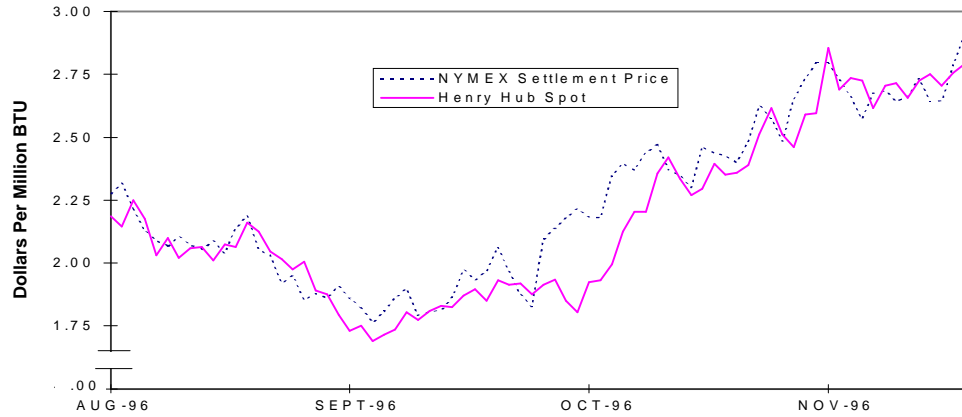


NYMEX Price Futures vs Henry Hub Spot Price

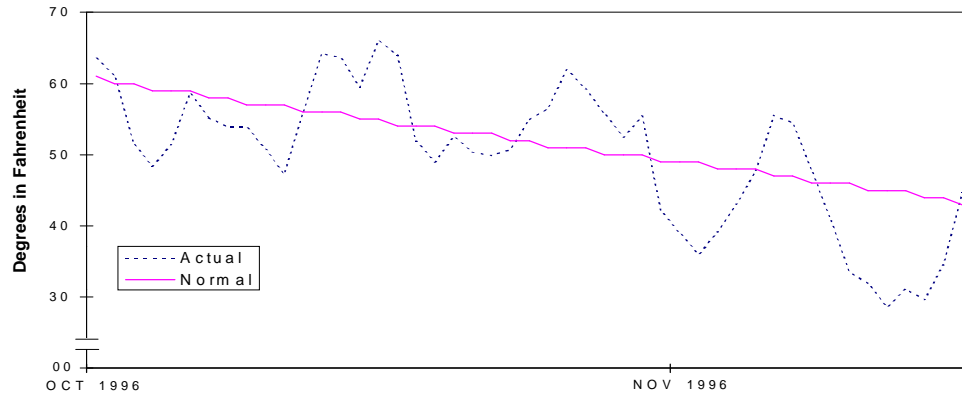
HENRY HUB PRICE		
	CASH	FUTURES
	Nov.	Dec.
	Del	Del
	(\$ per MMBtu)	
11/11	2.71-2.74	2.733
11/12	2.73-2.77	2.643
11/13	2.68-2.73	2.645
11/14	2.74-2.77	2.787
11/15	2.70-2.82	2.908



Note: The Henry Hub spot price is from the GAS DAILY and is the midpoint of their high and low price for a day.

Average temperature for Four Major Gas Consuming Metro Areas
(Chicago, Kansas City, New York, and Pittsburgh)

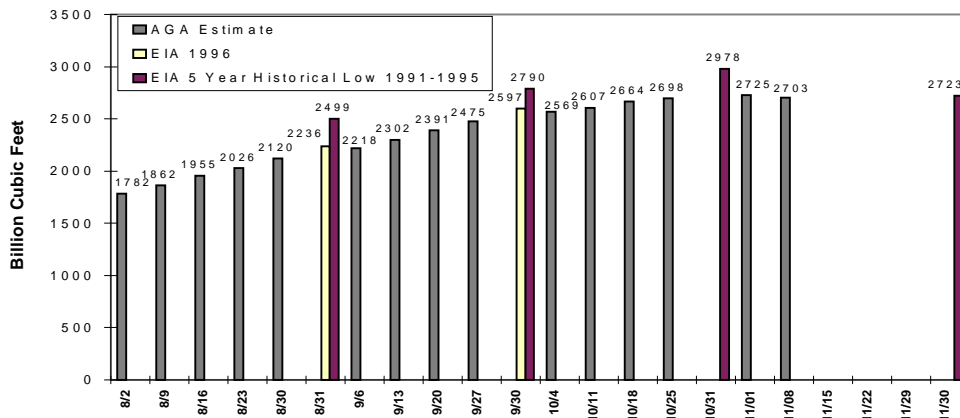
Average Temperature for Four Major Gas Consuming Areas			
	Actual	Normal	Diff
11/10	34	46	-12
11/11	32	45	-13
11/12	29	45	-16
11/13	31	45	-14
11/14	30	44	-14
11/15	35	44	-9
11/16	45	43	2



