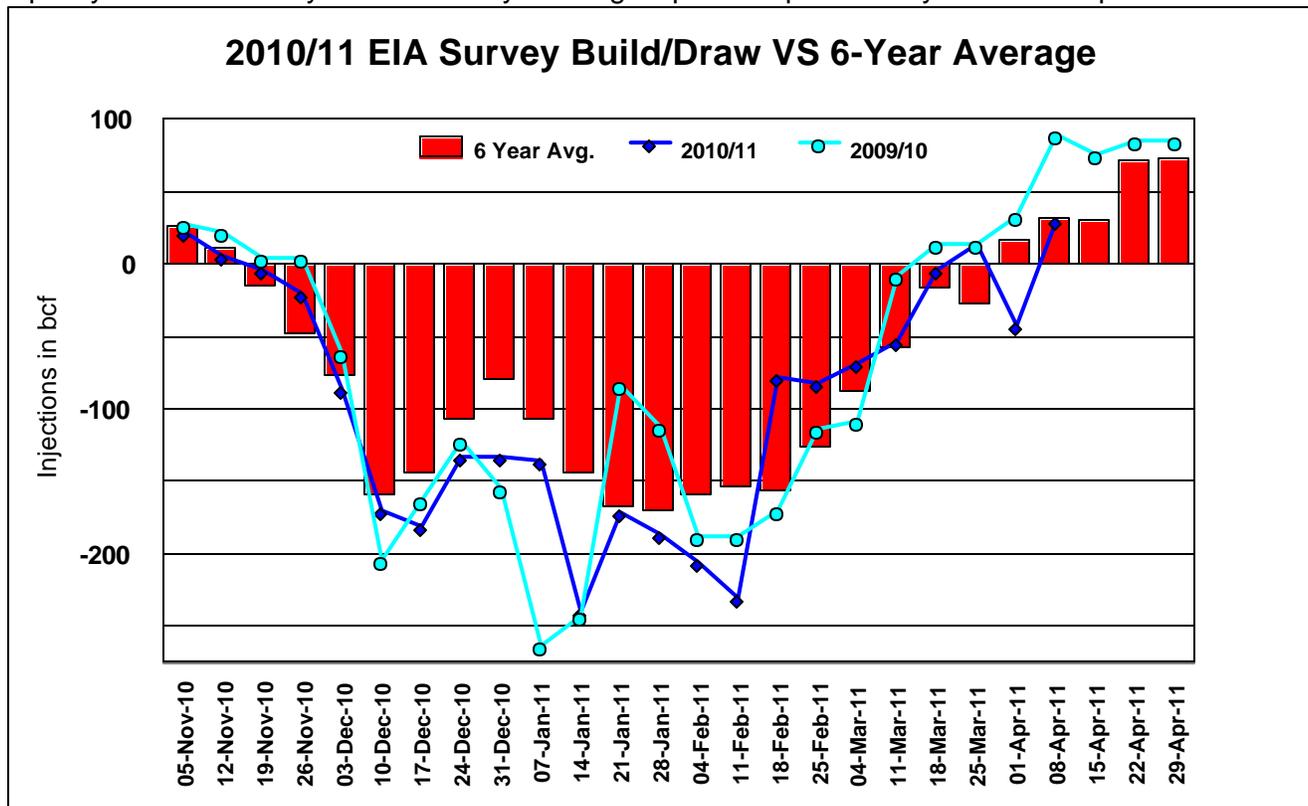
Weekly Storage Report

	08-Apr-11	01-Apr-11	09-Apr-10	299.4
East	55.4	58.9	85.1	
West	143.2	136.4	208.4	
Total	198.5	195.3	293.5	

storage figures are in Bcf

Bosnia’s main gas distributor, BH Gas said today that the regional government will allow it to increase natural gas wholesale prices by 10.8% and increase retail prices by 10% starting May 1st. The need for the increase was the result of rising Russian gas prices due to escalating oil prices.

Statoil's Mongstad gas fired power plant is scheduled to be shut from May 2-12. This power plant not only supplies power to the neighboring Mongstad oil refinery, but also Europe's largest gas platform, Troll and the Kollsnes processing facility. Gassco has already said the processing plant would be without power during this period. The plant has a normal capacity of 143 mcm a day. Troll has a capacity of 114 mcm/day and is the only Norwegian platform powered by an onshore power station.



