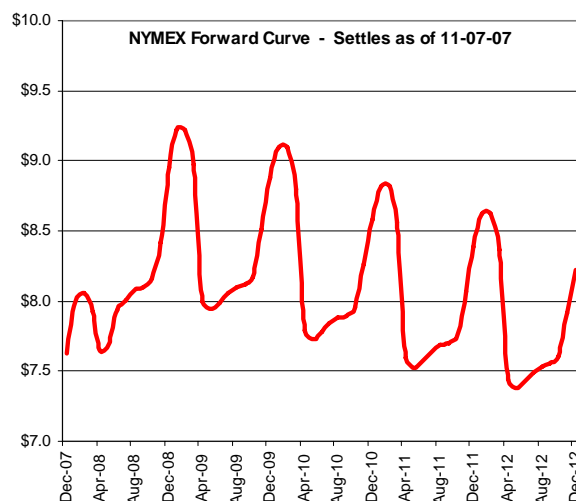


Natural Gas Market Report

November 8, 2007

NYMEX Settle Price As of Tuesday, November 7, 2007			
Dec	7.713	Jun	7.860
Jan-08	8.111	Jul	7.948
Feb	8.171	Aug	8.025
Mar	8.031	Sep	8.050
Apr	7.736	Oct	8.120
May	7.783	Nov	8.515
Strips	Six	Twelve	Dec 07- Mar 08
	7.924	8.005	8.006

