

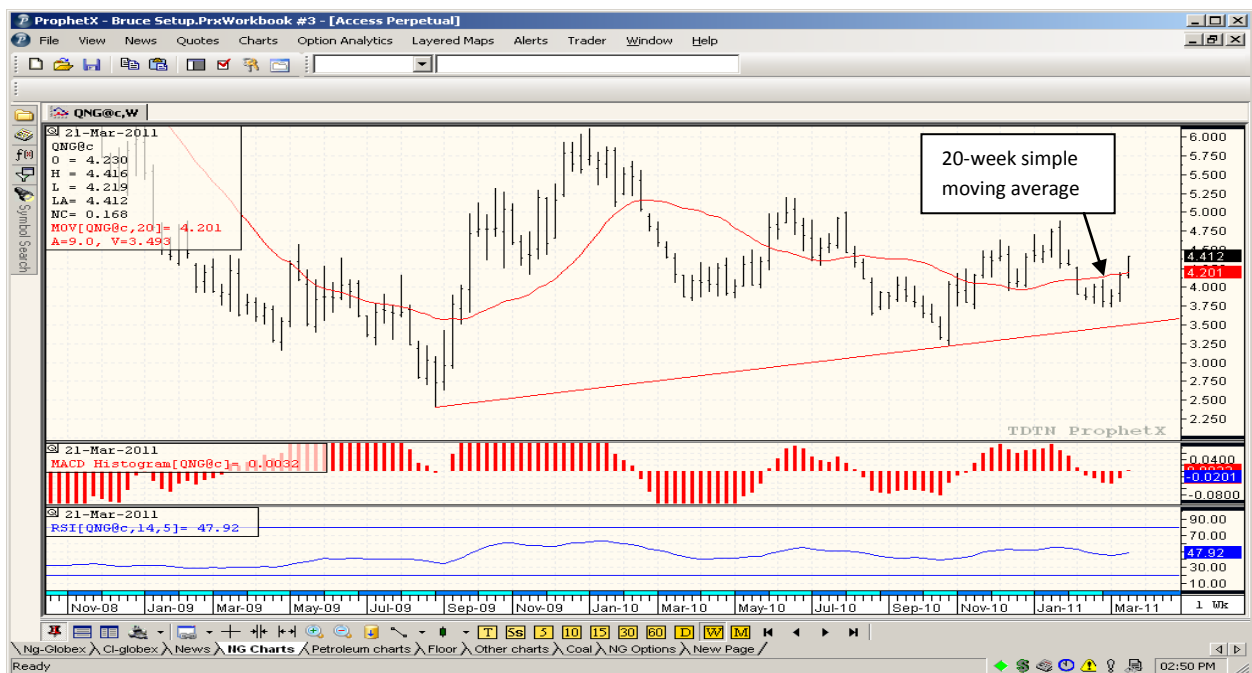
3/25/11

## Natural Gas Market Summary

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

On Monday, the April contract opened trading at the same price last week's closing price, then moved moderately higher trading above technical price resistance found at +/- \$4.18/dt (20-week simple moving average). On Tuesday, the price move higher continued with the high price being within \$.03/dt of 'gap' found on the weekly continuation chart found at \$4.287/dt. On Wednesday, this 'gap' was filled as April traded above the next level of technical price resistance found at \$4.30/dt. When the Weekly Storage Report was released on Thursday, prices moved moderately lower but never seriously threatened to trade as low as the 20-week moving average. On Friday, prices rallied into the close with April posting a weekly closing price of \$4.403/dt, up \$.235/dt from last week's closing price. This represents the highest weekly closing price since the week of 1/17/11.

Below is a weekly continuation chart showing this price movement. Notice this week closed above the 20-week simple moving average.



The April contract expires March 29<sup>th</sup> after which, May will become the prompt month.

Strip prices:

1. Apr - Dec 11 - \$4.69/dt, up \$.24/dt from last week.
2. Apr - Oct 11 - \$4.60/dt, up \$.25/dt from last week.

**Bearish price factors:**

1. Storage – Working gas in storage was 1,612 Bcf as of Friday, March 18, 2011, according to EIA estimates. This represents a net decline of 6 Bcf from the previous week. Stocks were 12 Bcf less than last year at this time and 34 Bcf above the 5-year average of 1,578 Bcf.
2. Open Interest – in the price move higher this week from \$4.169/dt to \$4.403/dt, open interest decreased. Open interest is defined as the number of futures contracts that remain un-liquidated. Technically speaking, rising prices with lower open interest could indicate technical short-covering.

**Bullish price factors:**

1. Moving average – after sixth consecutive week of posting a weekly closing price below the 20-week simple moving average, this week, it closed above it. Additionally, the prompt month is now trading above all the commonly-watched moving averages.
2. Timing – Historically, natural gas prices have rallied in the second quarter of each year.

**Technical price support and resistance:**

Resistance – \$4.44/dt followed by +/- \$4.50/dt followed by +/- \$4.70/dt. Note: a prompt month closing price above \$4.44/dt could change the overall technical picture from 'bearish/neutral' to 'bullish'.

