The Windham Group

Energy Futures Brokerage

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 MAY 2, 2011

NATURAL GAS MARKET NEWS

North America

The U.S. Climate Prediction Center reported this morning that it sees U.S. heating demand on a gas home heating weighted basis would reach 55 HDD some 3.5% less than normal.

EnCana Corporation announced today that it has reached a benchmark upstream investment agreement with Northwest Natural Gas. Northwest Natural will reportedly invest $45-$55 million for the next five years and will gain a working interest in the Jonah natural gas field.

Chesapeake Energy reported its first quarter results today and it showed a first quarter loss of $205 million due for the most part in a large hedging loss of $725 million. This loss comes despite daily oil and gas output growing by 6.4% from the fourth quarter and increasing by 20% from a year ago to 3.107 bcfe. During the first quarter the company continued the industry's most active drilling program, drilling 375 wells. The company's two most active shale production areas were Marcellus and Haynesville with each having 33 rigs operating in them.

Generation Outages

NPCC – OPG's 535 Mw Lennox #2 oil and gas fired power plant returned to service late Sunday. The unit had been shut since Marcg 3rd.

PJM – Exelon's 619 Mw Oyster Creek nuclea runit was shut early Monday.

PSEG's 1174 Mw Salem #1 nuclear unit dropped to 8% power Monday, down from 75% power recroded on Friday.

ERCOT – AEP's 675 Mw Pirkey coal fired power plant was restarted on Sunday following completion of maintenance on a scrubber tower and air heater. The unit had been shut on April 29th.

MISO – Xcel Energy's 551 Mw Prairie Island #1 nuclea runit was shut early Monday for scheduled maintenance.

FRCC – NextEra Energy's 693 Mw Turkey Point #4 nuclea runit began to exit today from its refueling outage and was at 2% power this morning. The unit has been off line since March 21st.

WSCC – PG&E said its 1118 Mw Diablo Canyon # 2 nuclear unit was shut for planned maintenance on Sunday.

TransAlta's 401 Mw Sundance #6 coal fired unit returned to service late Saturday.

SERC – Southern's 883 Mw Hatch #2 nuclear unit began to exit a refueling outage and ramped up to 3% power totday. The unit had been shut since March 28th.

SPP – Entergy's 995 Mw Arkansas Nuclear 2 power reactor ra,ped up to 77% power by early Monday, up from 43% power recorded on Friday.

Anadarko Petroleum reported sharply lower earning for the first quarter today, despite production being some 0.5% higher than a year ago and natural gas production being some 0.8% higher in the United States. The company's natural gas production in the United States averaged 2.412 bcf/d some 12.8% higher than the fourth quarter. The company reported that from its shale plays in Eagleford and Marcellus areas average sales volumes increased by 30% and 82% respectively. The company noted that its sharply lower quarterly earnings were due to one-time items related to the company's oil and gas price hedges. Excluding those items it would have reported a 72 cents per share gain.

EQT Corporation announced its first quarter results today and it reported earnings of $122.3 million, some $34.2 million higher than last year. Driven by horizontal drilling in the Marcellus shale, EQT's production sales volumes reached 43 bcfe in the first quarter, some 43% higher than the same quarter a year ago and 11% higher than the 4Q2010. Marcellus shale wells accounted for approximately 37% of the company's sales volumes, up from just 13% a year ago. Marcellus production is expected to grow by 57% from currently levels by the end of the year. The company also reported that it has recently added to its production hedge position for 2011 through 2013. As of April 27th the company had hedged 55% of its estimated production for 2011. Most of its hedges are positioned in swaps at an average prices of $4.86 for 2011, $5.28 in 2012 and $5.62 for 2013.

