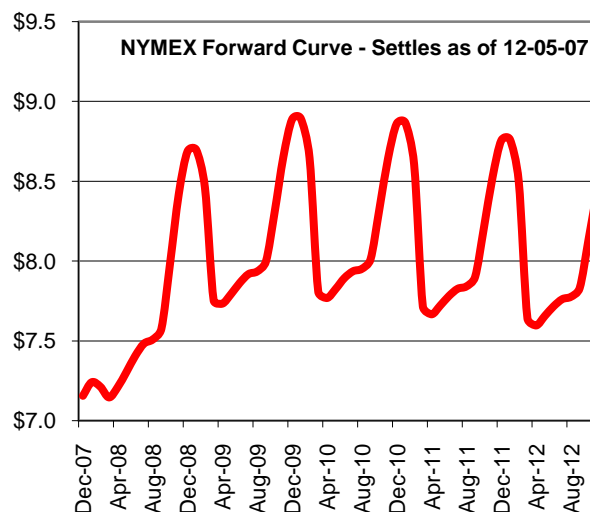


Natural Gas Market Report

December 6, 2007

NYMEX Settle Price As of Wednesday, December 5, 2007			
Jan-08	7.185	Jul	7.466
Feb	7.275	Aug	7.544
Mar	7.246	Sep	7.571
Apr	7.201	Oct	7.639
May	7.269	Nov	8.049
Jun	7.365	Dec	8.484
Strips	Six	Twelve	Dec 07- Mar 08
	\$7.257	\$7.524	\$7.235



Review and Outlook

Since taking over the top spot on the board the January contract continued the fade that the December contract began. The market continues to struggle with a bearish fundamental picture while it awaits winter. Right now the January contract appears that it wants to hold above \$7.00, rallying this morning about sixteen cents as I type. This week's storage report should provide a bit of support as the expectation is for a draw larger than last year's, cutting into the surplus. While that would be a good start, it would be far from enough all on its own to spur a major rally. This market needs an extended cold wave to spur a significant rally, until that happens it will likely continue to meander sideways with a real threat to break lower if the storage surplus to the last year and the three year average isn't diminished soon.

As alluded to above, first support for the January contract is the \$7.00 area. If this area falters the next big technical target is at the \$6.50-\$6.60 area, which coincides with the gap in the same area that is shown on the chart below. I don't expect this area to be reached without extended warmth, if that happens the market may plow right through it to challenge support near \$6.00. On the other hand, if support at continues to hold \$7.00 until an extended cold wave arrives the market could easily rally to the \$8.00 level. The next major technical target above \$8.00 is a broad area from \$8.70-\$9.00, so there is plenty of room for this market to run if Mother Nature gives it the opportunity.

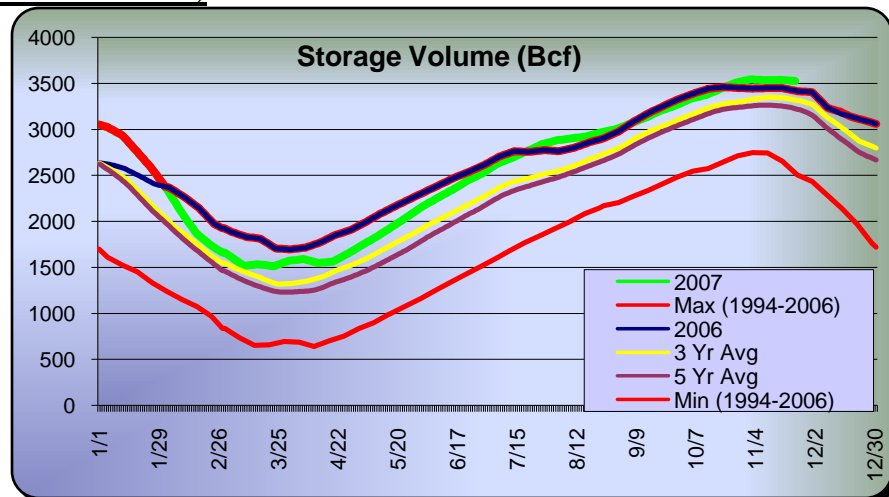
Below is the daily natural gas perpetual chart showing areas of support and resistance. The lower targets on this chart probably won't come into play unless we have a very warm first half of winter.



