



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR APRIL 26, 2011

NATURAL GAS MARKET NEWS

North America

Chesapeake Energy said late yesterday that it has replaced the damaged wellhead and gained permanent well control of its stricken natural gas well in Bradford County, Pennsylvania. The U.S. EPA asked the company to provide information on any hazardous substances released by the well blowout and the extent of any environmental damage. The EPA also asked whether radiological compounds were present in the fluids or sediment generated as part of the development of the well and effects on any drinking water supplies

Generation Outages

PJM – Exelon’s 1134 Mw Limerick #2 nuclear unit was at 97% power this morning up 63% from yesterday.

MISO – Exelon’s 1164 Mw Byron #1 nuclear unit ramped up to 65% power this morning. The unit was at 40% power on Monday.

SPP – Entergy’s 843 Mw Arkansas Nuclear 1 power reactor saw power reduced to 42% early Tuesday. The unit had been at full power on Monday. The sister unit was at 78% power.

SERC – Southern’s 1150 Mw Vogtle #1 nuclear unit was back to full power this morning, up from 70% recorded yesterday.

The NRC reported this morning that some 71,174 Mw of nuclear generation capacity is online, up 1.4% from yesterday and down 8.1% from a year ago.

Raymond James & Associates yesterday raised their outlook for U.S. onshore rigs in 2011 by 3% from its September outlook and looks for 2012 to see a 9% gain year on year. Year on year oil rig increased activity is seen some 57% above a year ago while natural gas drill rig activity is seen contracting by 8% and in 2012 will decline by another 11%. The analysts noted that producers are dropping gas rigs in both horizontal and vertical plays, except in the Marcellus and Eagle Ford shales. They noted that the Marcellus Shale’s close proximity to the premium Northeast market makes the play very economical in the \$4.00 per Mcf gas world. They noted that rig counts in the “legacy” shale plays like Barnett and the Haynesville now appear to have stabilized over the past few months at around 120 rigs, some 30 rigs off the high.

The Mexican energy minister said today that Mexico is considering ramping up its own shale gas production as a way to support its petrochemicals sector which has traditionally relied on the country’s crude oil as a feedstock. PEMEX completed its first shale gas well in March, tapping into the Eagle Ford formation that extends southward across the border from Texas.

TransCanada said today that it would sell interests in two major U.S. gas pipelines to its affiliated partnership for \$605 million to help fund its capital spending. TC Pipelines will get 25% of both Gas Transmission Northwest and Bison Pipeline. The move is seen as helping TransCanada to fund its new projects without going to the market to issue new equity.

WSI said today that it has slightly lowered its forecast for the 2011 Atlantic hurricane season. It now is calling for 15 named storms with eight becoming hurricanes and four of these reaching Category 3 or

higher. The forecaster also noted that the U.S., Gulf Coast region faced a “significant threat” of a hurricane making landfall along the coast.

A White House economic advisor said today that the natural gas industry should support “common sense” regulation to ease public worries about potential water contamination from hydraulic fracturing. He said the Obama administration is working to develop a framework for promoting shale gas production, but declined to offer specifics on what type of regulation the administration would support.

The U.S. Attorney General on Tuesday said that he saw some “disturbing” things in the energy markets, which support forming the task force unveiled last week to investigate possible fraud and manipulation

International

Turkey reportedly will halt the annual sale of 750 million cubic meters of natural gas to Greece, as it seeks to utilize these gas supplies to meet its domestic needs. Under the new arrangement Greece in the future will buy gas directly from Azerbaijan and it will be supplied via a pipeline running through Turkey.

India’s Petronet LNG planning head said today that the company is looking to add some 2-4 million tones of additional supply from Qatar.

Gas export capacity from Norway’s Ormen Lange processing plant has been restricted over the last several days due to power restrictions. While production at the field was “producing in a normal” manner a technical problem at the onshore gas processing plant continued Tuesday and exports were being affected.

Denmark’s DONG Energy agreed on Tuesday to work with Gazprom to explore for opportunities in promoting gas fired generation in Europe.

China Development Bank announced today it has signed a deal to lend \$4.1 billion to Turkmenistan. The loan will finance the second phase of development of the giant South Yolotan gas field in Turkmenistan. Turkmenistan’s natural gas supplies reportedly secure the loan from China.

An Egyptian security source reported to Reuters this evening that a natural gas pipeline that carries natural gas from Egypt to Israel and Jordan exploded following an attack by an unknown armed gang.

