



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR MARCH 21, 2011

NATURAL GAS MARKET NEWS

North America

The U.S. Climate Prediction Center reported this morning that it expects gas home heating customer weighted demand this week to reach just 118 HDD some 11.3% less than normal and 2.5% less than the same week a year ago.

Anadarko Petroleum announced today that Korea National Oil will pay \$1.55 billion for approximately one third of Anadarko's stake in the liquids rich Eagle Ford shale. The company holds the rights to drill in some 400,000 acres in the shale play.

The U.S. Interior Department said Monday it had approved Shell's plan for deepwater oil and natural gas exploration in the Gulf of Mexico, the first such exploration plan with a complete environmental assessment since the BP oil spill. The exploration plan is for its leased Auger field located some 130 miles off of the Louisiana coastline. The company is looking to drill three exploratory wells in nearly 3000 feet of water. There are 13 other deepwater plans pending approval by the department.

Developers of the Jordan Cove LNG import project in Coos Bay, Oregon are reportedly considering expanding the project to have the flexibility for export as well.

International

Tokyo Electric Power reported Monday that it had restarted its 300 Mw LNG fired power plant at its Goi thermal power plant east of Tokyo.

Generation Outages

NPCC – OPG's 494 Mw Lambton #4 coal fired power plant was shut Friday.

Constellation Energy's 621 Mw Nine Mile Point #1 nuclear unit was shut early Monday for scheduled refueling. The unit had been at 90% power on Friday.

PJM – PSEG's 1161 Mw Hope Creek nuclear unit dropped to 4% power this morning. The unit had been shut over the weekend and had been at full power on Friday.

Exelon's 1130 Mw Limerick #1 nuclear power plant dropped to 57% power on Monday. The unit had been at full power on Friday.

FRCC- NextEra Energy's 693 Mw Turkey Point #4 nuclear power plant was shut early Monday.

SPP – The 1166 Mw Wolf Creek nuclear reactor was shut today for planned refueling. The unit had been at full power on Friday.

MISO – AEP's 1009 Mw Cook #2 nuclear unit ramped back up to full power early Monday. The unit had been at only 28% power on Friday.

The NRC reported this morning that some 81,523 Mw of nuclear generation capacity is online, down 1.1% from yesterday and some 0.2% lower than the same day a year ago.

Natural Gas Cash Market

ICE Next Day Cash Market

Location	Volume Traded	Avg Price	Change	Basis		Basis 5-Day Moving Avg
				(As of 12:30 PM)	Change	
Henry Hub	421,200	\$3.986	\$0.004	(\$0.183)	\$0.066	(\$0.166)
Chicago City Gate	807,900	\$4.105	\$0.062	(\$0.064)	\$0.065	(\$0.099)
NGPL- TX/OK	708,500	\$3.873	\$0.025	(\$0.296)	\$0.028	(\$0.292)
SoCal	679,300	\$4.038	\$0.160	(\$0.131)	\$0.163	(\$0.217)
PG&E Citygate	918,500	\$4.359	\$0.086	\$0.190	\$0.089	\$0.089
Dominion-South	562,300	\$4.165	\$0.034	(\$0.004)	\$0.037	(\$0.039)
USTRade Weighted	21,388,400	\$4.037	\$0.063	(\$0.132)	\$0.07	(\$0.166)

Gazprom said Monday that it was ready to increase supplies to Europe that would allow European destined LNG cargoes to be redirected to Japan as proposed earlier by Prime Minister Putin. Last weekend Putin proposed raising Russian gas exports to Europe by 60 mcm per day to allow for increased flows of LNG to Japan Gazprom though said this proposal would require the support of the European Union as well as a concrete need on the part of the Japanese to be workable.

