



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR MARCH 18, 2011

NATURAL GAS MARKET NEWS

No. American

In an agreement set between Canada's Encana Corp and Apache, Encana is fixed to buy 30 percent of Apache's 70 percent share in the planned Kitimat LNG export terminal and the associated natural gas pipeline. Separately, EOG Resources plans to sell Encana 19 percent of its 59 percent share in the Kitimat LNG terminal. The Kitimat terminal in British Columbia would link gas from the province's northeast to international markets.

Baker Hughes reported that the number of rigs drilling for natural gas in the US fell this week to the lowest level in nearly 14 months, declining by 7 to 875.

International

Royal Dutch Shell announced on Friday that it is in the process of bringing increased supplies of LNG to help meet the expected increase in Japanese demand. A company spokesperson said that two shipments of LNG from Brunei are already unloaded in Tokyo within the last 24 hours, with additional cargoes from other locations on the way. A tanker filled with LNG also on the way from Qatar. The Al Gattara tanker has capacity to hold up to 216,000 cubic meters of LNG and is expected to arrive April 5.

The Al Khattiya LNG tanker hailing from Qatar, is expected to arrive at Belgium's Zeebrugge terminal on March 23.

The Al Huwaila LNG tanker has arrived at the Isle of Grain terminal in the UK. Separately, the Al Hamla LNG tanker is expected to arrive at the UK's Milford Haven on March 27. Capacity for this vessel is 216,000 cubic meters of super-cooled natural gas.

Surplus LNG from Indonesia may find its way to Japan after the disaster struck country made appeals for help. Indonesia, which has an extra 20 cargoes of Bontang LNG available for auction, is waiting for presidential approval. There are also some 40 cargoes waiting to be shipped to Korea Gas Corp under a term deal reached last year but the deal has not been signed. Discussions are being held as to whether or not Japan can use these additional cargoes as well.

ELECTRIC MARKET NEWS

Generation Outages

PJM – Constellation Energy Nuclear's 872 Mw Calvert Cliffs nuclear unit 2 ramped up to 82% of capacity by early Thursday from 56% on Wednesday.

MAPP – Entergy Corp's 778 Mw Palisades nuclear unit returned operations to full capacity on Thursday from 52% on Wednesday.

AEP Corp's 1,009 Mw power station in Michigan exited a maintenance outage and reamped up to 28 percent power by early Friday.

The NRC reported this morning that some 85,131 Mw of nuclear generation capacity is online, up 0.45% from yesterday and some 2.14% higher than the same day a year ago.

Genscape reported that US coal consumption in the week ending March 17th fell by 6% on the week and by 8% on the year as above normal temperatures reduced the overall need for heating.

TEPCO is reporting that electricity could be restored at the No. 4 reactor at the quake stricken Fukushima Daiichi nuclear power plant in northeast Japan by Saturday morning. The country's nuclear safety agency had said earlier on Friday that power could be restored to the No. 1 and No. 2 reactors on Saturday morning.

Engineers in Japan have said that they cannot say whether or not they have the damaged nuclear reactors in the northeast under control due to their inability to see. Water spraying has hindered the ability to see clearly as to whether or not the fire is spreading.

The head of the International Atomic Energy Agency that it plans to hold an extraordinary meeting on Japan's nuclear plant.

ECONOMIC NEWS

The Economic Cycle Research Institute said its Weekly Leading Index fell to 130.4 in the week ending March 11th from 130.9 in the previous week, originally reported at 130.8. The index's annualized growth rate increased to 7.1% from 6.8% a week earlier.

MARKET COMMENTARY

Despite forecasts for milder weather, natural gas futures gained throughout the most of the session. Prices have been supported by expectations that LNG imports into Japan will grow as the need to replace lost supply mounts. With yesterday's break above the 40-day moving average, technical traders viewed this as a buying opportunity, adding to market strength. These longs will hold on to their positions as long as prices remain above the moving average. This number is currently set at \$4.071. Given the fact that demand out of Japan will most certainly grow, prices should be able to hold on to their recent strength.

The market is seen finding resistance is seen at its high of \$4.198, \$4.211, \$4.254, \$4.31, \$4.331 and \$4.493. Support is seen at \$4.112, \$4.06, \$4.056, \$4.013 and \$4.00. More distant support is seen at \$3.995, \$3.919, \$3.902, \$3.833 and \$3.746.

The Commitment of Traders disaggregated futures and options report showed that managed money funds cut their net short position for the second consecutive week by 17,151 contracts to 141,476 contracts in the latest week.