



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR MARCH 19, 2010

NATURAL GAS MARKET NEWS

Baker Hughes reported that the number of rigs searching for oil and natural gas in the week ending March 19th increased by 20 rigs to 1,427 rigs. The number of rigs searching for natural gas increased by 12 to 939.

A surge in North American shale gas production has lowered prices there and driven many LNG cargoes to Europe, impacting pipeline gas suppliers. As a result Algeria on Tuesday said it will ask other major gas exporters to stop flooding the markets with spot gas deliveries. Qatar's Energy Minister on Friday said the country has not been approached by Algeria.

The US Sabine Pass liquefied natural gas terminal in Louisiana is expected to receive an LNG cargo from Egypt on April 1st. The Al Hamla LNG tanker was last seen on Friday in the Mediterranean Sea heading west.

The Al Samriya liquefied natural gas tanker is scheduled to arrive in Britain on April 7th. The vessel can carry up to 263,000 cubic meters of gas.

The British government approved the development of the North Sea Laggan and Tormore gas fields by Total and Dong Energy. The fields off the north coast of Scotland have an estimated 230 million barrels of oil equivalent and could produce up to 14 million cubic meters/day of gas during peak output. It is about 4% of UK demand during winter. First gas is expected in 2014.

Ukraine's vice prime minister, Andriy Klyuyev said the country wants a joint Russian-European Union consortium to be set up to help modernize the country's gas pipeline network. The consortium would

Generator Problems

PJM - Exelon's 1,179 Mw Limerick #1 nuclear unit continues to coast down operations. It was at 92% power this morning, down from 93% on Thursday. The facility is expected to be taken off line on March 21st for a scheduled refueling outage.

SERC - Southern Nuclear's 876 Mw Hatch 1 nuclear unit is warming up and was at 1% of capacity as of Friday morning. The reactor was shut on February 7th for a regularly scheduled refueling and maintenance outage.

Entergy Corp's 1,207 Mw Grand Gulf nuclear unit cut its power to 81% as of Friday morning, down from 98% on Thursday.

Entergy's 978 Mw River Bend nuclear unit has cut its output to 89% of capacity on Friday, down from 100% on Thursday. A reason for the curtailment is not yet known.

Dominion Power's 917 Mw North Anna 2 nuclear unit is preparing to shutdown for a 27 day refueling and maintenance outage. It is still operating at 100% of capacity.

ERCOT & SPP - Entergy's 836 mw Arkansas Nuclear One unit #1 is being prepared to be shut on March 21st for a refueling and maintenance outage.

Entergy's 1268 Mw Grand Gulf nuclear unit cut its power to 81% of capacity on Friday, down from 98% power on Thursday.

The NRC reported that there was some 83,344 Mw of nuclear power generated today, down 0.4% from yesterday and 6.52% lower than a year ago.

operate the pipelines, through which 80% of Russia's gas exports to Europe pass. Ukraine's new President Viktor Yanukovich said during his campaign he wanted to create a consortium between Russia's OAO Gazprom, Ukraine's Naftogaz and European energy groups to run the pipeline system.

PIPELINE MAINTENANCE

Gulf South said it will be performing system maintenance on unit#2 at the Harrisville Compressor Station starting at 7am CT on March 22nd and continue for 72 hours. Based on system operations and nominations, the company does not anticipate any impact to its shippers utilizing the Harrisville Compressor Station. It will also perform pigging maintenance on Index 130-02 starting on March 23rd, with the work continuing for about four days. Gueymard #1 Well will be shut in and unavailable for service for the duration of the maintenance. Pigging maintenance will also be performed on Index 156 starting on April 26th and continuing for about five days. It said NRG Sterlington and Sterlington Power locations will be shut in and unavailable for service for the duration of the maintenance.

PIPELINE RESTRICTIONS

PG&E has issued a system wide operational flow order in effect for gas day March 20th due to high inventory. Customers' supplies are required to be within a 9% tolerance requirement of daily usage to avoid noncompliance penalties.

Tennessee Gas Pipeline Co has restricted Niagara Spur Backhaul for the gas day of March 19th. It restricted through about 54% of the market to supply secondary out of the path nominations pathed to meters located on the Niagara Spur. For the remainder of the March 19th gas day, Tennessee will not accept any market to supply increases pathed to meters located on the Niagara Spur.

ELECTRIC MARKET NEWS

The US EIA reported that US coal production totaled about 21.6 million short tons in the week ending March 13th. It is unchanged from the prior week's estimate but down 4.4% on the year.

Genscape reported that US coal burn fell by 3% in the week ending March 18th to 18.02 from 18.56 in the previous week. It is unchanged on the year.

MARKET COMMENTARY

The natural gas market continued to trend lower early in the session amid the weak cash market following Thursday's sharp selloff. Early in the session, the market sold off to a low of \$4.05, a level not seen since late September, when the market traded below the \$4 level. The market however bounced off its low on short covering ahead of the weekend as it failed to test the \$4 level. The oversold market saw a late technical bounce back that pushed it to its high of \$4.175 late in the session. The natural gas market settled in positive territory following six consecutive down days at \$4.169, up 8.4 cents.

The natural gas market will likely make another attempt at testing its support at the \$4 level. The market is seen finding support at \$4.088, \$4.006 and \$3.996. More distant support is seen at \$3.822. Resistance is seen at its high of \$4.175, \$4.213, \$4.256, \$4.292 and \$4.338. More distant resistance is seen at \$4.50, \$4.618, \$4.79 and \$4.967.

The adjusted futures and options Commitment of Traders report showed that commercials continued to cut their net short position by 20,272 contracts to 43,060 contracts in the week ending March 16th. Meanwhile, the non-commercials cut their net long position by 21,747 contracts to 7,746 contracts on the week. The disaggregated combined futures and option report showed that managed money funds increased their net short position by 12,410 contracts to 75,737 contracts on the week.

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