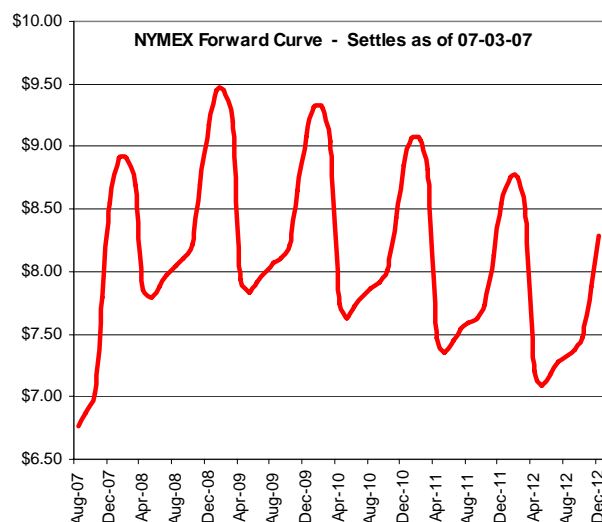


Natural Gas Market Report

July 5, 2007

NYMEX Settle Price As of Tuesday, July 3, 2007			
Aug	6.754	Feb	8.934
Sep	6.859	Mar	8.719
Oct	7.034	Apr	7.869
Nov	7.814	May	7.804
Dec	8.574	Jun	7.888
Jan-08	8.934	Jul	7.988
Strips	Six	Twelve	Nov 07- Mar 08
	\$7.662	\$7.931	\$8.595



Review and Outlook

In its last couple of weeks before expiring, the July contract dropped from near the top of the \$6.80 - \$8.20 trading range that the market had been stuck in to the bottom. The fall came as a result of increasingly bearish fundamentals as the predicted summer heat has failed to materialize. As a result, storage injections have remained strong including a surprisingly high 99 bcf injection announced the first day the August contract was on the top of the board. This injection was 15 bcf higher than expectations and propelled prices below the previously mention range. It is rare that the experts miss the storage estimate by that much. It will be interesting to find out if that week's injection was an anomaly or the beginning of a trend that forces the prognosticators to tweak their models.

This morning sees the August contract testing lower, trading in the mid \$6.60's. First support for August is at \$6.55, with \$6.20 and \$6.00 below that. Not far below \$6.00 the market should meet another important test at the \$5.75-\$5.80 area, which is the low on the perpetual chart from late December. First resistance is at the \$6.80-\$6.85 area, an area that had been strong support. If the market breaks through \$6.85, the next area to watch for is \$7.15-\$7.20 followed by \$7.35. A close over \$7.35 is needed to signal that a short term bottom is likely in and to allow for a more extended recovery.

Without a boost from the fundamentals in the way of extended heat which could slow injections or, heaven forbid, a storm disrupting supply in the Gulf, the market may have difficulty rallying strongly at this point.

Pricing Factors

Storage (through June 22nd)

Weekly Change

+ 99 Bcf

Current Storage

2,443 Bcf

Last Year

2,533 Bcf

3-Year Average

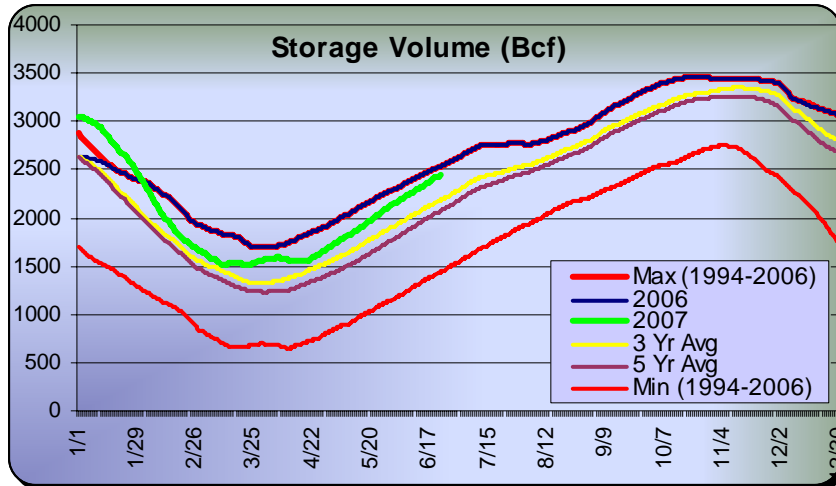
2,179 Bcf

Historical Low

1,435 Bcf (1996)

Historical High

2,533 Bcf (2006)

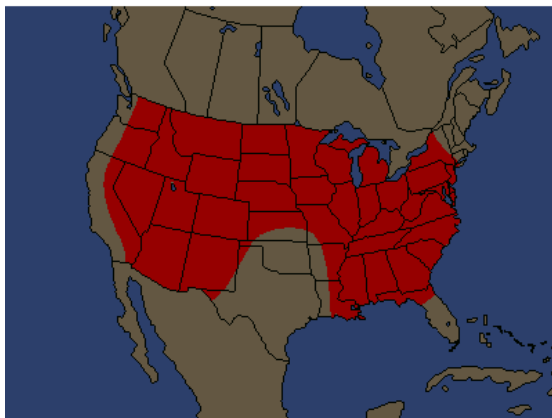


Weather

AccuWeather's forecast for days one through five predicts above average temperatures everywhere except the Southeast. The above average temps are confined to the Rockies westward for days six through ten, with days eleven through fifteen reverting back to a pattern similar to days one through five.

