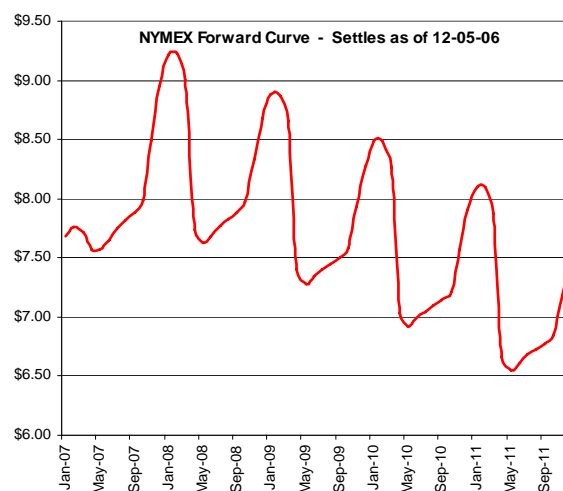


Natural Gas Market Report

December 6, 2006

NYMEX Settle Price As of Tuesday, December 5, 2006			
Jan-07	\$7.685	Jul	\$7.747
Feb	\$7.758	Aug	\$7.822
Mar	\$7.720	Sep	\$7.822
Apr	\$7.565	Oct	\$7.987
May	\$7.575	Nov	\$8.492
Jun	\$7.652	Dec	\$8.947
Strips	Six	Twelve	Apr 07- Oct 07
	\$7.659	\$7.903	\$7.747



Review and Outlook

The January contract tested resistance at \$9.00 last Thursday after the storage report revealed a larger than expected withdrawal. It was unable to maintain prices above that mark and the disappointed bulls bailed on their new positions on Friday, a sell-off that has continued into this week. January has retreated \$1.426, from Thursday's high to today's low of \$7.623. It has been an impressive and somewhat surprising sell-off that is now nearing critical support. If the January contract breaks below \$7.45-\$7.50, then lower numbers come into play and a more bearish outlook would take hold. The January contract has not traded below this level since early March 2005, a span of almost two years. Since below \$7.45 is virtually unknown territory for the January contract, to find support below that one has to look at the perpetual chart. The targets below that are at \$7.00 and \$6.60. A meltdown to those levels is not anticipated at this time but could occur if a warm December leaves storage levels brimming going into the calendar month of January. If support holds, either at present levels or just below at \$7.45, and a rally ensues resistance is likely to be met at \$8.00. Additional tests reside at \$8.40, \$8.60 and later, \$9.00.

Below is the daily January chart showing a recent trading range for the January contract from roughly \$7.45-\$9.00.



Pricing Factors

Storage

Withdrawal for week ending November 24, 2006

-32 Bcf

Current Gas in Storage

3,417 Bcf

Last Year Gas in Storage

3,232 Bcf

3-Year Average Gas in Storage

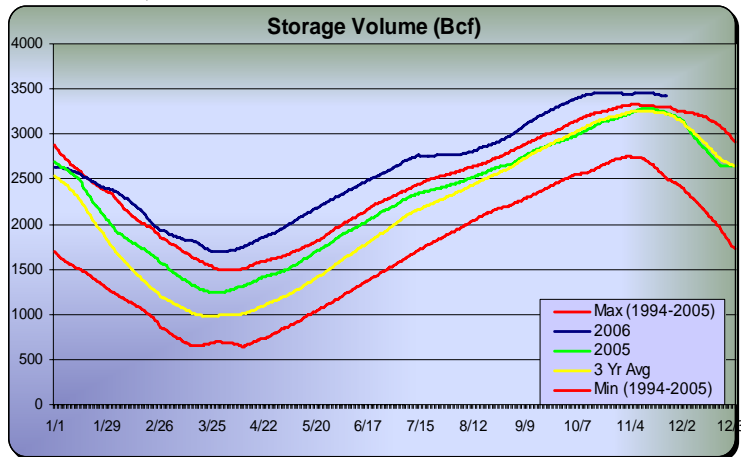
3,220 Bcf

Historical Low

2,506 Bcf (2000)

Historical High (prior to 2006)

3,300 Bcf (2004)

