



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR APRIL 27, 2011

NATURAL GAS MARKET NEWS

North America

The AGA-sponsored The Potential Gas Committee released their biennial report on the "Technically Recoverable U.S. Natural Gas Environment" today and it increased its estimate of potentially recoverable natural gas in the United States by 4.3% to over 2,000 tcf a 46 year high.

Nexen said today that it has slowed its search for a joint venture partner for its Horn River shale gas assets. The company noted that some Japanese companies have shown interest in a potential joint venture but no additional news on the issue will occur probably until this autumn.

Reuters released its latest poll of natural gas analysts' price predictions for 2011 and it showed the average price projection by the group is now at \$4.27 down 16 cents from its previous poll released in January. Price estimates by the group for 2012 and 2013 were pegged at \$4.86 and \$5.40.

International

The CEO of Baker Hughes said today that it will probably take some time to develop the shale assets in Eastern Europe but expects development of shale gas production in China will take off.

Australia's Origin Energy said it plans to focus its efforts on getting off take agreements for the second train of its Australia Pacific LNG project rather than selling equity interests.

An Indian government official told Reuters today that the Indian government is considering placing a penalty on Reliance Industries for falling short of targeted gas production at its D6 block.

Total reported today that it has found a major gas field in southeastern Bolivia that could initially produce 6.5 million cubic meters per day of gas.

The fire that erupted on an Egyptian gas export pipeline after it was attacked by an armed gang earlier Wednesday could burn for several days before engineers are able to begin repairs. The attackers targeted a metering station near the North Sinai town of el-Arish. The same pipeline was attacked previously of February 11th.

Generation Outages

NPCC – Constellation Energy's 621 Mw Nine Mile Point #1 nuclear unit dropped to 46% power early Wednesday. The unit had been at 78% power yesterday. The unit returned from its refueling outage back on April 19th.

Invenergy said its 584 Mw St. Clair natural gas fired power plant in Ontario is expected to be back on May 3rd after planned maintenance.

ERCOT – Luminant's 1150 Mw Comanche Peak #2 nuclear unit ramped up to 46% power this morning. The unit began to return to service yesterday after being offline since April 3rd.

SPP – Entergy's 995 Mw Arkansas Nuclear 2 power plant dropped to 43% power this morning, down from 78% power yesterday.

The NRC reported this morning that some 71,160 Mw of nuclear generation capacity is online, basically unchanged from yesterday and down 8.1% from a year ago.

ELECTRIC MARKET NEWS

Severe storms moving through the U.S. Southeast late today caused all three TVA nuclear reactors in Alabama to be shutdown as well as knocking out 11 high voltage power lines

Kansai Electric Power. Japan's second largest utility said today it expects its nuclear plants to run at an average rate of 80% versus an average rate of 78.2% recorded in the fiscal year ending March 31st. This run rate is a bit lower than previously planned as the restart of three reactors has been delayed due to stricter safety steps imposed after the March earthquake.

Meanwhile The Japanese trade minister said today that Japan plans to ask all power customers in the areas served by quake affected Tokyo Electric Power and Tohoku Electric Power to cut their peak consumption by 15% for this summer to avoid rolling blackouts that could hurt the nation's economy.

The U.S. NRC said today that it has sent a special inspection

team to FirstEnergy's 1245 Mw Perry nuclear unit to review the circumstances that led to higher than expected radiation levels while the unit was shutting down for refueling last week.

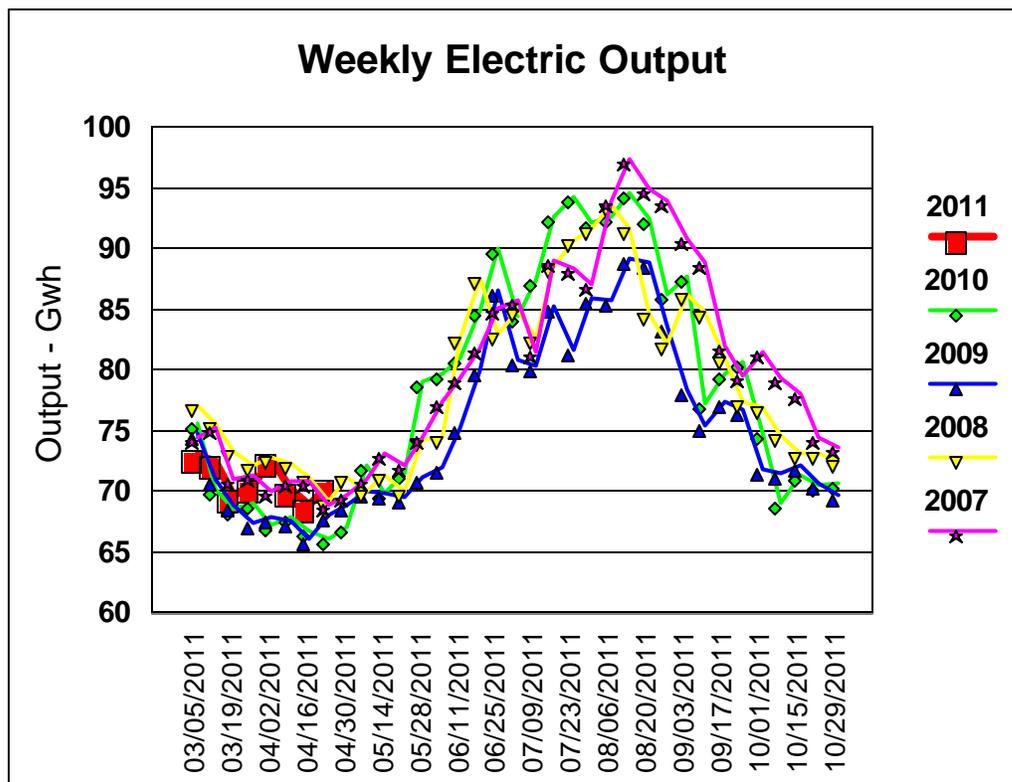
The Edison Electric Institute reported that for the week ending April 23rd it saw power production reach 70, 158 Gwh, up 2.4% from the prior week and some 6.5% higher than a year ago.

