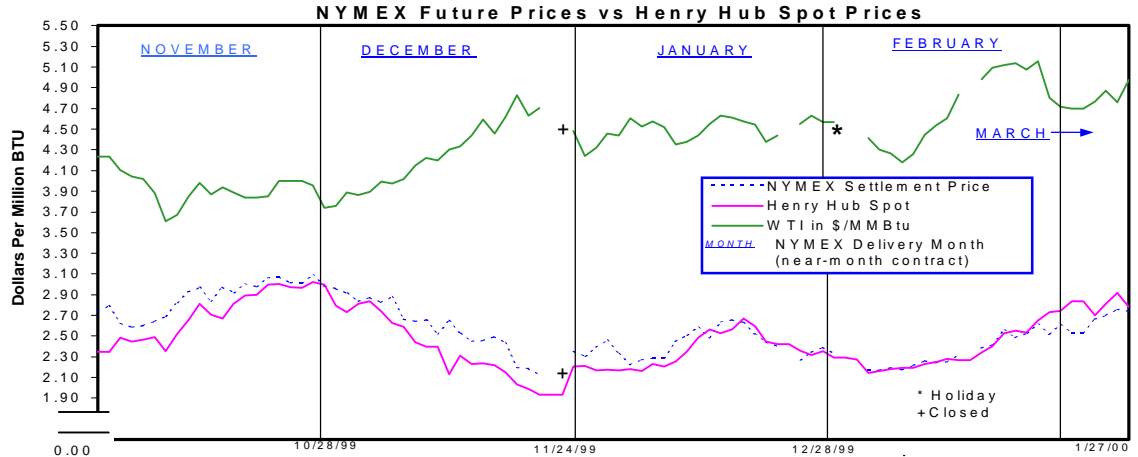
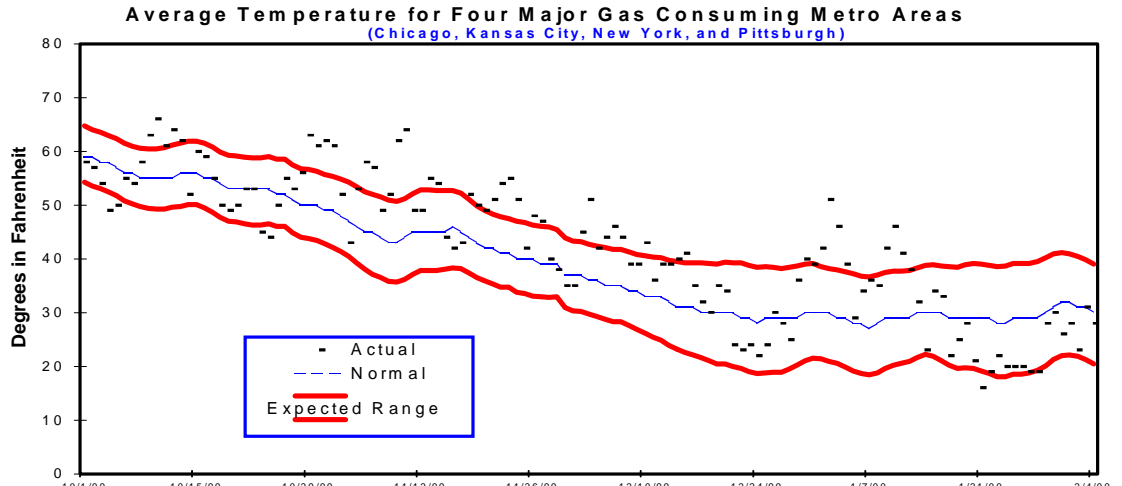


HENRY HUB PRICE (\$ per MMBtu)		
	SPOT	FUTURES
	January	March
	Del	Del
1/31	2.67-2.73	2.662
2/01	2.79-2.84	2.699
2/02	2.89-2.94	2.759
2/03	2.82-2.89	2.659
2/04	2.74-2.82	2.742



Note: The Henry Hub spot price is from the GAS DAILY and is the midpoint of their high and low price for a day. The dates marked by vertical lines are the NYMEX near-month contract settlement dates.

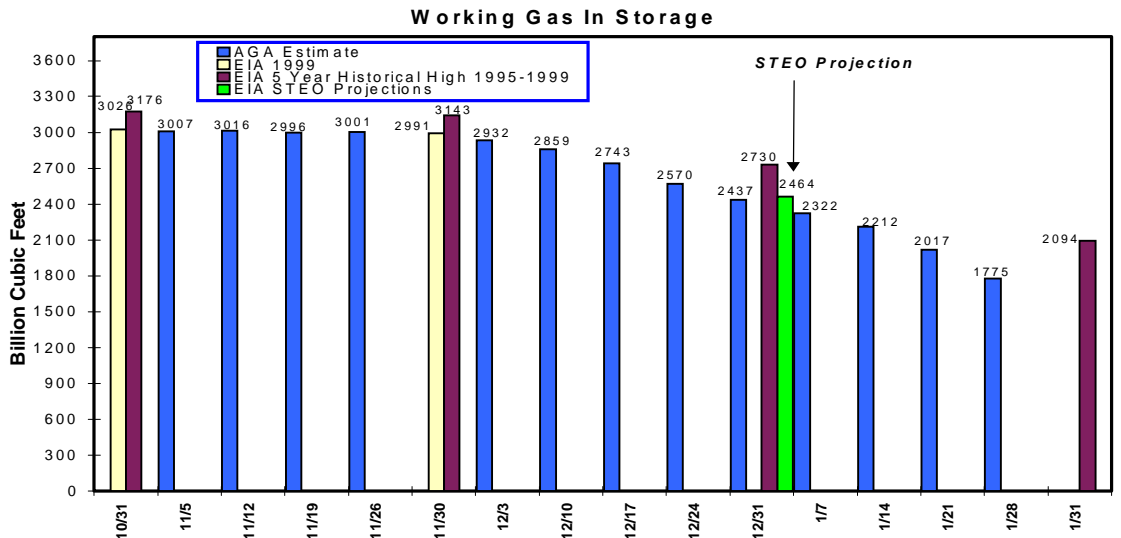
Average Temperature for Four Major Gas Consuming Areas			
	Actual	Normal	Diff
1/29	28	30	-2
1/30	30	31	-1
1/31	26	32	-6
2/01	28	32	-4
2/02	23	31	-8
2/03	31	31	0
2/04	28	30	-2



