



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR MARCH 29, 2011

NATURAL GAS MARKET NEWS

North America

The EIA reported that dry natural gas production in January in the lower 48 US states fell 0.7% to 60.7 bcf/d from an upwardly revised 61.2 bcf/d in December. This was the first monthly decline in production since June of last year. The EIA estimated net imports of natural gas in January reached 7.5 bcf/d up 7.5% from an upwardly revised December level but was slightly more than 20% less than a year ago.

Meanwhile the agency estimated that U.S. consumption of natural gas in January reached 92.6 bcf/d some 1.1% greater than the same month a year ago. The sector that registered the largest gain in demand was in the industrial sector, which grew by 3.2% over the same time a year ago. The residential and commercial sectors posted only gains of 0.1% and 0.8% respectively from a year ago, while the electric generation sector saw consumption in January fall by 0.2% from January 2010.

Anadarko Petroleum said today that production at its Independence Hub has been cut while the company conducts required safety tests on some subsea equipment. The platform had been producing around 528 mmcf/d on Monday before being ramped down to 300 mmcf/d. The platform has a capacity near 1 bcf/d but in the fourth quarter had been averaging only 462 Mmcf/d.

The CEO of EOG Resources said today that his company has canceled plans to sell some of its acreage in the Marcellus shale, choosing instead to develop it when natural gas prices improve. He

also told investors that he was "cautiously optimistic" about early results that are emerging from the Niobrara shale field in Wyoming but said more data was needed to fully evaluate the field.

Generation Outages

SERC – Southern Co's 883 Mw Hatch 2 nuclear unit was shut early Tuesday from 1% power on Monday.

MISO – Dominion Resources Inc's 556 Mw Kewaunee nuclear unit ramped up to 70% of capacity by early Tuesday, up from 30% on Monday.

The NRC reported this morning that some 81,364 Mw of nuclear generation capacity is online, up 0.4% from yesterday and some 1.8% higher than the same day a year ago.

Natural Gas Cash Market

ICE Next Day Cash Market

	Volume	Avg	Change	Basis	Change	Basis 5-Day
Location	Traded	Price		<small>(As of 12:30 PM)</small>		Moving Avg
Henry Hub	476,700	\$4.268	(\$0.077)	\$0.019	\$0.062	\$0.051
Chicago City Gate	655,900	\$4.494	(\$0.116)	\$0.245	\$0.063	\$0.185
NGPL- TX/OK	763,400	\$4.203	(\$0.089)	(\$0.046)	\$0.089	(\$0.121)
SoCal	516,500	\$4.221	(\$0.095)	(\$0.028)	\$0.083	(\$0.061)
PG&E Citygate	1,405,300	\$4.472	(\$0.109)	\$0.223	\$0.069	\$0.222
Dominion-South	452,200	\$4.539	(\$0.069)	\$0.290	\$0.109	\$0.235
USTRade Weighted	19,663,200	\$4.328	(\$0.116)	\$0.079	\$0.06	\$0.051

Enterprise Products Partners Lp entered into additional midstream services agreement in Eagle Ford with Anadarko. Enterprise would provide natural gas processing, natural gas liquids fractionation and transportation to Anadarko. Current production is estimated at 750 mmcf/d of natural gas. It would add 600 mmcf/d of incremental capacity following the completion of a pipeline through LaSalle county. The company also announced it will transport production from LLOG's Who Dat field on its Independence Trail pipeline after a 10 inch line is built connecting the field to the pipeline. The gas will be shipped along the Independence line starting in the second half of 2011 to an interconnect with the Tennessee Pipeline.

International

The CEO of BW Offshore said that global demand for natural gas will likely increase in the wake of Japan's earthquake and tsunami, once authorities move beyond quick fixes and seek alternatives to replace generation capacity lost to nuclear reactor shutdowns. He noted that if Japan relies on oil products as a short-term solution for its shortfall in energy production, "initially it will drive up the consumption of diesel and the consumption of gas, before more permanent solutions are put in place."