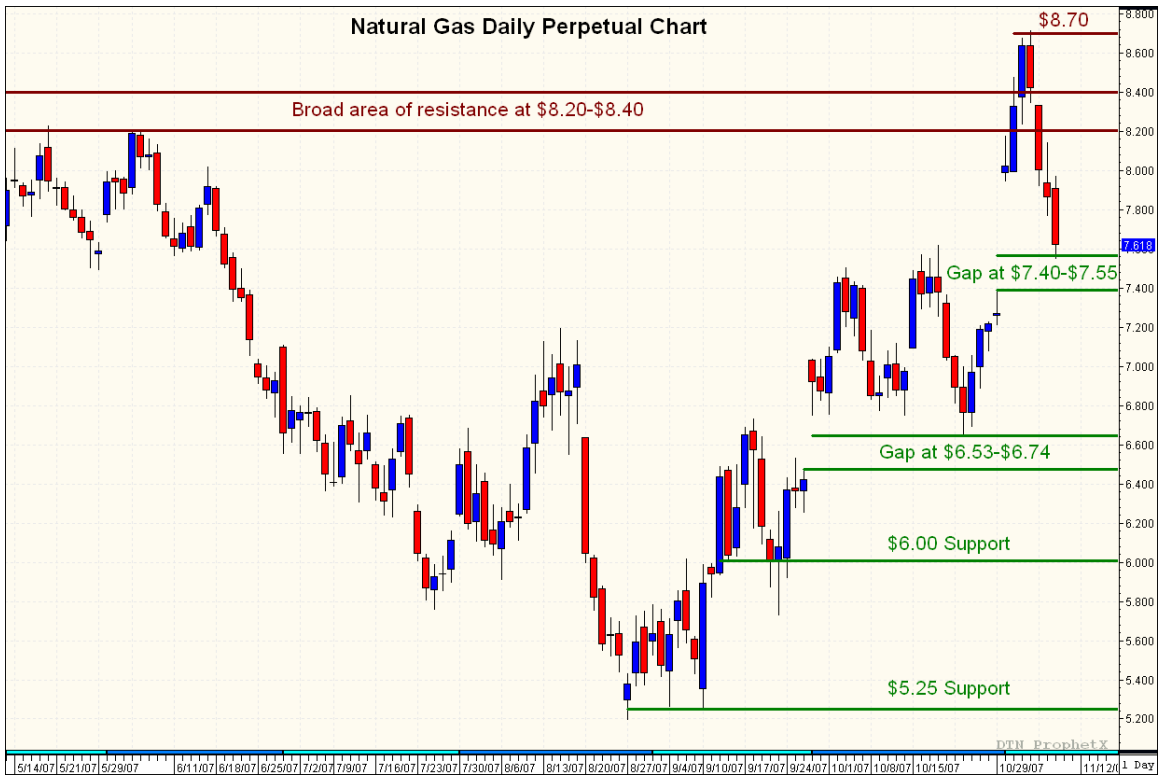


Review and Outlook

After an inexplicable rally the first few days of it being in the top spot on the board, the December contract has given up over a dollar in the past four sessions. As always at this time of year the big wild card is the weather and when the first sustained cold will arrive. A sustained cold blast in the first half of December could put enough of a dent in the storage surplus to allow this market to get excited about the potential for the last half of winter, pulling prices up along with it. Contributing to natural gas' ability to run to the upside is the fact that its main competition is trading dollars above current levels. However, if the cold doesn't arrive until next year the size of the storage surplus will be a weight on this market that will be hard to shake even if the weather eventually turns cold.

The December contract should meet support at \$7.55-\$7.60, followed by the \$7.15-\$7.30 range. The range from \$7.15-\$7.30 will likely provide pretty good support; if this area breaks, the \$6.80-\$7.00 area will provide further support. With winter on the way, I'd be surprised if the area under \$7.00 is seriously challenged before December expires. If the weather, or the forecasts, turns cold before the end of November, the December contract could quickly rally with the \$8.00 area providing first resistance, followed by \$8.40 and \$8.70.

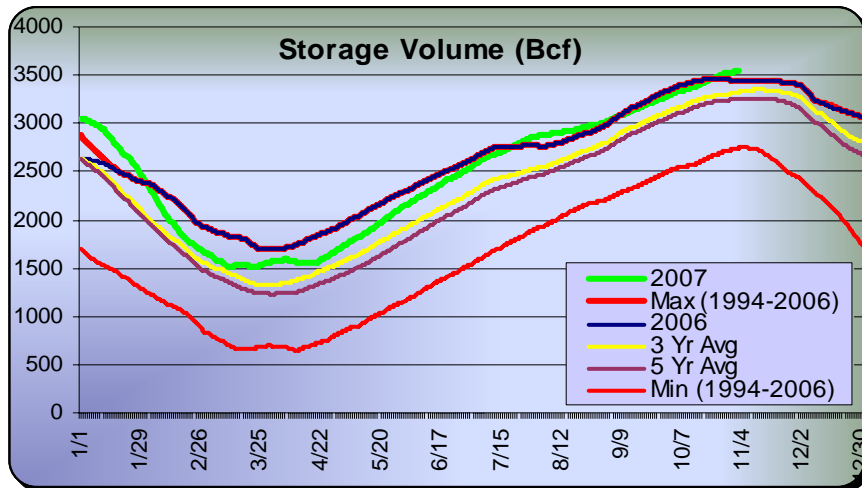
Below is the daily natural gas perpetual chart showing additional areas of support and resistance. The lower targets on this chart probably won't come into play unless we have a very warm first half of winter.



Pricing Factors

Storage (through November 2nd)

Weekly Change
+36 Bcf
Current Storage
3,545 Bcf
Last Year
3,446 Bcf
3-Year Average
3,323 Bcf
Historical Low
2,743 Bcf (2000)
Historical High
(Prior to 2007)
3,446 Bcf (2006)

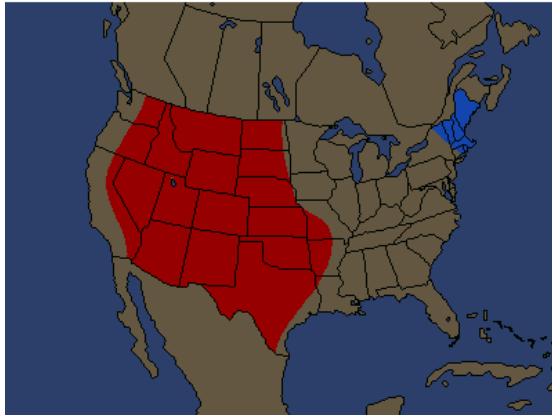


Weather

AccuWeather's forecast for days one through five predicts below average temperatures everywhere east of the Mississippi with everything west of the Mississippi expected to be above average. Days six through ten show no areas of below normal temperatures, with normal temps predicted from the Midwest to the east coast and above normal temps for the Midwest to California. The outlook for days eleven through fifteen show above normal temps along the east coast, southern Texas and the extreme Southwest while the rest of the country is predicted to have normal temps.

