



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 26, 2011

NATURAL GAS MARKET NEWS

North America

Devon Energy said today that its Cana natural gas processing plant in Canadian County, OK was badly damaged by this week's tornado. The damage will likely mean that production there will be curtailed through the summer as repairs are made on the facility. The plant had been shut in as a precaution before the storm hit. Devon's output will drop by 36 mmcf/d and 2,000 b/d of NGLs while repairs are ongoing.

As expected Chevron shareholders voted down at their annual meeting a resolution that called for greater disclosure on the company's hydrofracking drilling practice, but the vote showed that the measure had significant support as more than 40% of the vote supported the

EIA Weekly Report

	05/13/2011	05/13/2011	Change	05/20/2010
Producing Region	902	864	38	841
Consuming East	860	804	56	1039
Consuming West	262	251	11	374
Total US	2024	1919	105	2254

*storage figures in Bcf

Lithuania's Klaipėdos Nafta LNG terminal, which is expected to come on line by 2014. Cheniere said last week it was granted authorization to export up to 803 bcf a year from the U.S.

The British Department of Energy and Climate reported that for the first three months of 2011, British imports of LNG surged by 62% over year ago levels and as a result displaced Norwegian pipeline gas imports as the biggest source of imported gas in that country for the first time. LNG imports accounted for 44% of total imports.

The head of Socar, Azerbaijan's state energy company said today that the company is in talks with the Nabucco pipeline consortium to deliver natural gas to the pipeline from the Shah Deniz – 2 field and will make a final decision on its export route to Europe by October 1st. The official said the path of its future

Generation Outages

NPCC – Entergy's 1020 Mw Indian Point #2 nuclear plant was at 63% power this morning, as it continues to ramp up production since it was restarted back on May 20th.

NextEra's 1245 Mw Sebrook nuclear plant was at 94% power this morning, up 35% from Wednesday.

SERC - TVA's 1104 Mw Browns Ferry #2 nuclear unit continues to ramp up and was at 43% power this morning. Meanwhile Unit #1 was at 21% power while Unit #3 remained off line.

MISO – Xcel Energy's 572 Mw Monticello nuclear unit was at 35% power this morning, up 22% from yesterday.

ERCOT – AEP's 528 Mw Welsh #2 coal fired power plant was expected to be restarted over the next several days

The NRC reported this morning that some 78,659 Mw of nuclear generation was online, up 1.7% from yesterday and 12.3% below levels recorded a year ago.

measure. Meanwhile the Texas Senate Wednesday evening unanimously passed legislation to require disclosure of the contents of hydraulic fracturing fluid.

