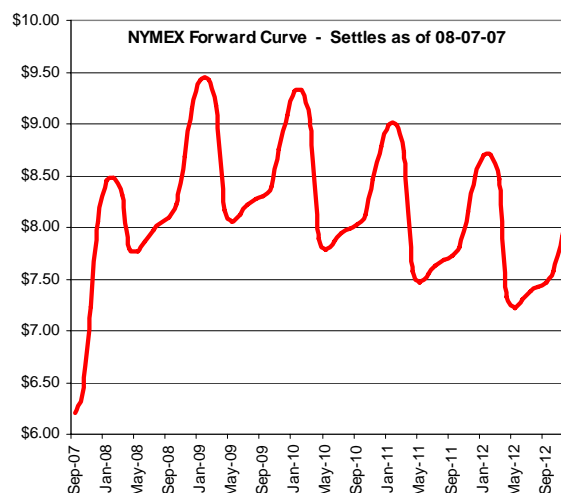


# Natural Gas Market Report

## August 8, 2007

NYMEX Settle Price As of Tuesday, August 7, 2007			
Sep	6.201	Mar	8.350
Oct	6.395	Apr	7.770
Nov	7.285	May	7.745
Dec	8.110	Jun	7.839
Jan-08	8.500	Jul	7.944
Feb	8.518	Aug	8.016
Strips	Six	Twelve	Nov 07- Mar 08
	\$7.502	\$7.723	\$8.153



### Review and Outlook

Natural gas continues to struggle to maintain prices above \$6.00 as the summer, until the past few days, has failed to live up to expectations. The arrival of above normal temperatures has helped stem the tide of falling prices but unless this turns into a record long heat wave it likely won't be enough to stave off further weakness down the road; at least not without some help from a tropical storm threatening Gulf supplies. With the peak of hurricane season still a month away, this is still a very real possibility, although the season has thus far disappointed forecasters.

Except for brief forays, the prompt month has been unable to stay below \$6.00 for an extended period. Whether the prompt month in question was January '07 (one settle below \$6.00), August (settled below \$6.00 three times) or now September (zero settles below \$6.00 as the prompt month) prices continue to find enough willing buyers below \$6.00 to keep prices supported. This scenario sets up the \$5.90-\$6.00 area as first support followed closely by \$5.75. If the \$5.75 level falls it will probably be in conjunction with the market giving up on hurricane season in which case it could fall significantly farther. On the other hand, if prices can maintain above \$6.00 and the market is aided by the weather it could rally to first resistance at \$6.55 with little trouble. The market would meet more significant resistance at the \$6.85-\$6.90 area. A settle above this would be an indication of a shift in the market to a more bullish outlook.

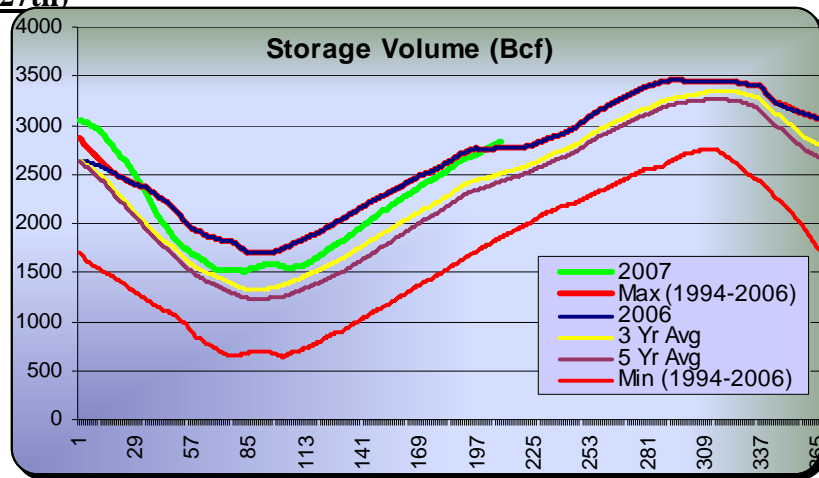
Below is the weekly natural gas chart showing short term support and resistance. As discussed above, there have been a number of daily settles below \$6.00; however, the chart below emphasizes the point about prices being unable to stay below \$6.00 for an extended period as no week has ended below \$6.00 since the market's collapse last fall (not shown on chart).