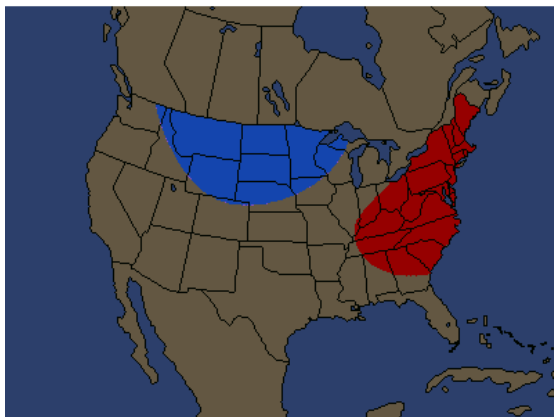


Weather

AccuWeather's short term forecast for days six through fifteen, predict the Southeast and mid-Atlantic states to have warmer than normal weather and the Northeast and the population centers of the upper Midwest to experience normal temps.

Below are the temperature anomaly maps for the thirty and ninety day periods according to AccuWeather. They indicate a bearish beginning to winter but predict a strong finish.

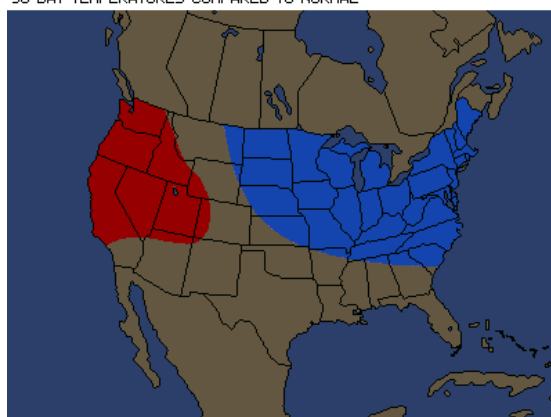
30 DAY TEMPERATURES COMPARED TO NORMAL



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90 DAY TEMPERATURES COMPARED TO NORMAL



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Supply/Demand Balance

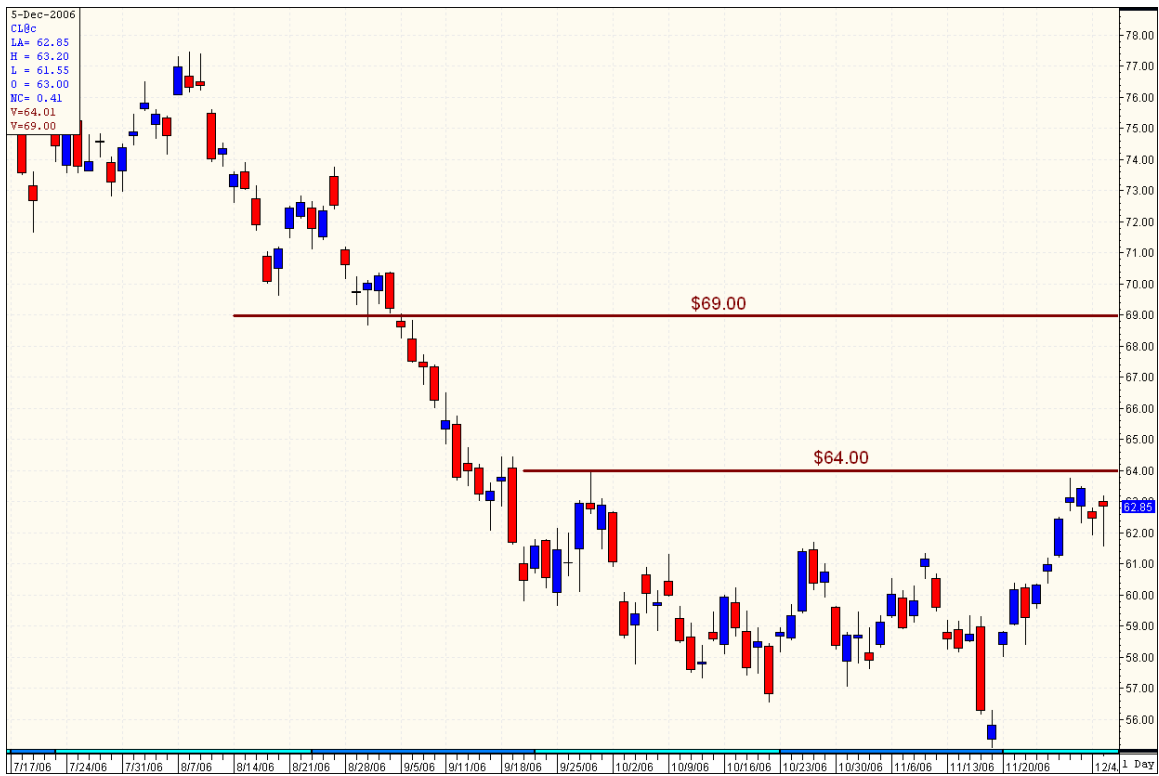
Most nuclear refueling has been completed as winter nears and this has reduced some of the generation related demand for natural gas. Overall, the storage withdrawals so far this fall have run higher than what the cooling degree days would suggest. There could be several explanations for this, one is the higher level of nuclear facilities that were offline during October and early November, another is that with storage levels at all-time highs, owners of storage needed to create some space in case a warm November left companies long baseload gas. Then there is always the simplest reason, increased demand for normal consumption whether that is for industrial demand or residential growth. Whatever, the reason, or combination of reasons, the important thing will be if the trend continues. The next few storage reports will be important for this reason as the bulls search for reasons to be optimistic despite short-term weather and current storage levels not being to their liking.