ELECTRIC MARKET NEWS

The U.S. EPA said Thursday that the TVA will invest as much as \$5 billion to reduce coal plant pollution to settle allegations of Clean Air Act violations at 11 coal fired power plants in three states. The settlement calls for the TVA to address emissions at the plants that account for 92% of the agency's coal fired generating capacity.

The EIA reported today that U.S. coal production for the week ending April 9th reached 20.440 million short tons down

4.8% from the prior week and some 3.1% less than the same week a year ago. Year to date production of coal has been 3.2% above a year ago.

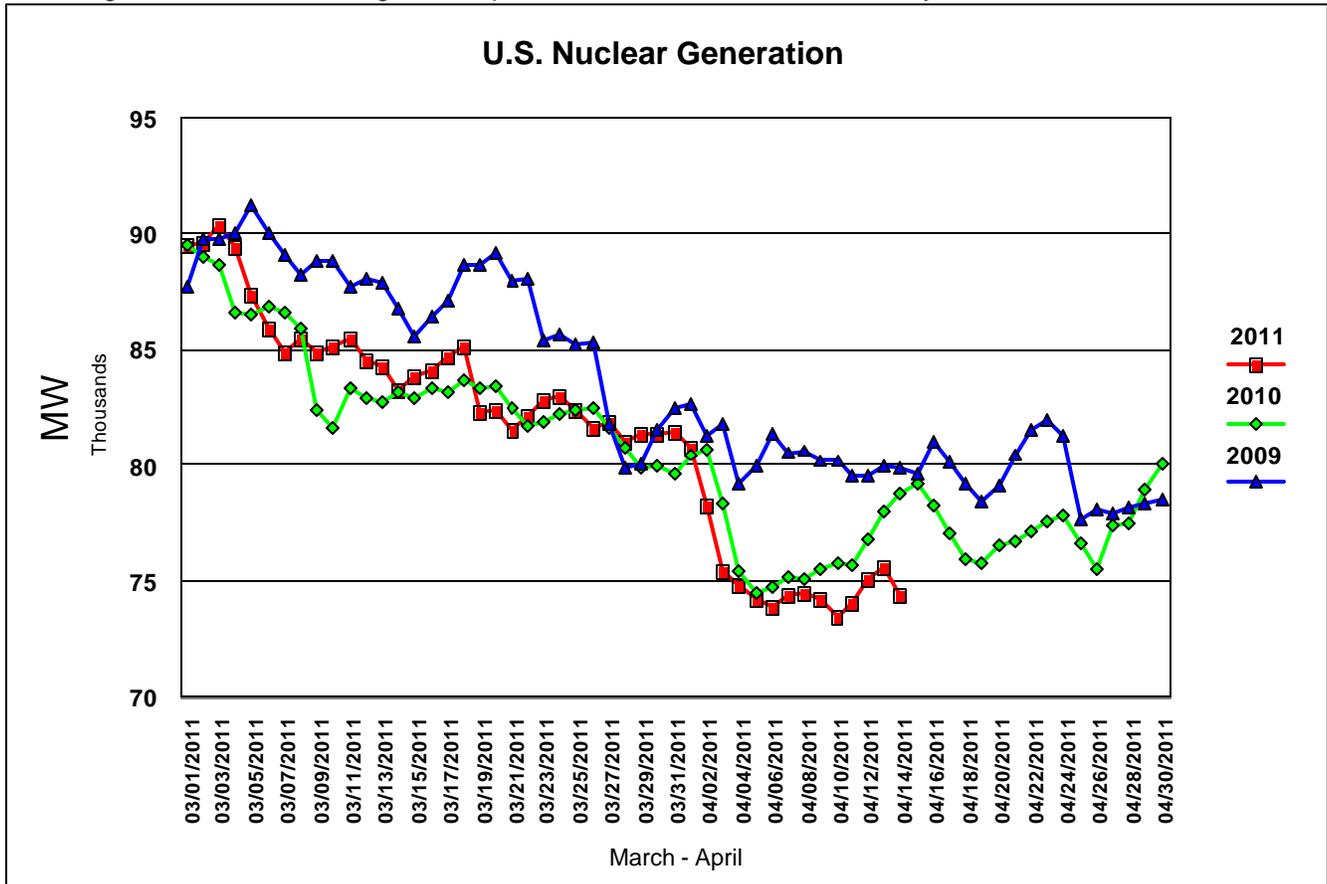
Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume Traded	Avg Price	Change	Basis (As of 12:30 PM)	Change	Basis 5-Day Moving Avg
Henry Hub	895,500	\$4.125	(\$0.017)	(\$0.108)	(\$0.125)	(\$0.020)
Chicago City Gate	750,600	\$4.201	(\$0.012)	(\$0.032)	(\$0.099)	\$0.033
NGPL- TXOK	1,004,900	\$4.024	(\$0.029)	(\$0.209)	(\$0.116)	(\$0.128)
SoCal	458,400	\$4.142	(\$0.069)	(\$0.091)	(\$0.156)	\$0.039
PG&E Citygate	2,243,300	\$4.317	(\$0.019)	\$0.083	(\$0.106)	\$0.174
Dominion-South	521,200	\$4.281	(\$0.045)	\$0.048	(\$0.132)	\$0.135
USTRade Weighted	22,022,800	\$4.122	(\$0.038)	(\$0.111)	(\$0.12)	(\$0.020)