The thirty and ninety day outlooks according to AccuWeather appear below. They both paint a bullish picture.

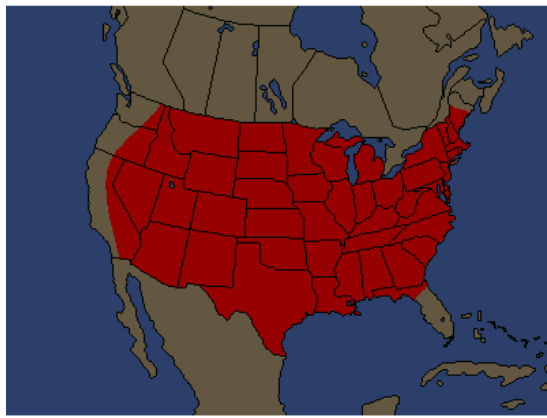
30 DAY TEMPERATURES COMPARED TO NORMAL



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90 DAY TEMPERATURES COMPARED TO NORMAL



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Hurricane season got off to a fast start but has since slowed, bringing the predictions of an above average season into question. It is too early to tell for certain; however, as the peak of hurricane season isn't until early September.

Supply/Demand Balance

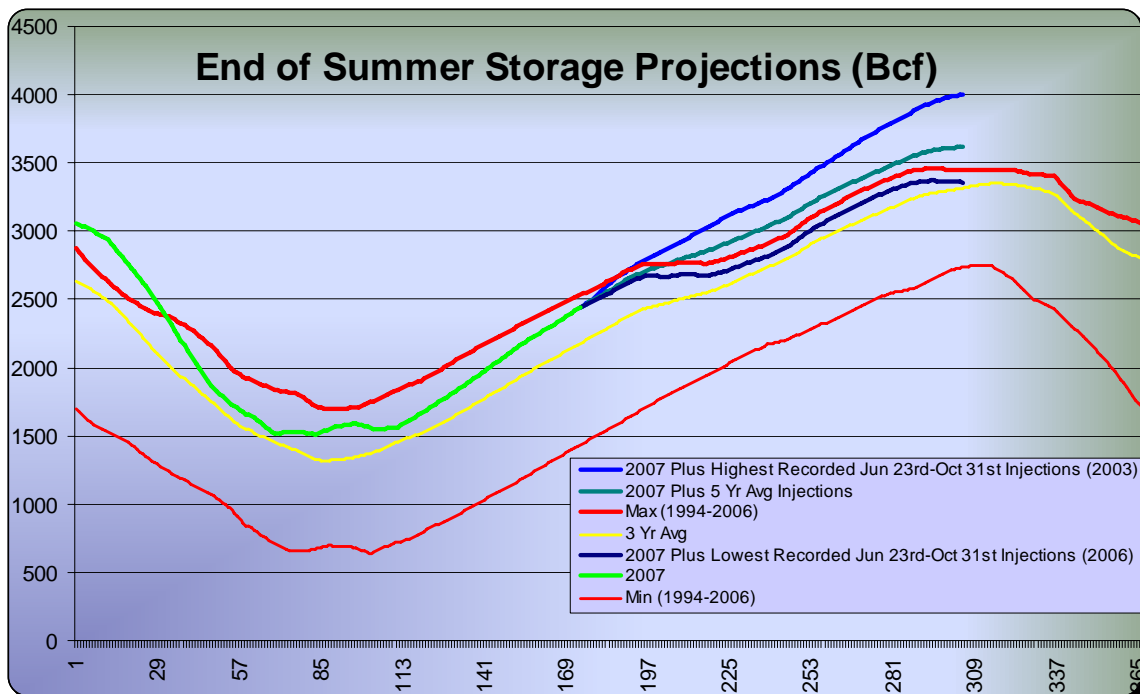
For the last few months I've repeatedly stated that we may have seen the low for the year in January due to the fact that Mother Nature was mild / bearish for most of 2006 and this

was unlikely to continue throughout 2007. For the first time since February when I included those comments, I am beginning to doubt that theory. This summer has been a disappointment thus far both in temperatures and tropical storm activity. While there is still plenty of time for these factors to reverse before the end of summer, if they do not the market could continue to drift sideways/down from now until the end of September.

One factor that will help support prices, at least somewhat, is that the natural gas market could continue to pick up demand from fuel switching as the price of oil continues to trade at lofty levels as compared to gas. Whether this will be enough to significantly slow injections and put a floor under prices remains to be seen.

