



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR MARCH 29, 2010

NATURAL GAS MARKET NEWS

The EIA released their latest Natural Gas Monthly report. It estimated that dry natural gas production in the United States in January averaged 58.3 bcf/d up 1.2% from December and the highest monthly average since April 2009. The biggest increase in natural gas output occurred in Louisiana, where production was up 3.3%. Imports on the month also posted strong gains growing by 24.9% from December and 17.8% from the same month a year ago. LNG imports did help to boost the import total averaging 1.82 bcf/d in January up nearly 0.7 bcf/d from December and up nearly a full 1 bcf from January 2009. On the consumption side the EIA estimated that in January demand was 91.5 bcf/d some 4.9% higher than a year ago. While commercial and residential sectors posted year on year gains of 0.6% and 2.3% respectively, the real basis for the demand growth came from the industrial and electric generation sectors, which saw their demand grow by 8.1% and 11.5% respectively from January 2009. The EIA estimated that stocks at the end of January stood at 2.319 tcf some 33 bcf less than the storage levels

Generator Problems

NPCC – OPG's 490 Mw Nanticoke #2 coal fired power plant returned to service by early Monday, while its sister unit, Unit #3 was shut. Unit #2 had been off line since February 1st.

Constellation Energy's 1140 Mw Nine Mile #2 nuclear unit was expected to be shut on April 3rd for planned maintenance and refueling. The unit was at 99% power this morning.

PJM – PSEG Nuclear's Salem #1 nuclear unit is expected to be shut on April 3rd for planned maintenance and refueling. The unit though was at full power this morning, up 10% from Friday's operating level.

MISO – FirstEnergy's 1231 Mw Perry nuclear unit is expected to remain at reduced operating levels while workers repair a pump motor that caught fire on Sunday morning. The unit saw power output initially fall to 70% of capacity and operating levels as of this morning were running around 85% of capacity.

DTE Energy's 1122 Mw Femi #2 nuclear unit was at 4% power this morning as it began to exit its recent outage. The unit was shut last week due to a main turbine trip.

SERC – Progress Energy's 710 Mw Robinson #2 nuclear unit was shut late Sunday after an automatic reactor trip was caused from a fire in a breaker. The unit had been at full power. No restart date has been given.

TVA's 1126 Mw Sequoyah 2 nuclear power plant was at 58% power on early Monday, down from full power on Friday.

Southern Nuclear's 876 Mw Hatch #1 nuclear unit returned to full power this morning, up 12% from last Friday.

WSCC – Energy Northwest's 1131 Mw Columbia nuclear power station was at 82% power this morning down from full power registered on Friday.

FRCC – FPL Group's 853 Mw St Lucie #1 nuclear unit is scheduled for a planned shutdown on April 5th for a 38-day outage.

ERCOT – Unit #4 at the Sandow coal fired power plant was expected to be restarted on Tuesday morning.

STP Nuclear's 1280 Mw South Texas #2 nuclear unit was shut early Monday for a planned refueling and maintenance outage.

Luminant's Comanche Peak #1 nuclear unit reportedly is slated to enter a maintenance outage starting April 2nd.

The NRC reported that there was some 79,887 Mw of nuclear power generated today, down 1.1% from yesterday and off 2% from a year ago.

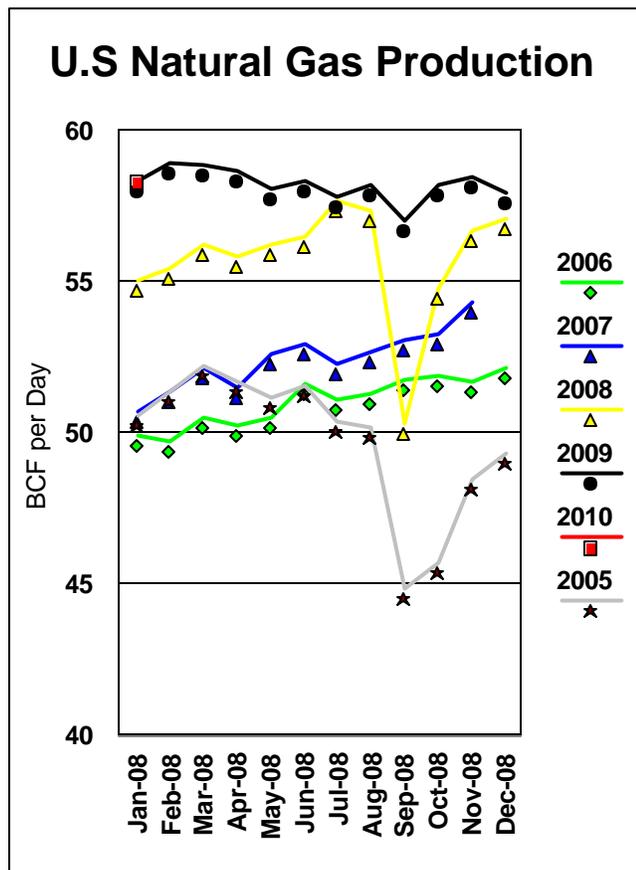
reported by the weekly storage report.

