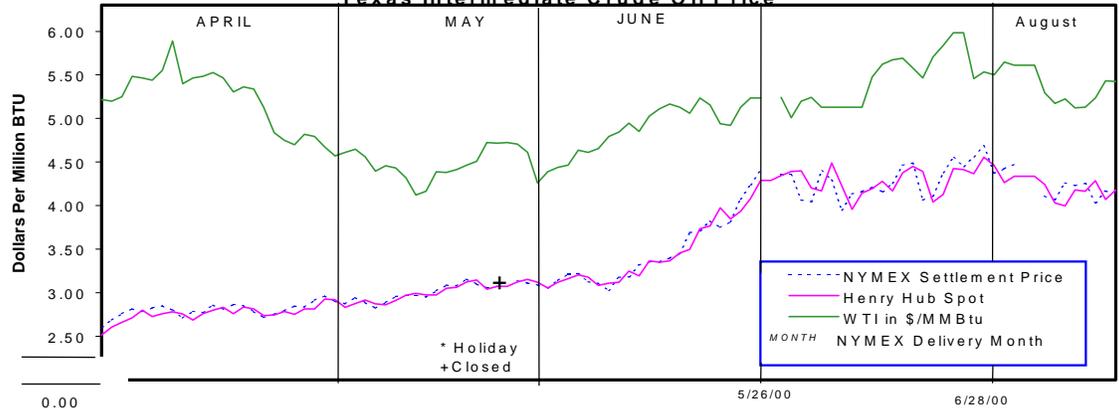
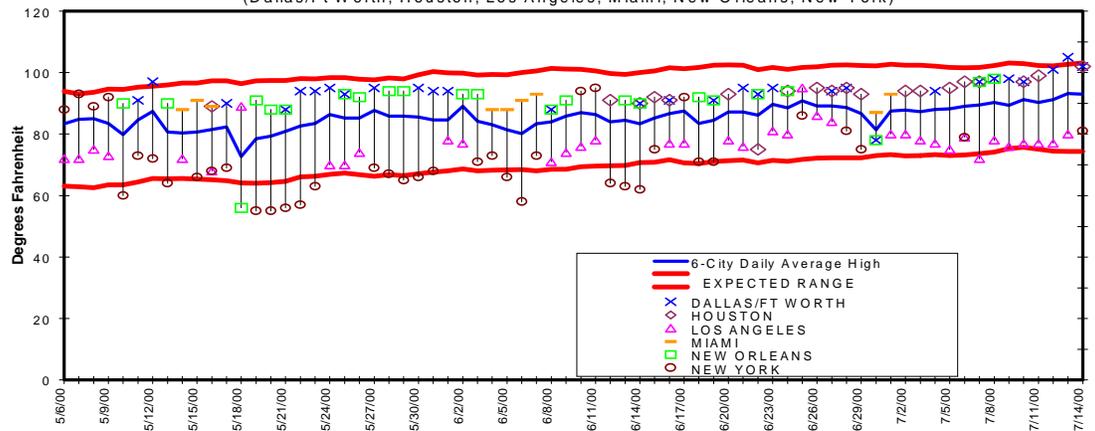


**NYMEX Natural Gas Future Price, Henry Hub Spot Price, and West Texas Intermediate Crude Oil Price**



Henry Hub Price		
Spot	Futures	
July	Aug	
Delivery	Delivery	
(\$ per MMBtu)		
07/10	4.15-4.21	4.228
07/11	4.13-4.20	4.257
07/12	4.27-4.30	4.031
07/13	4.04-4.10	4.166
07/14	4.15-4.21	4.150

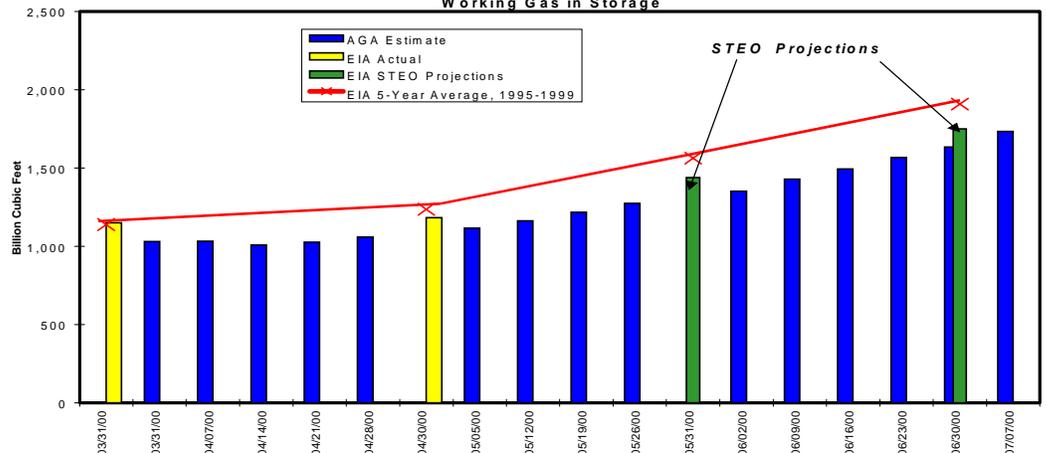
**Daily Average of High Temperatures, and Daily Highest and Lowest High Temperatures for 6 Cities**  
(Dallas/Ft Worth, Houston, Los Angeles, Miami, New Orleans, New York)



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.

