

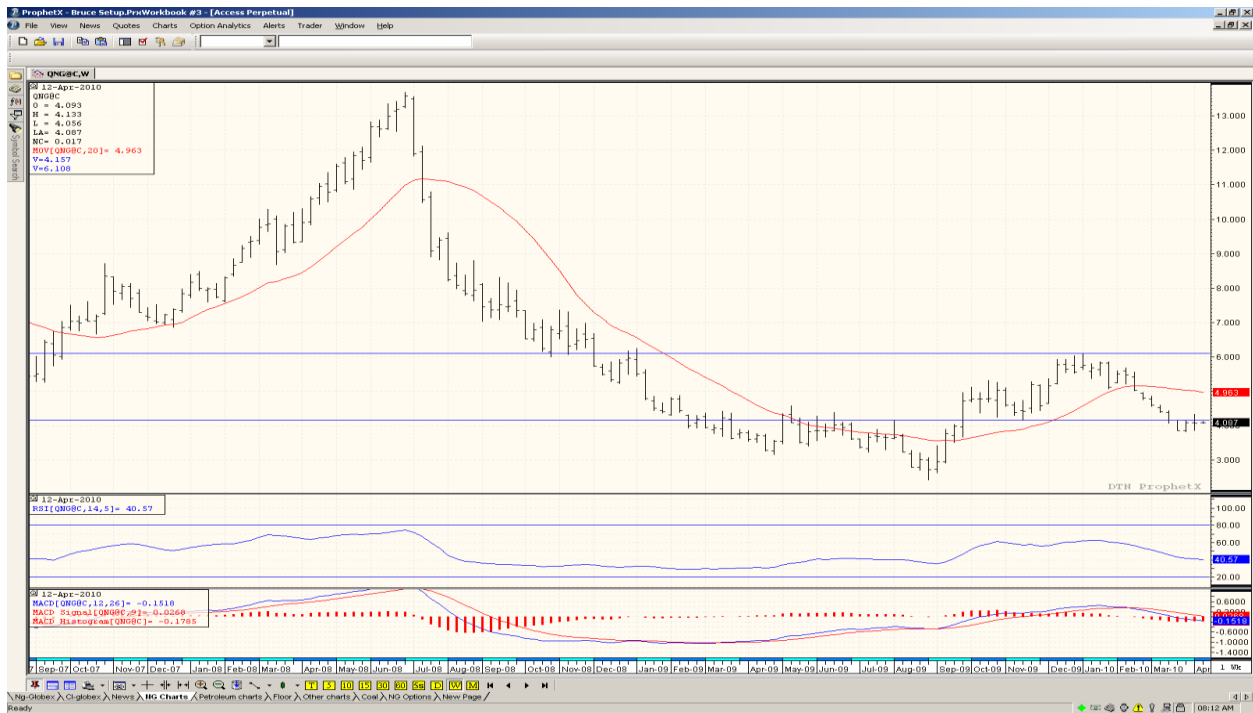
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Natural Gas Market Summary

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

On Monday, the May contract opened trading about \$.01/dt above the previous week's closing price then rallied about \$.20/dt higher before posting a daily closing price near \$4.30/dt (technical price resistance). On Tuesday, this price pattern reversed with the daily closing price being very near the previous week's closing price. Thereafter, price volatility decreased with prices remaining near the \$4/dt price level. When the Weekly Storage report was released, the May price immediately moved about \$.10/dt lower but was unable to trade as low as the previous week's price low.

For the week, the May contract closed at \$4.07/dt, down \$.016/dt from last week's closing price. Below is the weekly continuation chart showing this price activity.



Strip prices:

1. May 10 through Oct 10 "strip" closed at \$4.328/dt, up \$.016/dt from last week.
2. May through December 2010 closed at \$4.527/dt, up \$.0175/dt from last week.
3. May through April 2011 closed at \$4.817/dt, up \$.0088/dt from last week.

Bearish price factors :

1. U.S. Rig counts – as of this week, the number of operating rotary rigs in the United States is 1465, **up 21 from last week and 444 above from this same week in 2009.**

Bullish price factors:

1. Alternate fuels – Prompt month crude oil closed at \$84.92/barrel, up \$.05/barrel from last week's closing price. #2 oil closed today at \$2.226/gallon, up \$.0093/gallon from last week's closing price – this equates to roughly \$16.00/dt equivalent natural gas price.

Neutral price factors:

1. Volume of gas in storage. Working gas in storage was 1,669 Bcf as of Friday, April 2, 2010, according to EIA estimates. This represents a net increase of 31 Bcf from the previous week. Stocks were 2 Bcf less than last year at this time and 180 Bcf above the 5-year average of 1,489 Bcf.
2. Weather forecast –the 6 – 10 day forecast shows normal temperatures and 8 – 10 day forecasts are below normal for the eastern half of the country.

Technical indicators:

Short-term technical indicators appear to be neutral to positive. Longer-term technical indicators appear to be neutral to negative.

Summary

As thought likely, the technically oversold condition of the market finally resulted in a price reversal higher, albeit it a short-lived one. While I think it's possible that the first quarter price low may not have fully materialized, I still think a 'bottoming process' is being constructed, especially considering the market's inability to post a price below last week's low price. If that's the case, we may not see a lot more price movement lower in the deferred months even if the prompt month continues lower.

Once the bottoming process is completed, I'd expect prices to rally as the traditional second quarter price high is constructed. As a reminder, since 1996 the average price increase from the first quarter low to the second quarter high is about 49% with the low year being 14% (2001) and the high year being 117% (2000). The first quarter 2010 price low was \$3.81/dt – a 49% increase would result in a second quarter price high of \$5.67/dt. Interestingly, this week's high price was 14% above the \$3.81/dt price low.

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: no change from last week

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 10 = +/- \$3.75/dt

May 10 – Oct 10 = +/- \$4.05/dt

May 10 – April 11 = +/- \$4.55/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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