The NWS reported this morning that for the week ending March 27th the nation on a gas home heating customer

weighted basis saw 124 HDD recorded some 5.3% less than normal and 1.6% less than a year ago. The NWS sees the current week will end up having just 74 HDD some 37% less than normal and 35% less than the same week a year ago.

Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
Location	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	507,300	\$3.831	(\$0.092)	(\$0.055)	(\$0.025)	\$0.001
Chicago City Gate	537,900	\$3.971	(\$0.090)	\$0.085	(\$0.032)	\$0.110
NGPL- TX/OK	888,500	\$3.741	(\$0.090)	(\$0.146)	(\$0.032)	(\$0.123)
SoCal	524,200	\$3.889	(\$0.060)	\$0.003	(\$0.002)	\$0.037
PG&E Citygate	693,000	\$4.385	\$0.014	\$0.499	\$0.072	\$0.462
Dominion-South	517,800	\$3.986	(\$0.077)	\$0.100	(\$0.019)	\$0.106
USTRade Weighted	19,431,700	\$3.861	(\$0.083)	(\$0.025)	(\$0.02)	\$0.001

Kinder Morgan Energy Partners said today that more long distance natural gas conduits may be needed to solve bottlenecks at trading hubs as growing fuel supplies overwhelm capacity in places such as Perryville, Louisiana. The company noted that the Barnett Shale area of Texas created a



bottleneck moving gas out of the Dallas Fort Worth area. Construction of the Midcontinent Express relieved that issue and the bottlenecks are now moving farther east. The company is looking to see how the development of the Marcellus Shale will affect regional gas supply, as it displaces other gas supplies.

Bloomberg reported today that Halliburton and Schlumberger are seeking ways to kill bacteria in fracturing fluids without using harmful chemicals called biocides. The bacteria and molds multiply in the fracturing process and inhibit the flow of gas if they are not currently checked by chemicals. Halliburton reportedly is currently testing a process using ultraviolet light to kill the bacteria in the fracking fluid. Halliburton reported that currently 80% of the gas wells drilled in North America are stimulated or fractured in some way, Schlumberger reportedly is looking at testing a biocide that would last only a few hours before becoming nontoxic.

Algeria's energy minister again said this week that the Gas Exporting Countries Forum scheduled to meet on April 19th in Oran in western Algeria will discuss increasing natural gas prices. He expressed hopes that a historical decision will

emerge from the meeting that will be similar to the decision taken by OPEC, at the end of 2008 that led to a stabilization of oil prices at \$80 per barrel. An unnamed official at Algeria's Sonatrach told a reported that the fate of a plan for OPEC gas would be decided at that meeting.

Milford Haven port officials reported that the 216,000 cubic meters LNG tanker Mesaimer is scheduled to arrive at the South Hook LNG terminal on March 31st. This follows the 3 other tankers that have docked at the terminal in the last week. In the first week of April three more tankers are scheduled to

arrive in Britain. Meanwhile Reuters is reporting that the LNG tanker the Trinity Arrow after loading in Belgium last week is headed towards Asia.

Lithuania's energy minister said Monday that his country has decided in principle to build a LNG terminal, in order to help ensure security of energy supplies and not to have to rely on Gazprom as its sole gas supplier. The facility could be completed in 2-3 years.

