



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,
& Karen Palladino

(212) 624-1132 (888) 885-6100

www.e-windham.com

NATURAL GAS & POWER MARKET REPORT FOR MARCH 23, 2010

NATURAL GAS MARKET NEWS

The U.S. EPA said today that it wants the oil and natural gas sector as well as other major industrial groups to track and report emissions of carbon dioxide and other greenhouse gases starting January 2011 and report it to the EPA by March 2012. The EPA said, "gathering this information is the first step toward reducing greenhouse emissions and fostering innovative technologies."

The CEO of Cabot Oil & Gas told an industry gathering this week that his company was reducing its capital expenditures on natural gas drilling and the company was reallocating that capital to oil drilling activities due to the recent slump in natural gas prices.

Qatar's energy minister said today that his country could raise its LNG capacity by 5-6 million tonnes a year by revamping and debottlenecking existing facilities. An investment decision on moving forward with this work will be made once reservoir studies are completed. The country plans on increasing production of LNG to 77 million tonnes a year by the end of 2010.

Pioneer Natural said today that it looks to further accelerate its Eagle Ford Shale development through the pursuit of joint ventures. It looks to evaluate these proposals by the end of the second quarter of this year.

Royal Dutch Shell announced today that it would jointly develop and produce gas in western China's Sichuan basin with China National Petroleum Corp. Under the 30-year contract Shell and CNPC will appraise and potentially develop reservoirs of one type of unconventional gas called "tight" gas in an area of approximately 4,000 square kilometers in the Jinqu block of central Sichuan province

Shell and PetroChina reached an agreement this week to buy the bulk of Australian coal bed methane producer Arrow Energy's assets for \$3.2 billion. The purchase provides a huge boost to the companies plans to start up an LNG export plant on Australia's northeast coast.

Generator Problems

NPCC – Exelon's 619 Mw Oyster Creek nuclear unit returned to 100% of capacity on Tuesday, up from 90% on Monday following planned maintenance.

PJM – Constellation Energy's 873 Mw Calvert Cliffs #1 nuclear unit has started to exit its recent refueling outage and was at 15% power this morning.

MISO – DTE Energy's 1122 Mw Fermi #2 nuclear unit dropped to 50% power this morning. The unit had been at full power on Monday.

SERC – Entergy Nuclear's 978 Mw River Bend nuclear unit returned to 100% of its capacity, up from 89%.

Southern Nuclear's 876 Mw Hatch 1 nuclear unit ramped up to 47% of capacity on Tuesday, up from 21% on Monday. The reactor was restarted on March 19 after it was shut on February 7th for a scheduled refueling and maintenance outage.

The NRC reported that there was some 81,882 Mw of nuclear power generated today, up 0.23% from yesterday and 4.38% lower than a year ago.

Turkey reported that its talks with Azerbaijan over securing gas supplies from Azerbaijan's Shakh Deniz II gas project, potentially for the European Union backed Nabucco pipeline project have been temporarily halted due to disagreements over Turkey's attempts to normalize relations with Armenia. Azerbaijan politically is upset with the Turkish moves to normalize relations with Armenia, a country that the Azeris still feel occupy territory claimed by Azerbaijan. The talks reportedly have been suspended for 4-6 weeks over this diplomatic flap.

The Ukrainian state gas company, Naftogaz said today that its delegation has gone to Moscow for negotiations on a revised gas supply agreement with Russia.

PIPELINE MAINTENANCE

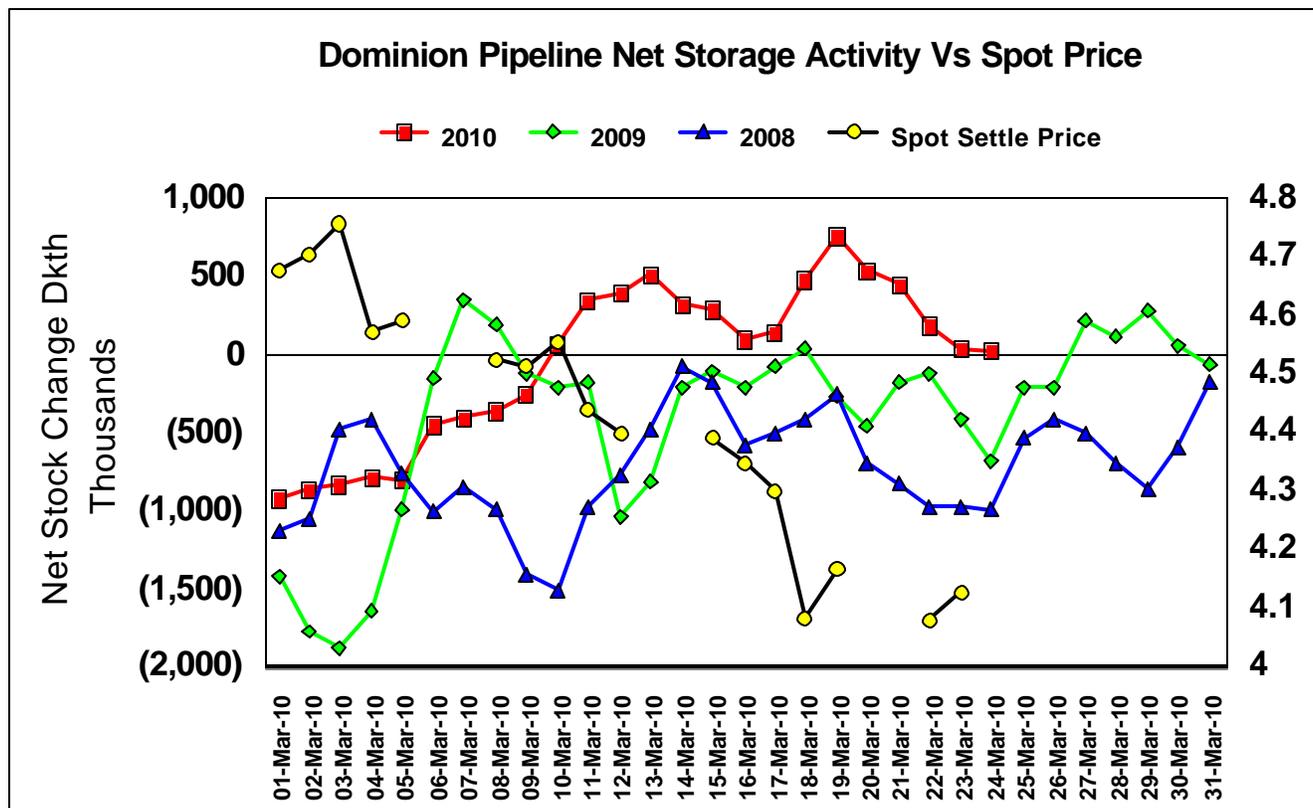
Natural Gas Pipeline Co of America will perform maintenance at the NNG Mills compressor station starting gas day April 12th until April 16th. The work will require the station to shutdown each day for extended periods of time limited the available flow.