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

Working Gas Volume as of 1/28/00		
	BCF	% Full
EAST	906	58
WEST	321	50
Prod Area	548	66
U. S.	1775	55

Source: AGA



A jump in the March NYMEX futures contract on Monday, January 31, sparked a 2-day rally in both spot and futures prices. Prices in both the spot and futures markets showed a fairly sharp drop on Thursday reflecting the moderating temperatures throughout the week and the Wednesday announcement of a large storage withdrawal in the prior week. On Friday, the week ended as it had begun, with spot and futures prices moving in opposite directions. The March NYMEX contract gained \$0.083 to settle on Friday, February 4 at \$2.742 per MMBtu, up 21 cents from the previous Friday. It opened on Monday, February 27 down \$0.047 at \$2.695 per MMBtu. The Henry Hub spot price lost 8 cents, for a net loss of 6 cents from the previous Friday, ending trading at \$2.78 per MMBtu. Generally higher supply prices during this heating season are expected to affect residential customers before the winter has ended. According to EIA's latest *Short-Term Energy Outlook* (STEO), released February 7, the national average residential price in January and February are projected to be \$6.62 and \$6.64 per Mcf, respectively, up by 11 and 7 percent from last year's levels. While temperatures in major gas consuming areas of the Midwest and Northeast moderated somewhat last week, they remained below normal. In the four cities monitored for this report, the composite daily average temperatures' deficits from normal were in the single digits most days, as opposed to the 10-degree difference on the previous Thursday and Friday (January 28-29). The price of West Texas Intermediate crude oil ended the week with a gain of \$1.60 over the previous Friday to \$28.85 per barrel, or \$4.97 per MMBtu.

Storage: The American Gas Association (AGA) estimates that net withdrawals from storage were 242 Bcf for the week ended Friday, January 28. This is 47 Bcf more than during the previous week and the largest weekly total in 3 years. This high level of storage withdrawals reflects the impact of the widespread cold weather prevalent in the eastern third of the country during the fourth week of January. EIA's latest survey of underground storage operators indicates that the level of stocks on hand at the end of November 1999 was 2,991 Bcf. Based on the AGA figures for weekly net withdrawals from the beginning of December through the first 4 weeks of January, EIA estimates a working gas level of 1,826 Bcf as of January 28. The low temperatures in the final 3 days of January may have continued withdrawals at rates in the range of AGA's withdrawal estimates of the previous 2 weeks. This would bring the end-of-January stock level below the 1,762 Bcf average for the end of January in the previous 5 years (1995-99), although still well above the 5-year low of 1,462 Bcf at the end of January 1996.

Spot prices: With slack demand over the weekend (January 29-30) and into Monday, spot prices tumbled in all markets east of the Rockies on Monday, January 31 but rose in other areas, including California, the Rockies, the Southwest production basins, and imports into the Pacific Northwest. Beginning Tuesday, cash prices in virtually every market moved in lock-step throughout the week: up through Wednesday, then down for the remainder of the week. On balance, spot prices lost anywhere from a penny to a quarter from the previous Friday in most markets. The Henry Hub spot price lost 6 cents, ending trading at \$2.78 per MMBtu. Exceptions occurred in a handful of points serving Michigan, parts of California, and several import points for Canadian gas, where there were modest gains of 10 cents or less. Cash prices on Friday were running in the lower \$2.30s per MMBtu in the Rockies and in the San Juan Basin, lower \$2.40s in the Permian Basin, around \$2.50 in the Midcontinent, and mostly \$2.70s and a few \$2.80s at many Gulf points. Prices over \$3.00 were seen at a couple of Canadian gas import points and in Appalachia, while continuing capacity constraints kept prices at a few key points serving New York and the Northeast well above \$4.00 per MMBtu, with some trades at prices approaching \$10.00.

Futures prices: The futures contract for March delivery at the Henry Hub moved up strongly in its first full week as the near-month contract, gaining over 8 percent (\$2.532 per MMBtu to \$2.742) as its price rose in 4 of its first 6 days as the prompt month. The persisting colder-than-normal temperatures helped push the price of the March contract up by a hefty 13 cents on Monday, January 31 alone. The near-month contract price has trended upward rather steadily since January 10. As with spot prices, futures prices continue to be consistently higher than last year. During this same 4-week period last year, the near-month contract was trending flat to slightly down, trading in a range of about \$1.70-\$1.90 per MMBtu.

Summary: Though less severe, colder-than-normal temperatures persisted last week in major gas-consuming areas of the country. AGA's storage withdrawal estimate of 242 Bcf coincided with the coldest week of the heating season thus far. Prices in both the futures and cash markets seem to be approaching a late season peak, in contrast to the pattern of the past 2 years in which prices attained their highest levels in November.