The thirty and ninety day outlooks according to AccuWeather appear below; both are bearish, but most especially the ninety day prediction.

30 DAY TEMPERATURES COMPARED TO NORMAL



90 DAY TEMPERATURES COMPARED TO NORMAL



The above maps are consistent with most forecasts calling for a warmer than normal winter, although some do predict that it will be colder than last year.

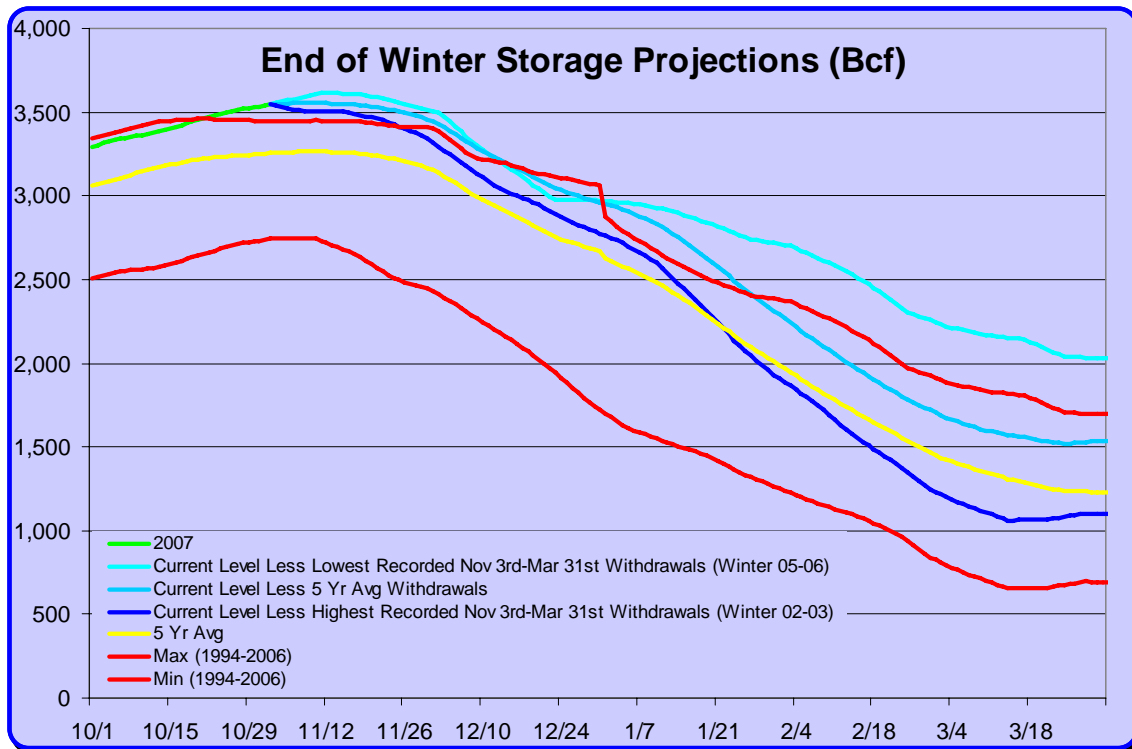
Hurricane season ends on November 30th and it is unlikely that a late season storm will affect the Gulf or any other part of the U.S. mainland. If another storm does develop the only likely consequence is that the prognosticators will be one storm less wrong from their before season predictions. They did come pretty close to the mid-season revisions. Of course, if you give me two swings at every shot on the links my handicap would be pretty low too. An end of season scorecard will be included in next month's report.

Supply/Demand Balance

One factor that will help support prices is the lofty level that oil is trading at compared to natural gas. If we do experience some extended cold, natural gas will have several dollars to run before it will begin to lose load to any oil derivative.

There has also been some talk that if there is not some drought relief in Georgia the resulting water restrictions may dictate that certain generating plants may not be able to run, increasing the reliance on natural gas for generating purposes. While I'm a little skeptical that it will come to this, apparently it is a possibility and bears watching. If it does come to pass, it could result in a significant impact on the natural gas market.

More on storage: the industry now stands at an all time record high with 3,545 bcf of gas in storage. That is 99 bcf above last year's level. Very early predictions for next week's report anticipate a small withdrawal. On the next page is a graph showing possibilities for storage during the upcoming winter season. If the industry withdraws the most it ever has in a winter then it will finish the season about 133 bcf below the five year average. In other words, unless the predictions of an above average winter prove incorrect, it is likely that we will finish the winter with storage levels well above the five year average.