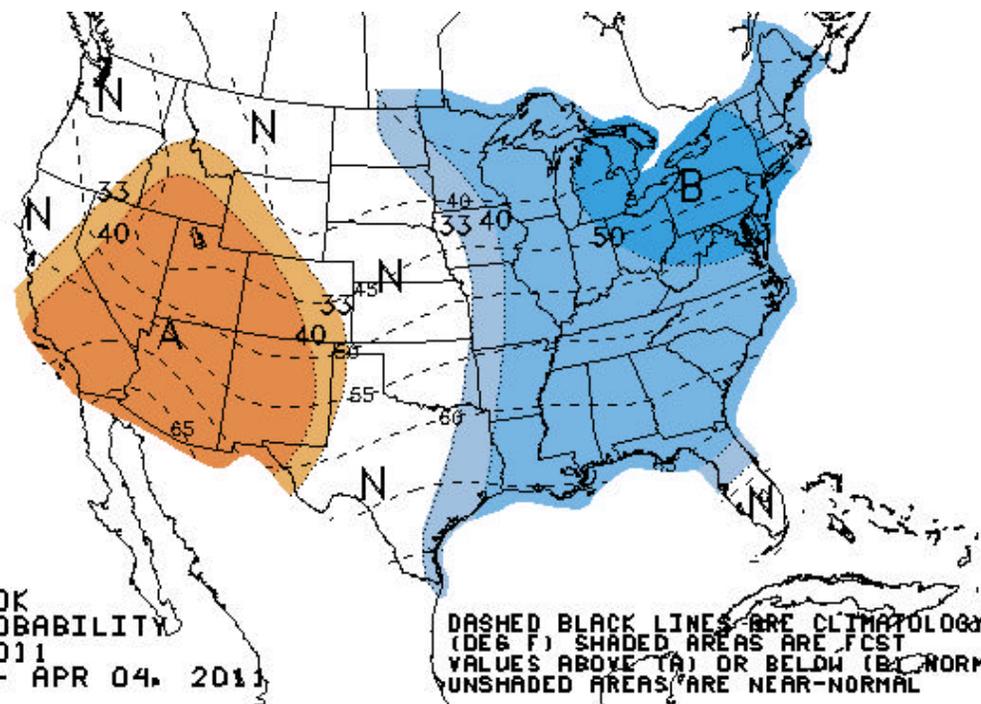
Qatar's Al Aamriya LNG tanker is scheduled to arrive at the Isle of Grain import terminal on April 6th. The ship has a capacity of 210,000 cubic meters.

Gassco reported this morning that the Norwegian Kollsnes natural gas processing facility is currently undergoing "minor maintenance" which will restrict gas flows until Thursday. The flow rate will be around 129 mcm per day, versus a daily capacity of 143 mcm.

Qatargas said today that they expect to see a 36% increase in demand for LNG by 2025, with demand possibly growing even faster if world demand for energy moves away from nuclear power in the coming years.

Danish natural gas exports from the North Sea fell to 520 mcm in January down from 590 mcm recorded in December and down from the 700 mcm exported in January 2010.

The CEO of BASF told Russian Prime Minister Putin today that BASF would sign a memorandum on joining the South Stream pipeline project. The company would then sign a detailed agreement at a later date.



Ukrainian president Yanukovich gave his support Monday to plans to partly privatize state energy firm Naftogaz through a public IPO. Such a move though will require a change to national laws. He felt such a move would help to stabilize Naftogaz's finances and also help the company finance its investment projects. The company has a target date of 2013 for its IPO.

While Egyptian Petroleum Minister Ghorab this weekend said talks were underway to adjust gas contracts, especially with Israel, that would potentially raise gas prices, a stake holder in East Mediterranean Gas, which supplies Egyptian natural gas to Israel and other Middle East customers, said it has no wishes to amend its contract prices.

