



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 25, 2011

NATURAL GAS MARKET NEWS

North America

Baker Hughes reported this afternoon that U.S. drilling activities for natural gas on the week increased by five rigs on the week to 880, the first weekly gain in four weeks. The rig count had been declining 12 of the previous 15 weeks. The number of horizontal rigs operating in the United States increased for the third straight week, climbing 9 to yet another new record high of 995.

Bill Barrett Corporation said today it was raising its 2011 production forecast as a result expected higher drilling activity at its West Tavaputs project in Utah and its Gibson Gulch property in Colorado. The company now expects to produce 106-110 bcfe, up 2.9% from its prior estimate.

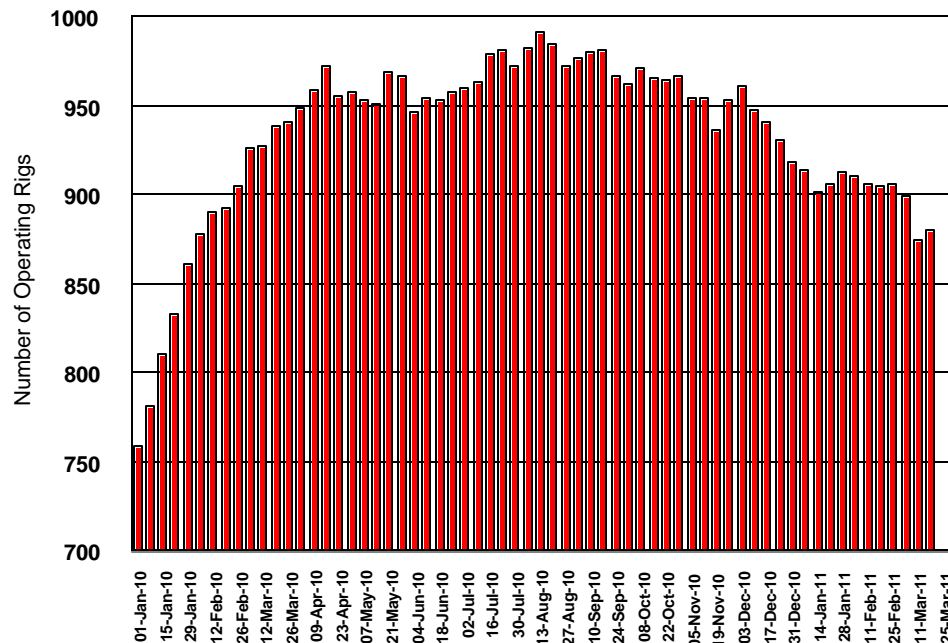
Generation Outages

WSCC – APS 1311 Mw Palo Verde #1 nuclear unit dropped to 60% power this morning. The unit had been at full power.

The NRC reported this morning that some 82,375 Mw of nuclear generation capacity is online, down 0.9% from yesterday and some 0.1% lower than the same day a year ago.

U.S. Natural Gas Drilling Rig Activity

Source: Baker Hughes



January 1, 2010 - March 4, 2011

The FERC yesterday gave FGT the approval to place into service the remaining facilities associated with its Phase VIII Expansion. The \$2.45 billion project adds more than 483 miles of pipeline loops, laterals and mainlines along with the addition of extra compression at eight existing compressor stations and one new compressor station to serve gas fired power generation and utilities

International

The Al Ghuwairiya LNG tanker is expected to arrive at

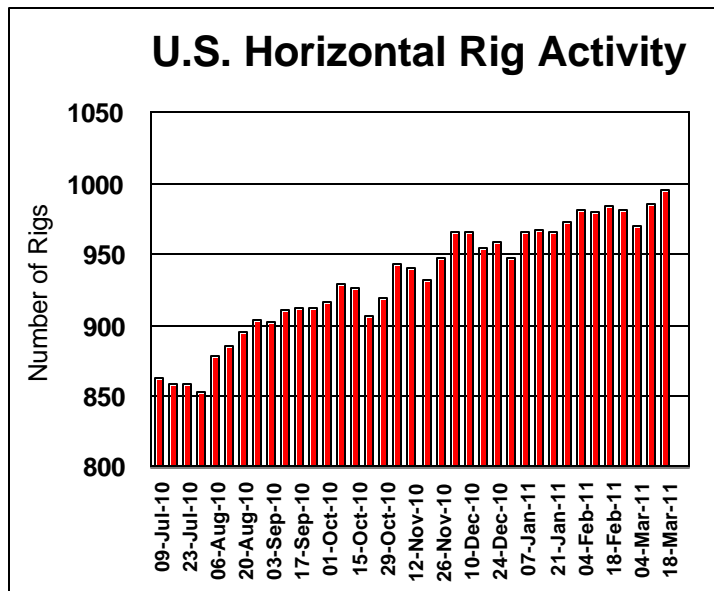
the South Hook terminal on April 1st from Qatar.

