



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR MARCH 22, 2010

NATURAL GAS MARKET NEWS

The National Weather Service this morning reported that for the week ending March 20th the total number of heating degree days on a gas home heating customer weighted basis reached 110 HDD some 24% less than normal. For the current week the NWS is calling for 109 HDD some 17.5% less than normal and 9.2% less than the same week a year ago.

BENTEK in a report today, "The Beast of the East", sees the Marcellus Shale producing area growing into a dominant source of supply in the upcoming five years. This growth will result in a supply displacement domino effect across North America, disrupting Northeast price premiums and tightening price spreads dramatically. BENTEK sees Marcellus Shale production growing this year by 0.6 bcf/d and by 2014 will have boosted Appalachian Basin production by 1.8 bcf/d to 4.0 bcf/d. On a more aggressive scenario it noted that Marcellus Shale production could boost production in the region to 6 bcf/d by 2014. To support his rapid growth the company sees the need for more than 30 gas pipeline expansion projects, which would add more than 12 bcf/d of gathering, short haul, and long haul pipeline transportation

Generator Problems

NPCC – OPG's 494 Mw Lambton #2 coal fired power plant returned to service this morning. The unit had been off line since March 15th.

OPG's and TransCanada's 550 Mw Portlands natural gas fired power plant returned to service by early Monday. The unit had been shut on March 15th.

PJM - Exelon's 1134 Mw Limerick #1 nuclear unit was shut early Monday for a planned month long refueling and maintenance outage. The unit had been at 92% power on Friday.

Exelon's 619 Mw Oyster Creek nuclear power station fell to 90% capacity today, down 10% from Friday's levels.

PSEG Nuclear's 1,174 Mw Salem #1 nuclear unit was at 90% power this morning down 10% from Friday.

SERC – Southern's 876 Mw Hatch #1 nuclear unit has reconnected to the grid and was at 21% power this morning. The unit had been restarted late last week following completion of its refueling outage, which began back on February 8th.

Dominion's 903 Mw North Anna #2 nuclear unit was shut early Monday for a planned month long refueling and maintenance outage.

ERCOT & SPP – Entergy's 843 Mw Unit #1 at the Arkansas Nuclear One power station was off line as operators were believed to have started its refueling outage. The unit had been at full power on Friday morning.

Luminant's 575 Mw Big Brown #1 coal fired power station was shut for planned maintenance on March 20th. The work was expected to last at least through Monday.

Xcel Energy's 545 Mw Tolk #2 coal fired power plant was shut on March 20th and was expected to remain off line through March 23rd.

AEP's 528 Mw Unit #1 at the Welsh coal fired power plant is scheduled to be closed from March 22nd until March 25th.

STP Nuclear's 1250 Mw South Texas #2 nuclear unit was at full power though operators plan to place this unit in an

WSCC – APS's 1311 Mw Palo Verde #1 nuclear unit has exited its recent outage and was at 80% power this morning. The unit had been shut on March 7th due to a minor problem with electrical equipment.

TransAlta's 406 Mw Sundance #4 coal fired power plant was shut once again on March 21st. The unit had been shut last week between March 17-19th.

The NRC reported that there was some 81,690 Mw of nuclear power generated today, down 1% from yesterday and 7.8% lower than a year ago.

capacity to markets and pipeline interconnects. As a result the company sees widespread displacement of traditional supply arriving from Canada, the Southeast/USG, the Rockies and Midcontinent producing areas as well as LNG imports.

CNX Gas Corp said production results from its latest well in the Marcellus Shale have had an average production rate of 4.9 mmcf/d over the last 16 days. The company looks for the well to have a peak daily production rate of 5.7 mmcf/d.

El Paso Corp announced a successful Eagle Ford well test at 7.2 mcf/d. The company said it is accelerating its Eagle Ford program with the addition of a second rig. The company said the Hixon 1H well tested at an average rate of 2.9 mmcf/d.

