

August 5, 2013

Natural Gas Trends

Highlights

FERC ruling ‘troublesome’ for industry: INGAA

The gas pipeline industry is urging the Federal Energy Regulatory Commission to reverse an administrative law judge’s rate refund decision it says could unfairly reopen more than 800 gas rate cases. “It’s outrageous and we really need clarification from the commission that this language is not an open-ended permission to reach back into proceedings that we thought were finished,” Joan Dreskin, the Interstate Natural Gas Association of America’s general counsel, said in an interview this week.

At issue is a case that revolves around Rockies Express Pipeline’s fuel tracker mechanism, which allows the pipeline to recover the cost of fuel used for operations, such as compression, outside of a full rate case. ALJ Judge Judith Dowd presided over case to determine whether REX’s 2011 and 2012 fuel tracker filings were just and reasonable. Shippers had challenged the filings and FERC has set the issue for hearing and possible refund. In a June 28 initial decision, Dowd found that the 2011 and 2012 fuel trackers had over-recovered REX’s fuel costs and said the pipeline should refund more than \$22 million to its customers.

While FERC did not set REX’s 2010 fuel tracker for hearing, the ALJ argued that the commission never issued a final approval for that tracker because the order included this language: “This acceptance for filing shall not be construed as constituting approval... such acceptance is without prejudice to any findings or orders which have been or any which may hereafter be made by the commission in any proceeding now pending or hereafter instated by or against REX Pipeline LLC.” As a result, the ALJ found that REX should correct its 2010 tracker and refund its over-recovery from this period as well.

INGAA filed a July 29 brief in the case arguing that the decision could set “a troublesome and prejudicial precedent” with “industry-wide ramifications.” FERC does not have authority to order retroactive refunds of rates like REX’s 2010 fuel tracker that have not been suspended and set for hearing, the pipeline group argued. In addition, the language the ALJ cited in the 2010 fuel tracker order can be found in more than 800 other orders issued in the past 12 months alone, INGAA said. “INGAA is concerned that if the commission were to adopt the [initial decision,] the reasoning of the decision would not be limited to REX and its facts, but would extend industry-wide. This would call into question the industry’s ability to rely on delegated letter orders as final agency action.”

This appears to be the first time an ALJ or the commission has tried to use this boilerplate language to reach back into final decisions, Dreskin said. REX made a similar argument in a brief defending its fuel trackers. “If the language is read to permit the reopening of any and all proceedings, the regulated community and investors will be unable to rely on the thousands of commission orders containing the same language,” REX told FERC. The recent briefs by INGAA and REX are part of one of the final rounds of input before the case is sent to the full commission, which will decide whether to affirm the ALJ’s decision. Source: Platts Gas Daily

Data

- September 2013 Natural Gas Futures Contract (as of August 2), NYMEX at Henry Hub closed at \$3.347 per million British thermal units (MMBtu)
- September 2013 Light, Sweet Crude Oil Futures Contract WTI (as of August 2), closed at \$106.94 per U.S. oil barrel (Bbl.) or approximately \$18.44 per MMBtu

Last week: Texas and U.S. warmer than normal

For the week beginning 7/28/13 and ending 8/3/13, cooling degree days (CDD) were higher than normal (warmer) for the week in Texas and higher than normal year to date for both Texas and for the US. Source: www.cpc.ncep.noaa.gov

COOLING DEGREE DAYS (CDD)				
City or Region	Total CDD for week ending 8/3/13	*Week CDD +/- from normal	Year-to-date total CDD	* YTD % +/- from normal
Amarillo	123	32	1109	32%
Austin	164	24	1759	3%
DFW	168	21	1612	6%
El Paso	145	26	1803	25%
Houston	148	15	1823	8%
SAT	179	39	1935	9%
Texas**	146	16	1637	4%
U.S.**	62	-12	799	10%

* A minus (-) value is cooler than normal; a plus (+) value is warmer 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 2,845 Bcf

For the week ending 7/26/2013 working gas in storage increased from 2,786 Bcf to 2,845 Bcf. This represents an increase of 59 Bcf from the previous week. Stocks were 368 Bcf lower than last year at this time and 34 Bcf below the 5 year average of 2,879 Bcf.

