



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR MARCH 14, 2011

NATURAL GAS MARKET NEWS

North American

The U.S. Climate Prediction Center today estimated that for the week ending March 12th, it expected 154 HDD for the nation on a gas home heating weighted basis, some .7% less than normal but some 11.6% more than the same week a year ago.

The New Mexican legislature voted today to approve the establishment of a state investigative task force to look into the February gas outages.

International

Societe Generale in a research note today said that Japanese demand is likely to rise by 6% in 2011 due to the nuclear power crisis following in the wake of Friday's earthquake. Japan's nuclear units typically provide that nation with 18% of its electrical generation. In the past year Japan imported 88 bcm of LNG, and thus would look to add some 5-6 bcm in gas demand this year as a result. Barclays Capital estimated that they see Japanese nuclear generation output being permanently reduced by 15-20% and this would result in increasing demand for LNG by 1-1.2 bcf annually.

Qatargas said Monday that it was ready to meet any increase in Japanese demand for LNG in the wake of Friday's earthquake. Japan's demand for LNG surged after its last major earthquake in 2007, which caused the country's largest nuclear plant to shut for nearly two years.

Generation Outages

PJM – PPL's 1149 Mw Susquehanna #1 nuclear unit ramped up to 99% power early Monday. The unit was at 17% power on Friday.

FRCC – NextEra Energy said its 693 Mw Turkey Point #3 nuclear unit started to exit its outage on Monday. The unit has been shut for the past week.

MISO – Exelon's 1136 Mw Bryon #1 nuclear unit was shut early Monday for scheduled refueling. The unit had been at 99% power on Friday.

AEP's 1060 Mw Cook #1 nuclear unit was shut early Monday. The unit had been at full power on Friday.

NPPD's 770 Mw Cooper nuclear unit was shut early Monday. The unit had been at 98% power on Friday.

The NRC reported this morning that some 83298 Mw of nuclear generation capacity is online, down 1.2% from yesterday and some 0.4% higher than the same day a year ago.

Natural Gas Cash Market

ICE Next Day Cash Market

Location	Volume	Avg	Change	Basis	Change	Basis 5-Day
	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	595,300	\$3.898	\$0.118	(\$0.117)	\$0.048	(\$0.057)
Chicago City Gate	795,700	\$4.044	\$0.144	\$0.029	\$0.048	\$0.036
NGPL- TXOK	899,800	\$3.823	\$0.134	(\$0.192)	\$0.038	(\$0.171)
SoCal	457,100	\$3.834	\$0.178	(\$0.181)	\$0.082	(\$0.150)
PG&E Citygate	1,046,400	\$4.052	\$0.128	\$0.037	\$0.032	\$0.061
Dominion-South	446,700	\$4.094	\$0.146	\$0.079	\$0.050	\$0.079
USTRade Weighted	19,316,900	\$3.935	\$0.144	(\$0.080)	\$0.05	(\$0.057)

Qatar's Rasgas said today it is planning a maintenance shutdown for 35 days starting in early May for its Train 3.

Russia's Deputy Prime Minister Sechin said today

that Russia is ready to divert 6000 Mw of electricity as well as extra supplies of coal and LNG to Japan as relief following last week's earthquake. Russia could potentially redirect two 100,000 metric tons shipments of LNG to Japan in April and May depending on Japan's ability to receive those cargoes.

Japan's Sendai Gas said today that it was unable to reach the tsunami hit Shinminato LNG terminal near the port of Sendai, due to continued tsunami warnings today but that the terminal appeared to be undamaged. The terminal did not catch fire after Friday's quake, but had been flooded by seawater. Meanwhile Tokyo Electric Power said on Monday that its four LNG terminals have been running normally and were undamaged from Friday's strong earthquake.

Russia's Novatek said today that it is seeking to arrange an auction to sell a 25.1% stake in the Yamal LNG facility in the near future.

The Ukrainian energy minister said today that the price for Russian gas imported by the Ukraine would jump to \$347 per 1000 cm in the fourth quarter of this year, up from \$264 per 1000 cm paid in the first quarter of this year. In the 4Q2010 the Ukraine paid \$252 per 1000 cm. Russian gas transported through the Ukraine was up 6.6% from a year ago.

The LNG Lokoja tanker is expected to arrive at the Milford Haven terminal on March 27th.