Qatar's 216,000 cm Mesaimmer LNG tanker reportedly is headed toward the South Hook LNG terminal. Meanwhile Qatargas's Al Khattiya 210,000 cm LNG tanker that currently is in the Mediterranean is expected to be headed toward the East Coast of the United States with a possible arrival date of early April. Currently Reuters is reporting that according to shipping sources five other cargoes are expected to arrive at U.S. LNG terminals over the next two weeks.

The Trinity Arrow LNG tanker is reportedly scheduled to load in Belgium on March 24th. The tanker reportedly is coming from Turkey, where there is another LNG import terminal. No destination has been reported for the vessel.

Qatar Gas Transport said it would deliver the final two vessels of its 54 LNG tanker fleet by July of this year. The two new vessels will have a capacity of 216,000 and 260,000 cubic meters respectively. And are slated to serve the Qatar to Asia route.

Gassco said Monday that Norway's Kaarstoe gas processing plant would shut down for three weeks between August 18 and September 7th this year as part of a major and total shutdown for maintenance. The plant, which is currently running between 6-16% below full capacity, is expected to return to full capacity around mid-May. The limited capacity of the facility has cut gas flows to Europe by 5-14% since early February.

Chesapeake Energy said it might seek to strike one or two new joint ventures for its properties. The company CEO said he expects to see the company 50% larger in three years, even with the recent pull back in natural gas values.

Apache Corp said today that it expects to spend some \$6.5 billion on capital expenditures in 2010, up 62% from last year. The company expects to split its spending evenly between North America and international projects. The company said it expects to begin shipping some 350 mmcf/d of gas to the Litimat LNG plant in British Columbia by 2014 or 2015. The company has a 51% stake in the facility.

Royal Dutch Shell on Monday tentatively stuck to its target of shipping LNG from the Gladstone LNG project in Queensland, Australia in 2014 or 2015.

Qatar's oil minister said today that the second phase of Royal Dutch Shell's gas to liquids plant in Qatar would be commissioned by the end of April.

Poland's gas monopoly PGNiG said it expects to increase its sales of gas this year to 14.3-14.5 bcm vs 13.3 bcm in 2009.

A senior executive at Ratnagiri Gas and Power said that India's third LNG import terminal, which was scheduled to be commissioned this month, would be delayed by one year due to delays in dredging

the ship channel leading into the terminal. India's LNG regasification capacity is expected to reach 20 million tones a year by 2011/2012.

The Indian oil secretary said today that the Indian government hopes to introduce a uniform price of natural gas in the country soon, replacing the current system where different suppliers charge different rates.

An Indonesian government energy official said today that Indonesia would invite South Korean investors to build LNG receiving terminals within Indonesia as that nation seeks to supply its power plants and industry with increased natural gas supplies as its domestic markets power needs continue to expand. Indonesia currently plans to build three receiving terminals with a combined capacity of 1.5-2.0 million tones per year and be completed by 2011-2012. Currently these terminals would be financed by investment from state oil and gas firm Pertamina and local gas distribution firm PT Perusahaan Gas Negara. Indonesia while being the third largest exporter of LNG has no receiving terminals at this time.

India's oil secretary said today that Qatar has agreed to supply India an additional 4 million tones of LNG from 2013 but the price has not yet been set.

Japan's electric utilities consumed 3.394 million metric tons of LNG in February, an increase of 12.4% versus the same month a year ago. The increase was the result of higher power demand that was in turn caused by primarily due to higher industrial demand and cooler temperatures. January demand for LNG had been 18.5% higher than the same time a year ago.

Reuters is reporting that indications over the past week appear to point that Nigeria's Soku gas processing plant, which feeds roughly 40% of the Nigeria' LNG plant's gas supply, will re-open in the near future. This event appears to be supported by Nigeria LNG increasing the number of FOB spots available for sale and the company has also made requests for looking for additional shipping capacity.

The Ukrainian President Viktor Yanukovich ordered his new government today to prepare a new natural gas deal with Russia by May on the price of natural gas. The Ukraine is looking for a one-third cut in the price it pays Russia for gas. The country last year had signed a 10-year agreement with Russia. It appears that the Ukraine has left open the possibility of including Russia in a pipeline deal with the Ukraine and Europe.

