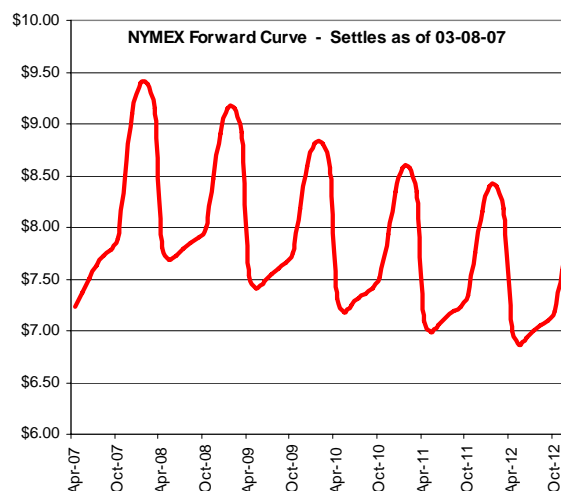


Natural Gas Market Report

March 9, 2007

NYMEX Settle Price As of Wednesday, March 8, 2007			
Apr	\$7.239	Oct	\$7.889
May	\$7.372	Nov	\$8.499
Jun	\$7.503	Dec	\$9.099
Jul	\$7.634	Jan-08	\$9.394
Aug	\$7.731	Feb	\$9.384
Sep	\$7.783	Mar	\$9.154
Strips	Six	Twelve	Apr 07- Oct 07
	\$7.544	\$8.306	\$7.593



Review and Outlook

The April contract took over the top spot on the board a little over a week ago and has managed to do nothing other than continue to trade in the range established by the March contract during its time as the prompt month. April began by testing support near \$7.00 but was unable to break through, in fact, despite dipping below intermediate support at \$7.20 on several occasions; it was unable to settle under \$7.20. Thursday's action was similar in nature with April trading down to the \$7.15 area only to settle back over \$7.20. So the \$7.20 area remains intermediate support until settled under, followed by the major target at the \$6.90-\$7.00 area. A couple of settles under \$6.90 would turn attention to lower targets at \$6.30 and \$6.00. If the market holds support at the \$6.90-\$7.00 area again, traders could attempt another push higher, although this is likely to become more difficult as winter winds down and milder temperatures settle over the Northeast. First resistance is at \$7.50, with the more important level of \$7.80 following that. The \$7.80 mark is similar to the \$7.20 area in that the front month, first March and now April, has ventured over it on several occasions only to retreat back below by the day's end each time. If \$7.80 breaks, resistance at \$8.00 follows with \$8.35 being a very important target technically. The market will likely find breaking \$8.00 difficult without some yet unforeseen fundamental shift occurring, a shift which is unlikely during the milder weather days of late March.

Below is the daily perpetual natural gas chart, showing its fall from its high in early December and detailing current support and resistance.

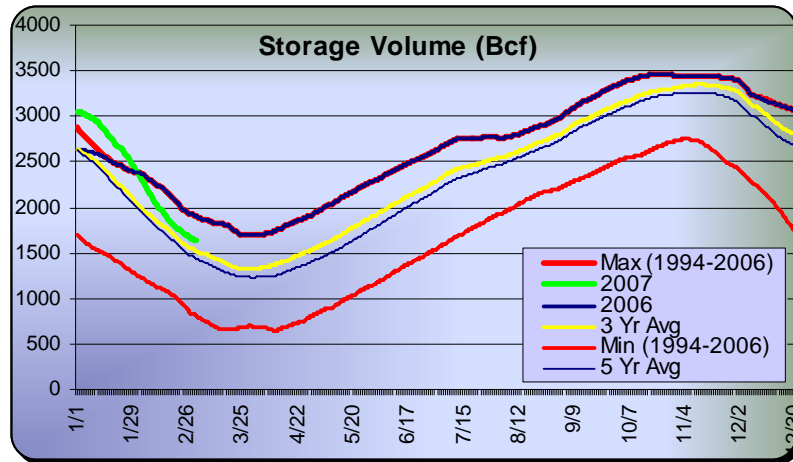


Pricing Factors

Storage

Withdrawal for week ending March 2, 2007

- 102 Bcf
- Current Storage 1,631 Bcf
- Last Year 1,899 Bcf
- 3-Year Average 1,523 Bcf
- Historical Low 809 Bcf (2003)
- Historical High 1,899 Bcf (2006)