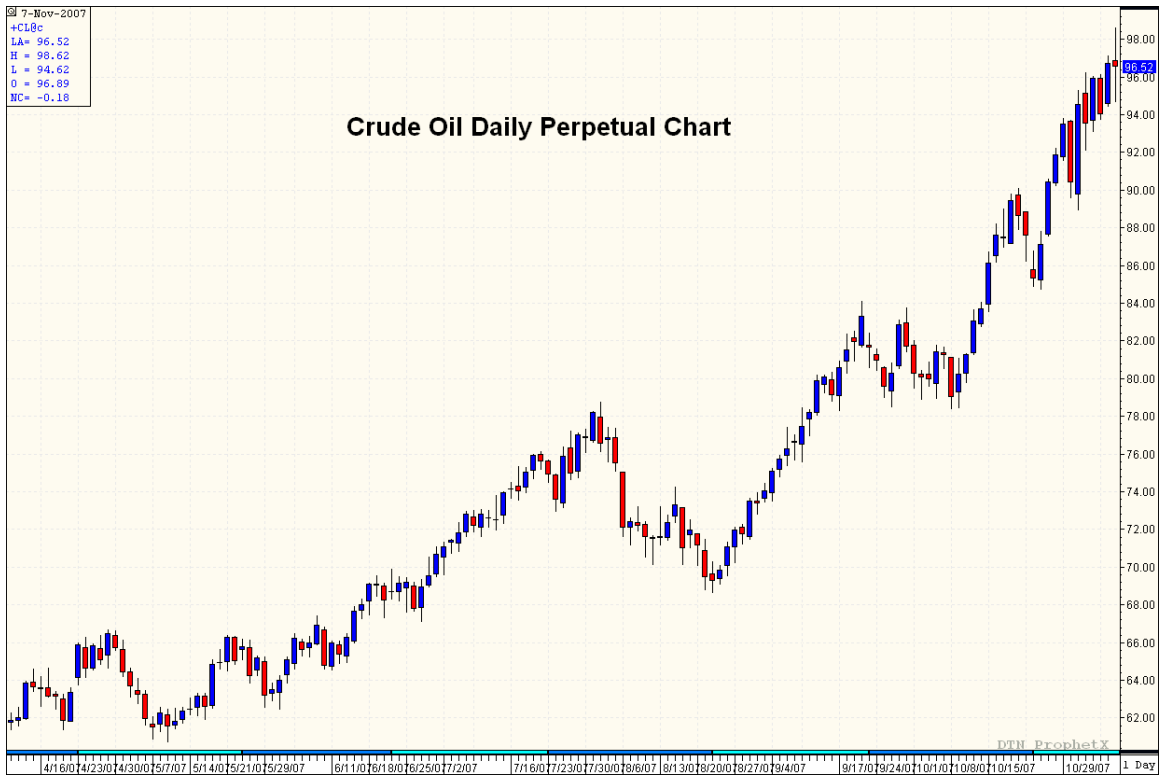


Baker Hughes Rig Count			
Report Dated 11/02/07			
	Current Year	Prior Year	Increase (Decrease) over Prior Year
U.S. Gas Rigs	1,455	1,443	+12
U.S. Oil Rigs	335	291	+44
Total Rigs - North America	2,163	2,115	+48

Crude Oil

Crude oil came close to the \$100 mark Tuesday night, reaching as high at \$98.62 before backing off and dropping to \$94.72 only to recover back to the \$96.00 area by the closing bell. It appears that the large speculators have their sights set on reaching \$100. This is despite numerous reports of crude oil producers having difficulty finding a home for their product. This market is broken. There is no reason for prices to be at these levels except for speculative length pushing it here. While nine times out of ten I'd argue against government intervention into *anything*, this is a one out of ten case in my book. I'm skeptical that we will see the government affect any meaningful change but it is very clear that the industry is not going to do anything to restrain itself. It certainly has no incentive to at this point.

I'm not going to attempt to introduce any support and resistance areas for this market at this time but I did include a daily chart below and point out that crude oil is up 97% since the beginning of the year based on almost identical fundamentals.



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