

December 8, 2014

Natural Gas Trends

Highlights

Truckers convert to CNG despite falling oil prices

Despite the recent decline in gasoline and diesel prices, several heavy-duty truck companies are proceeding with plans to convert their fleets to use compressed natural gas. Henan Xu, an energy analyst with Bentek, said when the price of Brent crude oil “is above \$100/barrel, it takes less than five years to pay back the incremental costs of a natural gas truck.” That calculation assumes 17,000 gallons of gasoline gallon equivalent fuel consumption/year. “But if Brent hovers around \$70 to \$80/b, the payback period will increase to more than 15 years,” she said. “Fleet owners may rethink their strategy to convert to natural gas under a depressed oil market.”

“We are seeing a lot of volatility in the oil market and folks looking to make long-term investments – such as businesses purchasing fleet vehicles and setting up refueling stations – would like to see some more consistency,” noted Matt Godlewski, president of Natural Gas Vehicles for America. “The abundance of clean natural gas in the United States will keep prices relatively low and stable for decades to come, so now and into the future there are real savings with natural gas as a transportation fuel,” he said.

Ryder System said Wednesday it will be working with Mansfield Clean Energy Partners of Georgia to offer CNG fueling service to bulk-fuel haulers. Ryder will supply vehicles and truck-maintenance facilities and Mansfield will supply a CNG fueling stop to Doraville, Georgia. Mansfield also said it has taken delivery of 12 CNG vehicles that carry bulk fuel from fuel terminals to the company’s customers in and around the metro-Atlanta, Georgia, area.

Republic Service also said Wednesday it is adding 20 CNG solid waste and recycling trucks to its fleet that serves customers in the Springfield, Missouri, area. These trucks will replace older diesel-powered trucks and bring the total number of CNG trucks operated in Missouri by Republic to 119. “This fleet addition represents a significant local investment in cleaner, safer and more efficient vehicles,” Dennis Cooke, president, Global Fleet Management Solutions for Ryder, said in a statement. “It will also make a difference in preserving everything we love about the local environment for future generations.” Republic Services operates a fleet of more than 2,200 CNG vehicles and 38 natural gas fueling stations nationwide. About 50% of all Republic vehicles purchased in 2014 are powered by natural gas.

Tops Friendly Markets, a full-service grocery retailer in upstate New York, northern Pennsylvania and western Vermont, said in November it has formed a partnership with Ryder to replace its existing 55 tractors with new ones that are compatible with CNG. The new tractors are expected to be delivered by mid-2015. When the conversion to CNG is complete, the Williamsville, New York-based company said it will save more than 1.2 million gallons of diesel fuel/year and reduce its annual fuel costs by 50%, Tops said.

Source: Platts Gas Daily

Data

- January 2015 Natural Gas Futures Contract (as of December 5), NYMEX at Henry Hub closed at \$3.802 per million British thermal units (MMBtu)
- January 2015 Light, Sweet Crude Oil Futures Contract WTI (as of December 5), closed at \$65.84 per U.S. oil barrel (Bbl.) or approximately \$11.35 per MMBtu

Last week: Texas warmer than normal

For the week beginning 11/30/14 and ending 12/6/14, heating degree days (HDD) were lower than normal (warmer) for the week and for the year to date for most Texas cities shown.

Source: www.cpc.ncep.noaa.gov

HEATING DEGREE DAYS (HDD)				
City or Region	Total HDD for week ending 12/6/14	*Week HDD + / - from normal	Year-to-date total HDD	* YTD % +/- from normal
Amarillo	163	-16	939	-10%
Austin	51	-24	389	28%
DFW	68	-41	486	6%
El Paso	72	-55	423	-29%
Houston	31	-37	278	-3%
SAT	38	-35	285	-3%
Texas**	56	-34	428	7%
U.S.**	142	-21	1044	-2%

* A minus (-) value is warmer than normal; a plus (+) value is cooler than normal. NOAA uses 65° Fahrenheit as the ‘normal’ basis from which HDDs are calculated. ** State and U.S. degree days are population-weighted by NOAA.

-999 = Normal Less Than 100 or Ratio Incalculable

Last week: U.S. natural gas storage at 3,410 Bcf

For the week ending 11/28/2014 working gas in storage decreased from 3,432 Bcf to 3,410 Bcf. This represents a decrease of 22 Bcf from the previous week. Stocks were 227 Bcf lower than last year at this time and 372 Bcf below the 5 year average of 3,782 Bcf.