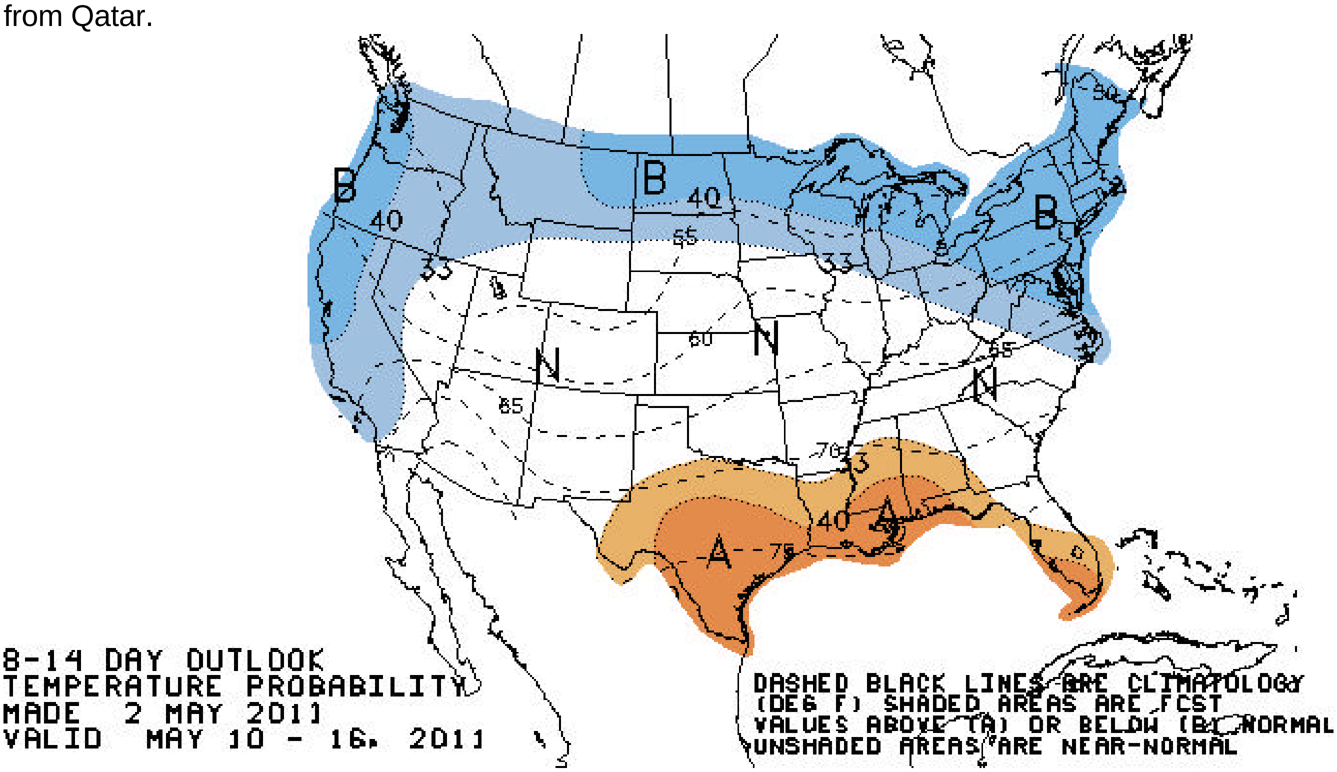
International

Gassco announced today that the natural gas processing plant at Kollsnes and the terminal at Dunkerque would be shut down Monday for planned maintenance. The Kollsnes plant will be shut from May 2 – May 12th while Dunkerque terminal will be shut until May 10th.

GDF Suez said it has signed a contract to supply 2.5 million tones of LNG to Malaysia's Petronas over a 42 month period starting in August 2012.

The Indian government today has asked Reliance Industries to drill 11 new wells by April 1, 2012 in the key offshore block of D6 of the Krishna-Godavari basin, as regulators seek to have the company meet production goals that were reached earlier on field development.

The LNG tanker, the Expedient is expected to arrive at the UK South Kook LNG terminal on May 9th from Qatar.



Centrica said over the weekend that it was shutting down two British gas fields for the month of May for planned maintenance. British Gas has closed its Morecambe Bay North and Rivers gas fields on Sunday and may take a third field, the South Morecambe down for unspecified work and may keep it off line if spot gas prices in the UK remain low.

ELECTRIC MARKET NEWS

TVA reported this afternoon that it has restored transmission service to 120 of its 128 connections with its local utility customers following last week's storms. Less than 200,000 homes and businesses remained without power in the Southeast, down from more than 1 million customers that lost power last week.

The NRC said today that it is studying whether to require U.S. power plants to more quickly move radioactive waste out of pools and into dry casks.

Japanese trade data showed today that power demand in Japan in April was some 8.1% lower than the same month a year ago. Power demand in areas covered by Tokyo Electric Power was off 15.1% in April while power demand in Tohoku Electric declined by 19.1%. Meanwhile Tohoku Electric Power said it would restart the gas and fuel oil fired 350 Mw Minato #1 at its Higashi Niigata power plant at the end of May ahead of schedule. The company though expects to remain short of supply by 1000-1500 Mw this summer.

ECONOMIC NEWS

The US Commerce Department said construction spending in the US increased in March following three consecutive months of declines. It reported that construction spending increased by 1.4% to a seasonally adjusted annual rate of $768.9 billion in March. Spending in February fell 2.4%, revised down from a previously estimated decline of 1.4%.

Manufacturing growth softened in the US and China but firmed in Europe and India. The Institute for Supply Management said its factory index fell to 60.4 in April from 61.2 in March. Its US Manufacturing Prices Paid Index stood at 85.5, its highest level since July 2008. It was up from 85 in March. China's official purchasing managers' index fell to 52.9 in April from 53.4 in March, down from market forecasts of an increase to 54. The Market Eurozone Manufacturing Purchasing Managers' Index increased to 58 in April from 57.5 in March. Meanwhile India's PMI increased to 58 in April from 57.9 in March.

MARKET COMMENTARY

The natural gas futures market ended mixed today with the spot contract finishing in negative territory with the back months up slightly. While the spot contract did post a high that has not been seen in the spot contract since January, the market for the most part remained in a sideways pattern for much of the day. While the high number of nuclear outages continues to support this market, the prospects of some units beginning to return to service may help to weigh on this market in coming days. In addition the technicals on this market again appear to be approaching an over bought situation as the daily stochastics are possibly ready to once again roll over and cross to the downside over the next day or two. The question though will be if the commodity funds will continue to be net buyers of this market as they have been over the last month especially if industrial activity may be slowing.

We see resistance tomorrow at $4.73 followed by $4.778, $4.828, $4.879 and $4.974. Minor support we see starting at $4.644, $4.594 and $4.552. More significant support we peg at $4.472, $4.348-$4.338, $4.313, $4.23 and $4.156 and $4.156.