



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR MARCH 4, 2011

NATURAL GAS MARKET NEWS

North American

Baker Hughes reported today that for the week ending March 4th the number of drilling rigs searching for natural gas in the United States fell to its lowest level in more than a year, dropping seven to 899. The natural gas rig count has dropped 10 out of the last 13 weeks. The number of horizontal drilling rigs operating in the United States also declined for the second straight week, falling by 11 to 970 rigs. Some two thirds of these rigs are estimated to be used for drilling for natural gas.

Generation Outages

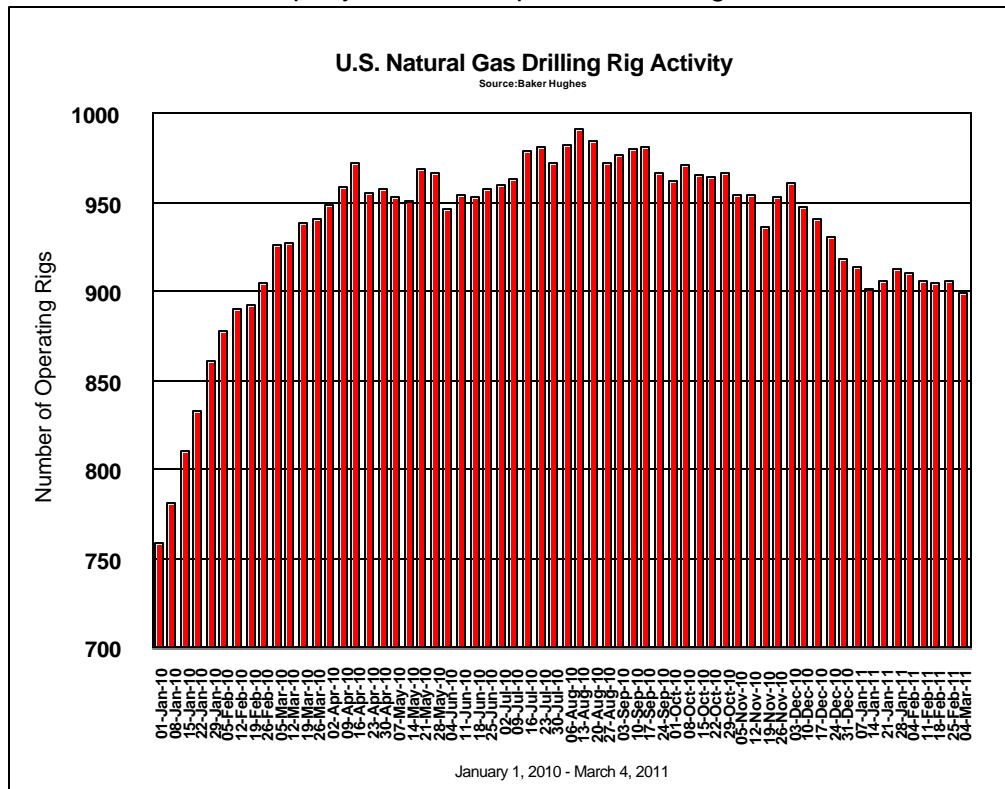
ERCOT – Xcal Energy’s Harrington #1 347 Mw coal fired unit will be taken off line today to work on the main transformer.

PJM – PPL’s Susquehanna #1 nuclear unit was shut down today.

NPPC- OPG’s Nanticoke 490 Mw coal fired units #5 and #6 were shut Friday morning.

The NRC reported this morning that some 90,382 Mw of nuclear generation capacity is online, up 0.9% from yesterday and some 4.9% higher than the same day a year ago.

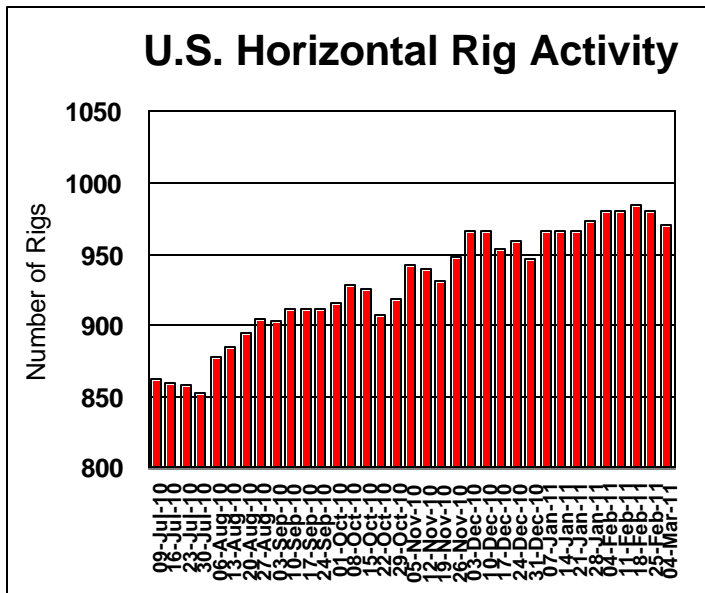
Sempra received final FERC approval to re-export LNG from the Cameron LNG facility, but it is unclear when the company would re-export its first cargo.