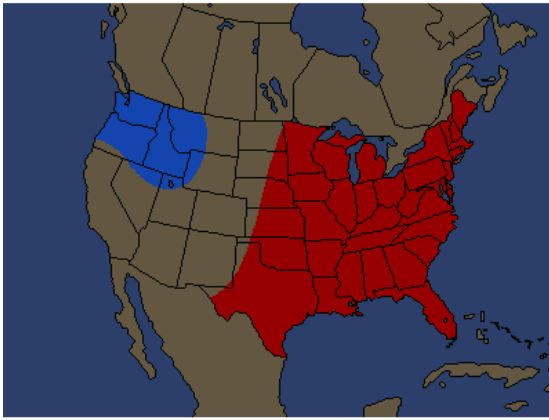


Weather

AccuWeather’s forecast for days one through five predicts above average temperatures for all of the country except for the extreme Northeast which will be cooler than normal. For days six through ten, areas east of the Mississippi are predicted to have normal temperatures except for the Northeast which again is predicted to have slightly below normal temps.

Below are the temperature anomaly maps for the thirty and ninety day periods according to AccuWeather.

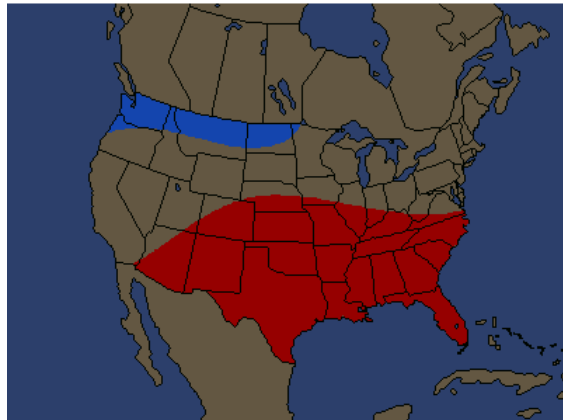
30 DAY TEMPERATURES COMPARED TO NORMAL



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30 DAY TEMPERATURES COMPARED TO NORMAL



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Supply/Demand Balance

For the last two month's this commentary has included the following and I'm repeating it again as I believe it still holds true: 'even with very high storage last spring, prices stayed high through the summer and most of hurricane season. Chances are that this year Mother Nature won't be as bearish as it was last year, as everything fell the way of the consumer in 2006. If Mother Nature turning bullish comes in the form of a cold last half of winter, a warmer than normal summer, or, heaven forbid, hurricanes in the Gulf, it is possible that we have seen the low of the year.' Since writing that two months ago Mother Nature supplied enough cold to pull storage down closer to seasonal norms. Although storage remains generously above the five year average and is overall a bearish factor, it is not nearly the bearish factor it was last year. So now that Mother Nature turned bullish for at least part of winter and still may as well for summer and/or hurricane season, the possibility that low for the year has been set has only increased in likelihood from when I typed those words two months ago.

In looking at the storage numbers I found it interesting that the low in storage for this time of year was in 2003 (see the data above next to the storage chart). On March 2, 2003 storage sat at 809 bcf while the price for the April 2003 contract settled at \$7.162 on that day. On March 2nd of this year, *with more than twice as much gas in storage this year than in 2003*, the April contract settled at \$7.243, an eight cent premium despite a sizable amount more gas in storage. Quite a lot has occurred over the past four years which has contributed to an additional 822 bcf of storage having little affect on price. Chief among these are the hurricanes of 2004 and 2005, the threat of a repeat of which continues to hang over this market and keeps the spreads to the winter pretty wide, although not as extreme as last summer. In addition to this, added demand during the summer for electric generation over the past several years has helped maintain prices at higher than historical norms. During the only two very hot weeks we had last summer the market saw two draws from storage. These were only summertime draws from storage ever and the market will not soon forget that as it awaits what Mother Nature has in store for us this year. Add to these two factors that the market has apparently decided that for it to be comfortable a higher storage level is needed and an 822 bcf surplus in storage as compared to 2003 levels results in comparable prices.

