



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR MARCH 12, 2010

NATURAL GAS MARKET NEWS

The cause of a March 11th explosion that shut down ONEOK's intrastate natural gas pipeline near Chandler, Oklahoma remains under investigation the company said this morning. It was uncertain if the shutdown would impact local customers of Oklahoma Natural Gas Company.

Norway's Ormen Lange gas processing plant was restarted on Thursday evening and Norwegian natural gas flows via Langeled which overnight had been 23 mcm/day settled around 50 mcm on Friday after reaching a high of 70 mcm/day.

Alberta's Energy Minister Liepert said today that companies are telling him they will boost spending within 12 months on exploration and production due to royalty changes.

He sees the royalty moves to benefit the nascent shale gas industry more than conventional gas production. Maximum royalties are being cut from 50% to 36%.

Japan's Osaka Gas Company said it plans to buy 8.3% more LNG in the April 2010-March 2011 period than the current period. It sees overall gas demand will rise 1% next business year as more users convert to natural gas and industrial demand recovers.

Korea Gas said today it sold 3.13 million tons of LNG in February, up 26% from a year ago. Nearly two thirds of the sales were for household and business consumption, while the remainder went to power generation.

The Commerce Department reported this morning that U.S. business inventories in January remained unchanged from December. The market had been looking for a 0.2% gain. The December estimate though was revised lower by 0.1% to a 0.3% decline.

Generator Problems

NPCC – OPG's 490 Mw Nanticoke #1 coal fired power plant returned to service Friday morning. The unit had been shut on March 11th.

PJM – Exelon's Limerick #2 nuclear unit was back at full power this morning, up 9% from Thursday.

MAIN – Exelon's 855 Mw Quad Cities #2 nuclear unit was expected to be shut down on March 15th for planned maintenance and refueling. The unit was coasting down to this planned outage and was at 94% capacity this morning, down 1% from yesterday.

SERC – Duke Power's 1100 Mw McGuire #1 nuclear unit while running at full power this morning was expected to be taken off line for maintenance and refueling on March 13th.

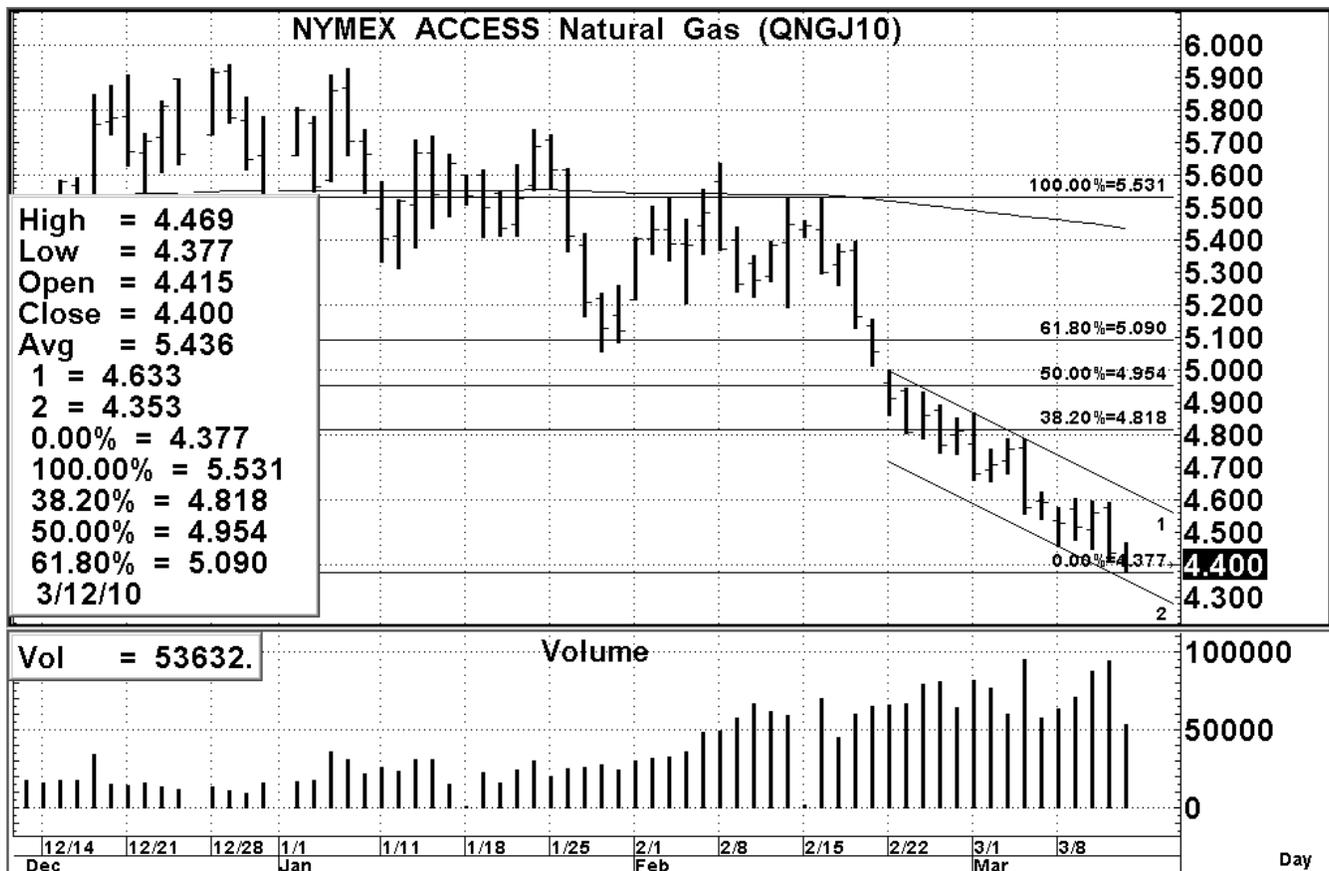
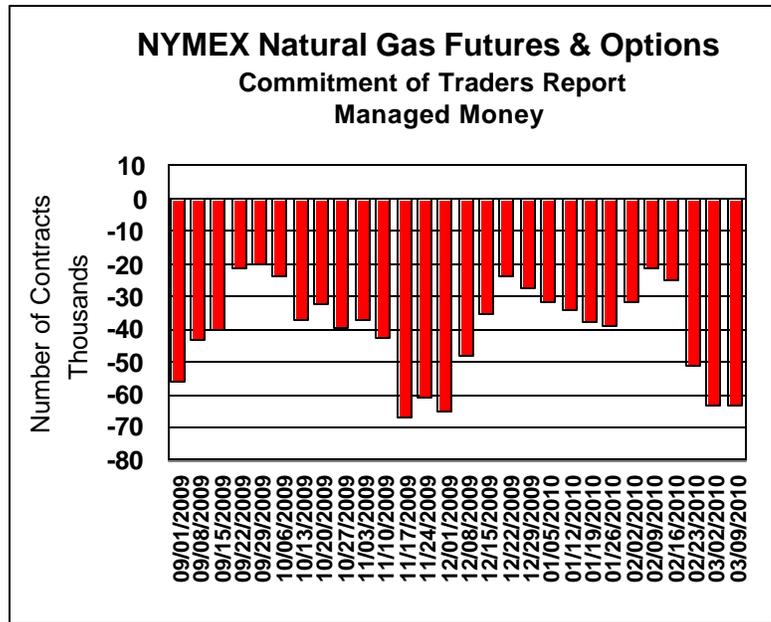
ERCOT & SPP -Entergy's 1207 Mw Grand Gulf nuclear unit continues to ramp higher and was at 10% power this morning, up 9% from yesterday. The unit was shut on March 8th due to an automatic reactor scram.