## Pricing Factors

### Storage (through July 27th)

Weekly Change  
 +77 Bcf  
 Current Storage  
 2,840 Bcf  
 Last Year  
 2,772 Bcf  
 3-Year Average  
 2,509 Bcf  
 Historical Low  
 1,855 Bcf (1996)  
 Historical High  
 2,772 Bcf (2006)

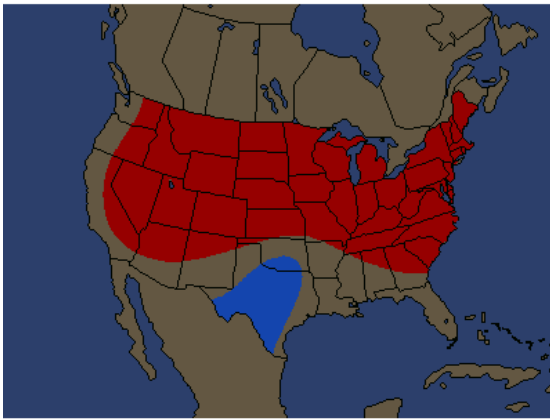


## Weather

AccuWeather's forecast for days one through five predicts above average temperatures everywhere from the Rockies to the east coast. The above average temps extend to all but the very west coast and the New England states in days six through ten with the eleven to fifteen day outlook the same except the heat is expected to reach all but Maine.

The thirty and ninety day outlooks according to AccuWeather appear below. The thirty day outlook paints a bullish picture. The ninety day outlook is bullish as well although less so as it includes October and a warm October would be bearish.

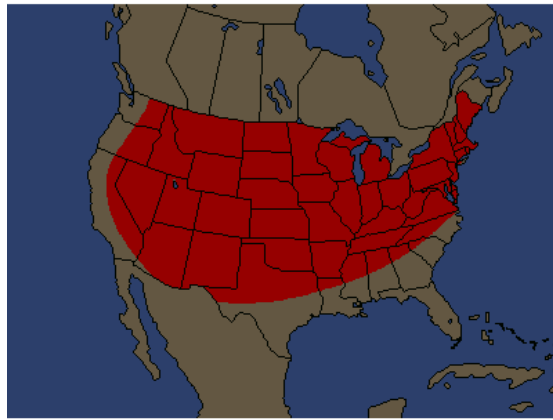
30 DAY TEMPERATURES COMPARED TO NORMAL



©2007 AccuWeather, Inc.

AccuWeather.com

30 DAY TEMPERATURES COMPARED TO NORMAL



©2007 AccuWeather, Inc.

AccuWeather.com

Hurricane season got off to a fast start but came to a grinding halt soon thereafter, causing the forecasters to lower their predicted season totals. Of course, it only takes one well placed storm to disrupt this market, but the likelihood of a troublesome storm hitting the production area appears to be diminishing. That being said, it is important to recall that the peak of hurricane season isn't until early September so we aren't out of the woods yet.

