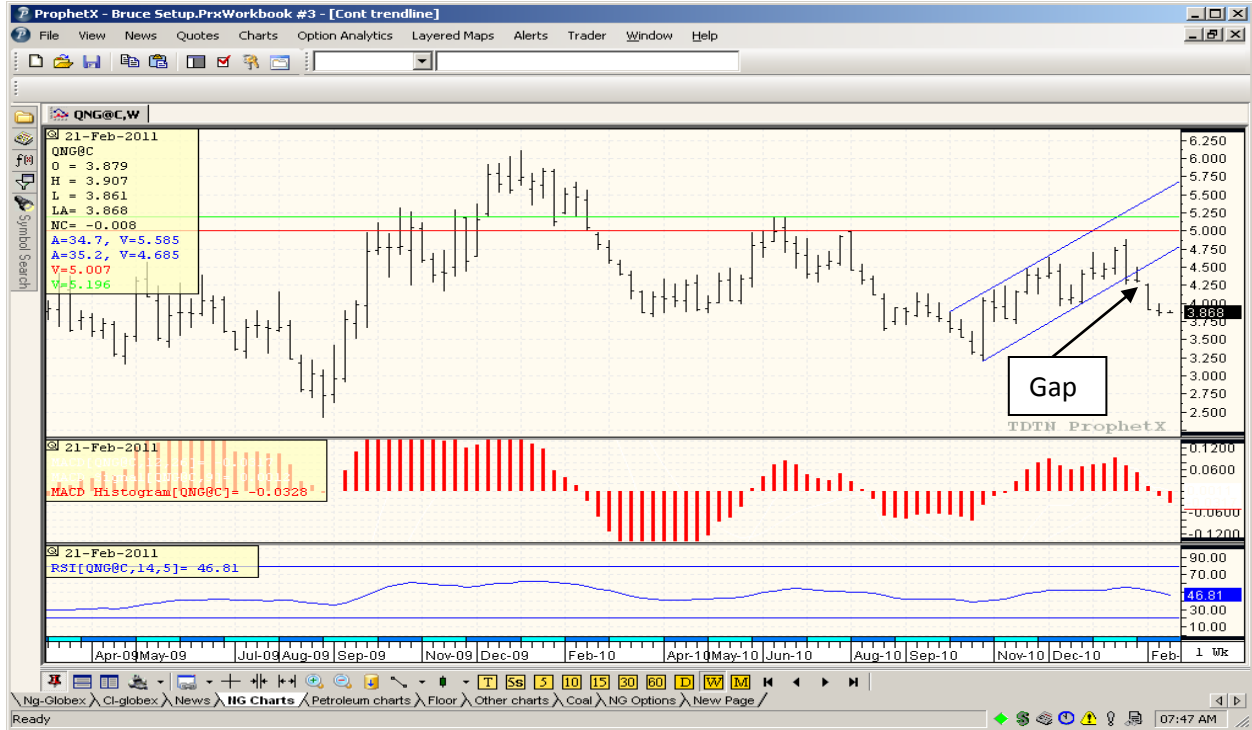


2/18/11

Natural Gas Market Summary

These views are provided by SCANA Energy Marketing for information purposes only – please see last page for details.

This week, the March contract opened trading about \$.02/dt below last week's closing price, then moved marginally lower testing the all-time March contract price low of \$3.854/dt before stabilizing. On Tuesday, March moved slightly higher but couldn't manage to break above psychological price resistance found at \$4/dt. On Thursday when the Weekly Storage Report was released, March briefly traded below the \$3.854/dt price support level but couldn't post a daily closing price below it and on Friday, March posted a weekly closing price of \$3.876/dt, down \$.034/dt from the previous week's closing price. Below is a weekly continuation chart showing this price movement. Notice that the weekly 'gap' created by last week's trading is still 'open'.

