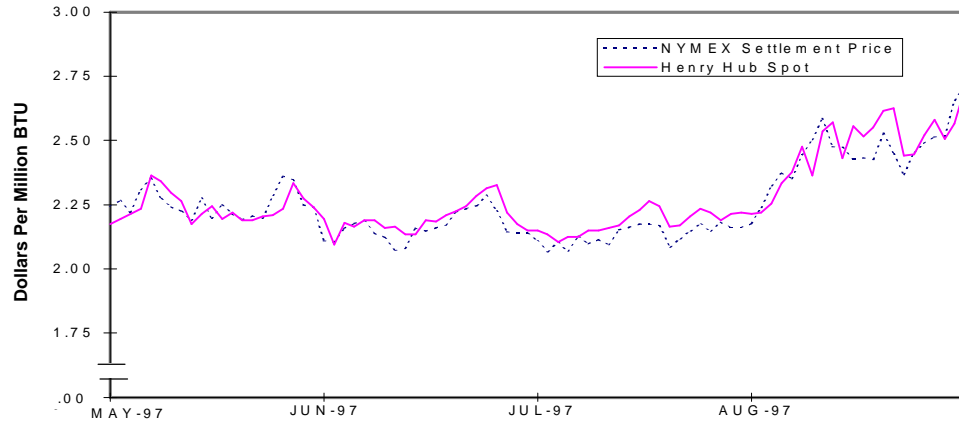


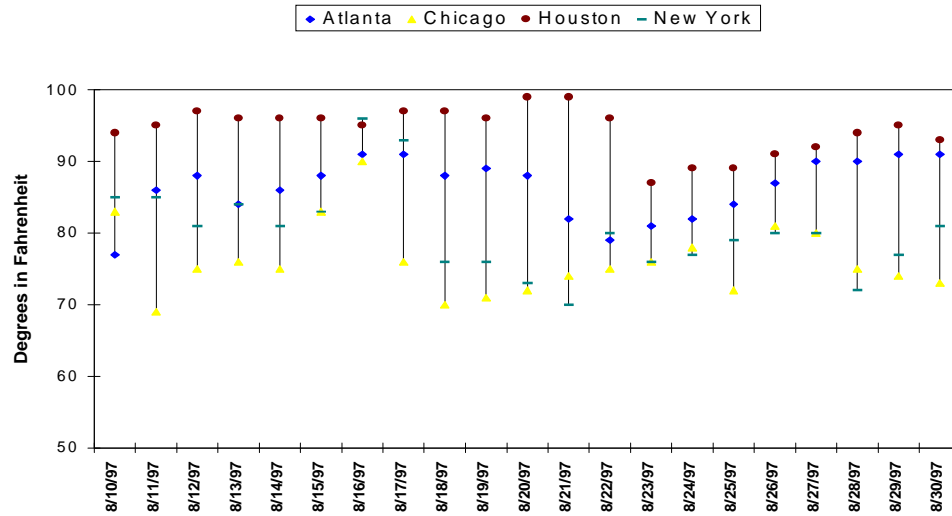
**NYMEX Future Prices vs Henry Hub Spot Prices**

HENRY HUB PRICE		
	SPOT	FUTURES
	Aug	Sept/Oct
	Del	Del
	(\$ per MMBtu)	
08/25	2.51-2.53	2.489
08/26	2.56-2.60	2.514
08/27	2.48-2.53	2.515
08/28	2.54-2.59	2.656
08/29	2.67-2.73	2.714



**High Temperature for Four Selected Cities**

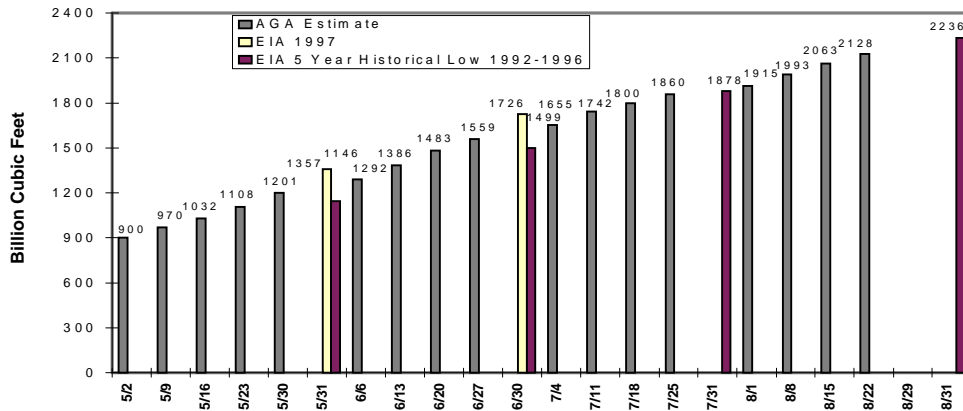
Average Temperature for Four Major Gas Consuming Areas			
	Actual	Normal	Diff
08/24	73	76	-3
08/25	73	76	-3
08/26	74	76	-2
08/27	77	76	1
08/28	75	76	-1
08/29	75	76	-1
08/30	75	76	-1