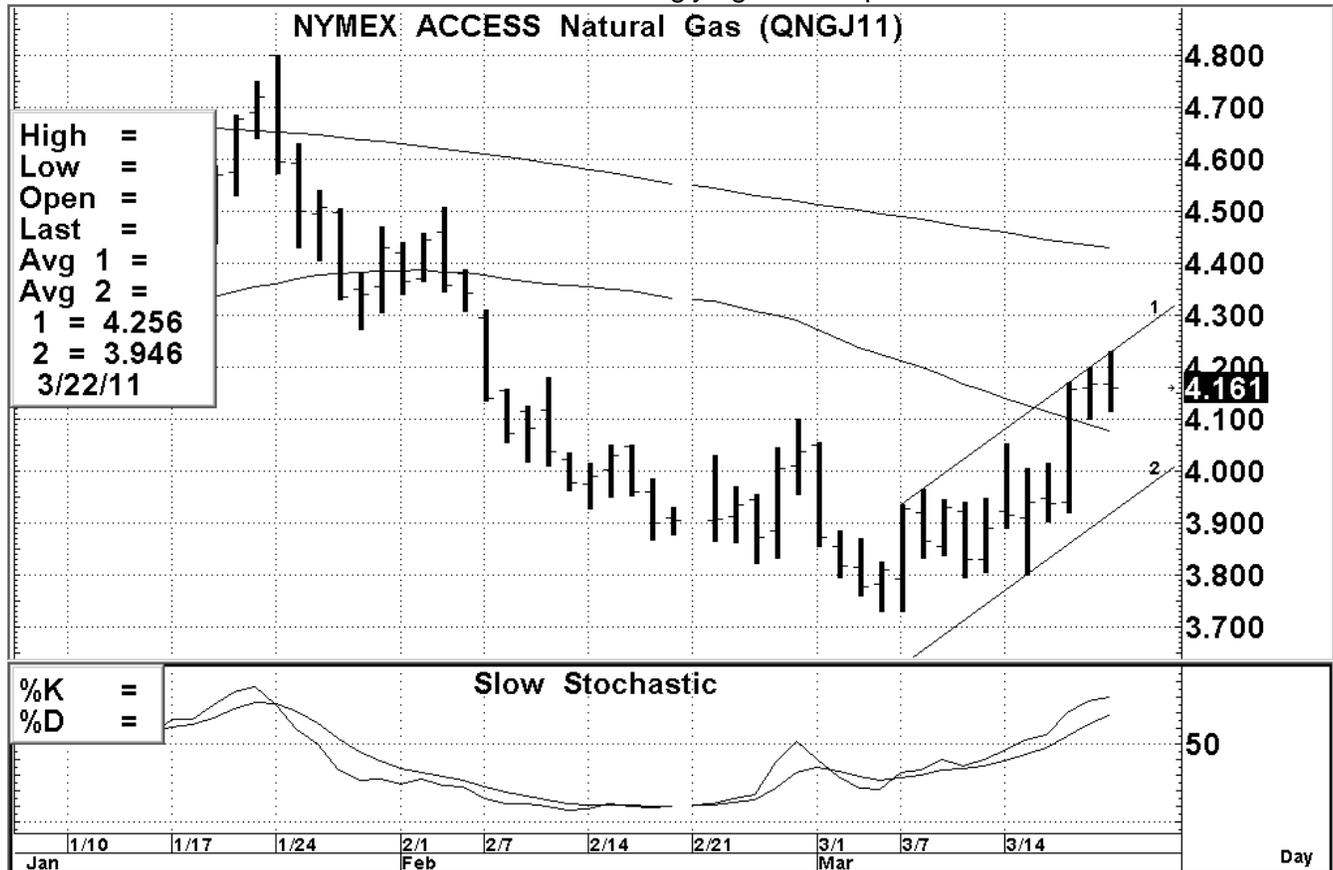
The Chinese government reported this morning that its imports of LNG in February reached 660,517 tonnes, up 39.23 from the same month a year ago, with much of the increase coming from Australia. Its cost for these imports was calculated at \$7.49 per MMBtu Natural gas imports via its pipeline link with Turkmenistan stood at 657,949 tonnes up 1436% from a year ago. The average acquisition cost for this pipeline gas in February was higher at \$8.42 per mmbtu.

