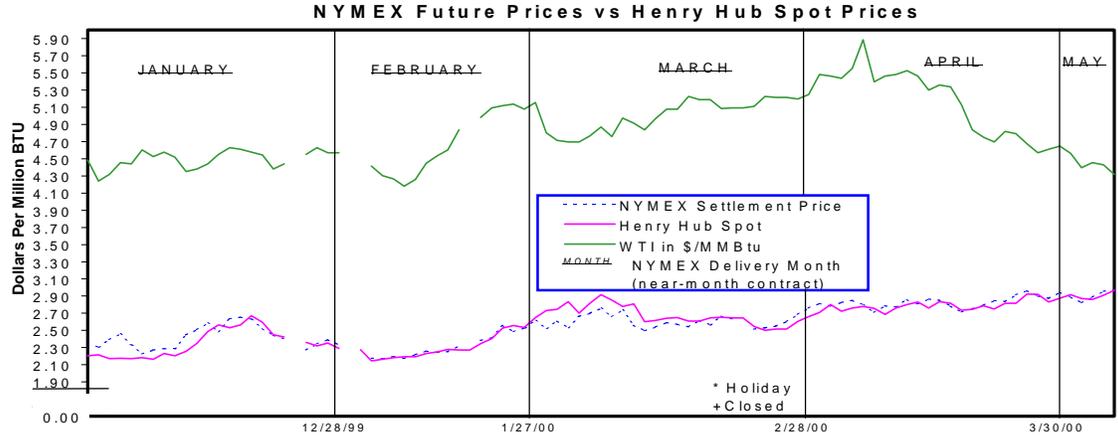
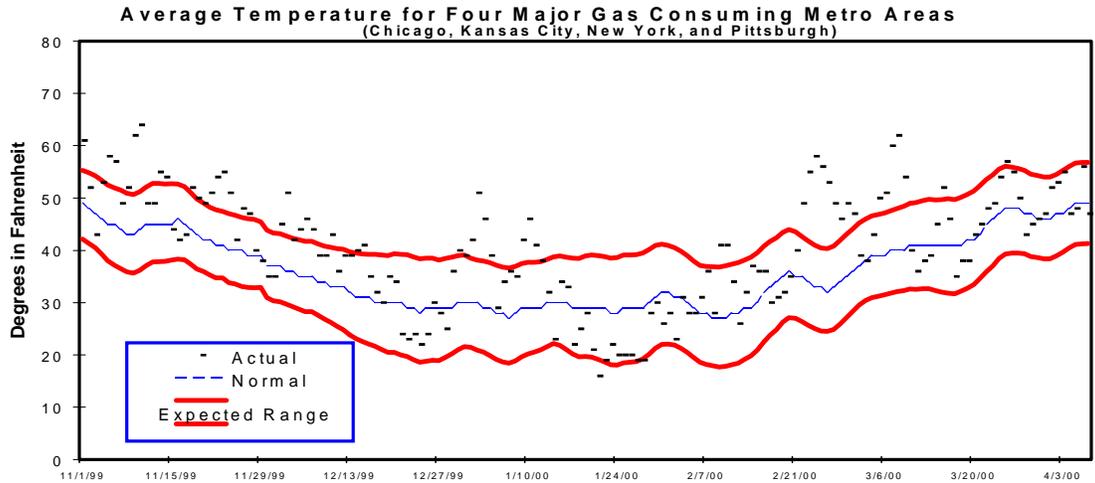


HENRY HUB PRICE (\$ per MMBtu)		
SPOT	FUTURES	
April	May	
Del	Del	
4/03	2.90-2.93	2.889
4/04	2.84-2.90	2.822
4/05	2.85-2.87	2.888
4/06	2.88-2.94	2.956
4/07	2.96-2.98	2.971



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 WTI price, in dollars per barrel, is the "sell price" from the GAS DAILY, and is converted to \$/MMBtu using a conversion factor of 5.80 MMBtu per barrel. The dates marked by vertical lines are the NYMEX near-month contract settlement dates.

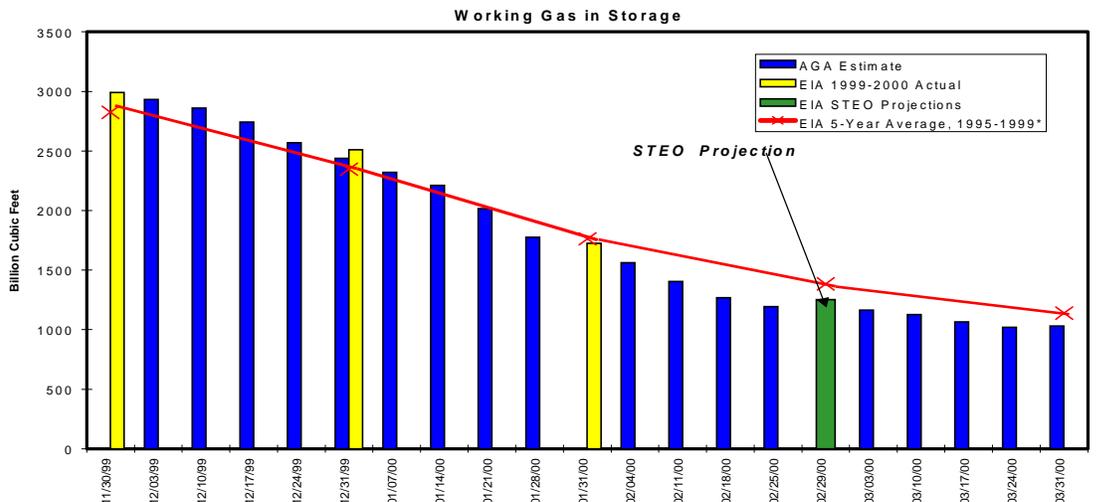
Average Temperature for Four Major Gas Consuming Areas			
	Actual	Normal	Diff
4/01	52	46	6
4/02	53	47	6
4/03	55	47	8
4/04	47	48	-1
4/05	48	49	-1
4/06	56	49	7
4/07	47	49	-2