The Lower Colorado River Authority said today that they are moving ahead with plans to build a 540 Mw gas fired power plant to replace a smaller aging plant in Llano County, Texas. Separately, Panda Power Funds will begin construction later this year on the first phase of a combined cycle gas plant in Bell County, Texas that will have a 650 Mw capacity. The last new gas fired power plant built in ERCOT came online in 2009.

ECONOMIC NEWS

The Federal Reserve said it would keep US interest rates at exceptionally low levels. It said it would complete its \$600 billion bond buying program this quarter as planned. It added that while energy and commodity prices were rising, their effects would be transitory.

The US Commerce Department said manufacturers' orders for durable goods increased by 2.5% to a seasonally adjusted \$208.37 billion. It was the third consecutive increase. Orders in February increased 0.7%, revised up from a previously estimated 0.6% decline.



Chicago Federal Reserve Bank's Midwest manufacturing index increased by 1.9% to 85 in March from 83.4 in February.

The US Commodity Futures Trading Commission announced a part of an expanded oversight of the swaps market by defining what products would be covered by financial reform legislation. It said most products and transactions would fall under the definition of a swap, except certain insurance products, consumer and commercial transactions such as a contract to purchase home heating oil and loan participations. The plan does not include commodity forward contracts as swaps. Most of the transactions and products in the CFTC plan would be classified as swaps, subjecting them to clearing requirements and trading on exchanges or swap execution facilities. The CFTC also proposed rules for capital requirements for non-bank swap dealers. The proposal would require that swap dealers and major swap participants maintain \$20 million in capital.

The EU's Statistics Office Eurostat said that industrial orders in February in the Euro zone increased by 0.9% on the month to 21.3 while industrial order in the EU increased by 1.2% to 19.8.

German consumer morale heading into May fell, a further sign growth may have already peaked this year. Market research group GfK said its consumer sentiment indicator fell to 5.7 for the next month, down from 5.9 reported for April.

Standard & Poor's threatened to cut Japan's sovereign credit rating again, warning the large cost of last month's earthquake and tsunami would impact already weak public finances unless politicians can agree to raise taxes. It affirmed its long term sovereign credit rating on Japan at AA minus, the lowest among the major agencies, but downgraded its outlook to negative from stable. Public debt, already twice the size of its \$5 trillion economy, is set to increase as the country faces reconstruction costs following the March 11th earthquake and tsunami that could reach 50 trillion yen or \$613 billion.

MARKET COMMENTARY

The expiring May natural gas contract posted a rather uninspiring expiration day as prices remained constrained with a five cent trading range for much of the session with the an even smaller trading ranging for the final five hours of trading. The June contract settled lower for the third consecutive session, but prices remained basically stuck in the trading range of the prior two trading sessions, as the market appeared to lack conviction to break this market out of this trading congestion, until possibly after tomorrow's storage report.

Market expectations for tomorrow's EIA Storage Report is for a 30-80 bcf build with most estimates centered around a 40 bcf build. For the same week a year ago stocks increased by an adjusted 81 bcf, while the five year seasonal average is for a build of 65 bcf.

As long as tomorrow's storage report comes in at or higher than market estimates we feel that this market is poised to work lower as the daily stochastics appear ready to roll over and point downward for the first time in the June contract since April 12th. We see support starting at \$4.392 followed by \$4.333, \$4.28, \$4.228 and \$4.128. Resistance we see at \$4.487, \$4.505, \$4.527 and \$4.627.

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