



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR MARCH 9, 2011

NATURAL GAS MARKET NEWS

North American

The EIA said it is seeking public comment on its request for a three-year extension of collection authority for several key surveys on natural gas production. The agency is proposing several changes to the survey forms and instructions to provide more clarity. The EIA is evaluating whether its customer choice programs run by utilities are utilized and whether spending on monitoring these programs should be reduced. The EIA is also looking at whether to only publish data on gross natural gas production and eliminate data on marketed and dry production. The agency is also proposing to expand the sample size of the weekly underground natural gas storage report to 85 from the current level of 70 respondents to better reflect the increase in the number of gas storage fields now in operation.

Generation Outages

NPCC- OPG's 494 Mw Lambton #3 coal fired power plant was shut early Wednesday.

MRO – Exelon's 1120 Mw LaSalle #2 nuclear unit ramped up to 60% power this morning, up 38% from Tuesday. The unit was restarted on Monday following a refueling outage.

ERCOT – Luminant's 583 Mw Monticello #1 coal fired power plant was shut early Wednesday for a scheduled outage.

The NRC reported this morning that some 84,926 Mw of nuclear generation capacity is online, down 0.7% from yesterday and some 4.1% higher than the same day a year ago.

The FERC granted approval for the export of Marcellus Gas to Canada. National Fuel Gas Supply Corporation had submitted an application to build facilities to transport Marcellus gas from an existing interconnection with the Tennessee Gas Pipeline in Pennsylvania to the U.S. Canadian border.

International

Australia's Resources Minister said today that the government sees no need to intervene in the dispute between Woodside Petroleum and

Natural Gas Cash Market

ICE Next Day Cash Market

Location	Volume Traded	Avg Price	Change	Basis		Basis 5-Day Moving Avg
				(As of 12:30 PM)	Change	
Henry Hub	460,300	\$3.719	(\$0.114)	(\$0.202)	(\$0.036)	(\$0.023)
Chicago City Gate	651,100	\$3.953	(\$0.001)	\$0.032	\$0.013	\$0.050
NGPL- TX/OK	839,900	\$3.736	(\$0.012)	(\$0.185)	\$0.002	(\$0.164)
SoCal	589,000	\$3.757	(\$0.081)	(\$0.164)	(\$0.067)	(\$0.103)
PG&E Citygate	1,276,900	\$3.946	(\$0.055)	\$0.025	(\$0.041)	\$0.121
Dominion-South	488,600	\$3.980	(\$0.027)	\$0.059	(\$0.013)	\$0.083
USTrade Weighted	20,339,300	\$3.847	(\$0.050)	(\$0.074)	(\$0.04)	(\$0.023)

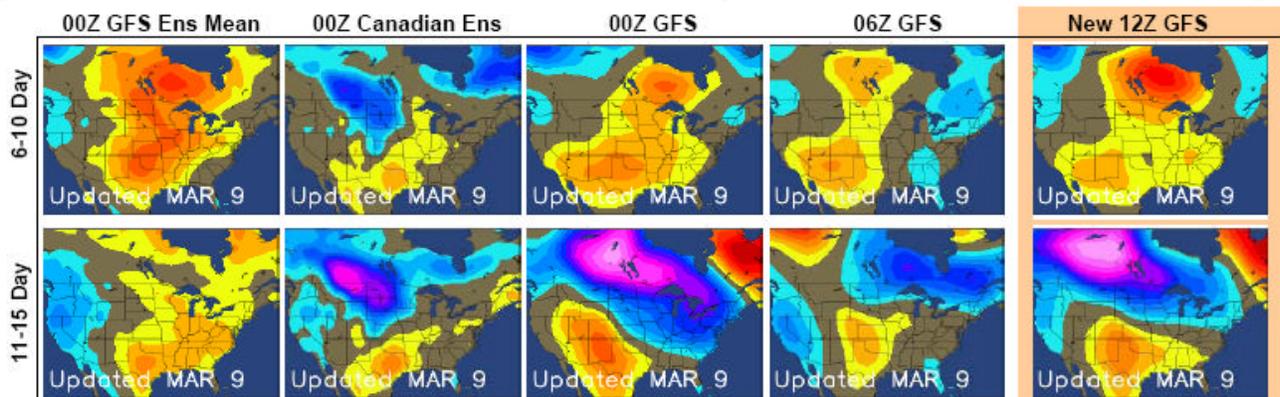
East Timor over how to develop the vast Greater Sunrise gas field. The two parties are in a bitter dispute over the location of a LNG plant that will be fed from the field in the Timor Sea. Woodside is seeking a floating plant while East Timor wants the plant constructed in East Timor.