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 3/31/2000		
	BCF	% Full
EAST	441	24
WEST	256	51
Prod Area	334	35
U. S.	1031	31

Source: AGA



\*The data showing the EIA 5-year historical high inventory levels have been replaced with the EIA 5-year average inventory levels for 1995-1999.

Thus far in April, natural gas prices on both the spot and futures markets continue at high levels for what is traditionally considered a “shoulder” or transitional month. Most major market locations had spot prices ranging between \$2.85 and \$2.95 per MMBtu most days last week. The May futures contract began the week down from the previous Friday’s \$2.945 per MMBtu, then moved up each day to end the week at \$2.971 per MMBtu. At this price, the May contract is trading 42 percent higher than at the same time last year. Even with the end of the heating season, the demand for gas appears to remain strong. The latest *Short Term Energy Outlook* (STEO) for April estimated that natural gas demand increased by 30 Bcf during the 1<sup>st</sup> quarter of this year, and calls for natural gas demand to increase by an additional 730 Bcf over the last 3 quarters of this year, to more than 22 Tcf. Almost all of the increase is projected to occur in the industrial and electric utility sectors. Composite average temperatures in the four cities monitored for this report indicate that temperatures were considerably warmer during the first week of April compared to the last week of March. The National Weather Service’s (NWS) latest 6-to-10 day forecast calls for the warmer-than-normal temperatures to continue in most parts of the country this week. The price of West Texas Intermediate (WTI) crude oil trended down for the third consecutive week as it traded below \$26.00 per barrel most days and ended trading on Friday at \$25.05 or \$4.32 per MMBtu.

**Storage:** EIA estimates the stock level at the conclusion of the heating season to be 1,018 Bcf, or about 11 percent below the average for the most recent 5-year period. EIA data indicate the average end-of-March level during 1995 to 1999 was 1,139 Bcf, with the low and high during that period being 758 Bcf and 1,430 Bcf in 1996 and 1999, respectively. The American Gas Association (AGA) estimated net withdrawals of 5 Bcf during the week ended Friday, March 31 (the last week of the heating season), leaving an AGA-estimated working gas level at the end March of 1,031 Bcf. Looking ahead to the April-through-October stock refill season and assuming an end-of-March level of 1,018 Bcf, the industry would need to add 1,967 Bcf in order to meet the 5-year November 1 average of 2,985 Bcf. The refill season probably started in April as expected in light of the warmer-than-normal temperatures during the first week (see Temperature graph).

**Spot Prices:** At the end of last week, most major regional spot markets had posted prices ranging between \$2.85 and \$2.95 per MMBtu, up 5 to 10 cents from the previous week, as the market continues an upward trend that began in mid-March. With generally warmer spring temperatures dominating the weather in most parts of the country since April 1, these relatively high spot prices likely are driven by various market factors, including the continued strength in the U.S. economy, which creates a strong demand for energy supplies. Additionally, though petroleum prices have declined recently, they remain at almost 10-year highs. For example, the prices of distillate fuel oil and propane were still over 40 percent higher last week compared to last year. Last year, natural gas spot market prices trended down during February and March. Spot prices ranged between \$1.85 and \$1.90 per MMBtu in late March 1999.

**Futures Prices:** The price of the futures contract for May delivery increased almost 10 cents per MMBtu since it became the near-month contract on March 30 at \$2.873. In addition to the steady increases in the May contract, all of the out-month prices continue to move up and be traded at virtually the same price. On Friday the contracts for the months between June and September settled between \$3.007 and \$3.009 per MMBtu. Some of the factors contributing to these relatively high prices are: NWS preliminary forecasts calling for another warmer-than-normal “La Nina” dominated weather pattern this summer, several forecasts calling for increases in demand for natural gas, the anticipated need for a stock refill of almost 1,970 Bcf, and lingering concerns about U.S. productive capacity.

**Summary:** Prices continue to trend up on both the spot and futures markets as the price of natural gas is trading at price levels over 40 percent higher than at the same time last year. Several factors appear to be contributing to these elevated prices, such as the increased demand for gas resulting from the strong U.S. economy, the continued high price of petroleum products, and an anticipated significant storage refill requirement.