



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 18, 2011

NATURAL GAS MARKET NEWS

North America

The U.S. Climate Prediction Center reported this morning that heating demand in the U.S. based on gas home heating weighted basis should be just 44 HDD, some 27% less than normal and some 37% less than the same week a year ago.

Baker Hughes said its weekly drilling report would be released on Thursday due to the holiday on Friday.

The US government will issue new natural gas pipeline safety rules this summer in hopes of reducing fatal accidents. The US Transportation Department will issue a rule in August requiring all natural gas pipeline operators to evaluate the risks of accidents on their systems from explosions, corrosion, leaks and other problems and take immediate steps to mitigate them.

Generation Outages

NPCC – Entergy’s 685 Mw Pilgrim nuclear plant was shut for scheduled maintenance and refueling. The unit had been at 86% power on Friday.

Bruce Power’s 822 Mw Bruce #7 nuclear unit was shut late Friday for planned maintenance.

PJM - FirstEnergy’s 892 Mw Beaver Valley #1 nuclear unit has exited its recent outage and had ramped up to 82% power as of this morning.

MISO – FirstEnergy’s 1245 Mw Perry nuclear unit was shut for scheduled refueling. The unit had been at 86% power on Friday.

Exelon’s 1152 Mw Braidwood #2 nuclear unit was shut for scheduled maintenance today. The unit had been at 91% power on Friday.

SERC – The NRC reported Monday that it was monitoring the situation at Dominion’s Surry nuclear power plant. Operations at the plant’s two reactors were shut down automatically when a tornado in the vicinity cut the electrical feed to the station. The plant’s diesel generators and safety systems operated as required and the plant’s operators have partially restored off-site power to the plants. Its 799 Mw Surry 1 nuclear unit will resume operations after repairs are made to the station’s switchyard.

The NRC reported this morning that some 70,663 Mw of nuclear generation capacity is online, down 4.87% from Friday and down 6.78% from a year ago.

Williams Co said the Gulfstream natural gas pipeline was experiencing high line pack pressure. The line pack is currently at the high end of Gulfstream’s range of acceptable operating levels. The pipeline can carry up to 1.26 billion cubic feet of natural gas from the Gulf of Mexico region to Florida, enough to produce 4.5 million homes.

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	768,100	\$4.233	\$0.022	\$0.126	\$0.198	\$0.013
Chicago City Gate	899,100	\$4.429	\$0.174	\$0.322	\$0.277	\$0.098
NGPL- TXOK	694,500	\$4.155	\$0.054	\$0.048	\$0.157	(\$0.089)
SoCal	400,300	\$4.274	\$0.077	\$0.167	\$0.180	\$0.051
PG&E Citygate	1,274,900	\$4.385	\$0.036	\$0.278	\$0.139	\$0.189
Dominion-South	598,700	\$4.409	\$0.049	\$0.302	\$0.152	\$0.180
USTRade Weighted	22,340,500	\$4.259	\$0.095	\$0.152	\$0.20	\$0.013

Over the weekend

Democrats on the House Committee on Energy and Commerce issued a report that disclosed the most widely used chemicals in hydraulic fracturing between 2005 and 2009. The report listed

methanol. "a hazardous air pollutant" as well as dozens of other hydrofracking chemicals which are known or possible human carcinogens as the most frequently used fluids in the process. The report estimates that companies used over 780 million gallons of the chemicals during the period. But despite the sensationalism of the report the API noted the report failed to point out any instances of these chemicals finding their way into drinking supplies.

A report released by Fitch Ratings noted that the North American chemical sector has been enjoying the consequences of the boom in liquids-rich shale gas plays. The company noted that these supplies of NGL's, particularly ethane are likely to continue and keep prices under pressure.

The API reported that while natural gas has been the primary target for domestic drilling throughout the past decade, the focus is apparently shifting away from gas and back to crude oil. The API estimates that in the first quarter, oil well completions outnumbered natural gas wells by 5718 to 3860.

An employee on a non-producing offshore natural gas platform in the US Gulf Of Mexico died after falling through a deck opening on Monday. The platform had not produced natural gas since 2008 and workers were in the process of permanently sealing its wells.

International

Qatargas announced over the weekend that it would be sending 60 extra cargoes of LNG or 4 million tonnes to Japan over the next 12 months. The company said that all the LNG cargoes would be supplied from Qatar and would not impact the company's current sales portfolio.