Source: <http://ir.eia.gov/ngs/ngs.html>

U.S. WORKING GAS IN STORAGE				
Region	Week ending 11/28/14	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	1,830	1,864	-34	-9.1%
West	478	477	1	-8.4%
Producing	1,102	1,091	11	-11.6%
Lower 48 Total	3,410	3,432	-22	-9.8%

Lower 48 states, underground storage, units in billion cubic feet (Bcf)

Last week: U.S. gas rig count unchanged for the week

The gas rig count for the U.S. remained the same for the week but was down 31 when compared to twelve months ago. The total rig count for the U.S. was up three from last week and up 145 when compared to twelve months ago. The total rig count includes both oil and natural gas rotary rigs.

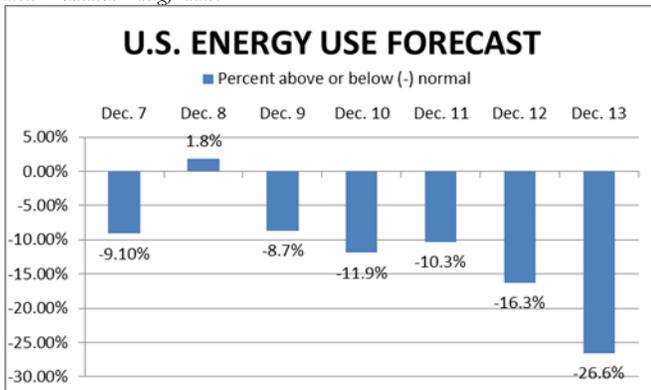
Source: Baker Hughes

BAKER HUGHES ROTARY RIG COUNT				
	As of 12/05/2014	+/- prior week	Year ago	+/- year ago
Texas	896	-5	842	54
U.S. gas	344	0	375	-31
U.S. oil	1575	3	1397	178
U.S. total	1920	3	1775	145
Canada	422	-16	402	20

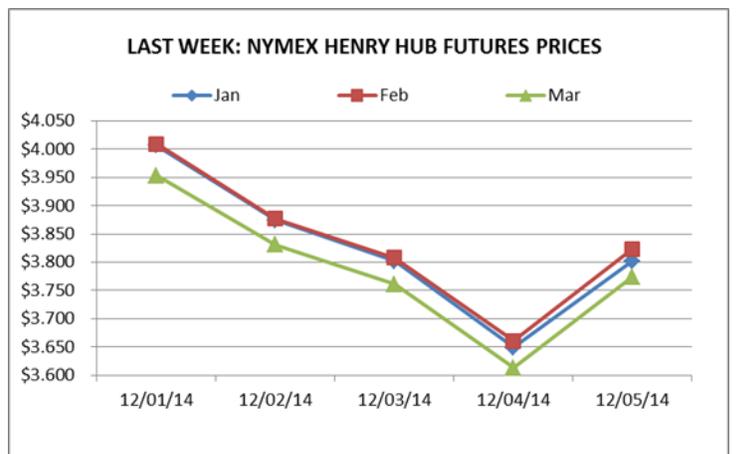
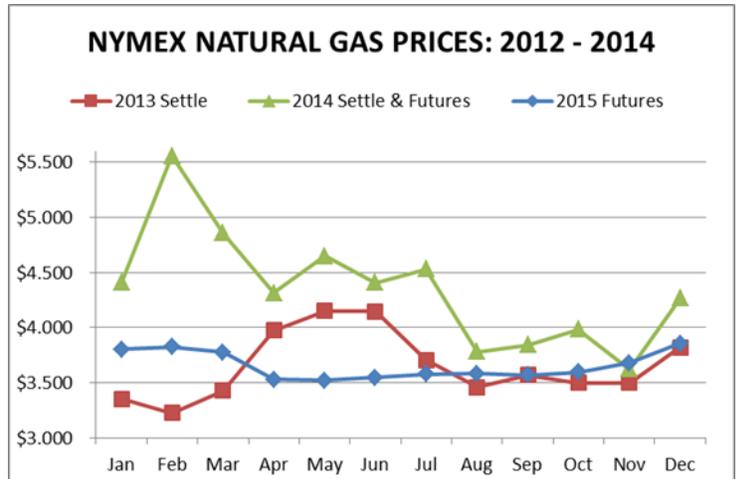
This week: U.S. energy use varies

U.S. energy use is predicted to vary this week, according to the Dominion Energy Index, as shown below. Dominion forecasts total U.S. residential energy usage, a component of which is natural gas.

Source: Dominion Energy Index



2014 prices. Natural gas prices for 2014, shown below in green, are the NYMEX settlement prices for Jan.-Nov. and futures prices for the remainder of the year.



NATURAL GAS PRICE SUMMARY AS OF 12/5/2014

This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
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US Jan. futures

NYMEX	\$3.802	-\$0.553	-\$1.755	\$3.755
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