



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR MAY 16, 2011

NATURAL GAS MARKET NEWS

North America

Reuters reported the LNG tanker the Gemini, which can hold up to 126,000 cubic meters of LNG was loaded at Sempra's Cameron LNG terminal last week and set sail this weekend for Japan's Senboku LNG terminal with an expected arrival date of June 22nd.

The governor of Pennsylvania signed into law today amendments to the state's 1984 Coal and Gas Resource Coordination Act, which will require natural gas drillers to coordinate their activities with active coal mine operations. The new law requires a minimum distance between gas wells, designated well classes and coordinated gas well drilling undertaken through area of active coal mines. Without permission from the coal mine operators, well clusters would have to be at least 2000 feet apart and comprise an area no larger than 5000 square feet.

Analysts at Raymond James today in a research note to clients estimated that based on internal and federal data they see U.S. natural gas output this year will run some 4 bcf/d higher year on year and as a result should end up pressuring prices once again.

Tudor Pickering Holt and Company said that LNG delivered from import terminals into the U.S. and Canadian grid fell to their lowest volume in at least four years last week. The company estimated that just 0.59 bcf/d during the week ending May 15th was sent into the grid, or the equivalent of about one sixth of a conventional cargo each day. The fall coincides with the shutdown of the Canaport LNG terminal in New Brunswick, Canada. Current U.S. spot gas prices are running slightly less than half of British gas prices and about a third of spot LNG prices in Asia.

International

Generation Outages

NPCC – Entergy's 685 Mw Pilgrim nuclear unit was shut due to technical issues over maintaining specified differential pressure. Investigations into the problem are ongoing. The unit had been at 14% power when it was shut down. The unit began to exit its refueling outage back on Thursday. The NRC said later in the day that it was sending a special inspection team to the plant.

PPL's Susquehanna #1 nuclear unit was shut down for planned inspections today. Operators made the decision to shut down the unit for inspections after finding defective blades on the turbine in the sister unit. The defective blades on Unit #2 are currently being replaced.

Calpine/Mitsui's 212 mw Unit #2, #3 and 517 Mw Unit #4 at the Greenfield natural gas fired power plant have exited an outage and returned to service late Friday.

FRCC – NextEra's 693 Mw Turkey Point #4 nuclear unit began to exit its outage and was at 4% power. The unit had been shut on May 6th.

NextEra Energy's 839 Mw St. Lucie #2 nuclear unit was shut early Monday. The unit had been at full power on Friday.

SERC – Progress Energy's 938 Mw Brunswick #1 nuclear unit was shut early Saturday. The unit had been at full power on Friday.

MISO – Exelon's 1152 Mw Braidwood #2 nuclear unit was at 83% power this morning up from 37% power on Friday.

ERCOT – Luminant's 568 Mw Sandow #4 coal fired power plant was restarted after operators completed repairs to fix a tube leak on Sunday.

SPP – Entergy's 843 Mw Arkansas Nuclear #1 ramped up to full power up from 54% from Friday.

The NRC reported this morning that some 74,096 Mw of nuclear generation was online, down 1.5% from yesterday and 12.3% below levels recorded a year ago.

According to port officials the Lijmiliya LNG tanker is scheduled to arrive at the South Hook terminal on May 23rd from Qatar. Qatar's Rasgas Asclepius LNG tanker was expected to arrive at Belgium's Zeebrugge terminal on June 3rd.

Gassco reported that the Norwegian gas processing plant Kollsnes is resuming operations after a maintenance shutdown and normal operations should return by the end of Monday. It appears operations at the plant had been restricted due to a "field problem". The plant processes gas from the giant Troll gas field.

Statoil said its 270 Mw gas fired power plant in Monstad has extended its maintenance stoppage. The plant feeds not only the company's Mongstad refinery but also the Troll gas field and the Kollsnes gas processing facility.

Barclay's Capital said today that due to Japan's increased demand for LNG, the global LNG supply could tighten by the end of this year. The bank has raised its Japanese LNG demand outlook by 1-1.2 bcf/d due to the reduction in nuclear generation in that country. The bank sees this Japanese demand will have an overriding impact on Asian consumption trends in 2011 and likely for the next few years. While Europe should receive the same level of LNG imports this summer as last year, this import flow should begin to drop off as we enter into next winter.

Shell said on Monday that it has signed an agreement to supply Taiwan's CPC Corp with 2 million tones of LNG per year for 20 years.

Petronas, ConocoPhillipos and Royal Dutch Shell announced today that they had formed a joint venture to develop the Kebabangan gas field in eastern Malaysia.

Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
Location	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	693,900	\$4.209	\$0.115	(\$0.091)	\$0.010	(\$0.043)
Chicago City Gate	1,090,200	\$4.403	\$0.193	\$0.103	\$0.056	\$0.053
NGPL- TX/OK	922,300	\$4.103	\$0.130	(\$0.197)	(\$0.006)	(\$0.160)
SoCal	67,760	\$4.248	\$0.169	(\$0.053)	\$0.032	(\$0.053)
PG&E Citygate	1,289,500	\$4.448	\$0.167	\$0.148	\$0.030	\$0.120
Dominion-South	491,500	\$4.398	\$0.202	\$0.098	\$0.065	\$0.083
UTrade Weighted	21,063,800	\$4.235	\$0.147	(\$0.065)	\$0.01	(\$0.043)

UAE based Dolphin Energy said today its natural gas imports from Qatar have been reduced by 10%

