

February 22, 2016

Natural Gas Trends

Highlights

Most of US think power prices high, rising: poll

Most Americans think electricity and natural gas prices are high now, and most expect electricity prices to rise over the next six months, while almost half expect natural gas prices to rise, a survey released Thursday shows. However, the semiannual University of Texas Energy Poll shows that those percentages who expect higher prices are at their lowest level in the survey's five-year history. At the UT Energy Week symposium in Austin, Texas, Thursday, Sheril Kirshenbaum, UT Energy Poll director, presented the results of the latest set of questions posed in January to 2,043 respondents geographically dispersed across the US.

Of those respondents, 68% thought electricity prices were high, and 51% thought natural gas prices were high, but those numbers were down from peaks of 79% (in March 2012) and 74% (in March 2014).

The survey indicated that 54% expected electricity prices to rise in the next six months, which is down from a peak of 70% in the survey conducted in September 2012. Only 47% of respondents expected natural gas prices to rise in the next six months, but that is down from a peak of 66% in March 2012. The percentage who expected electricity prices to decrease in six months was at the highest level in the survey's history, at 7%, contrasted with a minimum of 2% in September 2011. The percentage who expected natural gas prices to decrease was also at the highest level in the survey's history at 9%, compared with a minimum of 3% in September 2011. Kirshenbaum said people's expectations for future prices may be influenced by whether prices had recently risen or fallen – that is, if prices had recently risen, a higher percentage expected prices to be higher six months from when they were asked the question.

"I think prices have been so unusual, there has been no rhyme or reason as to what people expect," Kirshenbaum said. The survey covered



other forms of energy, such as gasoline, for which 56% expected prices to rise in six months, and heating oil, for which 46% expected prices to rise in six months. When asked whether people expected energy costs to take up a larger share of their budget in 12 months, 55% expected that percentage to increase, but this was down from a peak of 76% in March 2012.

Optimism about energy future growing

The respondents showed a trend toward expecting the US energy situation to improve over the next 25 years, with 40% expecting the situation to improve over the next 25 years, with 40% expecting the situation to be better in 2040, compared with 24% expecting the situation to worsen. This is almost exactly the opposite result from the first survey, in September 2011, when only 23% expected the US energy situation to improve over the next 25 years, while 41% expected it to worsen. Almost three out of four respondents – 73% - thought climate change is occurring, including 90% of Democrats and 54% of Republicans, and 66% of all respondents say climate change is "Mostly due to human actions." Asked about the best way to assure US energy security and independence, 58% said government and industry should work together, 14% said market forces should prevail, 14% said the federal government should prevail, and 14% were unsure or had no opinion.

Source: Platts Gas Daily

Data

- March 2016 Natural Gas Futures Contract (as of February 19, NYMEX at Henry Hub closed at \$1.804 per million British thermal units (MMBtu)
- March 2016 Light, Sweet Crude Oil Futures Contract WTI (as of February 19), closed at \$29.64 per U.S. oil barrel (Bbl.) or approximately \$5.11 per MMBtu

Last week: Texas warmer than normal last week

For the week beginning 2/14/16 and ending 2/20/16, heating degree days (HDDs) were lower than normal (warmer) on average for the week and for the year to date for all Texas cities shown.

Source: www.cpc.ncep.noaa.gov

HEATING DEGREE DAYS (HDD)				
City or Region	Total HDD for week ending 2/20/16	*Week HDD + / - from normal	Year-to-date total HDD	* YTD % +/- from normal
Amarillo	68	-103	2578	-20%
Austin	21	-56	1165	-15%
DFW	23	-85	1324	-31%
El Paso	27	-75	1743	-15%
Houston	19	-53	855	-32%
SAT	6	-67	894	-32%
Texas**	31	-57	1223	-24%
U.S.**	161	-19	2666	-17%

* 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 2,706 Bcf

For the week ending 2/05/2016 working gas in storage decreased from 2,864 Bcf to 2,706 Bcf. This represents a decrease of 158 Bcf from the previous week. Stocks were 532 Bcf higher than last year at this time and 555 Bcf above the 5 year average of 2,151 Bcf.

