



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR MARCH 15, 2010

NATURAL GAS MARKET NEWS

Southern Union reported that it has received approval from regulators to place Trunkline LNG infrastructure enhancement project into service.

Consul Energy, a coal and natural gas producer, agreed to buy Dominion Resources natural gas and oil exploration and production business for \$3.48 billion to expand its Marcellus Shale reserves. The sale includes drilling rigs to 491,000 acres in West Virginia and Pennsylvania and will double the company's natural gas reserves to 3 tcf. The purchase provides Consul with 9000 wells that are expected to produce 41 bcf of natural gas equivalent this year.

Milford Haven port authorities reported that the Al Nuaman and Al Mayeda LNG tankers are due to arrive at the South Hook terminal on March 18th and March 20th respectively. Meanwhile the LNG tanker, the Arctic Lady is due to berth at the Dragon terminal on March 21st, at the South Hook terminal reported.

Generator Problems

NPCC – OPG's 515 Mw Pickering #1 nuclear unit returned to service Monday morning. The unit had been off line since February 21st.

OPG/TransCanada's 550 Mw Portlands natural gas fired power plant was shut early Monday.

OPG's Lambton coal fired power station saw its 494 Mw Unit #1 has returned to service after being off line since March 1st, while the 494 Mw unit #2 was taken off line today and was expected to be offline for possibly a few weeks.

PJM – First Energy announced the planned refueling outage at its Davis-Besse plant will include repairs to reactor head nozzles. The unit was shut on February 28th.

MAIN – Exelon's 867 Mw Quad Cities #2 nuclear unit was off line this morning, as operators were believed to have begun a planned month long refueling outage. The unit was at 94% power on Friday.

SERC – TVA's 1104 Mw Browns Ferry #2 nuclear unit ramped up to 85% power this morning, up 63% from Friday's operating levels. The unit had been taken down last week to fix a service transformer.

Duke Energy's 1100 Mw McGuire #1 nuclear unit was shut early Monday. The unit had been at full power last week. It is believed the unit has entered a planned 5-week maintenance outage.

ERCOT & SPP – Entergy's 1268 Mw Grand Gulf nuclear unit has exited an outage and has ramped up to 51% power as of this morning.

The NRC reported that there was some 82,962 Mw of nuclear power generated today, down 0.2% from yesterday and 4% lower than a year ago.

JPMorgan Chase in a research note said it looks for LNG shipments might grow at a faster pace this year because the global economic recovery and production from new plants come to market. It looks for LNG imports into the U.S. to almost double to 2.2. bcf/d from a 1.2 bcf/d average in 2009. The bank noted that "based on rig activity and forecasts for exploration and production growth, the natural gas market appears to be well oversupplied again in 2010".

The Russian news agency Interfax reported today that Russia is not considering merging its South Stream gas pipeline project with the Nabucco pipeline project, despite calls by Italy's Eni SpA, a

minority partner in the South Stream project which had called the two pipeline projects as complimentary and the two projects should be merged for at least part of the route. The Russian Energy Minister said today that the South Stream project is “more competitive” as it has enough gas to fill its pipeline project and has signed agreements with transit countries for the onshore section of the pipeline link.

The China National Offshore Oil Corporation said today that it expects to pursue a major build up in its LNG operations this year, as it looks to gain approval to build three new LNG import terminals as well as signing at least three long term LNG supply deals. The company already has three LNG import terminals and is building a fourth currently. The company’s two major competitors are building another three terminals as well.

Noble Energy has agreed to pay the FERC \$4.2 million in fines to settle capacity release violations under a consent deal.

Australia’s Liquefied Natural Gas Ltd has halted construction of its Fisherman’s Landing LNG project pending a takeover offer for its partner, Arrow Energy. Reuters Royal Dutch Shell and PetroChina last week offered \$3 billion for Arrow and if the bid succeeds, it appears Shell would likely abandon Fisherman’s Landing to direct gas at its own, larger LNG facility in the area.

The National Weather Service reported today that temperatures for February and the winter as a whole were below normal for the contiguous United States. For the winter heating season 63% of the country experienced below normal temperatures, with the average February temperature falling some 2.2 degrees below normal.

The Climate Prediction Center reported today that for the week ending March 13th, gas home heating customer weighted heating degree days reached only 132 HDD some 16.5% less than normal. For the current week the agency is looking for just 101 HDD some 13% less than the same week a year ago and nearly 30% less than normal.

Economic indicators released today were mixed. The U.S. home builder sentiment fell unexpectedly in March as a result of the lack of available credit for new projects and the large number of distressed properties on the market that were pulling buyers away from the market. The Federal Reserve Bank reported this morning that U.S. industrial output edged up 0.1% in February after increasing 0.9% in January. The report also showed the amount of the nation’s industrial capacity in use reached its highest level in more than a year. Meanwhile the New York Fed said its March gauge of manufacturing activity in New York State slipped to 22.86 from 24.91 in February, but this was still higher than market expectations of a 22.00. The report’s employment index rose to its highest level since October 2007.

