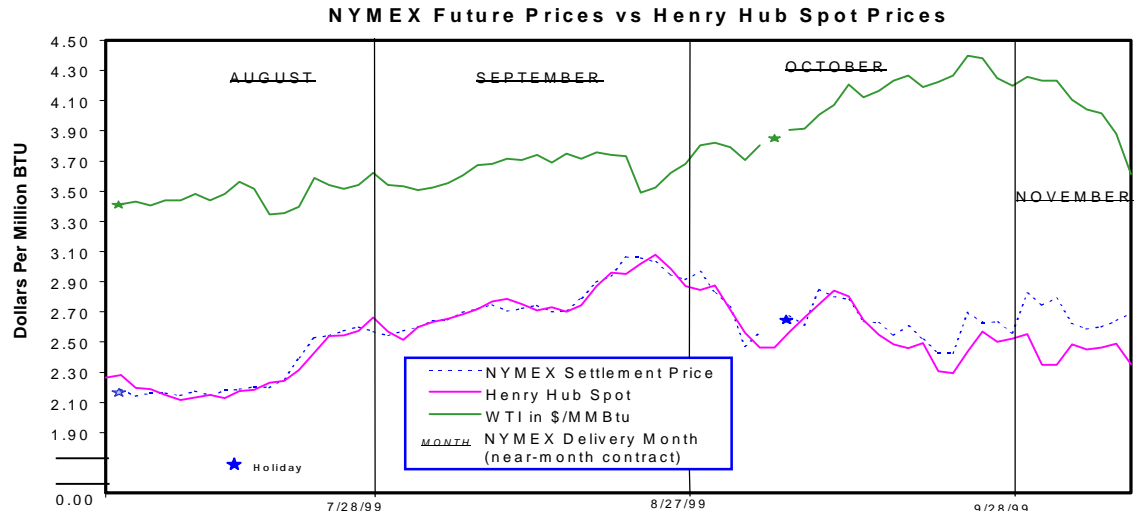


HENRY HUB PRICE		
SPOT	FUTURES	
Sept/Oct	Oct/Nov	
Del	Del	
(\$ per MMBtu)		
10/04	2.45-2.52	2.625
10/05	2.42-2.48	2.586
10/06	2.44-2.49	2.601
10/07	2.44-2.54	2.642
10/08	2.32-2.39	2.692

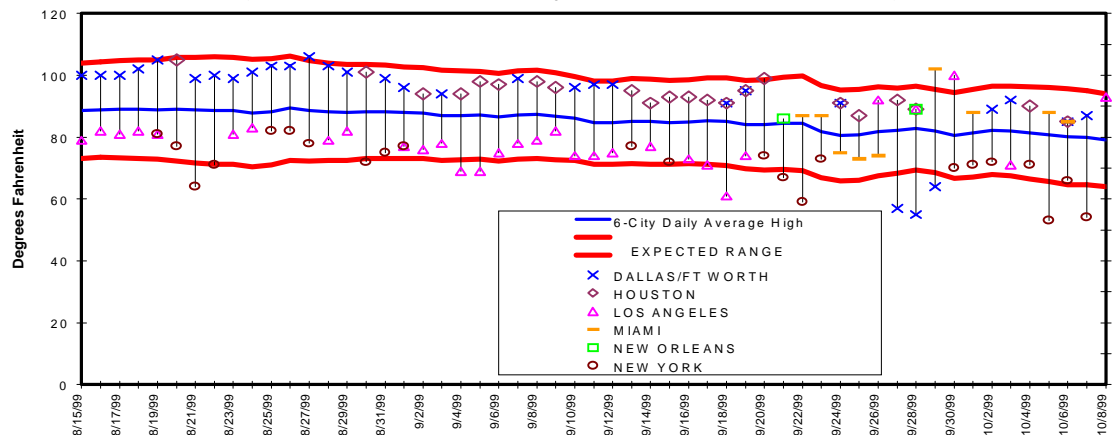


Note: The Henry Hub spot price is from the GAS DAILY and is the midpoint of their high and low price for a day. The dates marked

Average High Temperature for Six Major Electricity Consuming Cities			
	Actual	Normal	Diff
10/02	83	82	1
10/03	84	82	2
10/04	81	81	0
10/05	79	81	-2
10/06	80	80	0
10/07	80	80	0
10/08	83	79	4

### Ten-Year Average of High Temperatures, and Daily Highest and Lowest High Temperatures for 6 Cities, May-September

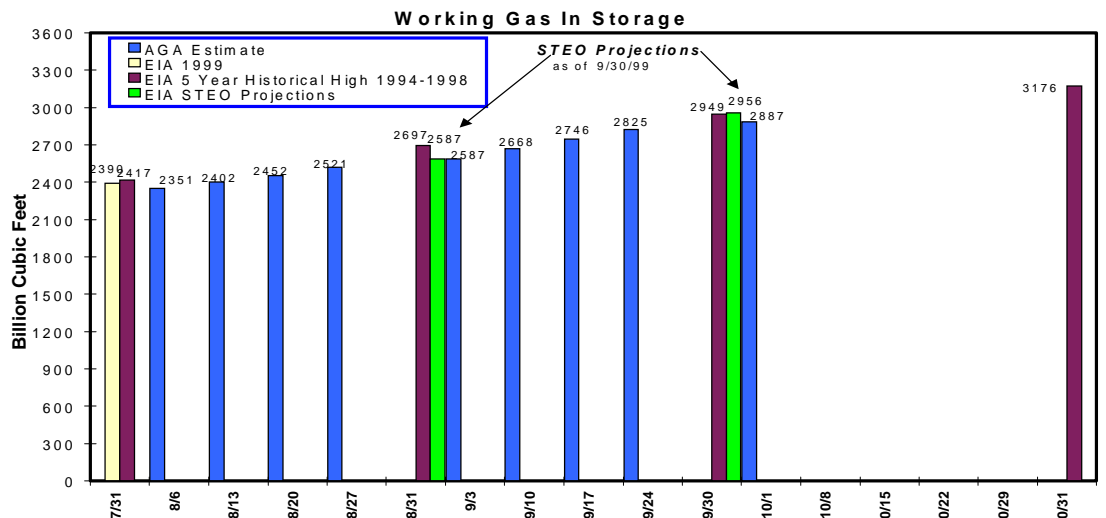
(Dallas/Ft Worth, Houston, Los Angeles, Miami, New Orleans, New York)