Sinopec announced it has made a major discovery of over 875 bcm of geological natural gas reserves in its Yuanba block in southwestern Sichuan province. The company though did not disclose the quantity of proven reserves. Sinopec has already said it expects to build 6 bcm of annual production from the field by 2015.

Port officials at South Hook said that the Zarga LNG tanker is expected to arrive at the port on May 4th from Qatar.

Marathon Oil and Nexen said Tuesday that they would jointly explore shale gas concessions in Poland. The terms of Nexen’s acquisition to gain a 40% stake in the exploration play was not disclosed.

ELECTRIC MARKET NEWS

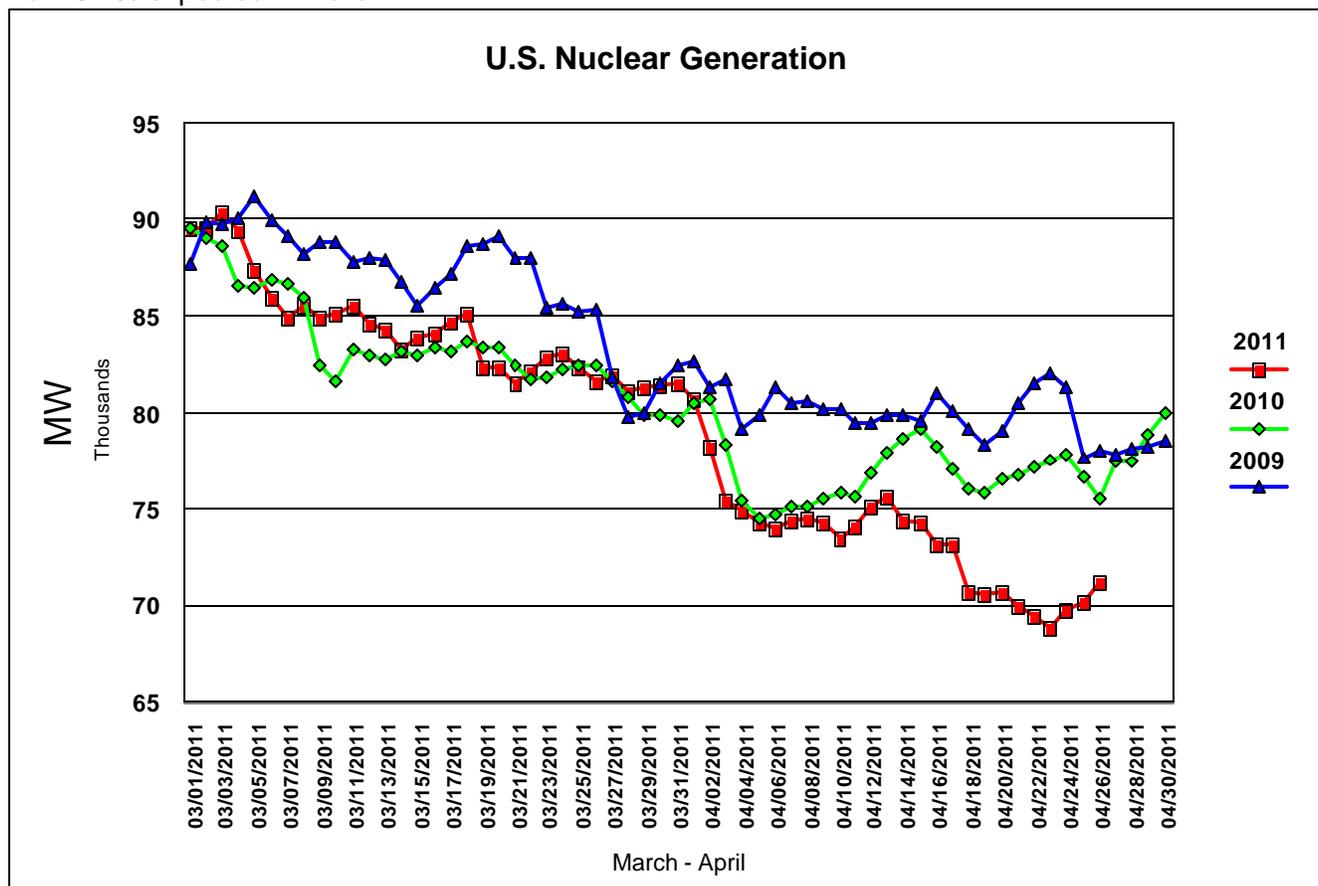
NRG Energy’s CEO said today that his company is canceling its previous ambitious nuclear development plan and instead will focus on its solar business. The company currently has 533 Mw of solar capacity under construction and another 1000 Mw in advanced development. He said that by the

end of the year the company would have more megawatts operating or under construction than any other solar company in the United States.