**Working Gas In Storage 1997**

Working Gas Volume as of 08/22/97		
	BCF	% Full
EAST	1272	71
WEST	325	68
Prod Area	531	58
U. S.	2128	67

Source: AGA



The NYMEX futures price for October delivery at the Henry Hub opened Tuesday, September 2, at \$2.700 per MMBtu, \$0.185 higher than last Wednesday's (August 27) record closing price of \$2.515 for the September futures contract. This summer's weather continues to be cooler than normal in most parts of the country. Since June 1, the average temperatures in the four cities monitored for this report (Atlanta, Chicago, Houston, and New York) have been more than 10 percent cooler than normal. This weather pattern appears to be most prevalent in the Midwest where cooling degree days since January, as reported by the National Oceanic and Atmospheric Administration (NOAA), have been 12 to 22 percent lower than normal in such cities as Chicago, Cleveland, Kansas City, and St. Louis. Spot prices at the Henry Hub generally stayed in the \$2.50 to \$2.60 per MMBtu range last week before moving up to about \$2.70 on Friday. Following the close of the September contract on Wednesday, the October futures contract increased almost \$0.20 per MMBtu to end the week at \$2.714. The price of West Texas crude oil ended the week up 10 cents at \$19.70 per barrel..

**Storage:** According to the American Gas Association (AGA), net injections to working gas storage for the week ending August 22 were estimated to be 65 Bcf. This brings the AGA estimate for storage additions for the first 3 weeks of August to 213 Bcf. Based on EIA data, total additions to storage last August were 345 Bcf - more than 85 Bcf per week. Even with this reduced refill rate, AGA estimates that total working gas in storage is about 5 percent greater than last year at the same time (2,128 vs. 2,028 Bcf). The August issue of EIA's *Natural Gas Monthly* estimates that net injections for August totaled 333 Bcf and working gas in storage at the end of the month was 2,366 Bcf. Based on EIA's end-of-August estimate, storage operators would have to add about 80 Bcf per week through September and October to reach the beginning of the heating season 5-year average (1992-96) of 3,018 Bcf . A refill rate of about 74 Bcf a week would meet EIA's 3-year average (1994-96) of 2,957 Bcf. Weekly additions to storage, based on EIA survey data, averaged about 71 Bcf in the last 2 months of the 1996 refill season - about 90 Bcf per week in September and 50 in October. Assuming that EIA's end-of-August estimate is met and net injections in September and October are similar to last year, total working gas on hand at the beginning of November will top last year's level by more than 130 Bcf. If this increase occurs, it would be only the second time since 1990 that storage levels have exceeded the previous year. (In 1994, working gas storage levels were 97 Bcf higher than in 1993.)

**Spot Prices:** During the first 4 days of bid week, prices at the Henry Hub were in a 10-cent range (\$2.50 to \$2.60 per MMBtu) and on Wednesday traded within 1 cent of the closing price for the NYMEX September futures contract price of \$2.515. By Friday, prices had moved up more than \$0.20 per MMBtu at the Henry Hub and ended the week at about \$2.70 —almost \$1.00 higher than last year at this time. Prices at most other major market locations had similar increases from last year. For example, on Friday, August 29, prices at Katy in East Texas were \$2.66 per MMBtu compared with \$1.67 last year; at Waha in West Texas, \$2.60 vs. \$1.58; and at Chicago, \$2.76 vs. \$1.78. Prices at Rocky Mountain locations were only about \$0.20 per MMBtu higher than last year (\$1.48 vs. \$1.27).

**Futures Prices:** This year's record futures contract price of \$2.515 per MMBtu for September delivery at the Henry Hub, which closed on Wednesday, eclipsed the previous record set last year (\$1.853) by more than \$0.65. The next day the October contract moved up almost \$0.15 per MMBtu as a period of price volatility appears to have returned to the futures market. Over the past 3 weeks, the price of the near month futures contract has jumped more than \$0.50 per MMBtu and the average daily range between the high and low price on the futures market has increased from less than 5 cents in July to more than 12 cents in August. The October futures contract settled on Friday at \$2.714 per MMBtu—almost \$0.90 higher than last year's final contract.

**Summary:** The weather remains cooler than normal in most parts of the country. Prices on most spot markets were up more than 60 percent from last year at this time and the September futures contract closed at record levels. Recent additions to storage are below last year's refill rate, but overall storage levels remain ahead of last year.