Baker Hughes Rig Count			
Report Dated 12/01/06			
	Current Year	Prior Year	Increase (Decrease) over Prior Year
U.S. Gas Rigs	1,423	1,192	231
U.S. Oil Rigs	289	264	25
Total Rigs - North America	2,159	2,113	46

Crude Oil

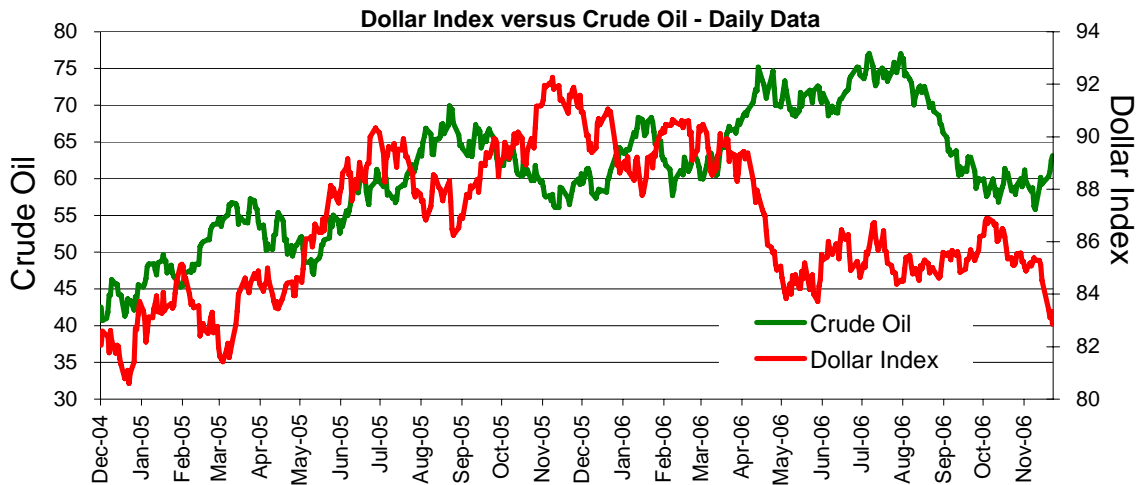
Whether or not OPEC has been successful at holding themselves to their projected cuts or not, the announcement of cuts has been successful at putting a floor under prices and spurring a recent rally. The January contract rallied as high as \$63.75 a few days ago after December traded as low as \$55.08 on November 17th, its expiration day. OPEC will meet again next week to review whether additional cuts are necessary. Hopefully the recent rally will be enough to persuade them to maintain the status quo. Resistance for the January contract is at the \$63.75-\$64.00 area. A definitive break of that level opens the door to an extension to the \$69.00 area. If \$64.00 can hold, and prices retreat back below \$60.00, a test of the \$58.00 level becomes likely. A move below \$58.00 would increase

the likelihood of a test of the \$55.00 area. The crude oil continuation chart is included below.



Dollar Index versus Crude Oil

The dollar index and crude oil graph is printed below. The last couple of weeks have resulted in both commodities taking abrupt turns: crude oil to the north, the dollar to the south. The dollar’s weakness provides OPEC a nice excuse to do what they can to maintain, or raise, prices. Since most oil transactions are denominated in the U.S. dollar and a dollar is worth less, it enables them to claim that they need higher prices per barrel to maintain their current purchasing power.



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