



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 6, 2011

NATURAL GAS MARKET NEWS

North America

EOG Resources CEO said today that he expects a final decision on the Kitimat LNG project by the end of the year or early 1Q2012. The company also noted that the lack of take away capacity in Eagle Ford remains a very large problem and that the company is moving more oil by rail.

The U.S. Energy Department named a panel to review current hydraulic fracturing techniques and identify any immediate steps that can be taken to improve the safety and environmental performance of fracking. The panel consists of both academic and environmental experts and industry consultants. The panel will report back in 90 days after beginning their work. Within six months the panel is expected to develop advice for the government on practices for shale extraction to ensure

Generation Outages

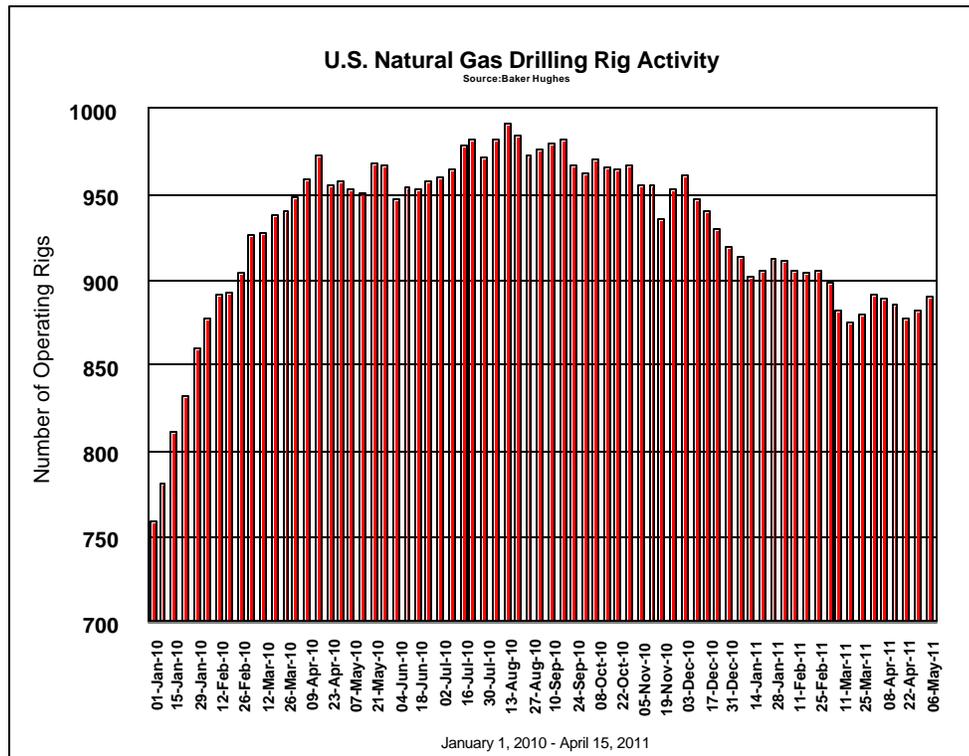
NPCC – TransCanada’s 194 Mw Units #1 and #2 and the 295 Mw Unit #3 at the Halton Hills natural gas fired power plant were shut Thursday.

MISO – Exelon’s 1120 Mw LaSalle #2 nuclear unit dropped to 60% power early Friday. The unit had been at full power on Thursday.

WSCC – APS’s 1314 Mw Palo Verde #2 nuclear unit began to exit its refueling outage and ramped up to 2% power by early Friday. The unit had been shut since April 2nd.

The NRC reported this morning that some 68,258 Mw of nuclear generation was online, down 0.5% from yesterday and 19.4% below levels recorded a year ago.

public health and the environment.

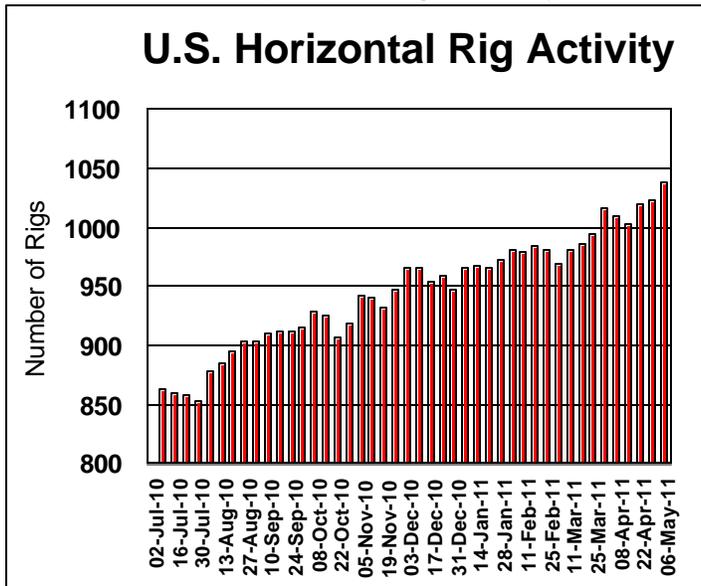


Baker Hughes reported this afternoon that the number of natural gas drilling rigs operating in the United States this week rose by 8 rigs to 890 rigs. This was the second consecutive weekly gain. The number of horizontal drilling rigs operating in the U.S. also rose on the week, growing by 15 to yet another new high of 1038 rigs.

International

Statoil’s 270 Mw gas fired power plant in Mongstad said it expects

its power output to vary from 0 to 140 Mw in May immediately after a 10-day maintenance stop. The plant feeds not only the refinery in the town but the Troll gas field and the Kollsnes gas processing facility. The planned maintenance stop run is currently ongoing and should be completed by May 12th, with the variable output occurring from May 12-16.