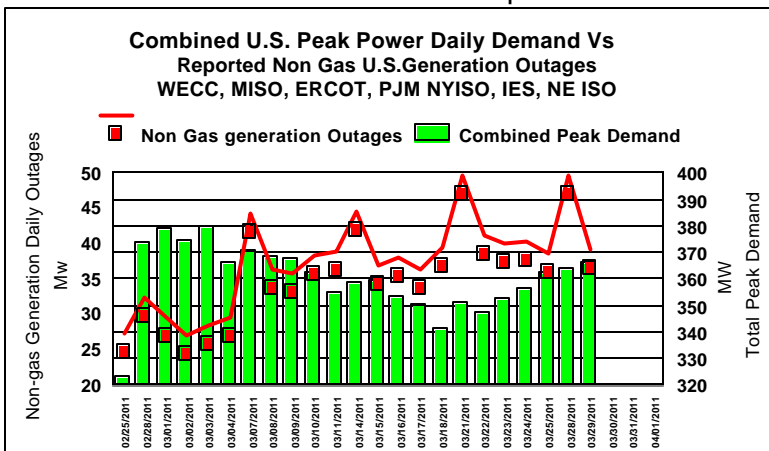
The Galea liquefied natural gas tanker is expected to arrive at the UK's Dragon LNG terminal on April 2nd from Nigeria. Port officials at South Hook also reported that they expect the LNG tanker the Zarga to arrive from Qatar on March 30th.

Netherland Sewell & Associates, an independent petroleum engineering firm said potential natural gas reserves at the Leviathan prospect off Israel's coast could reach as much as 21.1 tcf. It estimated gross gas reserves at the prospect were 15.9 tcf.

Germany's gas import bill in January totaled 2.7 billion euros or \$3.8 billion, up 42.1% on the year. The country imported 396,225 terajoules in January, up 6.7% on the year.

ELECTRIC MARKET NEWS

A US Nuclear Regulatory official said any changes to US reactors prompted by the nuclear crisis in Japan would happen immediately and outside of the licensing process. The agency said that there is no technical reason that the crisis in Japan will slow down relicensing of U.S. nuclear reactors.



Japan's Nuclear and Industrial Safety Agency said fuel rods in reactors 1,2 and 3 at the Fukushima Daiichi nuclear plant are damaged and there is a high possibility of some leakage from their containment vessels.

The deputy leader of Free Democrats Party in Germany said today the government should permanently shut seven nuclear plants built before 1980 that the government has "temporarily" shut earlier this month following the

crisis in Japan. The party is a junior coalition partner to Chancellor Merkel's Christian Democrats.

Californian legislators on Tuesday voted to raise the state's renewable energy goals, by passing legislation that would require a third of electricity to come from sources such as solar and wind by 2020. While state regulators implementing California's 2006 climate change law had already set a 33% renewable goal, the new law strengthens the target considerably, since under the existing law the governor has discretion to suspended the target if deemed warranted.

The U.S. Northwest River Forecast Center today projected water runoff at the Dalles Dam this year between April and September will be 108% of normal, down 2% from last week's forecast but 24% higher than a year ago.

ECONOMIC NEWS

US President Barack Obama is expected to outline a plan for "America's energy security" in a speech on Wednesday.

The Conference Board said its index of consumer confidence fell to 63.4 in March from a revised 72 in February, previously reported as 70.4. Consumer expectations for economic activity over the next six months fell to 81.1 in March from a revised 97.5 in February. The present situation index increased to 36.9 from a revised 33.8. The report shows consumers on average expect inflation to reach 6.7% 12 months from now. It is up from the 5.6% rate expected in February.

US single family home prices fell for the seventh consecutive month in January. The S&P/Case Shiller composite index of 20 metropolitan areas fell 0.2% in January from December on a seasonally adjusted basis.

MARKET COMMENTARY

The April natural gas contract on its expiration day remained on the defensive throughout the session. While the EIA released its monthly report on the natural gas market, the reported decline in January's production levels were discounted by many as being the result of some well freeze offs and as a result were not sufficiently large enough to keep the bulls in control of this market and as a result this market followed through on yesterday's late sell off and dropped over 18 cents today finishing down near the lows and retracing slightly more than 38% of this month's rally. Technically the sell off found confirmation in the daily stochastics, which also crossed to the downside for the first time since March 4th.

With the buying fever from the Japanese situation seeming to be calm down in the UK market it appears some further long liquidation may be in the cards for the U.S. market especially as temperatures appear to moderate through this week and into next week. We would look for prices to test the \$4.182 and \$4.093 support over the next couple of days. We see resistance at \$4.347, \$4.371, \$4.407 and \$4.443. More distant resistance we see at \$4.559, \$4.822 and \$4.879.

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