



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR MARCH 1, 2010

NATURAL GAS MARKET NEWS

Algeria's Energy Ministry said the Gas Exporting Countries Forum plans to discuss a strategy of possible coordination at its April 19th meeting in Oran, Algeria. It said members will initiate an action plan aiming at elaborating a strategy to develop a real coordination between member countries so as to anticipate the reactions of gas markets.

A third trunk of Algeria's Trans-Mediterranean gas pipeline system was officially started on Sunday. Algeria's Energy Minister Chakib Khelil said the 549 kilometer trunk will allow an increase in supply of nearly 7 billion cubic meters a year. The trunk is part of a gas supply system connecting Algeria, Tunisia and Italy.

China's province of Guangdong has started building a natural gas pipeline grid to supply 60 billion cubic meters of the clean fuel by 2020. The 60 bcm of natural gas will make up nearly 22% of the total energy use in Guangdong, China's manufacturing hub. The first phase of the pipeline grid will be ready to take gas by July 2011.

The Al Ghuwairiya liquefied natural gas tanker is expected to arrive at Britain's South Hook import terminal on March 6th. The vessel can carry up to 266,000 cubic meters of LNG.

El Paso Corp reported fourth quarter operating revenue at \$1, 193 million. Its 2010 production guidance was increased to 740-780 million cubic feet equivalent/day. It said it has derivatives position for about 80% of estimated 2010 domestic natural gas production.

Generator Problems

NPCC – Dominion Resources' 877 Mw Millstone nuclear power unit 2 was operating at 60% power by early Monday, down from 100% on Friday.

Constellation Energy Nuclear Group LLC's 862 Mw Calvert Cliffs nuclear unit 2 exited an outage and ramped up to 95% by early Monday. Both units at Calvert Cliffs shut on February 18th after one of two electrical distribution buses for the site was lost.

MAPP – AEP's 1,009 Mw Cook unit 1 cut its power to 50% of capacity by early Monday from full power on Friday. The unit was likely coasting down for a planned month long refueling outage expected to start in early March.

NextEra Energy's 514 Mw Point Beach unit 1 was shut by early Monday. The unit was shut for a planned seven week refueling and maintenance outage. It was operating at full capacity on Friday.

Nebraska Public Power District's 791 Mw Cooper nuclear unit was operating at 83% of power on Monday, down from full capacity on Friday.

ECAR – FirstEnergy Corp's 879 Mw Davis-Besse nuclear unit was shut by early Monday from 91% on Friday. The unit was shut for a planned five week refueling outage.

SERC – Progress Energy's 938 Mw Brunswick #1 nuclear unit was shut on Saturday for a planned five week refueling and maintenance outage. It was operating at 95% of capacity on Friday.

TVA's 1100 Mw Browns Ferry #3 nuclear unit was shut by early Monday from full power on Friday due to a refueling and maintenance outage.

Southern Nuclear's 851 Mw Farley nuclear unit 1 resumed full power on Monday, up from 85% on Friday. A reason for the most recent reduction in capacity remained uncertain.

WSCC – PG&E Corp's 1,122 Mw Diablo Canyon nuclear unit 1 ramped to full power on Monday, up from 96% of capacity on Friday.

The NRC reported that there was some 89,531 Mw of nuclear power generated today, down 3.43% from Friday and 0.28% lower than a year ago.

The Quintero liquefied natural gas terminal in central Chile was not receiving cargoes after being damaged by the massive earthquake which hit the country on Saturday. The terminal, which is expected to meet up to 40% of current Chilean gas demand once fully operational, was not sending gas into the grid. No timeline was given for when normal operations would resume.

Spain's Enagas said the country's gas demand in February increased by 10.5% on the month to 36,765 Gwh or 2.5 billion cubic meters. It said domestic and industrial demand for gas increased by 11.2% year on year while demand for electricity generation increased by 8.5%.

The Australian Bureau of Agricultural and Resource Economics forecast a surge in gas exports over the next six years, mainly due to strong Asian demand. It predicts that exports of liquefied natural gas will nearly double by 2014/15 to 28 million tons/year.

PIPELINE RESTRICTIONS

Trailblazer has limited capacity through Compressor 602 effective for gas day March 1st and continuing until further notice. Trailblazer has limited capacity available for gas going eastbound through Compressor Station 602. Limited interruptible transportation service/authorized overrun and secondary out-of-path firm transports are available.

NGPL is at capacity for deliveries at NNG-Mills in Iowa effective for gas day March 1st and continuing until further notice. Interruptible transportation service/authorized overrun and secondary firm transports are at risk of not being fully scheduled.

Gulf South said that, based on system operations and nominations, capacity through the Hall Summit Compressor Station could be cut by as much as 100,000 Dth during upcoming maintenance. It is scheduled to perform system maintenance on all three units at the Hall Summit Compressor Station starting March 3rd and continuing for about 8 hours.

PIPELINE MAINTENANCE

TransCanada expects to complete the investigation and repair of the NPS 2 Peace River Mainline on March 3rd.

MARKET COMMENTARY

The natural gas market posted an outside trading session today after it failed to sustain its early gains. The market traded to its high of \$4.869 early in the session amid the strength in the cash market. However the market erased its gains in light of some milder weather forecast updates and a sharp sell-off seen in the oil complex. In afternoon trading, the natural gas market sold off to a low of \$4.67, a low not seen since early December. It settled down 13.4 cents at \$4.679.

The market is still seen remaining in its downward trend, amid the lack of supportive fundamentals. It is seen testing its support at its low of \$4.67, \$4.61, its three month low of \$4.595, followed by \$4.54 and \$4.411. Resistance is seen at \$4.72, \$4.78, \$4.809 and \$4.869. More distant resistance is seen at \$4.938 and \$5.008.

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