The LNG Lokoja tanker according to local port authorities is scheduled to arrive at the Dragon LNG terminal on April 25th. Also on this day the Al Samriya LNG tanker is expected to arrive at the South Hook terminal from Qatar.

India's state-run gas utility GAIL said it is looking to increase its supplies of LNG from Indonesia and Brunei by some 5 million tones per year. The company noted it is willing to invest in Brunei's exploration sector to create required capacities and infrastructure.

The chairman of Japan Gas Association said today that there is enough LNG supply in the global market and that he is not worried of any shortage due to rising LNG demand from Tokyo Electric Power. He estimated that currently there 40-50 million tones of excess LNG supplies on the market, but did expect that Japanese purchases will push cargo prices higher and reduce cargoes available for Europe.

Azerbaijan's state energy company SOCAR said Monday that BP may sign a production sharing agreement to explore and develop the deep lying gas formation at the Azeri-Chirag-Guneshli field in the Caspian Sea by the end of 2011. BP is already operator at the first stage of the Azeri-Chirag-Guneshli field, which produces around 850,000 b/d. The gas field reportedly holds between 200-250 bcm of gas and production is slated to begin in 2017.

Poland's gas monopoly PGNiG sold 4.8 bcm of natural gas in the first quarter of this year, with high-margin domestic production reaching 1.1 bcm.

Italy's energy regulator AEEG said Italy would start a gas balancing market starting July 1st in an effort to increase transparency, competition and liquidity on the wholesale gas market. Under the new balancing mechanism, a trade platform will be created to which all operators will have access and where they will be able to buy gas at a market price to balance positions and guarantee stability and security of the system.