Pricing Factors

Storage (through November 23rd)

Weekly Change
-12 Bcf
Current Storage
3,528 Bcf
Last Year
3,422 Bcf
3-Year Average
3,321 Bcf
Historical Low
2,527 Bcf (2000)
Historical High
(Prior to 2007)
3,422 Bcf (2006)

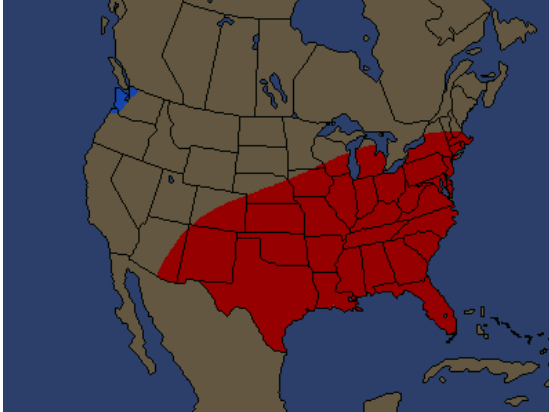


Weather

AccuWeather's forecast for days one through five predicts below average temperatures for the upper Midwest and the Northeast with above average temps prevailing in the Southwest, reaching across the south as far as western Georgia with average temps expected everywhere else. Days six through ten are expected to bring above average temps to the eastern half of the country except for the extreme Northeast where seasonal temps are predicted.

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

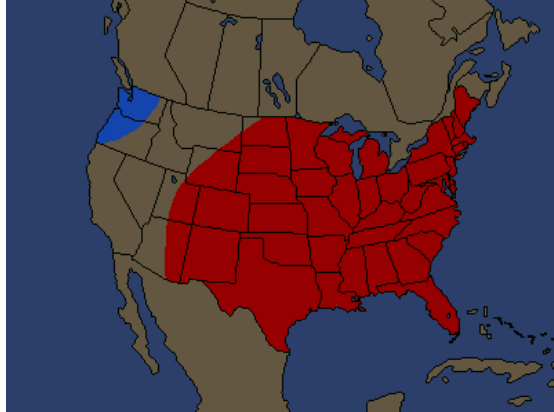
30 DAY TEMPERATURES COMPARED TO NORMAL



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AccuWeather.com

90 DAY TEMPERATURES COMPARED TO NORMAL



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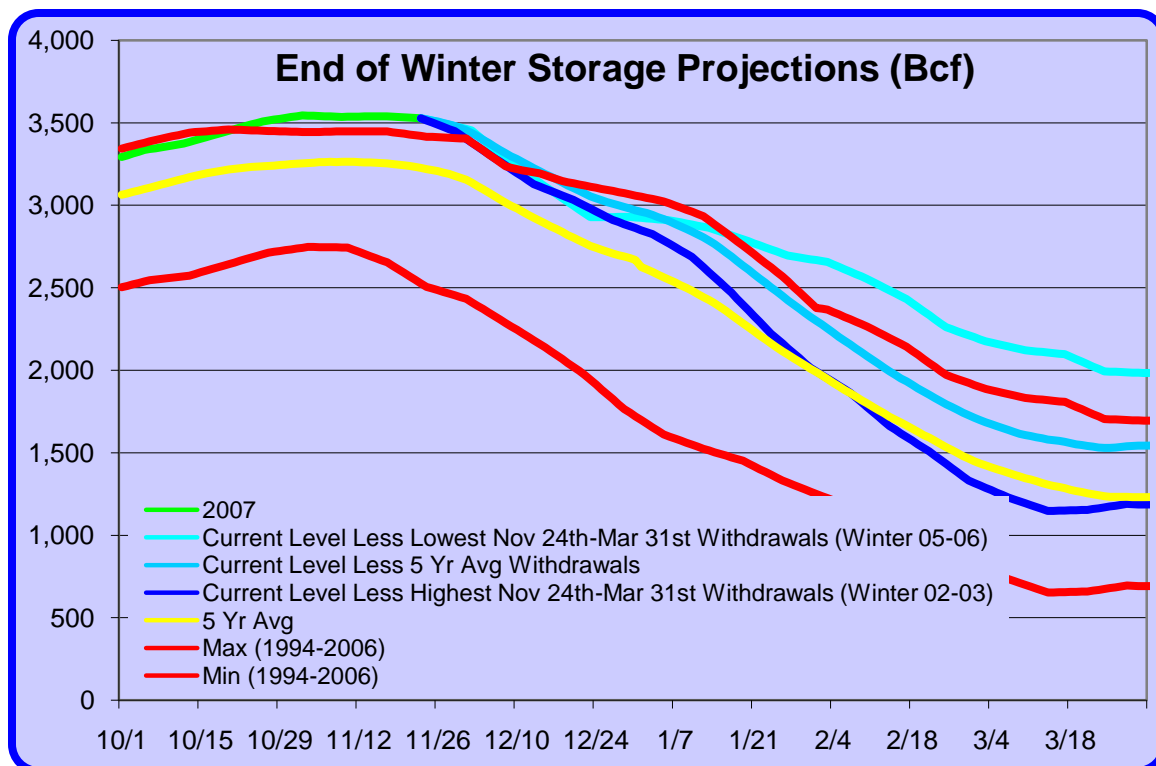
AccuWeather.com