ECONOMIC NEWS

The US Labor Department said initial claims for unemployment benefits increased by 27,000 to a seasonally adjusted 412,000 in the week ending April 9th. The prior week's figures were revised up to 385,000 from an originally reported 382,000. The four week moving average of new claims increased

by 5,500 to 395,750 in the week ending April 9th. It said that the number of continuing claims fell by 58,000 to 3,680,000 in the week ending April 2nd, the lowest level since September 2008. The unemployment rate for workers with unemployment insurance was 2.9% in the week ending April 2nd, down from 3% the prior week.

The Labor Department said US producer prices continued to increase in March amid rising energy costs. The Producer Price Index increased to a seasonally adjusted 0.7% in March. It followed a 1.6% increase in February. The gain in March was driven by a 2.6% increase in energy costs, including a 5.7% increase in gasoline prices. The core PPI increased by 0.3% in March.



According to a Bloomberg index, US consumer confidence improved for the fourth consecutive week. The overall consumer comfort index was -43 on a scale of -100 to +100, up from -44.5 the prior week.

Fed Governor Elizabeth Duke said the Federal Reserve cannot react hastily to swings in volatile prices such as oil prices. She said it would not be helpful if monetary policy reacted to every move in a volatile price. He said the Federal Reserve could act to combat inflation but has not seen enough evidence yet to act.

The World Bank warned that higher global food and energy prices are affecting more developing countries than in the beginning of the year, threatening to push more people into poverty. It said ongoing unrest in the Middle East and North Africa had driven the price of oil 21% higher in the first three months of the year, leading to increased food volatility and inflation in many countries. It said a 10% increase in oil prices pushed the bank's food price index, up 2.7%. The index is currently 36% above its level a year ago close to its 2008 peak.

China's annual inflation increased to between 5.3 and 5.4% in March.

China's National Energy Administration reported that the country's overall power consumption in March increased by 13.41% on the year to 388.8 billion kilowatt hours. Electricity consumption in the first three months increased by 12.72% on the year to 1,091.1 billion kwh.

MARKET COMMENTARY

Despite natural gas spot cash prices declining today the futures market moved higher posting an outside trading day and the largest trading range since March 31st. The EIA Storage Report helped to unlock the buying spree that sent prices to their highest level since April 5th and nearly retraced 50% of the sell off from mid-March through last week. Additional support for the bulls came from the level of nuclear generation off line along with the release of a supportive CGA storage report. The CGA report showed it first weekly increase since November 19th of last year and the modest weekly build was some four weeks behind last year's first storage increase further supporting the bulls in the market.

While we are not a believer in a major trend reversal in this market, we do recognize that the technical near term trend has changed and that further upside gains are possible. We thus would look to once again be a scale up seller of this market but not until prices move higher. Initially we would look to begin scale up selling at \$4.35-\$4.55 and ideally becoming more aggressive once the daily stochastics cross back towards the downside.

We see resistance tomorrow at \$4.251-\$4.274, followed by \$4.342 , \$4.371, \$4.453 and \$4.56. Support we see at \$4.156, \$4.126 and \$4.094. Additional support we see at \$4.058, \$4.02 and \$3.88. More distant support we see at \$3.855 and \$3.80.

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