PIPELINE RESTRICTIONS

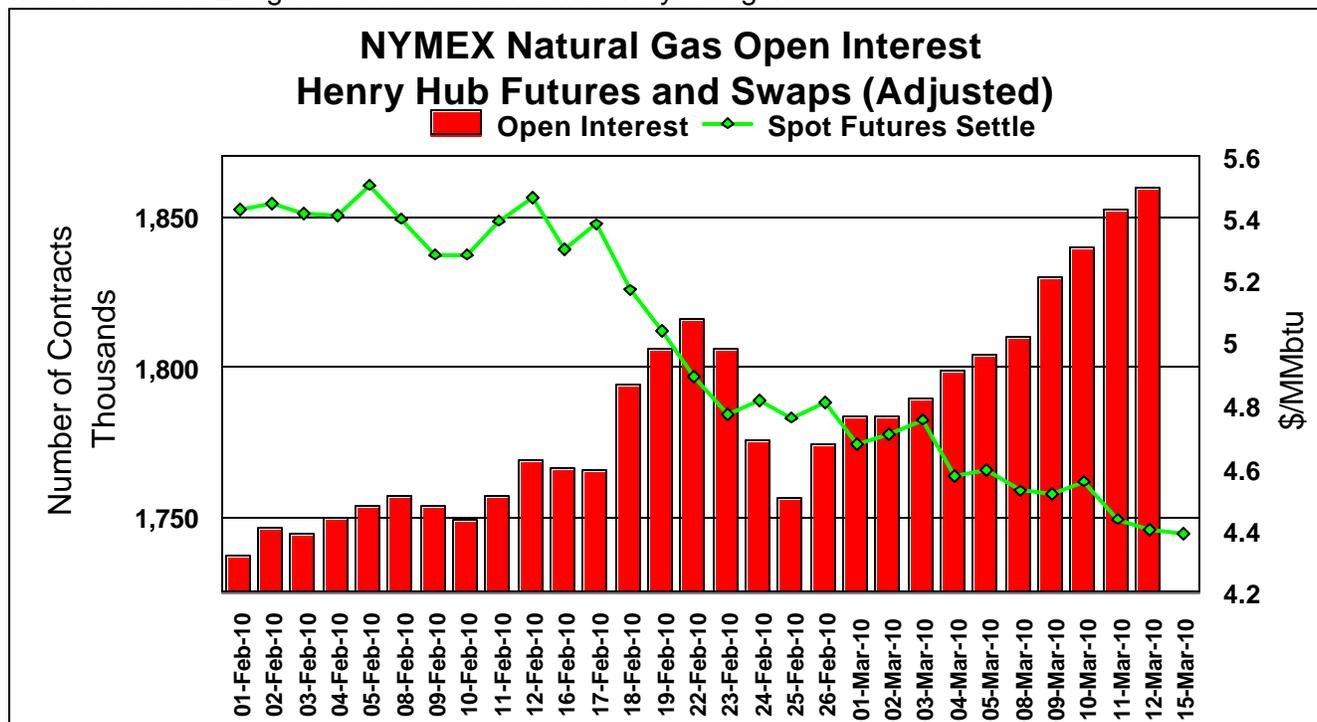
NGPL reported today that the gas quality issue at the delivery point of El Paso Jal reported last week was still ongoing today and services are restricted until further notice. The delivery point is located in Lea County, New Mexico on Segment 9 of NGPL’s Permian Zone. All transport services will be unavailable until further notice.

Tennessee Gas Pipeline said it has lifted the imbalance warning across its system effective 8:15 am this morning. The warning had been posted on March 12th.

The Rockies Express Pipeline announced it has lifted the force majeure that has been in place since March 8th.

ELECTRIC MARKET NEWS

Genscape reported that U.S. power output for the week ending March 11th fell 9.2% from the prior week but was 3.2% greater than the same week a year ago.



MARKET COMMENTARY

The natural gas market this early morning made yet another new term low, as heating demand this week was seen as remaining significantly less than normal. But prices held at the bottom end of its current three-week downward channel and basically clawed its way back towards near unchanged levels by the end of the day. Judging by the growth in open interest in the combined and adjusted futures and swaps contracts in the Henry hub contracts it appears that this price action today may have been some profit taking on some shorts recently established. The exchange reported at midday that open interest on Friday had increased by nearly 8,000 contracts from Thursday, as it posted its eleventh consecutive trading session of gains in open interest.

But with the continued strong rebound in drilling activity, the end of the heating season coupled with strong LNG imports and only modest improvement in industrial activity any price rebound near term appears will remain limited as this market remains overall on the defensive. We see key support tomorrow at \$4.32-\$4.30 with additional support at \$4.259, \$4.00 and \$3.822. Minor resistance we see at \$4.447 followed by \$4.504, and \$4.56. More significant resistance we see at \$4.581, \$4.791 and \$4.932.

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