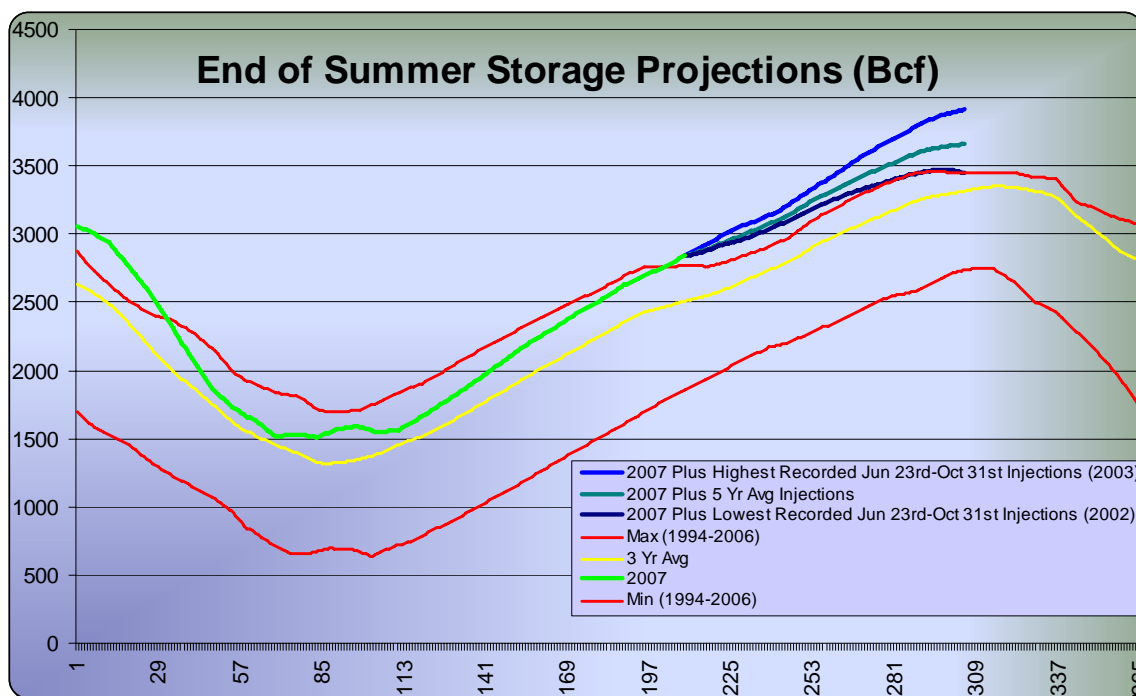
### **Supply/Demand Balance**

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 compared to gas. Whether this will be enough to significantly slow injections and put a floor under prices remains to be seen.

Another factor that may be helping prices stay above \$6.00 in the short term is the problem that Southern Natural is having in southern Louisiana. The disruption of supplies due to the pipeline issues has certainly sent gas buyers who are served by Southern scrambling to keep their pipes full. While alone this problem isn't enough to justify prices moving higher, coupled with warmer than normal temps it is helping to stall a further sell-off, at least in the short term.

More on storage: the industry now stands 68 bcf above last year's record storage levels and this surplus will be extended with the release of storage data tomorrow. Expectations are for an injection of approximately 65 bcf. An injection of this size will push the surplus to 140 bcf compared to last year and 410 bcf above the five year average. However, this week's storage report should be the last one for at least a couple of week's that add to the bearish picture as effects of the heat and the pipeline disruption we are now experiencing will begin to show up in next week's storage number.

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 a couple of bcf above the record end of summer storage level. That is probably worth repeating: the worst case scenario is that the industry only barely sets a new record high level of storage by October 31<sup>st</sup>.