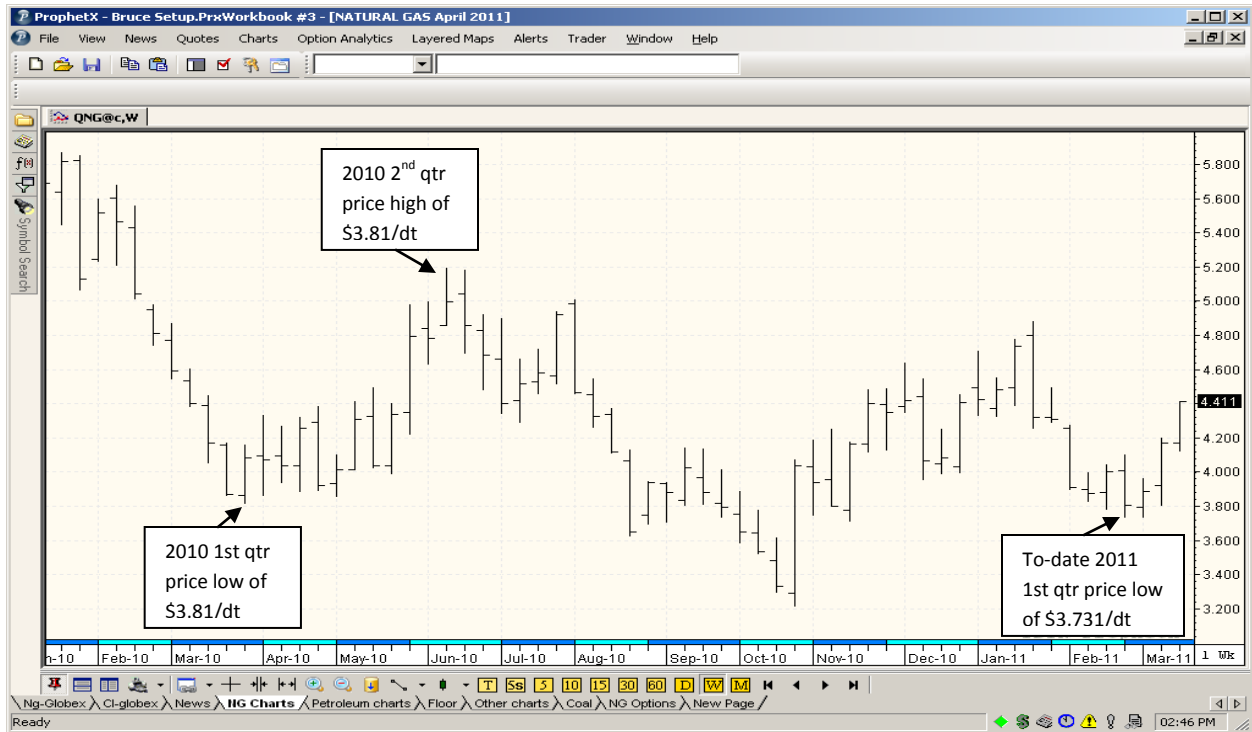
Support – +/- \$4.20/dt followed by +/- \$4.00/dt followed by +/- \$3.73/dt

Short-term technical indicators are positive while longer-term indicators are neutral to positive. The price path of least resistance seems to be sideways to higher.

**Summary:**

As thought likely, this week traders pushed the market higher first trading above the 20-week simple moving average and then higher to fill the price 'gap' created the week of Feb 7, 2011. Now that the prompt month has posted a weekly closing price above the 20-week simple moving average, it appears the 1<sup>st</sup> quarter price low is 'in the books' and the stage could be set for a price move higher. As mentioned in previous Summary's, the average price increase from the first quarter price low to the second quarter price high is approximately 48%. If \$3.731/dt ends up being the first quarter price low (which now appears to be highly likely), an average increase could take the prompt month to +/- \$5.50/dt. As with previous years however, I don't expect prices to rally unabated to the second quarter price high. Instead, I would expect to see periodic and somewhat volatile price moves lower. If you need price protection for the second quarter, I would consider times of price weakness to acquire that protection.

As a final thought, I wanted to mention the similarity between prices in the first quarters of 2010 and 2011. To get a better idea, take a look at the weekly continuation chart below.



The 2010 first quarter price low was \$3.81/dt and the 2011 price low to-date is \$3.731/dt for a difference of only \$.079/dt. The 2010 second quarter price high of \$5.196/dt was printed 11 weeks after the first quarter price low with the increase being 36%. You may recall from previous Summary's that in the natural gas futures market, significant pricing events seem to occur on average every 11 – 15 weeks. If that same timing holds true for 2011, we could see the second quarter price high printed in the late-May to mid-June time frame.

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.

May 11 - +/- \$4.20/dt

Apr 11 – Oct 11 - +/- \$4.10 to +/- \$4.25/dt

April 11 – March 12 - \$4.20/dt to \$4.35/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.*

Cindy Anthony 828-293-0275  
Jill Johnson 888-307-1070  
Faye Brodeur 803-217-1313  
Rich Klaus 803-217-1382  
Terri Carbre 919-241-4013  
Renee Locklear 803-217-1340  
Bruce Culbertson 803-206-1980  
Chip Sanders 404-760-6304  
Lynn Jimison 704-834-6681  
Debbie Taylor 803-217-1368

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. This presentation represents the views of certain traders at SCANA Energy Marketing based upon market information available at the time of the presentation, and those views may change at any time. The prices discussed do not reflect the actual prices at which SCANA Energy Marketing might be willing to enter into a transaction, and SCANA Energy Marketing makes no representation that it is willing to enter into any particular transaction with any particular counterparty. SCANA Energy Marketing makes no representation, warranty or guarantee as to, and shall not be responsible for, the accuracy or completeness of this information, which is provided "as-is", 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 your consultant or advisor for any purpose, and you will not construe or rely upon any information provided or statements made by SCANA Energy Marketing, including without limitation as to the advantages or disadvantages of any specific product or service, predictions about future energy prices, or any other statements, information or data, as advice or representations of any sort. Any transactions entered into between us will be arms-length. SCANA Energy Marketing encourages your use of independent consultants, as you deem necessary, prior to entering into any transactions.