More on storage, the industry now stands 90 bcf behind last year's record storage levels and it is possible that this deficit will shrink to about 60 bcf over the next three weeks. If that wasn't bearish enough, there is a decent chance that this year's storage level may surpass last year's by the end of July. Remember that the last three weeks of this July will be compared to a three week period from last year that saw a net -0- injection/withdrawal from storage. So if the year on year surplus dwindles to 60 bcf over the next three weeks the three weeks after that could easily see the surplus disappear completely.

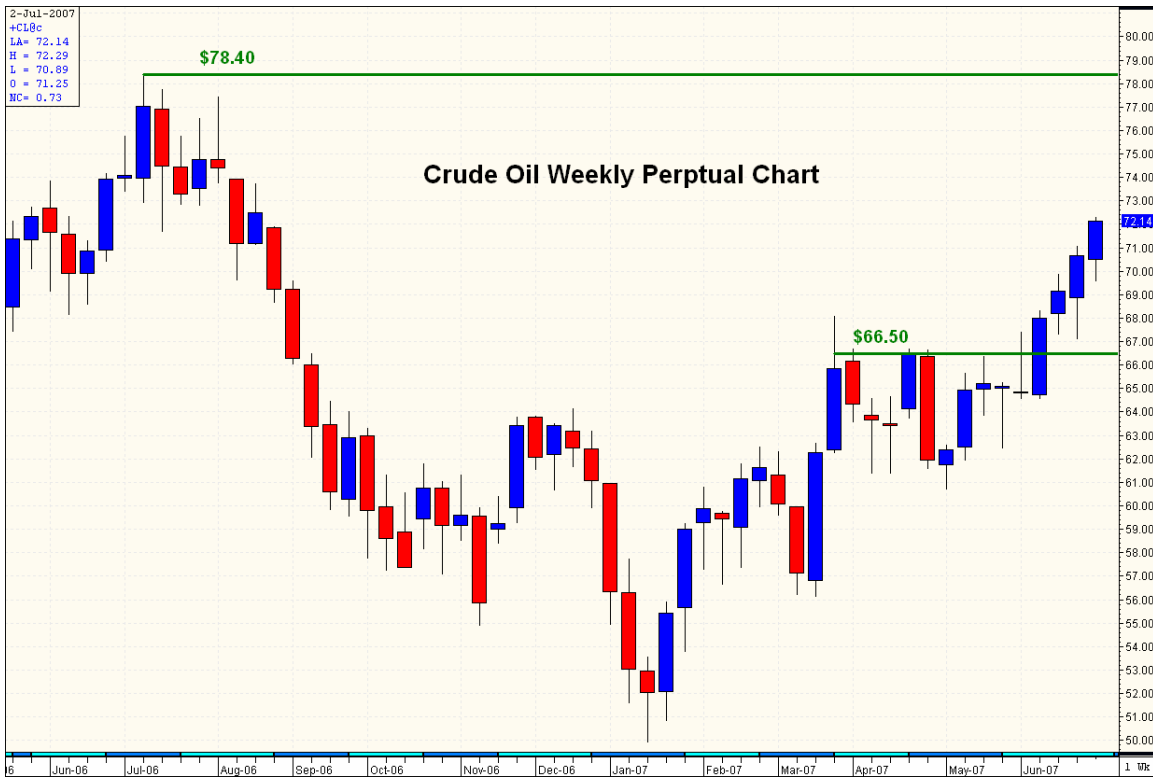
Below are projections of where the end of summer storage levels may end up given several scenarios. The top line on the graph cannot occur, as there simply isn't that much storage available. As of today, it appears that the worst case scenario is for us to finish 40 bcf above the three year average. One other note, the year of the lowest injections from now until summer's end came last year when storage levels were at record levels, not when production was limited by hurricanes as in 2004 and 2005. It appears that the end of season storage level is limited more by the availability of capacity to store the gas than by the supply of wellhead gas, as is often hyped / feared.



Baker Hughes Rig Count			
Report Dated 6/29/07			
	Current Year	Prior Year	Increase (Decrease) over Prior Year
U.S. Gas Rigs	1,489	1,359	+130
U.S. Oil Rigs	281	302	-21
Total Rigs - North America	2,006	2,139	-133

Crude Oil

After spending most of three months butting its head against a ceiling at \$66.50 the crude oil market finally broke through to the upside last month and has climbed steadily since. The all-time spot month high was set the week of July 10th of last year at \$78.40 and the market may be attempting to make a run at a new record. However, the current move, much like last year's, was one in search of fundamental justification. Last year, reality never caught up to the market's hype and price dropped \$28.00 in six months. If this year is also unable to supply true fundamental support the market may fall hard again. If this move runs out of gas soon, the \$70.00 mark, followed by \$66.50 should provide some support. The weekly perpetual crude oil chart for the last year appears below.



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