Private weather forecaster WSI Corp said it sees a cool April in many locations in northern Europe in April to be followed by above normal temperatures for May and June. Southern Europe meanwhile is expected to experience below normal temperatures during the second quarter.

PIPELINE MAINTENANCE

Gulf South said it anticipates the maintenance at Index 130 (bayou Sale to Naoleonville 30-inch) to continue through march 24th. The maintenance began on March 2nd causing the company to operate the line at at lower pressures but did not anticipate any service disruptions.

ELECTRIC MARKET NEWS

Genscape reported that it estimates U.S. power output for the week ending March 18th fell 2.6% from the prior week but was 0.9% greater than the same week last year.

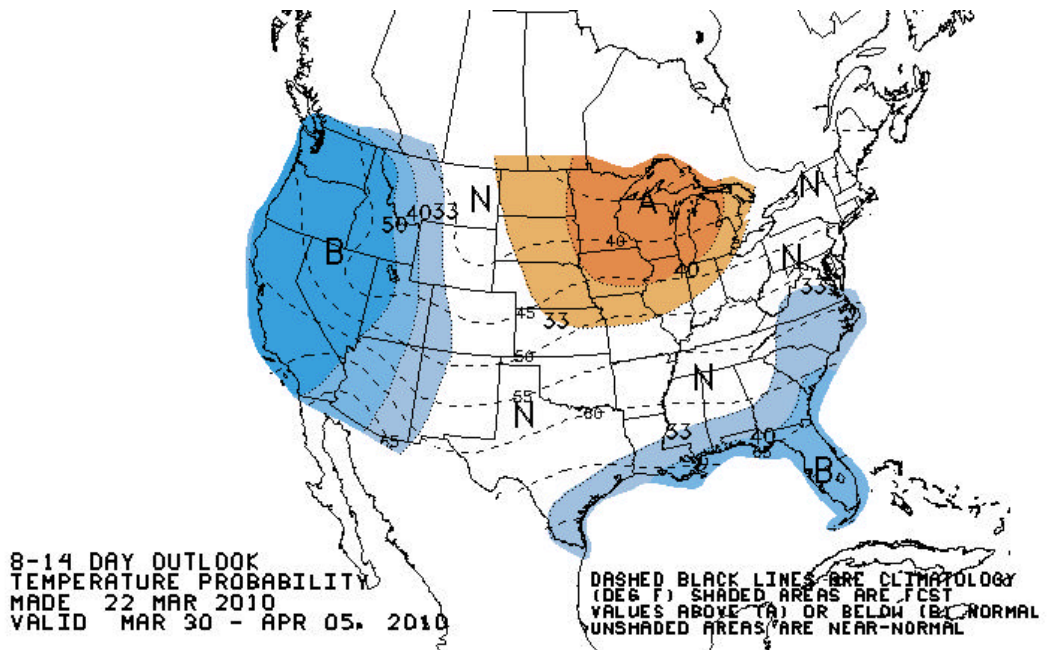
The U.S. NRC said today that it has sent a special inspection team to Omaha Public Power District's 478 Mw Fort Calhoun nuclear plant to look into the failure of an auxiliary feedwater pump in February. While the pump since has been functioning properly, the team was sent since this is the third failure during testing in the past 12 months for this piece of safety related equipment.

Petra Leue-Bahns, chief financial officer of Ecolutions GmbH told an industry conference that wind generation will probably reach grid parity and be able to compete with fossil fuels without subsidies within four years, at least in the European marketplace.