Centrica's Barrow South gas terminal in Cumbria experienced an outage Thursday afternoon and it cut off gas flows from the facility. The company did not know when flows would resume.

ELECTRIC MARKET NEWS

Genscape reported today that it estimates U.S. coal consumption fell 1% this week from the prior week and was 5% less than the same week a year ago.

Tokyo Electric Power said Friday it expects to resume by late July operations of 7600 Mw of power generation that has been shut since the March 11th earthquake. The company noted though that despite the resumption of operations it will still leave it short of peak summer demand levels, which it estimates will be 55,000 Mw vs. its targeted supply of 46,500. This could result in power shortages more severe than have been experienced this month following in the wake of the quake. The company said it plans on restarting mothballed power units at the oil fired Yokosuka power plant, which has 900 mw of generating capacity. Meanwhile the company reported later in the day that it had been forced to shut its 1000 Mw Unit #1 at the Higashi Ogishima thermal power plant in Kawasaki on Friday, a day after it had been restarted, due to a fuel leak. The plant uses LNG and had been off line since the March 11th earthquake.



The U.S. NRC announced on Friday that Southern Company passed the environmental review for the two nuclear reactors the company is seeking to build at its Vogtle nuclear station. The NRC said there "are no environmental impacts that would preclude issuing a license to construct and operate the proposed reactors. The NRC must still vote on issuing the license.

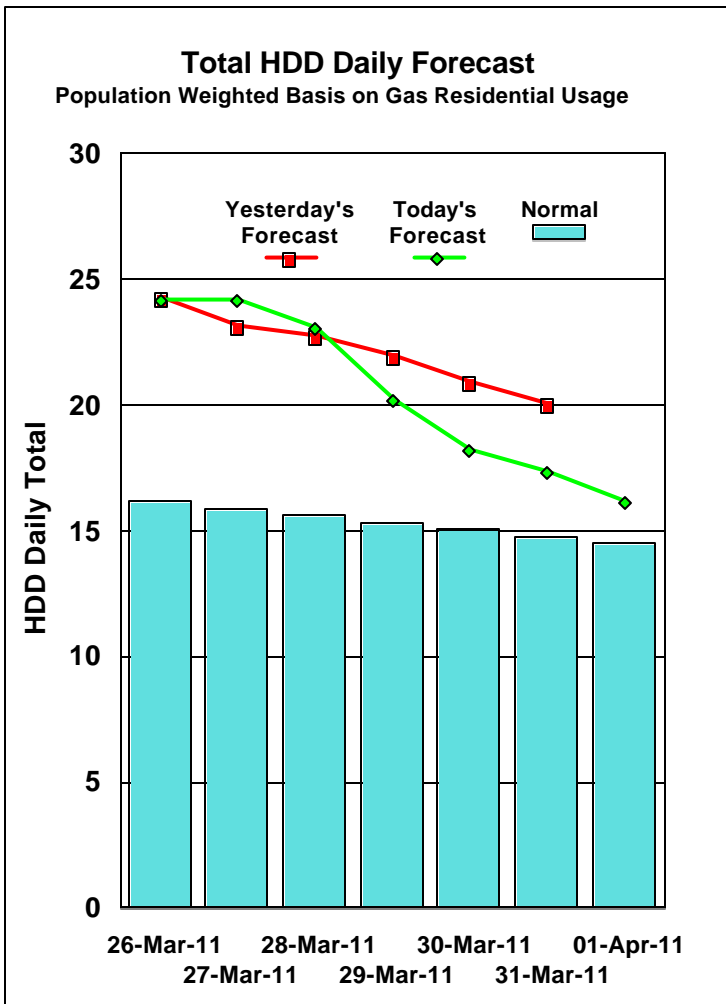
ECONOMIC NEWS

The US Commerce Department said the US economy picked up some speed at the end of 2010. GDP increased at an

Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume Traded	Avg Price	Change	Basis (As of 12:30 PM)	Change	Basis 5-Day Moving Avg
Henry Hub	747,600	\$4.132	(\$0.139)	(\$0.134)	(\$0.142)	(\$0.003)
Chicago City Gate	532,800	\$4.431	(\$0.077)	\$0.165	(\$0.089)	\$0.093
NGPL- TX/OK	910,600	\$4.085	(\$0.135)	(\$0.181)	(\$0.147)	(\$0.187)
SoCal	448,500	\$4.129	(\$0.186)	(\$0.137)	(\$0.198)	(\$0.073)
PG&E Citygate	809,300	\$4.483	(\$0.113)	\$0.217	(\$0.125)	\$0.231
Dominion-South	488,700	\$4.473	(\$0.106)	\$0.207	(\$0.118)	\$0.165
USTRade Weighted	19,115,200	\$4.287	(\$0.130)	\$0.021	(\$0.14)	(\$0.003)

inflation adjusted annual rate of 3.1% in the fourth quarter of 2010. In its previous estimate, the Commerce Department said GDP increased by 2.8%. For all of 2010, the economy grew 2.9%. The GDP report showed that the price index for personal consumption expenditures, excluding food and energy, increased at an annualized rate of 0.4% in the fourth quarter. The overall price index for PCE increased by 1.7% in the fourth quarter compared with an earlier estimate of 1.8%.

The Thomson Reuters/University of Michigan Index on consumer sentiment fell to 67.5 this month, the lowest level since November 2009 from 77.5 in February.



The Economic Cycle Research Institute said its Weekly Leading Index fell to 129.3 in the week ending March 18th from 130.3 the previous week. The index's annualized growth rate fell to 6.5% from 7.1% a week earlier, the highest level since the week ending May 14, 2010.

Federal Reserve data showed that US industrial production grew at a faster rate last year than previously believed. The Fed said production grew by 6.4% in 2010. It is up from a previous growth estimate of 5.9% for last year. It also reported that industrial production in February was revised to unchanged from a previous estimate of a fall of 0.1%.

Federal Reserve Bank of Atlanta President Dennis Lockhart said he would support a change in the policy to combat inflation if evidence mounts that the central bank's goal of low inflation is at risk. He said he is satisfied that that the central bank's interest rate policy is appropriately calibrated to the current and projected state of the economy and the central bank's mandates of keeping inflation and unemployment in check.

The US Commodity Funds, a manager of

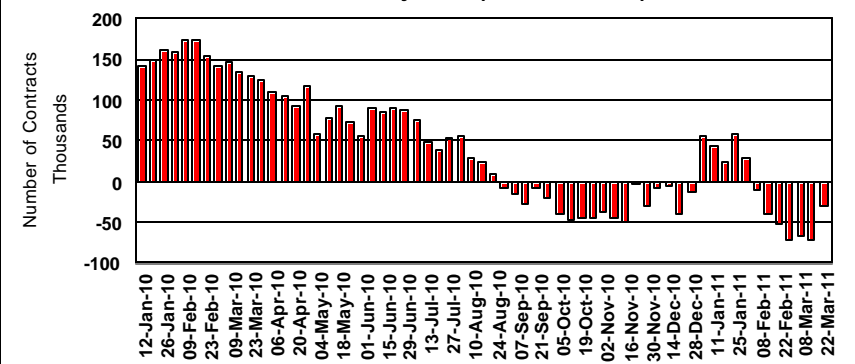
US Oil Fund and US Natural Gas Fund said that a proposal that would place position limits in the commodities markets may not prevent manipulation or speculation and would prevent operators of commodity funds from meeting their investment goals. It said it could adversely affect the value of the exchange traded pools managed by it and others.

Germany's Ifo think tank said its business climate index fell to 111.1 in March from a revised 111.3 in February. German business sentiment fell less than expected, with market expectations of a fall to 110.5.