ELECTRIC MARKET NEWS

Tokyo Electric Power reported today that with restart of its #2 unit at the Goi thermal power plant, coupled with extra power supplies for other utilities, TEPCO was able to secure 35,500 Mw of electric supply today, up some 4,000 MW from yesterday and compared to an estimated peak demand for the day of 34,000 Mw has allowed the company to cancel a rolling blackout that had been scheduled for this afternoon.

The head of the IAEA said today that he had no doubt that the nuclear crisis in Japan would be effectively overcome. But officials from the U.S. NRC said today that three units at Japan’s Fukushima nuclear power plant have suffered “some degree of core damage” but remain in stable condition. They felt that “things appear to be on the verge of stabilizing.

The NRC said it is launching additional inspections of U.S. nuclear power plants and is considering a 90 day review to evaluate each reactor’s ability to be protected against natural disasters, such as station blackouts, severe accidents and spent fuel accidents. Meanwhile Entergy received federal regulatory approval on Monday to extend its operations at its Vermont Yankee nuclear unit for another 20 years now through March 21, 2032. State legislators though still need to give their final approval for the extension. Currently opposition in the state is lead by the state’s governor, who last year as leader of the state senate led a vote that was overwhelmingly against the plants license renewal.

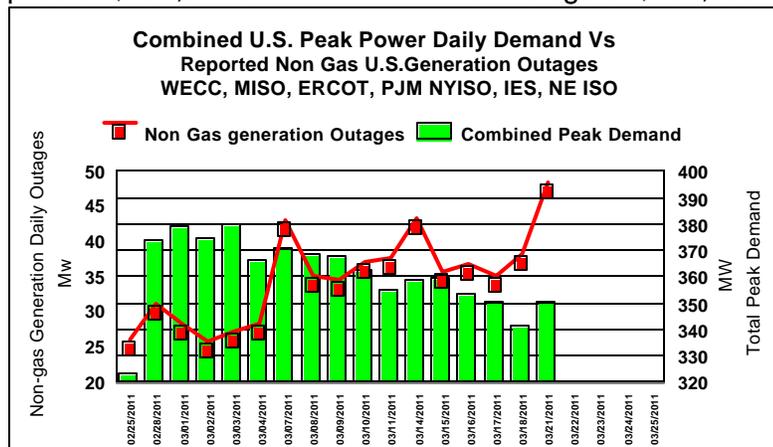


Genscape reported today that it estimates U.S. power output for the week ending March 17th fell 2.84% from the prior week but was some 0.3% higher than the same week a year ago.

A California judge today ruled that the California Air Resources Board did not adequately consider alternatives to its plan to create a cap and trade market for carbon emissions. As a result the court ordered the Air Resources Board to amend its Functional Equivalent Document and open it to public scrutiny prior to its implementation. The cap and trade program was set to start in 2012.

ECONOMIC NEWS

The National Association of Realtors said sales of existing homes in the US fell by 9.6% in February and prices fell to the lowest level in nearly nine years. Existing home sales fell to a seasonally adjusted rate of 4.88 million, the lowest level since November. The median sales price for an existing home fell to \$156,100, the lowest level since April 2002. It is down 5.2% from the year ago median price of \$164,600 and down from the average of \$157,900 in January.



MARKET COMMENTARY

The natural gas market spent its third day in a row settling above the 40 day moving average but again was unable to break through the upper end of the upward channel of the past two weeks. While supportive weather forecasts coupled with last week's bullish Baker Hughes drilling report and relatively large levels of non-gas generation levels that are off line are helping to keep the bears on the defensive, the fact that the winter heating season is nearly at the

end is limiting the potential for further significant gains upward in natural gas futures prices. We would look to be a scale up seller of this market especially becoming more aggressive once the daily stochastics cross back to the downside. We would be looking for a downside target of \$3.98-\$3.92. We see resistance tomorrow at \$4.256-\$4.265 followed by \$4.30, \$4.392 and \$4.429-\$4.44. Support we see at \$4.10, \$4.039, \$3.981, \$3.946 and \$3.922-\$3.917. More distant support we see at \$3.795, \$3.71, \$3.656 and \$3.41.

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