Indian regulators said today that Reliance Industries will likely raise its gas output from its east coast blocks to 67 million cubic meters a day by April, after four more wells start production. Current production stands at 53 mcm/d.

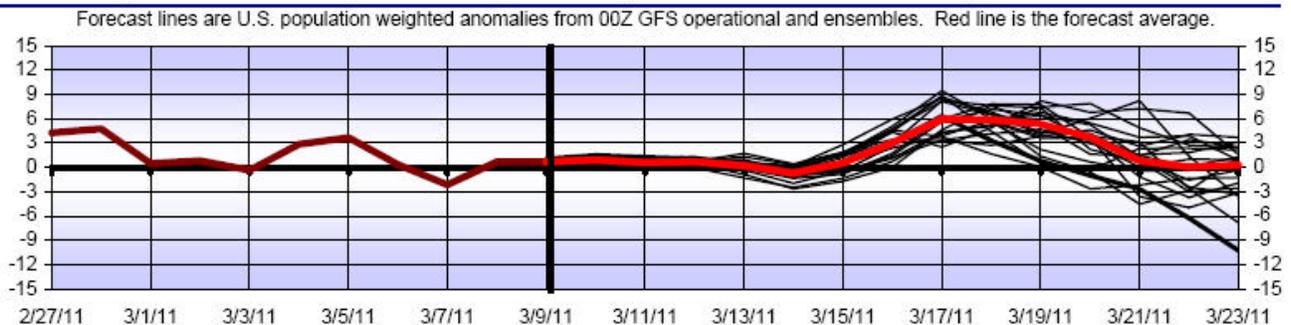
Russian Prime Minister Putin said today that Russia may build a LNG plant near the Black Sea as part of its proposed South Stream gas pipeline project.

E.ON reported today that it expects a loss of 1 billion euros in its gas trading business in 2011, but that it will keep its gas business as a core element of its activities. The company remains optimistic that ongoing talks about long-term gas supply contracts could be achieved, but the company did not rule out arbitration in renegotiation of contracts.

Forecast Model Comparison



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



A spokesman for Gas Access to Europe (GATE) the LNG receiving terminal being built in Rotterdam, said today that the project remains on scheduled and it will begin commercial operations in September, with the first commissioning cargo to arrive at the facility in July.

Taiwan's Bureau of Energy reported today that Taiwan's imports of LNG rose 22.5% from a year earlier to 841,138 metric tons in January. January imports were also 1.8% higher than December.

Waterborne Consultants reported today that Britain was Europe's biggest importer of LNG in January. This was the first time that Spain has not accounted for the most LNG imports on a given month. Britain imported 1.87 million tones versus 1.72 million tones imported by Spain. All of Europe accounted for 6.53 million tones.

ELECTRIC MARKET NEWS

Dynegy warned it could seek bankruptcy protection if is unable to amend or replace its existing loan facility.