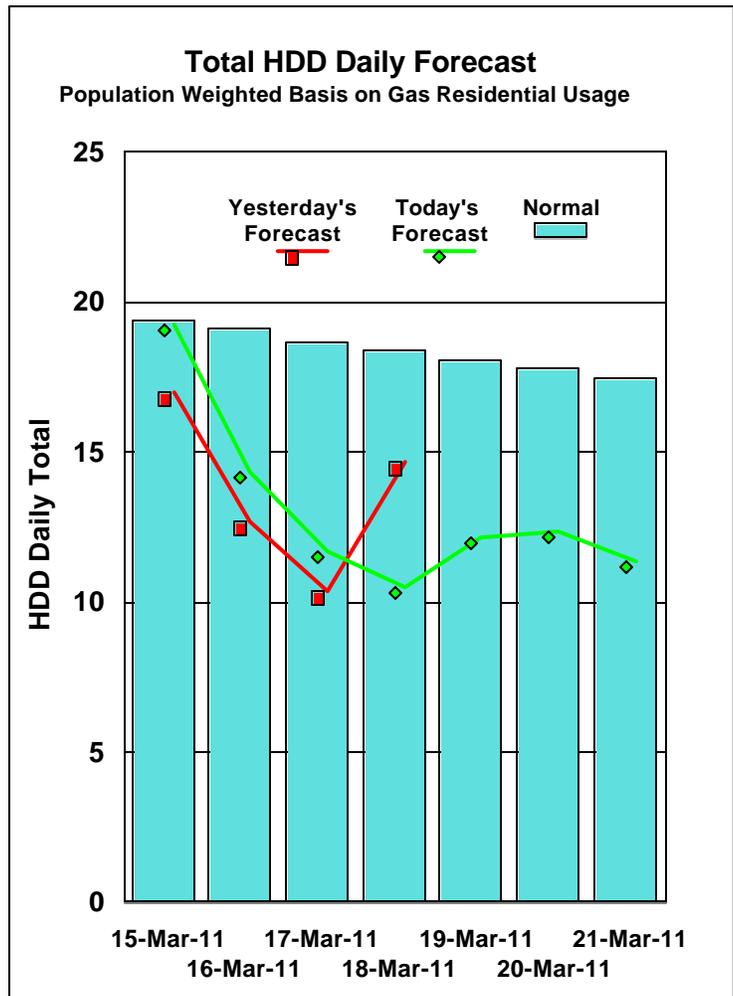
The sale of Istanbul's gas grid, IGDAS, may be now postponed until after a general election on June 12th.

Royal Dutch Shell said today that it is optimistic a second phase of exploration of Saudi Arabia's Empty Quarter will yield gas, although it is unclear how economic it will be. Shell is one of five companies Aramco has partnered with to drill in the Empty Quarter. The kingdom is looking to boost gas production to meet growing demand in the kingdom for gas. The current price for gas in the kingdom is just 75 cents per Mmbtu and the government has considered raising the gas price to slow demand growth..

Azerbaijan's gas output fell by 2.4% in January-February 2011 year on year to 4.1 bcm. The government declined to give a reason for the decline, while a SOCAR official blamed the decline on weak demand from a warm winter.

India's Oil and Natural Gas Corp said on Monday it had made a "significant gas discovery" in a block in the north-eastern state of Tripura.

Chevron said today that it expects to make its final investment decision in the Wheatstone LNG project during the second half of this year and would have a 2016 start up target. The company told its shareholders today that globally its \$26 billion spending budget, 40% will go towards natural gas and



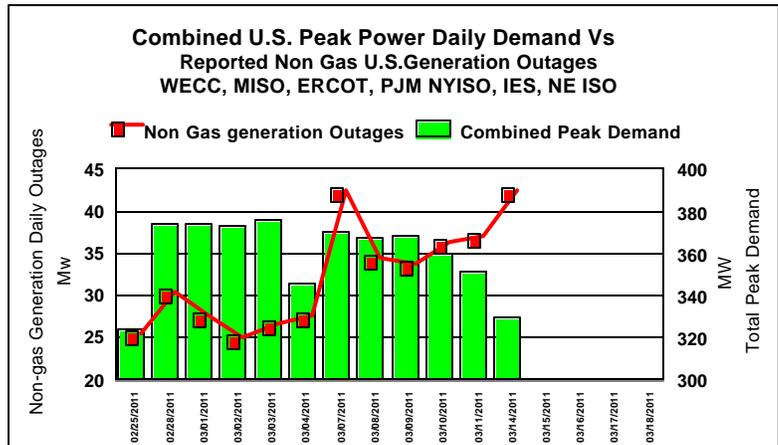
nearly half of that share will go on gas that is “near oil parity”. Half of Chevron’s natural gas resources are in the Asia-Pacific region, where it sees demand growing faster than elsewhere over the next 25 years.

ELECTRIC MARKET NEWS

Genscape reported this morning that U.S. power output for the week ending March 10th fell 1.9% but was 0.6% greater than the same week a year ago.

The U.S. EPA proposed Monday that it would delay for three years requiring bio-mass-fired boilers to have permits for emitting carbon dioxide emissions. The agency will take public comments on the proposal for 45 days.

The Obama Administration said Monday it remained committed to keeping nuclear energy as part of the U.S. energy mix despite concerns about its safety after the earthquake in Japan.



While California estimated some \$50 million in damages related to last week’s tsunami, PG&E reported that it experienced no problems at its various generation plants.

MARKET COMMENTARY

The expectations for the Japanese to become much larger buyers of LNG in the global market helped to boost natural gas prices worldwide. In Britain summer 2011 prices rose nearly 7%, with the spot gas price jumping to its highest level since this past December during the early winter cold snap. In the U.S. the prospects for LNG imports being significantly restricted coupled with a large amount on non-gas generation off line to start the week off helped to boost prices. But despite prices breaking to the upside this morning to levels not seen since the start of March, the prospects of weather demand this week running at less than normal levels helped to eventually weigh on this market and basically erased most of the day’s gains with prices settling on the day only a few pennies higher and retracing basically 50% of the rally of the last week.

We continue to feel that this market will see selling on rallies above \$4.00 and will once again attempt to target last week’s lows. We see initial support at \$3.891, \$3.854-\$3.844. Additional support we see at \$3.731-\$3.71, \$3.656, \$3.41 and \$3.255. Resistance we see at \$4.055, \$4.10 and \$4.149. Additional resistance we see at \$4.17, \$4.305 and \$4.44

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