

July 6, 2015

Natural Gas Trends

Highlights

PHMSA seeks faster notification of accidents

Pipeline operators would have to notify federal officials within an hour of discovering a leak or breach on a natural gas, oil or hazardous liquid pipeline under a proposal unveiled Wednesday. The proposal from the US Department of Transportation's Pipeline and Hazardous Materials Safety Administration follows the May 19 Santa Barbara oil spill that sent more than 100,000 gallons of crude oil onto beaches and into the ocean when a pipe operated by Plains Pipeline ruptured near Refugio State Beach in California. Reportedly, at least 90 minutes went by before Plains Pipeline notified the federal government of the spill.

While pipeline operators are required to notify officials of any incidents that result in a release of oil, gas or other liquids, current regulations do not specify a time limit for notification after a pipeline accident. "This proposed rule will improve safety in a number of ways, including a notification time limit which eliminates any ambiguity about timeliness in reporting and is crucial to the ability to mitigate damage and protect people, property and the environment following an incident," US Transportation Secretary Anthony Foxx said in a statement Wednesday. Under PHMSA's proposed rulemaking, a pipeline operator would have to notify the agency's National Response Center "at the earliest practicable moment," not to exceed one hour, of an accident or incident on their system and provide data on the volume of product that breached the pipeline.

Early reporting is crucial

"Prompt reporting of a pipeline incident to the NRC is crucial to federal investigators' ability to investigate and resolve pipeline safety concerns," and delays "and could jeopardize the outcome of any subsequent investigation and threaten public safety," the proposal said. The proposed rulemaking would also allow the agency to recoup costs incurred from performing pipeline design safety reviews, which include design, construction, and operational inspections and oversight. The rulemaking lays out a fee structure and assessment methodology for PHMSA to recover these costs when a project's design and construction have a price tag of at least \$2.5 billion or the project involves the use of new and novel technologies. Further, the proposal would implement several National Transportation Safety Board recommendations related to operator qualification programs, personnel training, drug and alcohol testing and acceptable methods for assessing crack defects in pipelines. "All of these updates together will provide significant safety benefits and move us closer to addressing pending Congressional mandates and other important safety recommendations," PHMSA Interim Executive Director Stacy Cummings said Wednesday. "We will continue to update our regulations to positively influence pipeline operator safety programs and to address concerns related to failures, operator error and other safety risks."

PHMSA sent its proposed pipeline operator qualification, cost recovery, and accident notification rule to the Federal Register Wednesday and expects it to be published within three to five days. A public comment period will run for 60 days following the rule's publication.

Source: Platts Gas Daily

Data

- August 2015 Natural Gas Futures Contract (as of July 2), NYMEX at Henry Hub closed at \$2.822 per million British thermal units (MMBtu)
- August 2015 Light, Sweet Crude Oil Futures Contract WTI (as of July 2), closed at \$52.53 per U.S. oil barrel (Bbl.) or approximately \$9.06 per MMBtu

Last week: Texas cooler than normal last week

For the week beginning 6/28/15 and ending 7/4/15, cooling degree days (CDD) were lower than normal (cooler) on average for the week but higher than normal (warmer) for the year to date for most Texas cities shown.

Source: www.cpc.ncep.noaa.gov

COOLING DEGREE DAYS (CDD)				
City or Region	Total CDD for week ending 7/4/15	*Week CDD +/- from normal	Year-to-date total CDD	* YTD % +/- from normal
Amarillo	87	1	407	-9%
Austin	111	-19	984	-13%
DFW	137	6	920	1%
El Paso	138	12	1050	15%
Houston	126	0	1289	14%
SAT	125	-7	1227	4%
Texas**	115	-6	1047	3%
U.S.**	62	-4	495	20%

* A minus (-) value is cooler than normal; a plus (+) value is warmer than normal. NOAA uses 65° Fahrenheit as the 'normal' basis from which CDDs 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 2,577 Bcf

For the week ending 6/26/2015 working gas in storage increased from 2,508 Bcf to 2,577 Bcf. This represents an increase of 69 Bcf from the previous week. Stocks were 662 Bcf higher than last year at this time and 29 Bcf above the 5 year average of 2,548 Bcf.