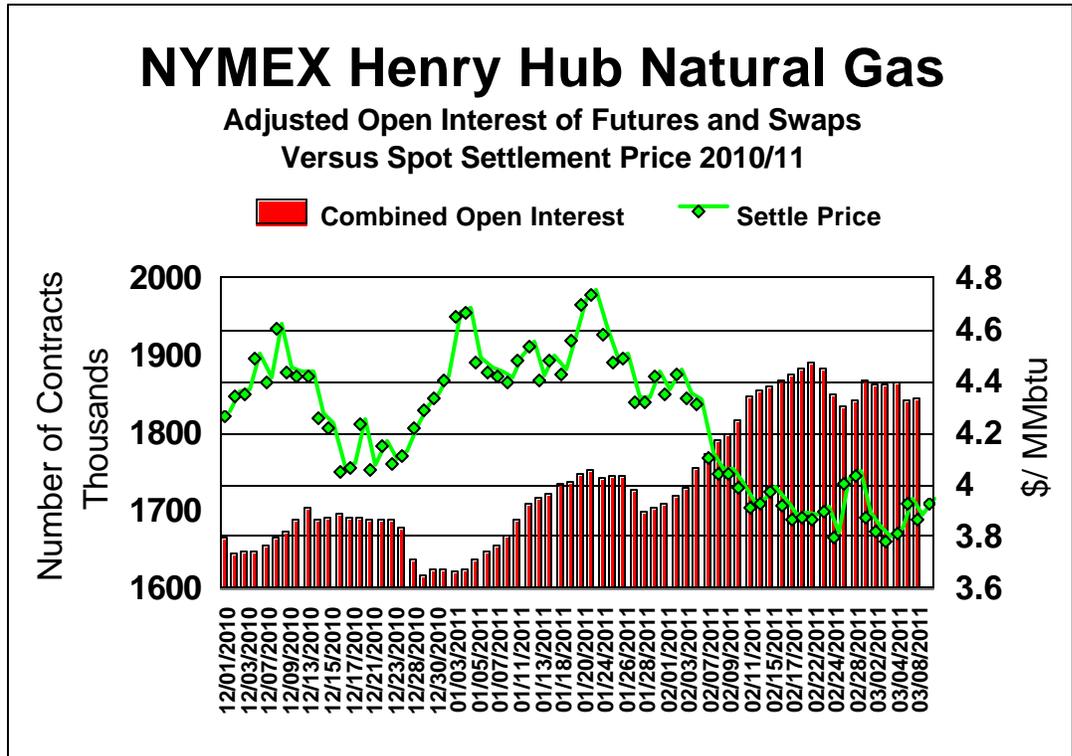
The Czech government announced it would supply the state owned utility CEZ and a local trading company, Blackstone Global Ventures with around 7 million euros worth of carbon permits to replace

the ones stolen from them in January. The government said it would make good on the credits until the European Union works out how to return the stolen ones to the Czech registry.

The CEO of Dominion Resources said today that air pollution rules to be unveiled by U.S regulators in coming weeks could set the stage for U.S. utilities to retire aging coal fired power plants. The EPA is expected to release long awaited regulations on cutting air pollutants such as mercury and soot at power generators. Some analysts estimate that the regulations could result in plant shutdowns from 20,000 to 60,000 Mw.

ECONOMIC NEWS

The US Commerce Department said US wholesale inventories increased in January by 1.1% to \$436.88 billion, the highest level since November 2008. It said inventories increased an upwardly revised 1.3% in December. Sales at the wholesale level increased 3.4%. The



inventory to sales ratio fell back to a record low of 1.13 months' worth from 1.15 in December.

Mortgage Bankers Association's weekly mortgage application survey showed that mortgage applications index increased by 15.5% to 514.2 in the week ending March 4th.

China Association of Automobile Manufacturers said the country's vehicle sales in February increased by 4.57% on the year to 1.26 million units.

MARKET COMMENTARY

While the natural gas futures market posted an up day today, the April contract could not break out of yesterday's trading range and as a result posted its first inside trading session since Friday, February 18th, the day before the start of the President's Day holiday weekend. Traders appeared unwilling to step forward and take a greater short position and as a result probably did some light short covering in front of tomorrow's storage report. The rally on Monday was obviously a short covering inspired event as open interest in the combined and adjusted futures positions in the Henry Hub futures and swaps dropped by over 24,000 lots only to see a modest increase yesterday when the market had retraced some of the gains.

Market expectations for tomorrow's storage report appear to be running between a 70-90 bcf drawdown with most centered around a 75-80 decline. A year ago stocks fell an adjusted 112 bcf with the five-year seasonal average showing a 107 bcf decline.

Our outlook for this market has not changed at all. We continue to look for rallies in this market to be sold over the near term especially as weather demand remains normal to slightly warmer than normal for the final couple of weeks of this expiring winter heating season.

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