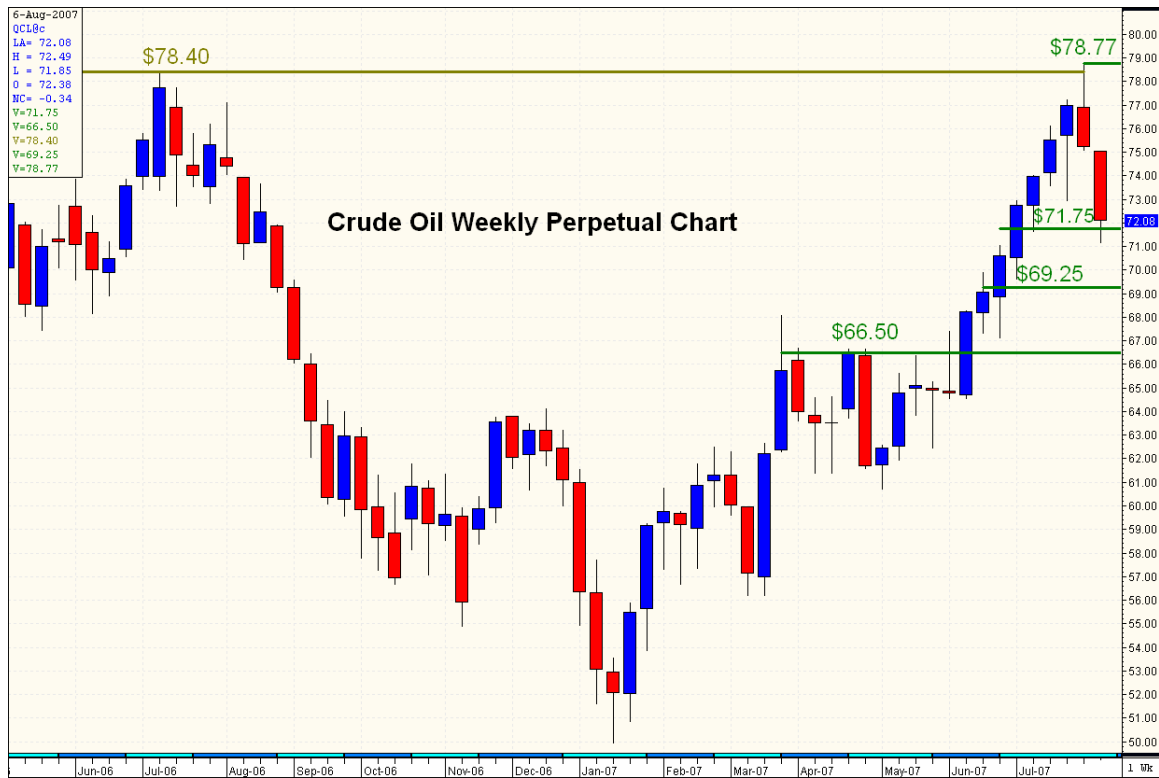


Baker Hughes Rig Count			
Report Dated 8/3/07			
	Current Year	Prior Year	Increase (Decrease) over Prior Year
U.S. Gas Rigs	1,470	1,396	+74
U.S. Oil Rigs	306	305	+1
Total Rigs - North America	2,175	2,191	-16

## Crude Oil

Over the past couple of months the crude oil market continued to push higher in spite of fundamentals that did not justify the move. Instead large speculators poured large sums of money into this market and appeared determined to push prices to record highs. On July 31<sup>st</sup> the market did set a record high settle and on the following day it set a new all time high at \$78.77, breaking the previous record of \$78.40. However, the market was unable to hold onto the early gains of that day and slid the remainder of the day, settling at \$76.53. Three days later it traded as low as \$71.60, a drop of 9% as speculators dumped positions after being disappointed at not being able to sustain the lofty prices and push prices to \$80.00. Prices have stabilized over the past couple of days finding some traction around the \$72.00 level. While the market could consolidate at this level and make a renewed push higher, it will likely need some backup from the fundamentals this go around in order to achieve the levels seen just a week ago. With the peak of hurricane season a month away and the ever volatile nature of things in the Middle East anything is possible, however, at this time it appears that further weakness is warranted. In order for the market to move lower it must first overcome a pretty strong band of support at \$71.75-\$72.25. If prices can get below that area support at \$69.25 becomes the next

target. The weekly perpetual crude oil chart for the last year appears below; showing last year's peak being surpassed by the record set just day's ago.



Please be advised that although the information contained in this report is compiled by SCANA Energy Marketing from sources believed to be reliable the views provided herein are based upon a number of estimates and assumptions that are subject to significant business, economic, regulatory and competitive uncertainties. The prices provided do not reflect the actual prices at which SCANA Energy Marketing will enter into a transaction. SCANA Energy Marketing makes no representation, warranty or guarantee as to, and shall not be responsible for, the accuracy or completeness of this information and has no obligation to update any information provided to you. SCANA Energy Marketing is not liable to any recipient or third party for the use of or reliance on the information contained herein. SCANA Energy Marketing is actively involved in energy trading and may take positions consistent or contrary to the information presented, at its discretion. SCANA Energy Marketing is not acting as an agent or advisor and encourages the use of independent consultants, as necessary, prior to entering into any transactions.