International

Cheniere Energy said today that it would consider taking a minority stake in

Canadian Gas Association

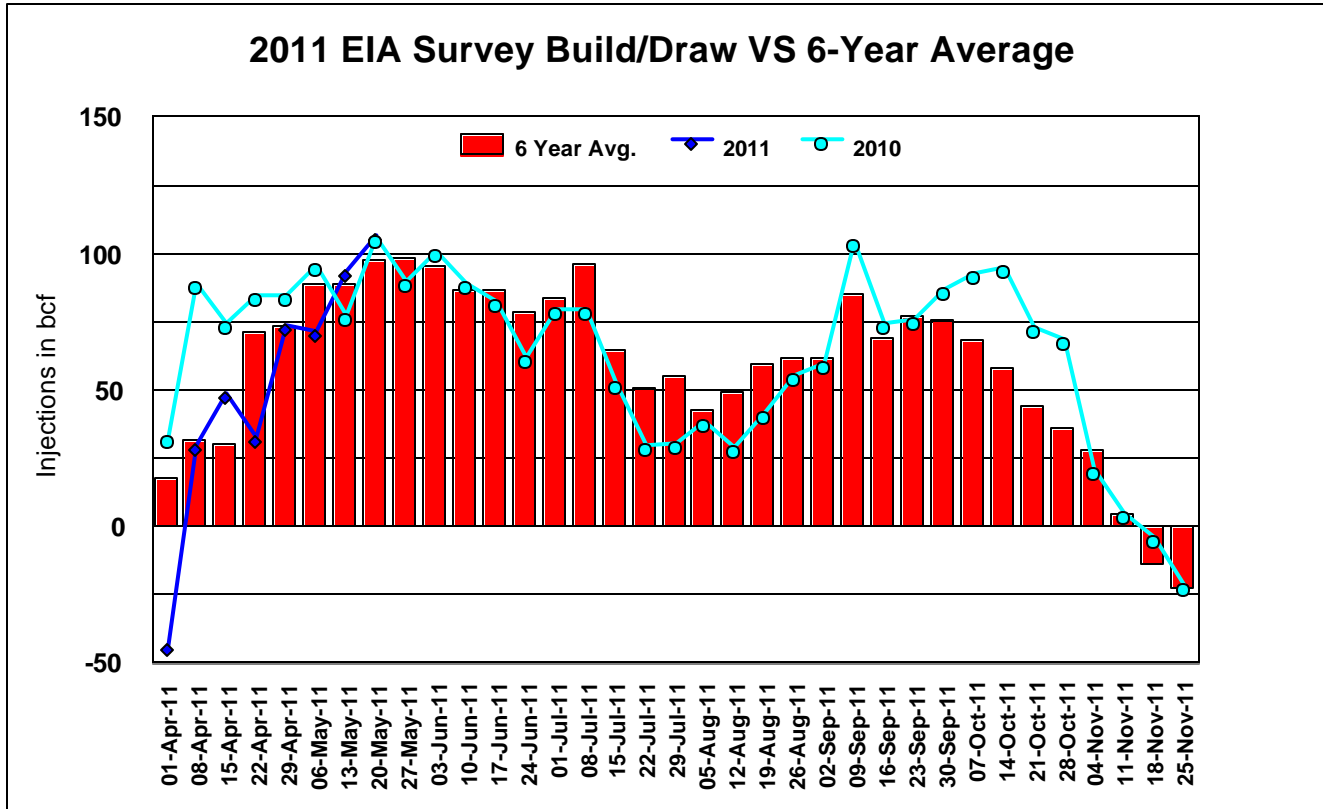
Weekly Storage Report

	20-May-11	13-May-11	21-May-10
East	80.7	73	106.4
West	190.3	178.4	253.3
Total	271	251.5	359.7

storage figures are in Bcf

gas supplies would depend on proposed transportation tariffs. The company expects production from the field to begin in 2017. Meanwhile an unnamed source within the pipeline consortium told Reuters that Turkmenistan must commit this year to building a Trans-Caspian gas pipeline in order to join a supply network that would feed into the Nabucco pipeline.

The South Hook LNG terminal is slated to have the Al Karaana tanker to arrive on May 27th from Qatar.



Gazprom and a Japanese consortium announced they plan to build a LNG plant near Vladivostok in 2016 with a capacity of 10 million tones a year. The cost of the plant is estimated at \$7 billion. 70% of the exports are slated to head for Japan with the remainder going to South Korean buyers.

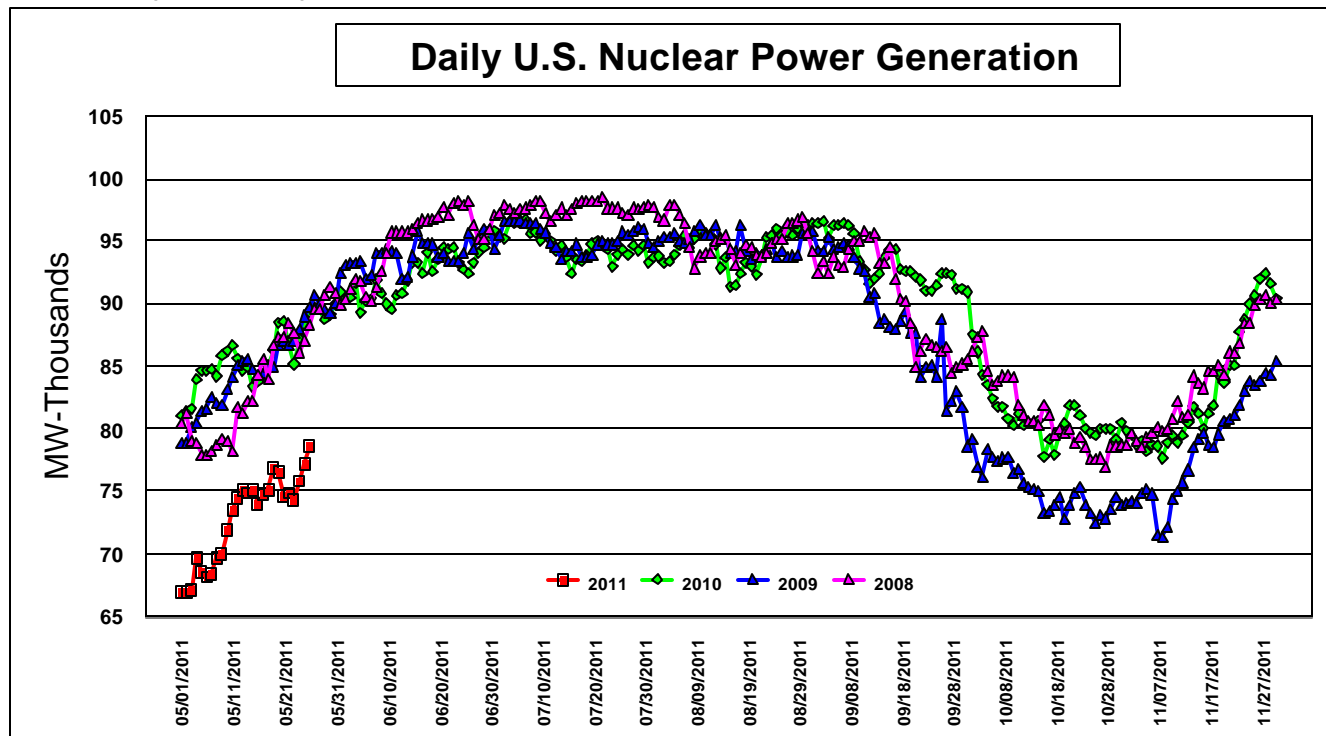
State run Korea Gas Corporation announced today that it has increased its stake in Iraq's Akkas gas field project to 100% from a 50% share. The company said it was able to form a consortium after signing a final contract with Iraq. It noted it expects production for the project will run at 400 mmcf/d and run for 13 years. It did not specify when the production would begin.