Working Gas In Storage 1996

Working Gas Volume as of 11/08/96		
	BCF	% Full
EAST	1,714	96
WEST	331	69
Prod Area	658	73
U. S.	2,703	85

Source: AGA



The NYMEX futures price for December delivery at the Henry Hub opened Monday, November 18, at \$2.890 per MMBtu, \$0.011 lower than Friday's close. Cold weather persisted throughout much of the eastern US last week with average temperatures between 20 and 30 percent colder than normal at midweek. This weather pattern is similar to November 1995 but prices on both the spot and futures market are considerably higher this year—almost \$0.80 and \$1.00 per MMBtu respectively. The most recent Bureau of Labor Statistics (BLS) indicate that the costs of major residential heating fuels have increased significantly in several areas of the country. The increase for natural gas for October 1996 compared with October 1995 overall was 8 percent with a high of 30 percent in Chicago. Over the same period the BLS reports that the price of gas at the wellhead has increased 19 percent.

Storage: For the first week of the 1996-97 heating season ending Friday November 8, the American Gas Association (AGA) estimates that net withdrawals (the difference between gross withdrawals and injections) from storage were 22 Bcf. This low net number suggests that injections probably were still occurring at many storage sites during the week. For the same week last year, according to AGA, net withdrawals totaled 85 Bcf. EIA's survey data for the period ending September 30th indicate that almost 2.6 Tcf of working gas was on hand and close to 1.7 Tcf of that total was in eastern storage facilities.

Canadian Storage: According to the Canadian Gas Association (CGA), overall working gas in storage at the start of the heating season was 454 Bcf, 10 percent higher than last year. The CGA reports that storage sites in the East had working gas stocks of almost 220 Bcf while those in the West had 234.

Spot prices: In the past week, natural gas prices have increased to more than \$3.00 per MMBtu in some mid-Atlantic states. According to *Natural Gas Intelligence*, natural gas prices ranged from \$3.48 to \$3.76 per MMBtu on Thursday, November 14, at Transco Zone 6, a very active trading area in the mid-Atlantic region as colder-than normal temperatures continued in the area. In contrast, the high price at the Henry Hub on the same day was almost a \$1.00 per MMBtu less at \$2.78 per MMBtu. Thus, the variation in the gas value between locations, as measured by the difference in the spot price of gas at these market areas and at the Henry Hub, has been high and increasing. For example, when the weather was relatively mild on October 7, there was a \$0.03 per MMBtu difference between the price of gas at Transco Zone 6 and the Henry Hub. On November 7, the difference was \$0.22 per MMBtu. As the temperature declined on subsequent days, the difference per MMBtu increased to \$0.36, \$0.47, \$0.65, and \$0.86. The pattern was similar for other northern market areas such as the Chicago city gate during this time period. Such changes reflect the lags in market adjustments when conditions, such as weather, change rapidly. The futures price for December delivery and the spot price for November delivery at the Henry Hub were relatively stable between November 7 and November 13. Moreover, the spot price tended to be above the futures price, which suggests a relative tightness in the gas commodity market at the time.

Futures Prices: NYMEX futures settlement prices for delivery at the Henry Hub were relatively stable between days until Thursday, November 14, when they increased \$0.14 per MMBtu for December delivery. On Friday the price rose \$0.12 per MMBtu to close at \$2.908—a historical high for the December contract. Trading was very active with more than 44,000 contracts traded. The price for the December contract is already higher than the nearby futures price seen during much of last winter. The price for December delivery at the Henry Hub last year at this time was \$1.901 per MMBtu. That contract increased over the last half of the month and closed at \$2.241.

Consumer Prices: On Thursday, November 14, the BLS reported the Consumer Price Index (CPI-U) for October 1996, which showed substantial increases in gas prices from October 1995 in several metropolitan areas of the country. For example, the CPI-U for natural gas increased by 30 percent for Chicago, 22 percent for Cleveland, 23 percent for St. Louis, and 11 percent for Baltimore. Customer bills in the Cleveland area for the first several weeks in November will be higher than last year as a consequence of higher prices and lower temperatures. The increase in the price of heating oil overall for the same period was 8 percent for Chicago, 19 percent for Cleveland, 14 percent for St. Louis, and 22 percent for Baltimore. However, the increase in heating oil prices in New York and Boston, major heating oil markets, was 20 and 18 percent, respectively, while gas prices changed hardly at all. Thus, it is clear that aggregate residential energy bills in many parts of the country are relatively high because of large increases in gas or oil prices. Also, the BLS, as part of its producer price index series, reported a 19 percent increase in natural gas wellhead prices from year earlier levels. They also reported a 43

percent price increase for propane, which is used to heat many rural homes and by local gas distribution companies as propane air to satisfy peak demands.

Summary: Early periods of widespread low temperatures has placed upward pressure on both spot and futures prices (for December delivery) which are currently about 40 and 50 percent higher than those seen last year at this time.