Atlantic LNG said Friday that it will take down one of its production units for scheduled maintenance in mid-March for two weeks. Maintenance on production train #3, which has a capacity of 3.3 million tones per year, is not expected to disrupt the company’s planned delivery schedule.

International

Gassco reported today that the Kaarstoe natural gas processing plant will be shut for



maintenance on April 1st for approximately 24 hours. The facility has a normal capacity of 88 mcm per day. Meanwhile Reuters has reported the Vesterled gas pipeline from the Norwegian North Sea will close for 6 days from May 21st for maintenance.

The Al Thakhira LNG tanker is scheduled to arrive at the Zeebrugge terminal on March 20th according to port officials. The tanker is coming from Qatar and has a capacity of 144,000 cubic meters.

National Grid confirmed today that the LNG tanker, the British Trader had berthed at the Isle of Grain terminal today.

Reuters reported today that according to its

sources, a significant delay is expected in the sale of natural gas from the Shah Deniz II field in Azerbaijan. The delay, which could be for six months, could possibly help the sponsors of Nabucco, as it gives them more time to find a second source of gas to make the project viable

Lukoil said it will sell Gazprom 8.35 bcm of natural gas from its fields in West Siberia and the Caspian Sea, in a sign that Gazprom is loosening its control of the Russian pipeline system.

Greece's deputy energy minister said today that Greece will pick by the end of the year investors to help it expand its natural gas grid. The government is expected to release shortly tenders inviting private companies to bid for stakes and managing three new local supply companies which will cover large parts of northern and central Greece. The projects which will receive public subsidies are expected to be completed by 2015.

Officials at Gazprom's Nord Stream gas pipeline project signed a financing deal worth \$3.49 billion for the second phase of the pipeline link to Europe. The line expects to begin shipments by the fourth quarter.

Natural gas pipeline flows from Libya to Italy via the Greenstream Pipeline remain at zero today.

ELECTRIC MARKET NEWS

AES Corporation said today that it is looking to sell its four coal fired power plants In New York due to declining profit margins and stricter federal and state environmental regulations. The four plants, which have a combined capacity of 1,271 Mw are the 306 Mw Cayuga, 156 Mw Greenidge, 681 Mw Somerset and 128 Mw Westover. Local media has estimated the plants would be worth a combined \$500-\$600 million with most of the value in the Somerset, which entered service in 1984. The other plants began service either in the 1940's or 1950's. AES acquire the four plants from NYSEG in 1999 for \$1.85 billion.

Officials at the Czech carbon registry hope to reopen the registry by late next week. The Czech government is also reportedly prepared to discuss proposals to recoup the allowances from abroad or to compensate the two firms, the state owned utility CEZ and the Czech based trading firm Blackstone Global Ventures which both lost permits in the theft. All 30 European carbon registries were shut down on January 19th following the theft of around 3.3 million EU carbon permits. About half have reopened or have plans to do so soon.

ECONOMIC NEWS

The US Labor Department said the jobs market rebounded in February and unemployment fell below 9% for the first time in nearly two years. Nonfarm payrolls increased by 192,000 in February as private sector employers added 222,000 jobs. The January payroll number was revised to show an increase of 63,000 jobs from a previous estimate of 36,000. The unemployment rate fell to 8.9% in February, the first time it fell below 9% since April 2009.

The Commerce Department reported that new orders received by US factories increased by 3.1% in January, the largest increase since September 2006. It said that the increase in factory orders to \$445.6 billion in January compared to an upwardly revised 1.4% increase in December. It reported that January factory orders, excluding the transportation category, increased by 0.7%.

MARKET COMMENTARY

The natural gas market settled in positive territory following three consecutive days of losses as traders covered their shorts ahead of the weekend. The market continued to trend lower in overnight trading and posted a low of \$3.731 in early morning trading. However the market bounced off that level and retraced some of its losses. The natural gas market posted a high of \$3.826 in afternoon trading and settled in a sideways trading pattern ahead of the close. The market settled up 3.1 cents at \$3.809.

The natural gas market will likely erase its slight gains and continue to trend lower next week amid the lack of supportive fundamentals. It is seen finding support at \$3.78, \$3.751, \$3.73 followed by \$3.694 and \$3.656. Meanwhile, resistance is seen at its high of \$3.826, \$3.846, \$3.884 and \$3.941. More distant resistance is seen at \$3.975-\$3.988, \$4.157, \$4.28 and \$4.403.

The Commitment of Traders disaggregated futures and options report showed that managed money funds continued to increase their net short position for the fifth consecutive week by 13,488 contracts to 175,105 contracts in the week ending March 1st. The funds have likely continued to add to their net short position as prices continued to erode in recent days.