The EIA said today the Japanese nuclear crisis would likely curtail expansion of U.S. nuclear power generation. The agency prior to the accident had forecasted that the U.S. would add about 9 Gw of new nuclear capacity by 2035, but that its estimate will need to be revised lower.

ECONOMIC NEWS

The Conference Board said its index of consumer confidence increased to 65.4 in April, up from a revised 63.8 in March, previously reported as 63.4. Consumer expectations for economic activity over the next six months increased to 82.6 from a revised 81.3 last month, previously reported as 81.1. The present situation index increased to 39.6 from a revised 37.5, previously reported as 36.9. The report shows consumers, on average, expect inflation to increase to 6.3% 12 months from now. It is down from 6.7% expected in March.



The US housing market continues to struggle as single family home prices fell for the eighth consecutive month in February. The S&P/Case-Shiller composite index of 20 metropolitan areas fell 0.2% in February from January on a seasonally adjusted basis to 139.27.

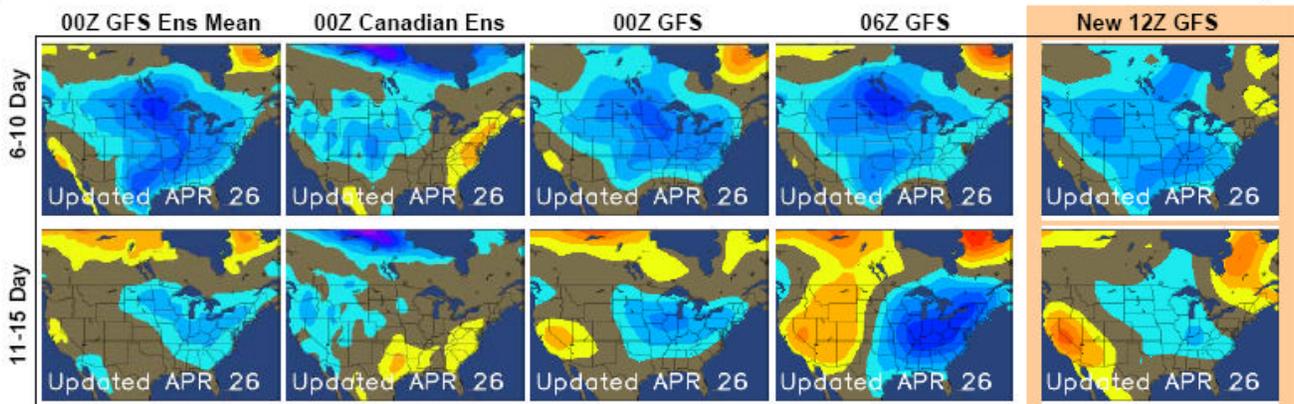
The American Trucking Association's advance seasonally adjusted For-Hire Truck Tonnage Index increased by 1.7% in March after falling a revised 2.7% in February. It reported that tonnage in March increased by 6.3% on the year.

Global securities watchdog, International Organization of Securities Commissions, IOSCO, will investigate transparency and governance at oil pricing agencies such as Platts and Argus as part of broader G20 efforts to limit speculation in commodities markets. The IOSCO said it would present its findings to the finance ministers of the world's G20 leading industrialized nations in October.

MARKET COMMENTARY

With the May natural gas contract set to expire tomorrow there appeared to be some light profit taking on long positions today that allowed prices to finish slightly weaker for the second day in a row. Despite today being an option expiration day, prices remained mired within a relatively tight 5 cent trading range, similar to the one that the market recorded on Monday. Some moderate temperature forecasts coupled with nuclear generation slowly beginning to rebound helped to prevent this market from continuing its two-week upward trend.

Forecast Model Comparison



10 Day Observed U.S. Population Weighted Temperature Anomalies and 15 Day Ensemble Forecast

Forecast lines are U.S. population weighted anomalies from 00Z GFS operational and ensembles. Red line is the forecast average.



As long as the June contract does not break through resistance at the \$4.493-\$4.505 we would look for this market to continue to slide lower over the next couple of days, possibly picking up some momentum to the downside if the daily stochastic finally roll over and cross to the downside for the first time since April 12th. We see support at \$4.333, \$4.281-\$4.267 and \$4.228. Additional support we see at \$4.128 and \$4.056.

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