Average High Temperature for Six Major Electricity Consuming Cities			
	Actual	Normal	Diff
07/08	90	88	2
07/09	89	89	0
07/10	91	89	2
07/11	90	89	1
07/12	91	88	3
07/13	93	89	4
07/14	93	89	4

**Working Gas in Storage**



Working Gas Volume as of 07/07/00		
	Bcf	% Full
East	919	50
West	356	70
Prod Area	458	48
U. S.	1733	53

Source: AGA

The highest weekly estimate for net additions to storage in over 2 years (97 Bcf) was the highlight of gas markets last week. This event appears to have triggered the midweek price drop of almost \$0.23 per MMBtu for the NYMEX August futures contract as it settled at \$4.031 on Wednesday. This led to similar declines in spot market prices the following day at most major market locations (see Price graph). By the end of the week, the futures contract for August delivery did recoup some of the decline as it ended trading on Friday at \$4.15 per MMBtu. The Henry Hub spot price moved up to end the week at \$4.18. Hot weather in the Southwest at the end of last week played a role in the price rebound as both Dallas and Houston had several days with highs in triple digits (see Temperature graph). The National Weather Service (NWS) 6 to 10 day forecast calls for the warmer-than-normal weather to continue in the Southwest and along the Gulf Coast this week while the rest of the country should see normal temperatures. The price of West Texas Intermediate (WTI) crude oil moved below \$30.00 per barrel at the start of last week on the continued expectation of Saudi Arabian production increases. Toward the end of the week some of the impact of this announcement had diminished with news that the Saudis were calling for an emergency OPEC meeting to discuss the proposed increase. News of the proposed meeting contributed to prices moving back up to end the week at \$31.45 or 5.42 per MMBtu.

**Storage:** Net weekly additions into storage reached a high for this refill season as the American Gas Association (AGA) estimated that 97 Bcf was injected during the week ended Friday, July 7. Below-normal temperatures in most parts of the country, along with prices of less than \$4.00 per MMBtu at many major market locations during the first week of July, appear to have been major factors in the more than 40-percent increase in storage additions from the previous week's 69 Bcf. EIA estimates that the amount of working gas on hand after the first week of July is 1,847 Bcf. EIA data indicate that net additions in July during the past 5 years (1995-99) averaged 298 Bcf, or 9.6 Bcf per day. Assuming the industry can match the 5-year average of 9.6 Bcf per day during the rest of this month (well below the 13.9 Bcf/d in the first week of the month), and the corresponding monthly averages for the final 3 months of the refill season (August to October), the level of working gas on hand on November 1 will be near 2,860 Bcf. This would be higher than the 2,810 Bcf on hand in 1996 and very similar to the 2,886 Bcf in 1997.

**Spot Prices:** Spot and futures prices followed parallel paths last week, with the spot price changes lagging the initial change in the futures price directions by a day (see Price graph). The combination of the generally below-normal temperatures in the major consuming markets in the Midwest and the Northeast and the 40-percent increase in estimated weekly additions to storage brought about a downward trend in spot prices at most major markets at midweek. As spot prices again appeared to follow NYMEX's lead, prices at most major markets that serve areas in the East returned by Friday to price levels comparable to Monday's. Some examples of these end-of-week prices are: Katy in East Texas at \$4.19 per MMBtu, Waha in West Texas at \$4.15, and Midcontinent in Oklahoma at \$3.99. In the West where a large California LDC was rumored to be calling an operational flow order owing to oversupply, prices moved down. Some of the lowest prices were in the Rockies on Friday at \$3.45 per MMBtu—down over 20 cents from Monday's price. At the Canadian border in the West (at Kingsgate in Idaho) the price was down 22 cents at \$3.46 per MMBtu and in the East (Waddington, NY) it was almost the same at \$4.23.

**Futures Prices:** The somewhat unexpected strength of the industry's estimated net additions in the first week of July brought about a sharp drop in the price of the NYMEX near-month (August) contract. It moved down to \$4.031 per MMBtu on Wednesday—a drop of almost 23 cents. The contract gained back more than half of the previous day's loss on Thursday as it settled at \$4.166 per MMBtu and trading interest remained strong, with the number of new contracts more than double the level of last year. By the end of the week, prices had moved down again to \$4.15 per MMBtu—down 11 cents from the previous Friday. Some analysts expect that if the summer weather remains generally below-normal to seasonal, and the industry can maintain an aggressive refill rate similar to the first week in July, prices are likely to decline from recent levels.

**Summary:** A sharp increase in net additions to storage motivated a drop in the price of the August futures contract and that change, along with below-normal temperatures East of the Mississippi, led to lower spot market prices.