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.

More on storage: the industry set a new all-time record high early in November by reporting a storage level of 3,545 bcf of gas in storage. The industry is now 3% above last year's record level. This week's report is expected to reveal a withdrawal that will dip into the surplus versus last year.

The chart below shows possible end of winter storage levels. Starting from current levels, I made three different assumptions: one assume withdrawals equal to the five year average, the second assumes withdrawals equal to the lowest amount withdrawn from storage since 1994 for the remainder of the winter and the third assumes the most withdrawn from storage for the remainder of winter. This chart paints a bearish picture, with winter projected to be warmer than normal (but cooler than last year) it is unlikely that we will approach the three year average by winter's end.



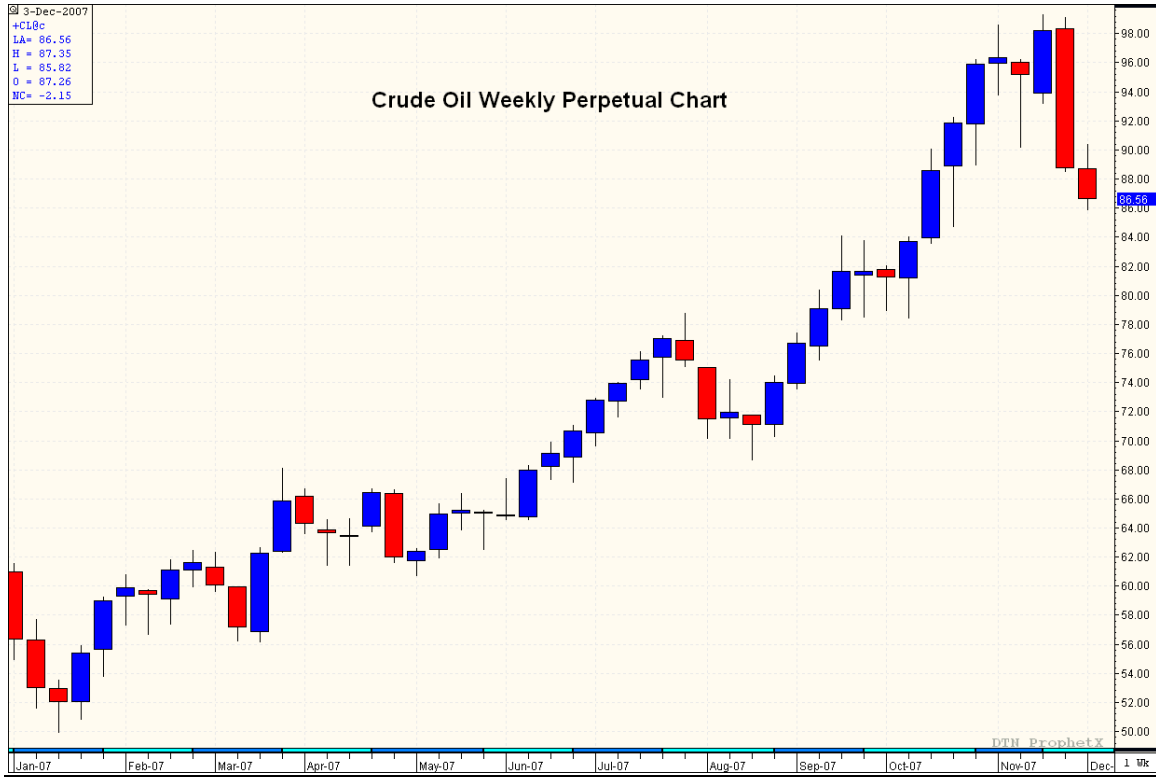
Baker Hughes Rig Count			
Report Dated 11/30/07			
	Current Year	Prior Year	Increase (Decrease) over Prior Year
U.S. Gas Rigs	1,463	1,423	+40
U.S. Oil Rigs	354	289	+65
Total Rigs - North America	2,204	2,159	+45

