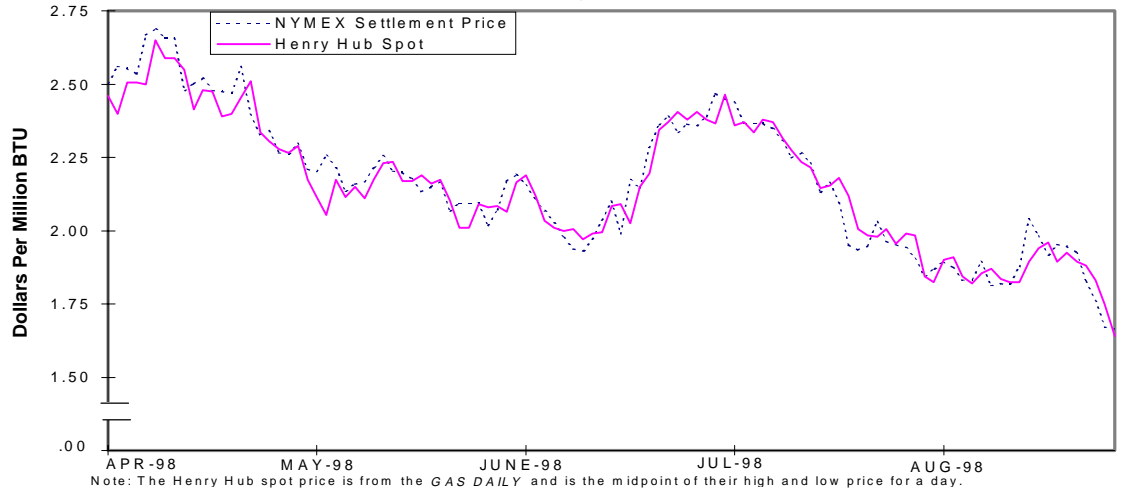


HENRY HUB PRICE
SPOT FUTURES
August Sept/Oct
Del Del
(\$ per MMBtu)

8/24	1.87-1.92	1.926
8/25	1.86-1.90	1.828
8/26	1.81-1.85	1.762
8/27	1.73-1.77	1.672
8/28	1.62-1.66	1.664

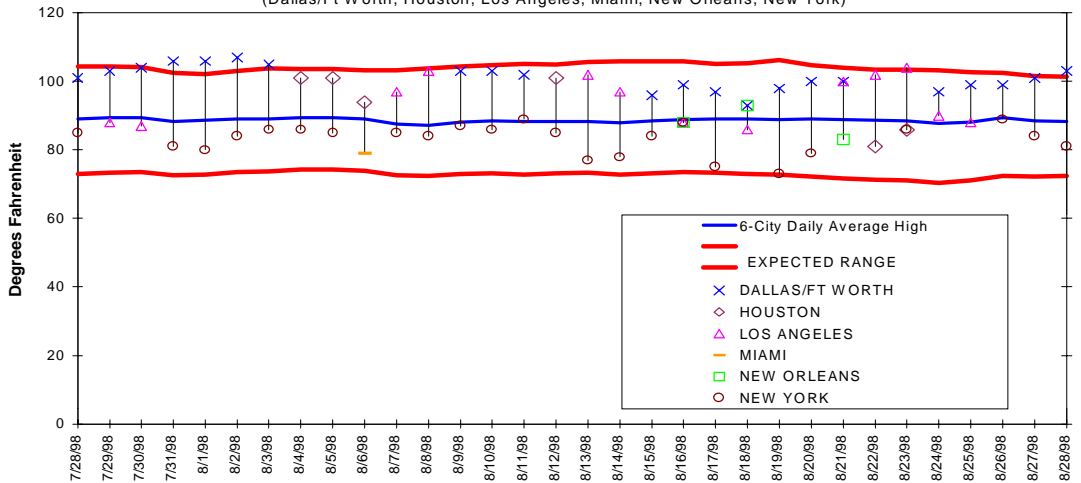
NYMEX Future Prices vs Henry Hub Spot Prices



Average High Temperature for Six Major Electricity Consuming Cities

	Actual	Normal	Diff
8/22	92	89	3
8/23	92	89	3
8/24	93	88	5
8/25	94	88	6
8/26	94	89	5
8/27	93	89	4
8/28	95	88	7

Ten-Year Average of High Temperatures, and Daily Highest and Lowest High Temperatures for 6 Cities, May-September
(Dallas/Ft Worth, Houston, Los Angeles, Miami, New Orleans, New York)