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 10/01/99		
	BCF	% Full
EAST	1625	90
WEST	421	86
Prod Area	841	89
U. S.	2887	89

Source: AGA



On Monday, October 11, the NYMEX futures contract for November delivery at the Henry Hub moved up \$0.133 per MMBtu to settle at \$2.825 and the Henry Hub spot price showed similar movement, gaining over \$0.15 as it settled at \$2.52. The November futures contract opened slightly higher on Tuesday, October 12, at \$2.840 per MMBtu, but was \$0.148 more than Friday's settlement price. The Midwest and the East had cooler than normal weather last week with several cities reporting night time temperatures in the 30s. In the West, hot weather continued into mid-week especially in Arizona, California, and Nevada. The National Weather Service's latest forecast is calling for a return to moderate temperatures for most of the country this week, so the regional temperature extremes should abate. The early fall cool weather contributed to spot market prices that opened the trading week up at the Henry Hub. Daily spot prices remained stable at about \$2.48 per MMBtu through Wednesday then moved up 5 cents on Thursday before ending down at about \$2.38 per MMBtu. The futures contract began the week on Monday, October 4, at \$2.625 per MMBtu—off almost 18 cents from the previous Friday's close (\$2.793). Prices remained generally flat through Thursday before moving up 5 cents on Friday to end the week at \$2.692. Net additions to storage were estimated to have averaged almost 9 Bcf per day during the last week of September. The price of West Texas Intermediate (WTI) crude oil declined each day last week on rumors that OPEC maybe be considering some increase in production quotas. For the week, the WTI price moved down more than \$3.60 per barrel and ended trading on Friday at \$20.95—roughly equivalent to \$3.61 per MMBtu. Crude oil prices did move up \$0.40 per barrel in trading on Monday, October 11.

**Storage:** According to American Gas Association (AGA) estimates, net additions to storage were 62 Bcf for the week ended Friday, October 1. The net injection rate of 8.9 Bcf per day is a slight falloff from the previous week's rate of roughly 11 Bcf, however storage stocks remain quite high relative to recent history. The cumulative AGA estimate for net additions in September is 325 Bcf, raising end-of-September working gas stocks to 2,887 Bcf. EIA's independent assessment of storage volumes, appearing in the September issue of the *Natural Gas Monthly*, estimates that 2,956 Bcf was available on September 30, 7 Bcf more than last year's 5-year high of 2,949 Bcf. Based on the EIA estimate, the industry would need to add 220 Bcf, or 7.1 Bcf per day, during October to match last year's 5-year high of 3,176 Bcf for the beginning of the heating season on November 1. EIA's storage survey indicates that during the previous 3 years net additions averaged 223 Bcf in October. Last year, net injections during October were 255 Bcf.

**Spot Prices:** At the Henry Hub, gas traded for about \$2.52 per MMBtu on Thursday, October 7, 1999—almost \$0.18 more than on the previous Friday. In addition to the unseasonably cool night time temperatures in the Midwest and the East, several factors contributed to the rise in the spot price at most major market locations last week. In Texas, the hot weather was coupled with an idle nuclear plant in South Texas, off line for refueling, as well as reports early in the week of another tropical storm forming in the Gulf of Mexico. In the West, a California pipeline instituted a low-inventory flow order and some nuclear plants in the state were off line for refueling or maintenance. In addition, some operating restrictions were placed on two pipelines that serve the Northeast (these were lifted at mid-week). On Friday, however, with reports calling for moderating temperatures, together with removal of the above-mentioned pipeline restrictions and the impending 3-day Columbus Day weekend for many, prices at the Henry Hub moved down about \$0.15 per MMBtu to \$2.36. Prices at other major regional markets on Friday, October 8, were: Waha in West Texas, \$2.31; in the Rockies, \$2.27; and at the southern California border, \$2.62.

**Futures Prices:** The November NYMEX contract began the week on Monday, October 4, at \$2.625 MMBtu, \$0.20 lower than its first day of trading as the near-month futures contract 3 trading days earlier. As the price has declined, interest in the contract appears to have increased as almost 200,000 contracts were entered into for November last week. The recent price decline in the November contract coupled with an increase in the spot price reduced the price differential between the two by almost \$0.15 to \$0.31 per MMBtu on Friday, October 8, contrasting with the 45-cent differential at the end of trading on the previous Friday (October 1). This could be an indication that the recent robust rate of additions to storage may have eased some concerns regarding stock levels prior to the commencement of the heating season on November 1.

**Summary:** Some regionally diverse weather—cool in the East and hot in the West— contributed to spot market price increases while the NYMEX near-month November contract trended down most days last week. This reduced the spot/near-month futures market differential by almost \$0.15 between weeks. The storage refill rate slowed somewhat in late September but it appears that the stock level on November 1, could exceed 3,100 Bcf.