MARKET COMMENTARY

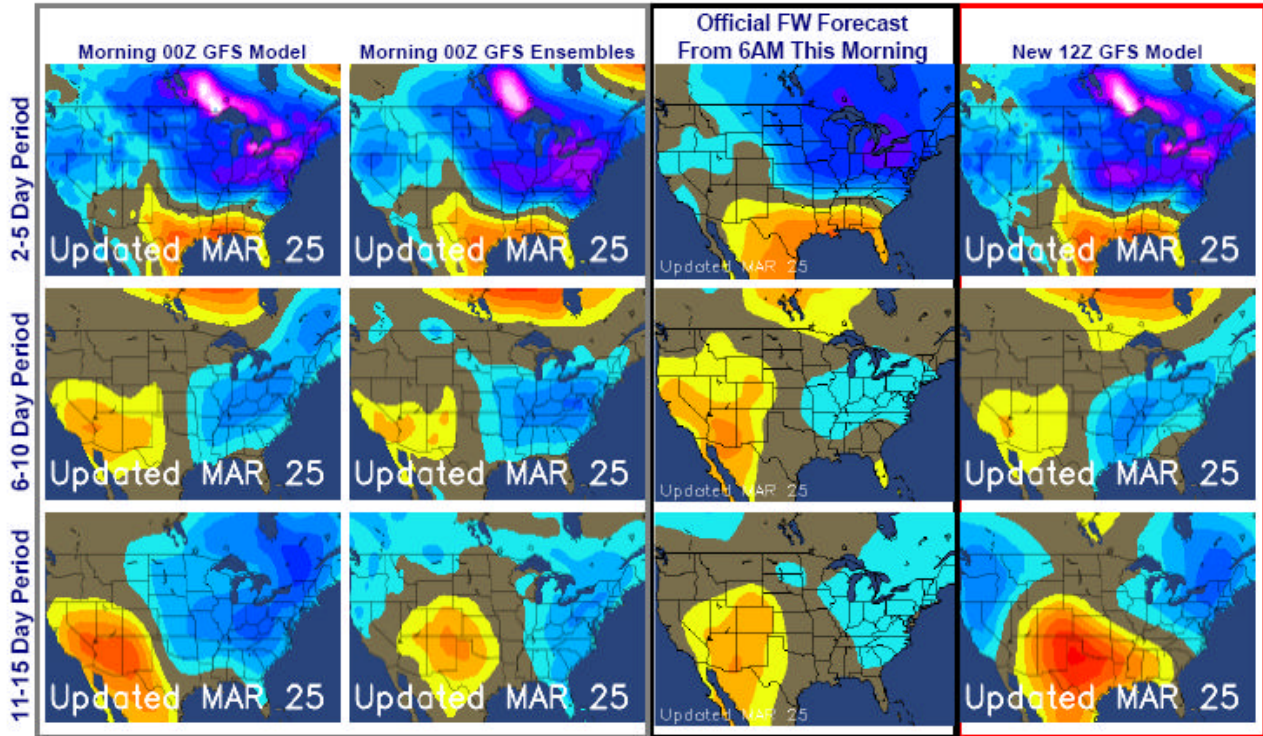
The natural gas futures market today appeared to be recording an uninspiring typical Friday session. Trading activity was light and prices were contained within a sideways ten-cent trading range for much of the day. The cash market had basically finished up the day recording weaker values along with the lightest traded volume since February 22nd. While the futures market early this afternoon received a slightly bearish Baker Hughes report this seemed to be

**Henry Hub Natural Gas- Net Position for Money Managers
NYMEX & ICE Futures Swaps & Options
Combined and Adjusted (10,000 MMBtu)**



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Comparison of New GFS Model Run with Morning Runs and Morning Frontier Weather Forecast



balanced by a slightly more supportive weather forecast that was updated at midday. But with less than hour to go before the close the natural gas market spiked higher in what appeared to be several traders looking to muscle the market on a light volume day and set off stops. The market did breach the 200-day moving average but was unable to close above it. The late day rally also failed to breach the upper end of the channel resistance line but came within a couple of pennies of testing it.

This afternoon's Commitment of Traders Report showed a dramatic shift in the hedge fund position in the market. This group for the week ending March 22nd decreased their combined and adjusted net short position short position by nearly 43,000 contracts on the week, and today's late price action may have been further short covering by this group. Fundamentally though we continue to feel that this market will find some selling by next week's expiration. With inventories nearly identical to last year, we would feel that prices will eventually find a pull towards the April 2010 contract expiration price of \$3.843 rather than making new near term highs.

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