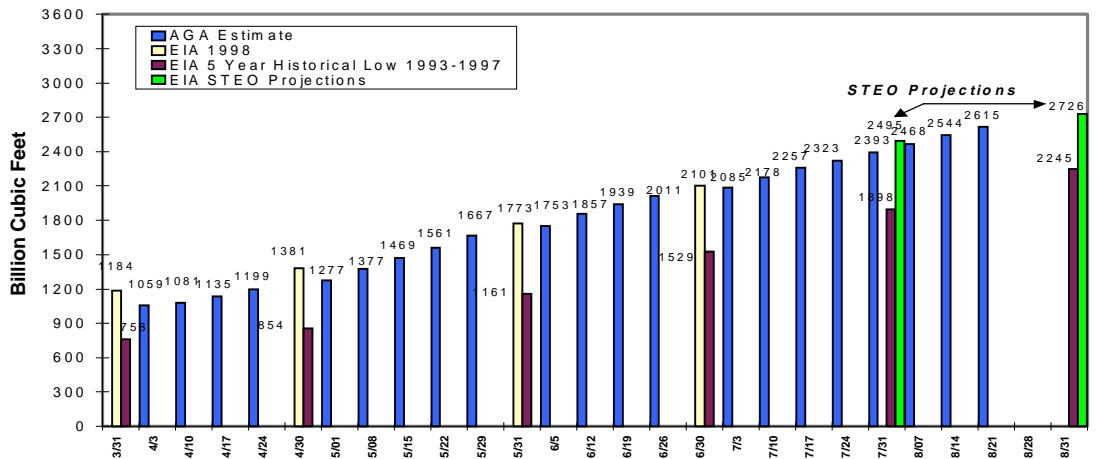
The bounds are computed by adding to and subtracting from the daily average high temperatures for the last 10 years an amount equal to twice an estimate of the standard deviation for high temperatures for each day.

Working Gas Volume as of 8/21/98

	BCF	% Full
EAST	1460	82
WEST	361	75
Prod Area	794	86
U. S.	2615	82

Source: AGA

Working Gas In Storage



The NYMEX futures contract for September delivery at the Henry Hub expired on Thursday, August 27, at \$1.672 per MMBtu, the lowest level in more than 3 years. All the market fundamentals that have been dominant for the past 2 months—ample supply, moderate weather in most of the country, and elevated storage levels—appear to have contributed to this drop in price. Prices at most major market locations also traded lower. At the end of the week, the spot price at the Henry Hub was \$1.63 per MMBtu, down about \$0.30. Temperatures in Texas were generally warmer last week with highs most days in the mid-to-upper 90s and triple-digit readings returning at the end of the week. Southern California also saw a return of hot weather as Los Angeles reported several days of 100 degree plus temperatures. Hurricane “Bonnie” brought heavy rains and some significant damage to coastal areas in North Carolina and Virginia but had virtually no effect on natural gas supply or industry infrastructure. Most of the rest of the country continues to have moderate-to-seasonal summer weather. Additions to storage again averaged more than 10 Bcf a day and stocks continued to be almost 25 percent higher than last year at the same time. The price of West Texas crude oil was generally stable last week as it traded for \$13.55 per barrel most days—roughly equivalent to \$2.37 per MMBtu.

Storage: Net additions to storage for the week ended Friday, August 21, were estimated by the American Gas Association (AGA) to be 71 Bcf, bringing working gas stocks to 2,615 Bcf, or 82 percent of available capacity. Both the Consuming East and the Producing regions have storage levels that are well ahead of year-ago levels. At the end of the third week of August, the East is estimated to have 15 percent more gas on hand (1,460 vs. 1,272 Bcf) than last year at the same time, while the Producing region has 50 percent more (794 vs. 531 Bcf). The Consuming West is also ahead of last year but at a lower level—361 Bcf compared with 325 Bcf (11 percent more). The high end-of-heating-season storage level of 1,184 Bcf, ample supply in the spring and summer, moderate-to-low demand this summer, and relatively low prices have all contributed to this elevated stock level.

Spot Prices: With the lack of any market fundamentals that would apply upward pressure, spot market prices at most locations generally “followed the screen” for the near-month NYMEX contract last week. Along with the Henry Hub, prices at most major market locations moved down \$0.30 per MMBtu or more, similar to last week’s drop in the September NYMEX contract. In addition to last Friday’s Henry Hub spot price of about \$1.63 per MMBtu, posted prices at other markets were: \$1.61 at Katy in East Texas; \$1.58 at Waha in West Texas; and \$1.70 at Chicago. Some of the lowest prices were in the Rockies (\$1.48 per MMBtu) and at the import points for Canadian gas in the West (e.g., \$1.28US at Eastport in Idaho).

Futures Prices: The September NYMEX contract reached a high of \$1.95 per MMBtu during trading last Monday, then steadily trended down almost \$0.30 over the next 3 days, reflecting recent demand trends and the substantial stocks of storage gas. The contract closed on Thursday at \$1.672 per MMBtu—the lowest near-month settlement price since the October 1995 contract settled for \$1.644. This year’s October contract began trading as the near-month contract last Friday with a settlement price of \$1.664 per MMBtu and opened on Monday, August 31, at \$1.695. The NYMEX contracts for November and December, the first 2 months of the heating season, also trended down last week. On Friday, they were trading for \$1.921 and \$2.205 per MMBtu, respectively. Without a change in the current dominant market fundamentals, it seems likely that these contracts will also close well below last year’s final settlement prices of \$3.47 and \$3.266 per MMBtu, respectively.

Summary: The NYMEX contract closed at its lowest level in 3 years as the September contract expired at \$1.672 per MMBtu, almost \$0.85 less than last year. Spot prices also trended down in response to ample supply, lackluster demand, and high storage levels.