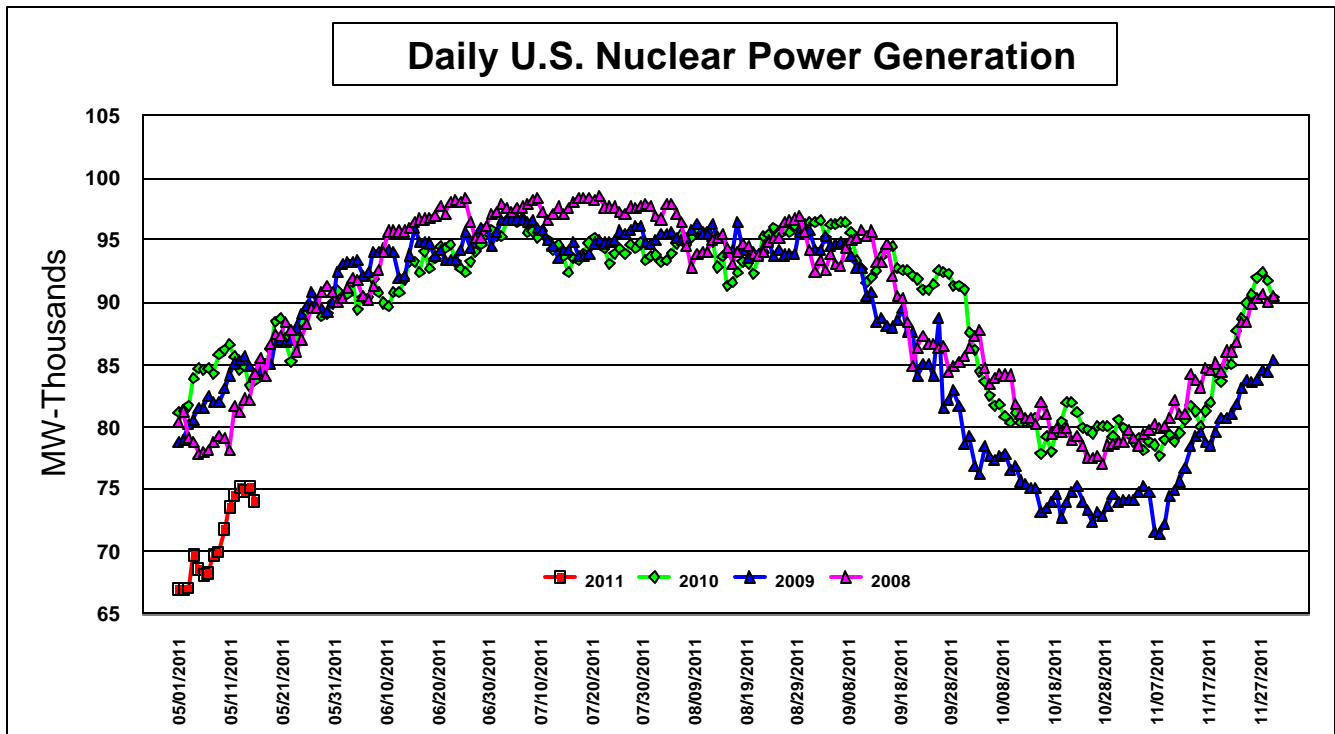
to 1.8 bcf/d due to an unplanned shutdown at one of its sulfur facilities, which is expected to last for 10 days.

ELECTRIC MARKET NEWS

Tokyo Electric Power said today that it would install gas turbine generators with a total of 250 Mw of generating capacity at its Hitachinaka thermal power plant as an emergency supply source. Over the weekend the utility announced it had resumed operations at its quake stricken 1000 Mw coal fired Unit #1 at the plant on Sunday.

Genscape reported today that U.S. power output for the week ending May 12th rose 3.9% from the previous week and was 1.5% above the same week last year.

TVA said today that one unit at the Browns Ferry nuclear station will begin to restart by the end of the week after an unplanned outage of nearly three weeks.



ECONOMIC NEWS

The National Association of Home Builders said US homebuilder's sentiment was unchanged at low levels in May as ongoing foreclosures and tight credit kept buyers reluctant to get into the market. The NAHB/Wells Fargo Housing Market Index held at 16.

The New York Federal Reserve said a gauge of manufacturing in New York State fell much more than expected in May to its lowest level in five months. The New York Fed's Empire State general business conditions index fell to 11.88 from 21.7 in April. It was the lowest level since December 2010 and well below economists' expectations of 19.85. The pace of new orders showed to 17.19 from 22.34. The prices paid index increased to 69.89 from 58.69, the highest level since July 2008.

Hedge funds and speculators cut their bullish bets on commodity markets by \$17 billion in the week ending Tuesday. According to the CFTC, managed money funds cut their overall net long holdings in 22 US futures markets by over 222,000 contracts or 13% in the five days ending May 10th. The value of total fund holdings fell to \$116.8 billion, less than a third of the total amount of investor capital estimated to be allocated to commodity markets worldwide.

MARKET COMMENTARY

The natural gas finished the day higher for the third trading session in a row, as bulls found comfort in the news of increased nuclear outages coupled with declining rig counts. Technically this market moved up to key resistance at midday, as prices came within less than a penny of its 38% of its May sell off as well as running up near the 40 and 200 day moving averages once again. Given that this market is on the cusp of seeing its daily stochastics roll back to the upside for the first time since May 4th when prices were up at \$4.55-\$4.685 we feel that bears should be careful that a new short term bull trend may be in the cards and thus should await much higher values before establishing new shorts. We would look for resistance tomorrow at \$4.345-\$4.355, followed by \$4.419 and \$4.492. Additional resistance we see at \$4.556 and \$4.729. Support we see at \$4.25-\$4.24, followed by \$4.224 and \$4.197. Additional support we see at \$4.153, \$4.109 and \$4.056.

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