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

U.S. WORKING GAS IN STORAGE				
Region	Week ending 2/12/16	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	569	620	-51	19.3%
Midwest	689	739	-50	29.0%
Mountain	147	151	-4	6.5%
Pacific	255	258	-3	12.3%
South Central	1,046	1,096	-50	35.0%
Lower 48 Total	2,706	2,864	-158	25.8%

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 down one for the week and 188 when compared to twelve months ago. The total rig count for the U.S. was down 27 compared to last week and down 796 when compared to twelve months ago. The total rig count includes both oil and natural gas rotary rigs.

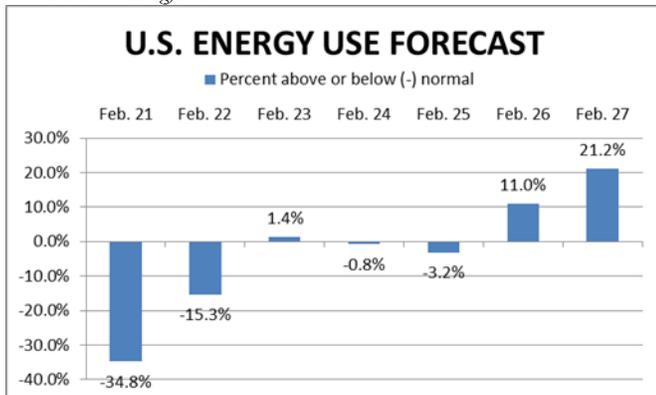
Source: Baker Hughes

BAKER HUGHES ROTARY RIG COUNT				
	As of 2/19/2016	+/- prior week	Year ago	+/- year ago
Texas	236	-12	576	-340
U.S. gas	101	-1	289	-188
U.S. oil	413	-26	1019	-606
U.S. total	514	-27	1310	-796
Canada	206	-16	360	-154

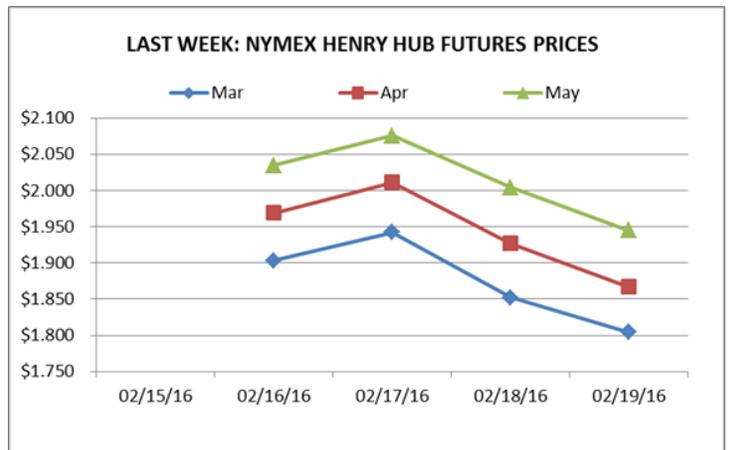
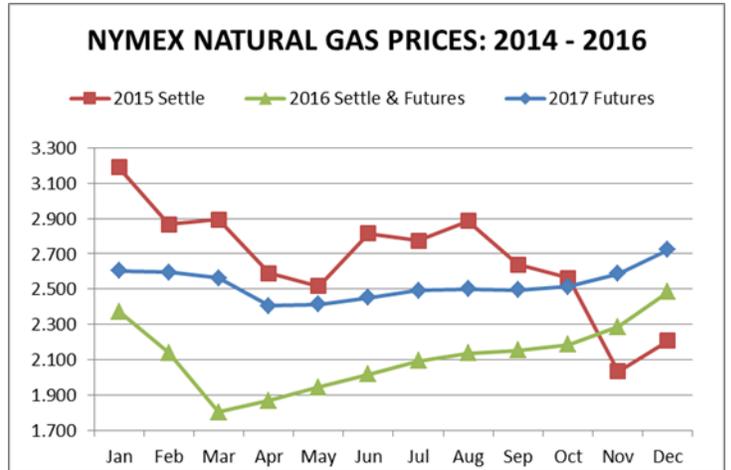
This week: U.S. energy varies this week

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



2016 prices. Natural gas prices for 2016, shown below in green, are the NYMEX settlement prices for Jan. and futures prices for the year.



NATURAL GAS PRICE SUMMARY AS OF 2/19/2016

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US March futures				
NYMEX	\$1.804	-\$0.162	-\$1.924	\$2.664