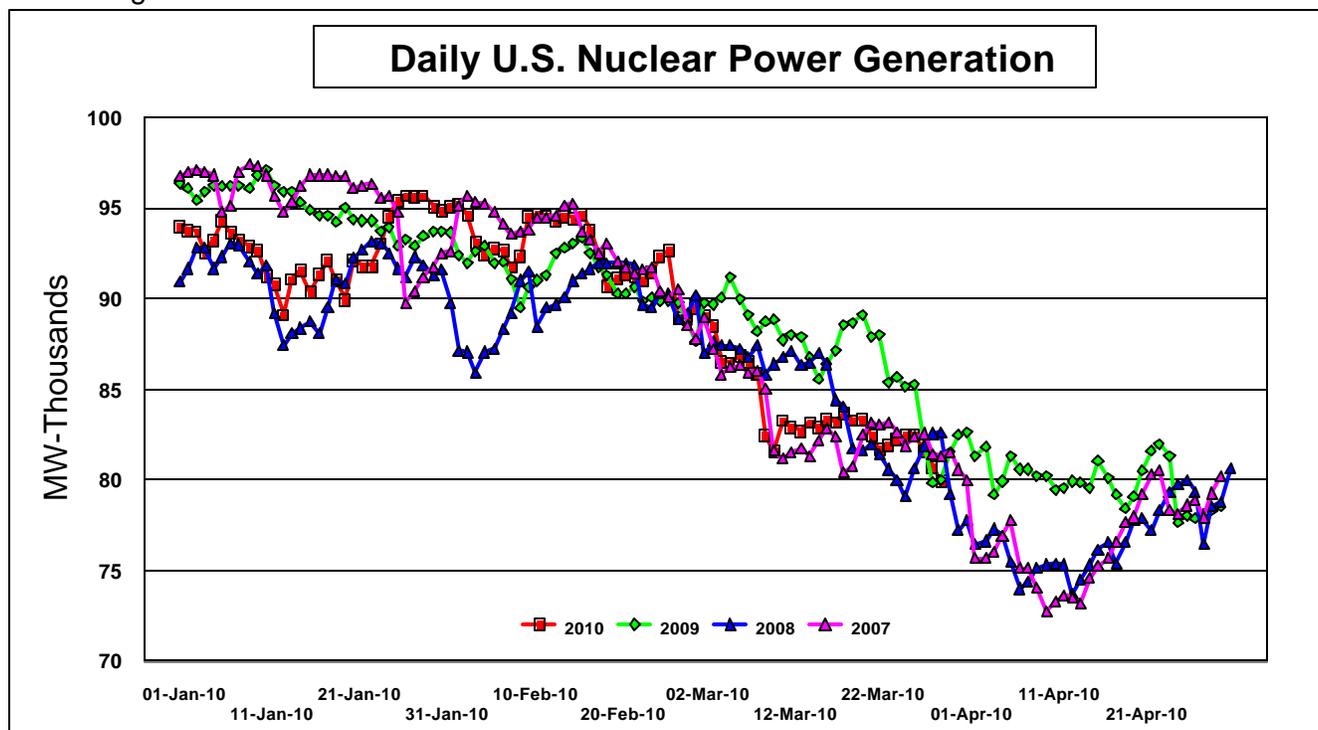
The Costa Azul LNG terminal in northern Mexico is expected to receive a cargo from the Tangguh LNG plant in Indonesia on Tuesday.

The US Commerce Department reported that US consumer spending increased in February even though incomes remained unchanged. Personal spending increased by 0.3% while personal income was flat compared to the prior month. The core price index for personal consumption expenditures, which excludes food and energy, increased by 1.3% compared to February 2009. It is 1.5% year over year in January.

On Thursday, April 1st, floor trading on the NYMEX will close at 2:30 pm EDT. Electronic trading of the NYMEX/COMEX products on CME Globex will close at the normal time of 5:15 pm EDT on Thursday. There will be no Globex trading on Friday, April 2nd. CME Globex trade will reopen on Sunday, April 4th at 4:00 pm EDT for trade date Monday, April 5th.

PIPELINE RESTRICTIONS

Trailblazer Pipeline reported that it had experienced an unexpected outage due to a mechanical failure on one of the compressor units, at its Compressor Station 601 in Logan County, Colorado on March 26th and a result has declared a force majeure event until further notice. As a result secondary out of path and interruptible transportation service/authorized overrun volumes will not be available for scheduling.



ELECTRIC MARKET NEWS

Genscape reported this morning that U.S. power output for the week ending March 25th fell 1.7% from the prior week and was 2% below the levels recorded for the same week a year ago.

The U.S. EPA on Monday issued its final decision that no industrial facilities or other stationary sources of greenhouse gas emissions will need Clean Air permits before January 2011 in order to operate.

MARKET COMMENTARY

The natural gas market closed lower yet again today, as the expiring April contract fell to a new six month spot contract low on the close as near term forecasts pointed to an extremely weak heating demand for natural gas this week while no cooling demand was in the cards either. The spot contract on the close reached the \$3.822 support level, which was an exact 62% retracement of the rebound from last September through January of this year.

As spot gas prices are approaching levels once again that makes economic sense for substitution of coal generation with natural gas fired generation, demand for gas this spring and early summer could see some additional 3 bcf of demand created. This coupled with the seasonal decline of nuclear generation due to turnarounds could help support gas prices this spring especially if there is an uptick in seasonal power demand. As a result we would expect that this demand could provide a stabilization in price which we think should occur by the middle of April. But the timing of the exact bottom of this market can be difficult and as a result one should begin to look to be a scale down buyer of call spreads in the June contract possibly looking at being a buyer of the \$4.00 call and seller of the \$4.60 call starting around 16 cents. This spread tonight settled at 18.1 cents, being at 36.5 cents just two weeks ago.

We look for the May contract tomorrow to find at initial support at today's low in the April contract at \$3.822, followed by \$3.73 and \$3.66. Resistance we see at \$4.01, \$4.103 and \$4.374.

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