The CEO of the Shtokman Development said today that gas would start flowing from the offshore field at the end of 2016 for the pipeline and in 2017 for LNG sales. Up to now the partners in the project, Total, Statoil and Gazprom had only said they saw 2016 as a potential start up and nothing more specific. The final investment decisions though still hinge on how the partners in the project will be taxed and the Russian government has yet to define a firm tax regime for the project. The partners are seeking some relief of the taxes at least for the initial production period of the project.

The Indonesian Energy and Mineral Resources Ministry said today that BP might divert LNG exports from its Tangguh plant in Indonesia, which was slated for Sempra Energy's LNG operations in the U.S to PT Perusahaan Gas Negara's planned terminal in North Sumatra. As much as 140 Mmcf/d may be diverted. BP and Gas Negara are currently in talks on the price of the LNG and expect to reach a final agreement later this year. The fuel would be used to supply a power plant in North Sumatra.

ECONOMIC NEWS

The US Commerce Department said the US economy grew at a slower pace in the first three months of 2011. It reported that GDP grew at an inflation adjusted annual rate of 1.8% in the first quarter after growing by 3.1% in the fourth quarter of 2010. The report showed that inflation increased due to higher commodity prices. The price index for personal consumption expenditures increased by 3.8% in the first quarter compared with a 1.7% increase at the end of 2010.



The US Labor Department said initial unemployment benefit claims increased by 10,000 to a seasonally adjusted 424,000 in the week ending May 21st. The prior week's figure was revised up to 414,000 from an originally reported 409,000. The four-week moving average of new claims fell by 1,750 to 438,500 on the week. It reported that the number of continuing unemployment benefit claims fell by 46,000 to 3,690,000 in the week ending May 14th. The unemployment rate for workers with unemployment insurance was 2.9% in the week ending May 14th, compared with 3% a week earlier.

The Federal Reserve Bank of Kansas City's monthly manufacturing index stood at -2 in May compared with +17 in April.

The Intercontinental Exchange announced the launch of 48 new energy contracts for power, natural gas and global refined petroleum products. The new contracts would be available for trading on Monday, June 13, 2011.

Barclays Capital said commodities saw inflows of \$5.8 billion in April increasing total investments to a record high of \$451 billion. It said that year to date flows in commodities totaled about \$23 billion or \$6.8 billion higher than over the same period in 2010.