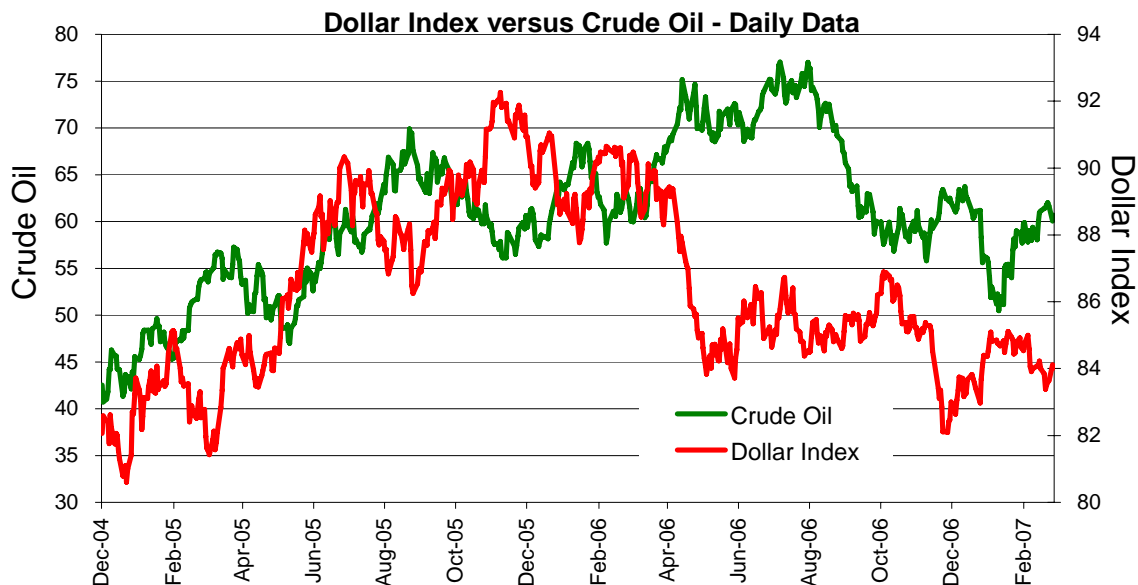
Baker Hughes Rig Count			
Report Dated 3/2/07			
	Current Year	Prior Year	Increase (Decrease) over Prior Year
U.S. Gas Rigs	1,458	1,304	154
U.S. Oil Rigs	290	226	64
Total Rigs - North America	2,353	2,219	134

Crude Oil

Crude oil continues to rebound nicely as it maintains levels above \$60.00, recently rejecting prices below that mark. The test lower of a couple days ago reached as low as \$59.55 but was unable to settle below \$60.00. Since that test lower prices have retested the highs for the current move near \$62.50. First resistance is at the \$62.50 level followed by the \$63.50-\$64.00 area. A settle above \$64.00 opens the door to a test of the \$69.00-\$70.00 level. As alluded to earlier, the \$60.00 level is shaping up to be good support. If \$60.00 breaks prices could dip to the \$57.50 area without much trouble but they should meet good support there. A break below \$57.50 opens the door to \$54.00 and \$50.00. I would be surprised if the \$57.50 mark is challenged in the short term.

Dollar Index versus Crude Oil

The dollar index and crude oil graph is printed below. Over the past month the rally in crude oil has been accompanied by a drop in the dollar, in keeping with the typical negative correlation between the two products.



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