The Nabucco pipeline consortium said today that it will delay the start up of the pipeline by two years and it now will have an in-service date of 2017. It also said the cost of the project will be more than the \$11.48 billion originally expected since the line will now be 20% longer than originally planned as a result of changing a feeder line to Iraq from Iran. Construction is now scheduled to begin in 2013.

Turkey's energy minister said today that Nabucco partners can not afford a considerable rise in costs for the project and that the consortium should consider utilizing existing pipelines of the Turkish state pipeline company Botas to reduce costs for the

project.

Woodside Petroleum said on Friday an agreement with a native title claim group to use land at James Price Point in Western Australia lifts a key barrier to making final investment decision on its flagship Browse LNG project by mid 2012.

Chubu Electric Power Company announced it has signed a final contract to buy LNG from Britain's BG Group. The company will purchase 122 LNG cargoes from BG over 21 years starting in April 2014, with no source of this supply stipulated. This is the first Japanese LNG supply deal signed that does spell out the specific source of LNG. One source of the potential supply will be BG's Queensland Curtis LNG project in Australia, which is expected to begin operations in 2014.

The Al Bahiya LNG tanker is expected to arrive at the South Hook LNG terminal on May 13th from Qatar.

ELECTRIC MARKET NEWS

Fluor Corporation said today that it is seeing more opportunities for gas fired power plants driven by the price disconnect between natural gas and oil prices.

Japan Atomic Power Company said Friday it would shut the 1160 Mw #2 reactor at its Tsuruga nuclear plant for an unplanned inspection. Meanwhile the Japanese Prime Minister Kan said today that Chubu Electric should halt all operations at its Hamaoka nuclear plant due to worries that another earthquake could cause another nuclear crisis. He said the government made the decision since scientists have said there is an 87% probability that an 8.0 earthquake will hit the region in the next 30 years. The company said it plans to complete work on protecting its facility from a tsunami similar to the one that hit northeastern Japan last March. The work would take 2-3 years.

Genscape reported today that it estimates U.S. coal consumption fell 3% for the week ending May 5th from the prior week and was off more than 10% from the same week a year ago.

ECONOMIC NEWS

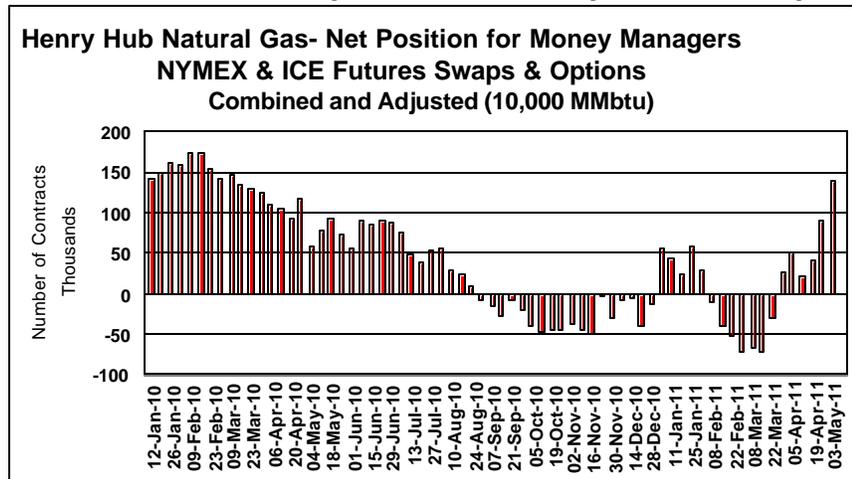
The US Labor Department said nonfarm payrolls in April increased by 244,000 as the private sector posted the strongest employment gain in five years. The March data was revised upward slightly to show an increase of 221,000 jobs from the previously reported gain of 216,000. However it reported that the unemployment rate increased to 9% in April from 8.8% in March. It was the first increase in the jobless rate since November, when it reached 9.8%. The private sector added 268,000 jobs in April. In March, employment in the private sector increased by 231,000.

The Economic Cycle Research Institute said its Weekly Leading Index for the week ending April 29th fell to 128.7, its lowest level since the week ending January 21st from 129.2 the previous week. The index's annualized growth rate slowed to 6.7% from 7.5% a week earlier.

MARKET COMMENTARY

While the natural gas market posted its fourth consecutive lower settlement, its decline was relatively modest as a result of the market remaining in a relatively sideways trading pattern for most of the day. The market at the end of the day posted an inside trading session which should not surprise anyone for a Friday trading session. While the Baker Hughes report released this afternoon should be seen as bearish the continued high level of nuclear generation outages should help the bears at bay for the

near term.



This afternoon's Commitment of Traders Report confirmed that commodity funds were the main force behind the natural gas rally over the last month. The report showed that for the week ending May 3rd, this group of traders had increased their net long position by 48,815 contracts from the prior week and over 115,673 lots from three weeks earlier.

Our outlook for this market has not changed much from yesterday. We feel the Thursday's sell off for natural gas should not see significant follow through to the downside until it appears U.S. nuclear generation levels can rebound from maintenance outages. While technical trend indicators such as stochastics continue to point to a trend lower we feel a seller of this market should look for prices to bounce before selling into this market given the depth of this week's sell off. We see support Monday at \$4.222-\$4.205 followed by \$4.128, and \$4.056. Resistance we see at \$4.348-\$4.379, \$4.405, \$4.467 and \$4.529. Additional resistance we see at \$4.729.

The information contained in this letter is taken from sources, which we believe to be reliable, but is not guaranteed by us as to accuracy or completeness and is sent to you for information purposes only. The Windham Group bases its market recommendations solely on the judgment of its personnel. Reproduction in whole or part or other use without written permission is prohibited.