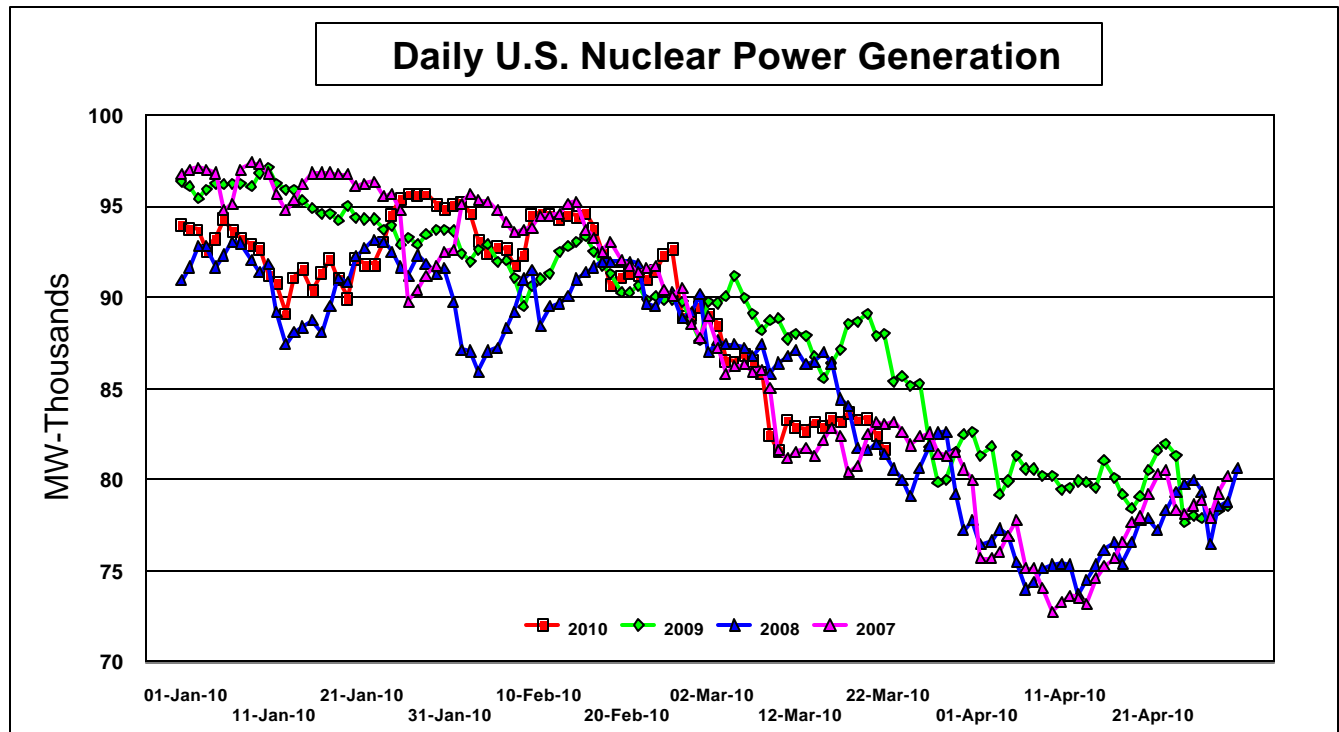
MARKET COMMENTARY

The Friday rebound in natural gas futures prices, the first higher settlement in seven trading sessions was short lived as the natural gas market posted lower settlements of 8-9 cents today. This lower settlement came

despite a rebounding oil market that was able to settle, in the crude oil market some 60+ cents higher. It appears the end of the heating season on a whimper has some in the market talking about the possibility of seeing inventory builds over the next couple of weeks some two weeks earlier than normal.



In searching for a silver lining in the lower market settlement one could possibly make the case for the market appears to be searching for some type of level it can embrace as a bottom which quite possibly could be seen at the \$4.00-\$3.996. A more distant area of support could be the \$3.822. Fundamentally the nuclear generation sector could once again throw a near term life preserver to this market, as



extended maintenance and refueling outages keep a higher than normal level of generation off line, which could be magnified if there is either a late heating spike and or an earlier than normal larger level of air conditioning need is experienced.

Resistance we see at \$4.214 followed by \$4.45, \$4.607, \$4.784 and \$4.96. But given the outlook for continued rebounding production and exploration for natural gas domestically coupled with strong imports of LNG we do not see these upper resistance points to be sustainable or even achievable near or intermediate term.

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