PIPELINE RESTRICTIONS

Pacific Gas and Electric Co issued a systemwide operational flow order for gas day March 24th, due to high inventory. Customers' supplies are required to be within a 7% tolerance requirement of daily usage to avoid noncompliance penalties.

MEP has limited capacity available for gas low to the ENOGEX/MEP Bennington point effective for gas day March 23rd and until further notice.

Rockies Express Pipeline Co is at capacity for quantities received from WIC Sitting Bull. Effective for gas day March 24th and until further notice, IT/AOR and secondary receipt quantities will be at risk of not being fully scheduled.



ELECTRIC MARKET NEWS

Genscape reported today that coal stockpiles at U.S power plants rose 0.5% this week but fell 4.4% below the same week a year ago. Genscape noted that this inventory increase appeared to be the result of moderate temperatures across the Midwest and North, which cut power demand for coal generation. The year on year decline they noted was the result of miners maintaining cuts in output that began during the economic slump.

The State of California's chief climate change regulator said on Monday that the state aims to avoid a major economic shock with its carbon cap and trade system, which is slated to begin in 2012. The state also will try to harmonize its system with any federal plan. The state this week will release its revised economic analysis of the cap and trade law, following an earlier version which was criticized by all sides in the matter. The regulator noted that the new revision is seen as having only a marginal net impact on the state's economy and is a net creator of jobs.

Entergy's Louisiana power companies filed with Louisiana utility regulators last week to continue early development activities for the possible construction of another nuclear power plant at the River Bend site. While the utility has yet to make a final decision on proceeding with the construction of a new plant, the company is seeking to keep its option open and in the running for any federal incentives that may be available.

BG Group said it plans to sell its three U.S. power generation stations for \$450 million, some 50% of what it paid for them as it seeks to redeploy the cash into exploration projects. The private equity firm, Energy Capital Partners has agreed to buy the power plants which are located in New England.

The Northwest River Forecast Center said today that its outlook for water flows through the Dalles Dam during April through September will be 66% of normal this year, down 1% from last week's forecast. Water flows at the Grand Coulee Dam are seen as running at 69% of normal during this period, down 4% from last week's forecast.

MARKET COMMENTARY

The natural gas market posted an inside trading session for the first time in the spot contract since January 25th, as it appeared this market continued to search for some area of consolidation that could lead to a potential near term bottom. It appears that fundamentally this market may be finding a little less price pressure from bulging stocks which over the last two weeks had been building, some two to three weeks earlier than normal and at a relatively high rate. These net storage injections have diminished over the last couple of days, but their impact over the prior two weeks seems to be reflected in the spot price settlements.

While the natural gas typically has an increased chance for price volatility following an inside trading session, tomorrow may again see prices stagnating in front of Thursday's storage report. We continue to look for the \$4.00-\$3.996 area as key critical support with additional support found at \$3.822. We would recommend a potential buyer of this market to wait until after Thursday's storage report, looking for a potential bearish storage number that could trigger a quick sell off and challenge the \$3.996 price level and make a run toward \$3.82. Resistance we see at \$4.14-\$4.17 followed by minor resistance at \$4.218 and \$4.276. More import resistance we see at \$4.424, \$4.607, \$4.783 and \$4.96.

The information contained in this letter is taken from sources, which we believe to be reliable, but is not guaranteed by us as to accuracy or completeness and is sent to you for information purposes only. The Windham Group bases its market recommendations solely on the judgment of its personnel. Reproduction in whole or part or other use without written permission is prohibited.