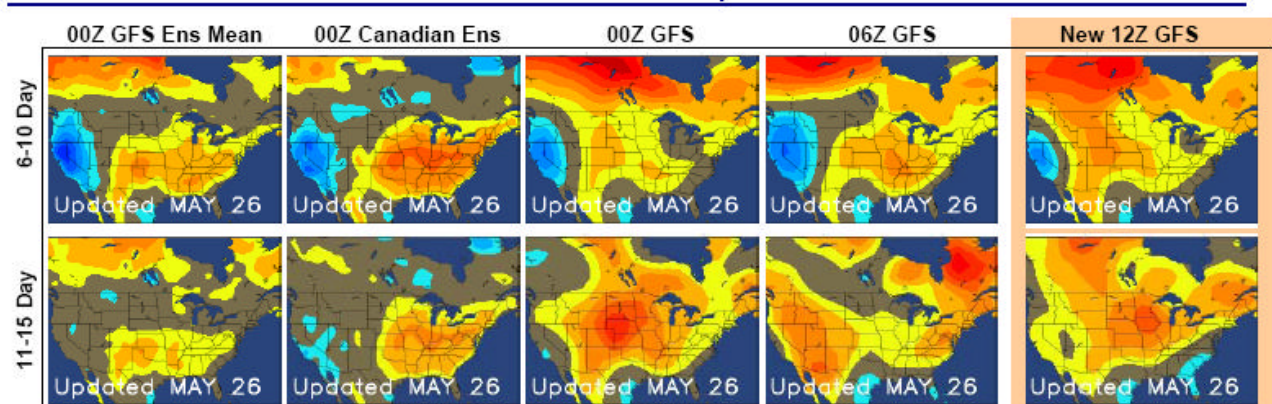
Lipper data showed that monthly inflows to commodity based products and mutual funds fell to \$1.3 billion in April, just before commodities saw its biggest correction since 2008. Net inflows to US regulated commodity products fell from \$4.1 billion in March as investors exited some energy and broad index funds and focused on precious metals. The Reuters-Jeffries CRB index increased about

3% in April. For May, the index is headed for a loss of 7% as commodities sold off. The US Oil Fund USO saw the largest outflow in April, reversing almost a third of March's inflows.

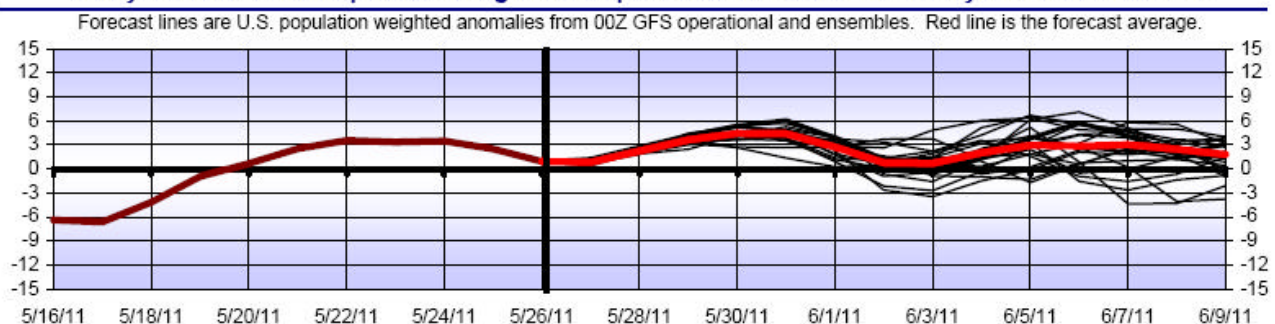
MARKET COMMENTARY

The June contract expired today with the natural gas market posting one of its widest trading ranges in weeks. Prices started out this morning under pressure by the continued prospect of rebounding nuclear generation levels, only to be slammed even lower as the EIA reported that natural gas injections last week were some 10 bcf higher than most in the market had been expecting. The reported stock build also narrowed the inventory shortfall relative to last year by 5 bcf and also trimmed the gap to the five-year average by 10 bcf. But continued supportive weather forecasts at midday,

Forecast Model Comparison



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



showing that temperatures across much of the nation would run warmer than normal, especially starting next week appeared to provide some comfort to the bulls and prevented a stampeded for the exits. As a result prices in the late morning and early afternoon did retrace three quarters of the mid morning sell off, but prices still settled lower on the day and posted their lowest settlement for the week as well.

While the market will closely watch the Baker Hughes report scheduled to be released tomorrow afternoon, we feel that this market will not move significantly until after the holiday weekend. We expect prices to remain fairly anchored to the trading range of \$4.25-\$4.40 basis the July contract, where it has traded for the majority of the time over the past several weeks. We look for resistance tomorrow at \$4.46-\$4.47 followed by \$4.547, \$4.729 and \$4.798. Initial support we see at \$4.337, \$4.30 and \$4.262. Additional support we see at \$4.14, \$4.092, \$4.079 and \$4.019. We continue to look to sell this market above \$4.60 on a scale up basis.

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 permission is prohibited.