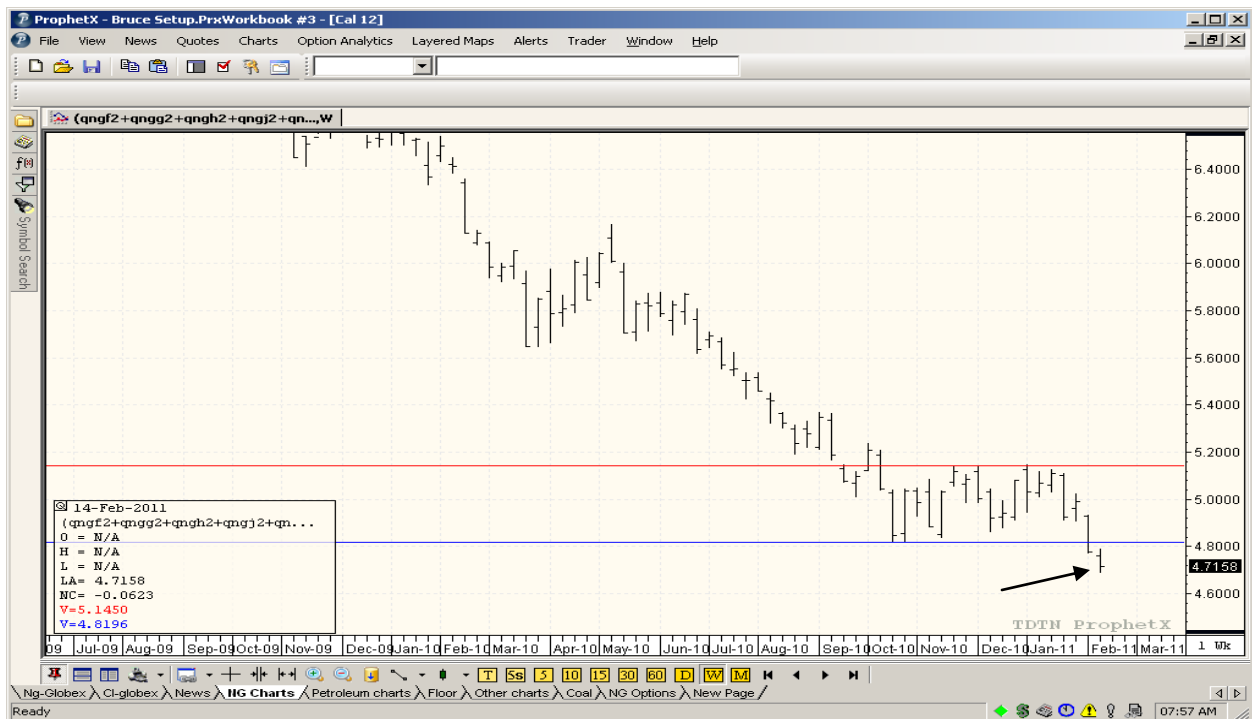


Strip prices:

1. Mar - Dec 11 - \$4.13/dt, down \$.08/dt from last week.
2. Apr - Oct 11 - \$4.06/dt, down \$.09/dt from last week.

Bearish price factors:

1. Storage – Working gas in storage was 1,911 Bcf as of Friday, February 11, 2011, according to EIA estimates. This represents a net decline of 233 Bcf from the previous week. Stocks were 141 Bcf less than last year at this time and 128 Bcf below the 5-year average of 2,039 Bcf.
2. 20-week moving average – this is the second consecutive week the prompt month has posted a weekly closing price below the 20-week simple moving average. Additionally, the prompt month continues to trade below all 'commonly-watched' moving averages. As long as this is true, traders could view the market as 'bearish'.
3. Calendar 2012 strip – for the second consecutive week, the Cal 12 strip printed a new all-time low price (see arrow on chart below).



4. Weather forecast – both the 6 – 10 and 8 – 14 day forecasts call for normal to above normal temperatures for the eastern half of the country.
5. Percent price decline from the 4th quarter 2010 price high to the 1st quarter 2011 price low - to date, we have seen a 18% decline where the average decline since 2001 is 35%.

Bullish price factors:

1. Short-term technical indicators are quickly becoming very 'oversold'- a condition that often accompanies a short-term price reversal higher.
2. Gap on the weekly continuation chart – detailed in the opening paragraph.

Technical indicators: Both short and longer-term technical indicators are bearish. The price path of least resistance appears to be lower.

Technical price support and resistance (March contract):

Resistance – +/- \$4.00/dt followed by +/- \$4.30/dt followed by +/- \$4.50/dt.

Support – +/- \$3.85/dt followed +/- \$3.71/dt followed by +/- \$3.65/dt.

Summary:

As mentioned in the opening paragraph, this week the March contract briefly traded below its previous contract low price of \$3.854/dt before stabilizing. This price is significant technical support in that it represents the all-time price low of the March contract (printed the week of 10/25/10) and significant in that several technical indicators show 'confluent price support' in this general price area. At this point, the market could react in two distinctly different ways. First, technically speaking, this 'test' of but failure to post a weekly close below the previous March contract price could be interpreted as a 'double-bottom' from which we would expect a longer-term price reversal higher. Second, we could view last week's trade below the previous March price low as a sequential 'test' of multiple layers of technical price support from which we would expect the price move lower to resume. Based on the below factors, my bias is the latter.

1. The historical average time-frame that elapses between cycle price high's and cycle price low's is approximately 11 – 12 weeks. Considering the most recent high was printed the week of 1/24/11, next week will be week 4.
2. The average price decline from the 4th quarter price high to the 1st quarter price low is about 35%. As mentioned above, the current decline has only reached 18%.
3. Short and longer-term technical momentum indicators seem to point to lower prices.

That being said, considering the technically 'oversold' nature of the market, I wouldn't be surprised to see a short-term price rally prior to resuming the price move toward the traditional 1st quarter price low. As to how low prices will ultimately go, only time will tell but there is a price area that I think has the potential to be reached. Take a look at the below Daily Continuation Chart. Notice the 'gap higher' (see red arrow) that was formed when November 2010 became the prompt month and notice to-date, this gap has not been filled.



If you look to the left of the chart to September 09, you will see a similar 'gap' (see green arrow). Notice that this gap remained open until the following March (horizontal orange arrow) when the prompt month price traded below the top of the gap. Technical orthodox states that gaps will eventually be filled – that being the case, we would expect this one to be filled at some point in time. Considering that prices traditionally post a first quarter price low, it's possible this gap could get filled in the late-March to mid-April time frame. For reference, the gap would be filled if the prompt month trades as low as \$3.39/dt. Since that general price area also corresponds to long-term technical trend-line price support that has been in place since August 2009, this price area would seem to be a logical terminus for this price move down. Please note however, there is no guarantee this gap will be closed this spring as I have seen gaps remain open for much longer terms.

Please be reminded the thoughts conveyed above are based on recent price movement and apparent Market sentiment. Random events that could occur may change the Market sentiment and as such, may result in price movement counter to what is mentioned above.

Hedging:

Depending on your risk tolerance and your need for price protection, below are some prices that may be considered as a possible purchase points.

Apr 11 - +/- \$3.75/dt

Apr 11 – Oct 11 - +/- \$4.00/dt

Of course, the commodity markets are impossible to predict with accuracy. I hope that you find these views helpful, but I cannot guarantee that my expectations will be accurate or that any particular strategy will be advantageous.

Please call your account manager if you have questions or want to purchase a fixed price hedge.

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