Crude Oil

While this market continues to trade at ludicrous levels given the fundamental picture, at least there is a glimmer of hope for more reasonable prices in the future. Prices have dropped over \$10.00 in the past seven trading days settling below \$90 for the first time in over a month. Before falling, the market failed by to reach the much hyped \$100 level, stopping a hair short at \$99.29. While the market may just be taking a breather before another run at \$100, its inability to break back above 90 over the past several days gives an indication that a longer term correction may be underway. The \$86.50 level is an important area to watch, a break below this would be a sign that the move up is likely over for now and a move to at least the low \$80's should be expected. A move over \$92.50 brings this scenario into doubt. A settle over \$95.00 points the market to another test of \$100.

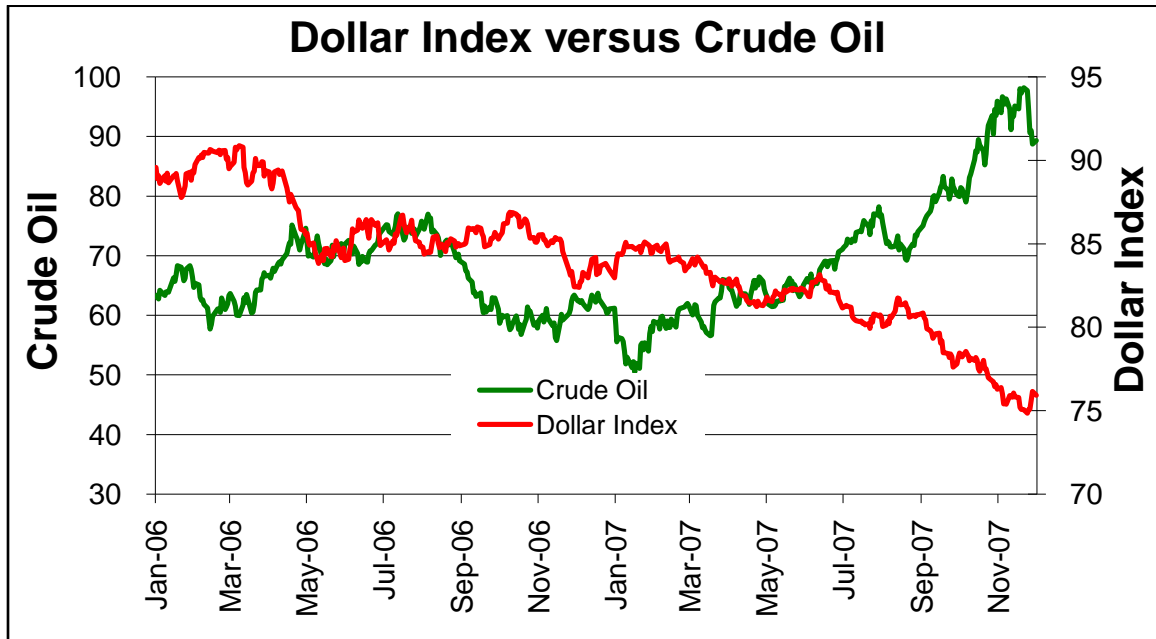
Another reason for hope that the bull run may be over, at least in the short term, is that on the same day this week that OPEC announced that it will not be raising production quotas a larger than expected withdrawal in crude stocks was also reported. The market initially

rallied on the news but was unable to hold on to early gains and ultimately closed lower on the day.



Dollar Index Compared to Crude Oil

Below, I revived a chart that I had dropped off the report last spring when it appeared crude oil prices had moderated and the crude oil market looked to be returning to some sort of sanity; silly, silly me. With most oil transactions denominated in the U.S. dollar and it having been weak of late, it provides a rationalization for oil prices to stay high. The inverse correlation between the two in recent times is shown on the chart below.



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