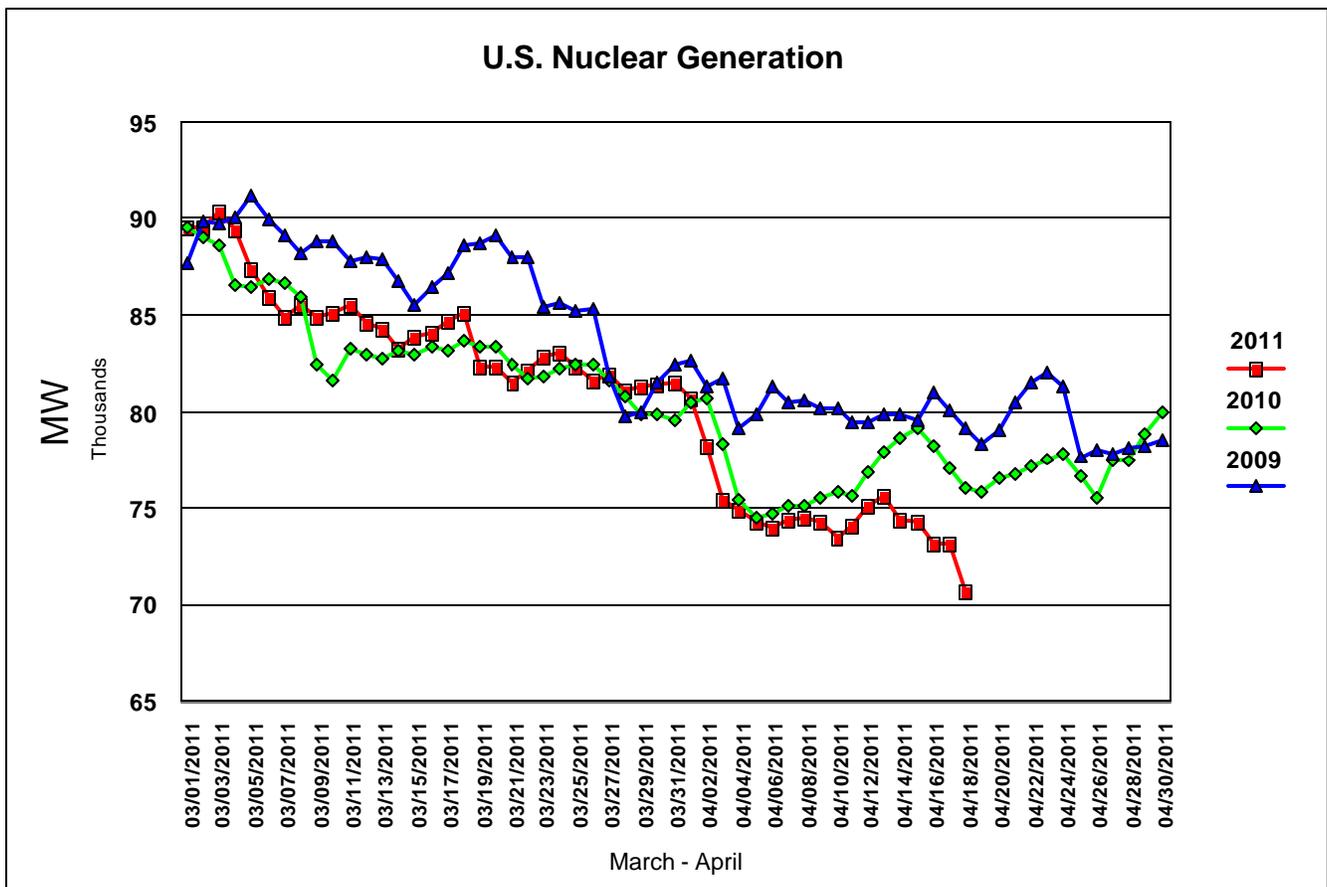
ELECTRIC MARKET NEWS

Standard & Poor's Rating Services released a report today that noted the U.S. power merchant sector's credit profile has been relatively stable since 2008, largely due to effective natural gas price hedging strategies. "However, with the rolling off of attractively priced hedges since mid-2010, merchants are forced to lock in much weaker sales prices, a development that will likely harm credit profiles over the next two years, especially given that natural gas prices will likely not go up." The report also noted that the industry would have to contend with new environmental regulations that will add to the merchant power sector's cost.

Genscape reported that U.S. power output for the week ending April 14th fell 8% from the prior week but was 3.6% greater than the same week a year ago.

Entergy Corporation has filed a complaint in U.S. district court to prevent the State of Vermont from forcing the company to cease operations on March 21, 2012.

The US Department of Energy said it is offering \$2.1 billion in conditional loan aid to support the Blythe Solar Power Project in California. The loan guarantee would support Units 1 and 2 of the 484 Mw solar thermal power plant.



ECONOMIC NEWS

Standard & Poor's on Monday downgraded the outlook for the US to negative, saying it believed there was a risk US policymakers may not reach an agreement on how to address the country's long term fiscal pressures. While the agency maintained the country's top AAA credit rating, it said that authorities have not made clear how they would tackle long term fiscal pressures.

In response, the White House Press Secretary Jay Carney said the US will outperform the outlook issued by Standard & Poor's and added that the federal government would find a solution to the country's fiscal problems.

The Financial Stability Board, which was created to monitor financial transactions, said the rapid growth of exchange traded funds or ETFs to a \$1.2 billion business was similar to the derivatives market in sub-prime mortgages before the credit crunch in 2007. The chairman of the FSB, Mario Draghi said ETFs had all the hallmarks of a bubble waiting to burst and needed to close monitoring by international regulators. The secretary general of the FSB said all areas of trading outside recognized exchanges, so-called shadow banking, was a cause for concern. He said the creation of off-balance sheet vehicles by banks was another factor in causing the crisis and similar activities must be monitored.

US Senator Maria Cantwell blames speculators for the sharp increase in gasoline and heating oil prices. She said there is evidence that the recent surge in gasoline prices has little to do with the fundamental supply and demand for oil. In a letter signed with Senator Patty Murray and 11 other senators, the senators said traders are exploiting political unrest in the Middle East and North Africa to increase prices.

MARKET COMMENTARY

The natural gas market early this morning moved higher on the news of additional nuclear generation losses over the weekend. But with the release of the news of the S&P downgraded outlook for the United States and the corresponding gloom that it cast across the commodity and equity markets, natural gas values were dragged lower as well. The natural gas market finished day lower settling just above the 40 day moving average. The market also posted its second outside trading session out of the last three sessions and the third outside trading session out of the last six trading sessions, continuing to show that traders remain uncertain on the direction for this market.

It probably will be difficult to move this market significantly lower this week given the current high level of nuclear outages, but given the technical damage down today it will probably be difficult to muster enough traction to sustain a breakout to the upside. We would look for resistance to again be found at \$4.275-\$4.277 followed by \$4.342, \$4.453 and \$4.56. Support we see at \$4.05, \$3.99, \$3.795 and \$3.731

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