Xcel Energy's 5335 Mw coal fired Tolk #1 power plant was expected to be restarted over the next several days. The unit had been shutdown for one week. Operators also canceled a planned outage for the station's 545 Mw sister unit Tolk #2.

The NRC reported that there was some 82,964 Mw of nuclear power generated today, down 0.4% from Thursday and 5.6% lower than a year ago.

ELECTRIC MARKET NEWS

The Regional Greenhouse Gas Initiative reported that prices rose slightly in the seventh quarterly auction of greenhouse gas carbon dioxide emission allowances for the 10 states that run a cap and trade market on power plants. Prices had fallen in the previous three auctions. The first auction of 2010 brought in \$88 million to the program, which will go towards energy efficiency, renewable energy and other consumer benefit programs. All of the CO2 allowances for the first three-year control period of 2009-2011 sold at a price of \$2.07 per allowance. In a parallel offering, the RGGI states auctioned CO2 allowances for the second three year control period from 2012 to 2014 at \$1.86 per allowances.



Genscape reported that for the week ending March 11th, U.S. coal consumption fell 8% in the week ending yesterday from the previous 7-day period.

The EIA reported late yesterday that U.S. coal production for the week ending March 6th stood at 21.796 million short tons, up 0.4% from the prior week but off 3% from the same week a year ago. Year to date coal production is off 8.3% from a year ago.

New York State environmental regulators this week released a proposed policy which would seek to protect aquatic life in the state's rivers by forcing electric generators to recycle and reuse the water in a closed cycle cooling system rather than discharging the heated water into rivers. The plan though still needs final approval by regulators and is projected to cost generators billions in replacement costs. Entergy estimates that the replacement of the cooling system at just its Indian Point nuclear facility, could cost between \$1.5-\$2.0 billion.

MARKET COMMENTARY

The natural gas market posted a typical light volume trading day for a Friday, with the April contract seeing its lightest trading session since the middle of February. The market though with near term moderate temperatures saw prices continue to erode and remain within the downward price channel of the past three weeks. The spot contract posted its lowest settlement since November 19th.

This afternoon's Commitment of Traders Report showed that for the week ending March 9th commodity funds increased their overall positions in the natural gas futures, swaps and options, but maintained their relatively high net short bias in this market from the prior week. It appears that in order for a price rebound to take root in this market the funds need to lighten their net short position in the market but at the current time there appears little fundamental or technical reason for this group to exit their current negative bias.

We see support on Monday starting at today's low of \$4.377 followed by \$4.348, \$4.327, and \$4.27-\$4.26. More distant support is seen at \$4.00 and \$3.822. Resistance we see starting at \$4.454, \$4.507 ND \$4.546. More significant resistance we see at \$4.59-\$4.607 followed by \$4.818, \$4.954 and \$5.09.

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