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

U.S. WORKING GAS IN STORAGE				
Region	Week ending 6/26/15	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	1,109	1,053	56	-8.1%
West	441	437	4	8.9%
Producing	1,027	1,018	9	9.6%
Lower 48 Total	2,577	2,508	69	1.1%

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

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

The gas rig count for the U.S. was up two for the week and down 92 when compared to twelve months ago. The total rig count for the U.S. was up three from last week and down 1012 when compared to twelve months ago. The total rig count includes both oil and natural gas rotary rigs.

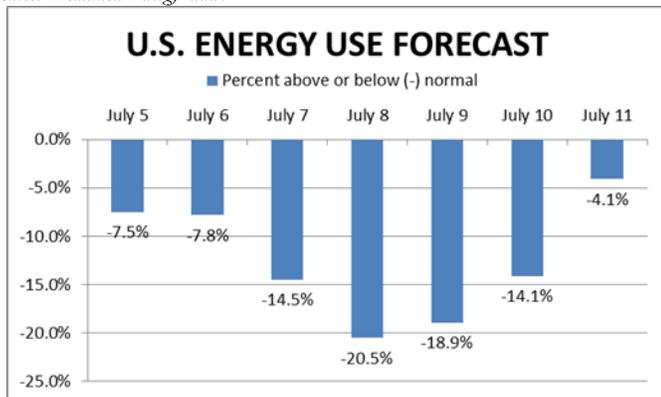
Source: Baker Hughes

BAKER HUGHES ROTARY RIG COUNT				
	As of 7/2/2015	+/- prior week	Year ago	+/- year ago
Texas	363	2	896	-533
U.S. gas	219	-9	311	-92
U.S. oil	640	12	1562	-922
U.S. total	862	3	1874	-1012
Canada	139	4	309	-170

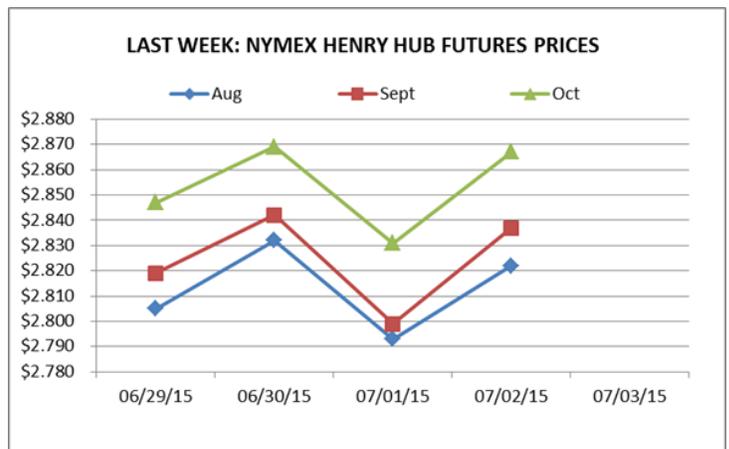
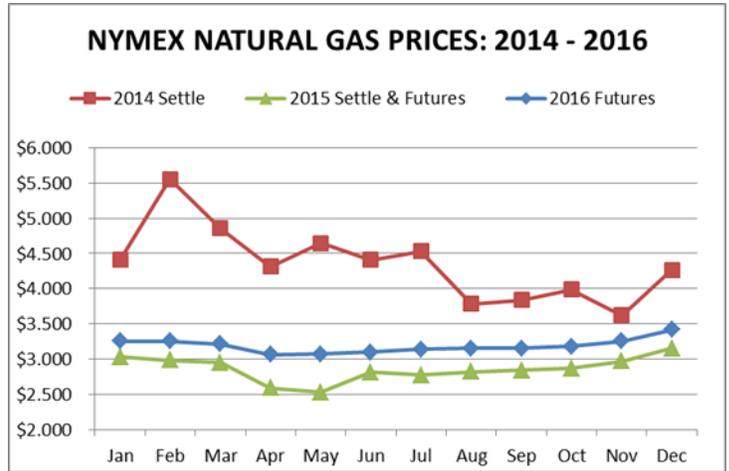
This week: U.S. energy below average this week

U.S. energy use is predicted to be below average 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



2015 prices. Natural gas prices for 2015, shown below in green, are the NYMEX settlement prices for Jan.-July and futures prices for the remainder of the year.



*Data for July 3, 2015 is unavailable due to the Independence Day holiday.

NATURAL GAS PRICE SUMMARY AS OF 7/2/2015

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US August futures				
NYMEX	\$2.822	\$0.049	-\$2.033	\$2.860