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

U.S. WORKING GAS IN STORAGE				
Region	Week ending 7/26/13	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	1,350	1,306	44	-8.1%
West	461	455	6	7.0%
Producing	1,034	1,025	9	5.6%
Lower 48 Total	2,845	2,786	59	-1.2%

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

Last week: U.S. gas rig count increasing

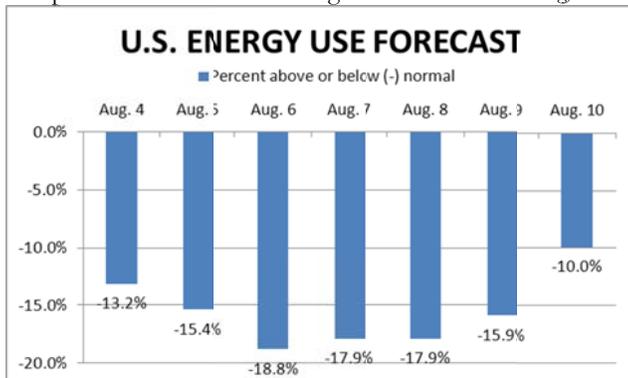
The gas rig count for the U.S. was up 19 when compared to the prior week but was down 110 when compared to twelve months ago. The total rig count for the U.S. was up 18 for the week and down 110 when compared to twelve months ago. The total rig count includes both oil and natural gas rotary rigs.

Source: Baker Hughes

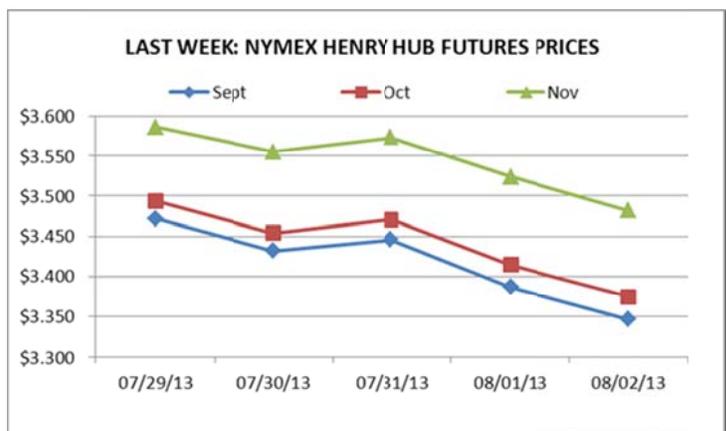
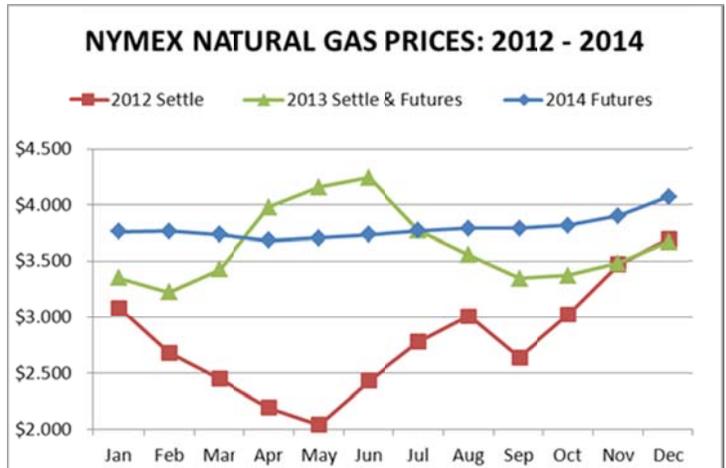
BAKER HUGHES ROTARY RIG COUNT				
	As of 8/2/2013	+/- prior week	Year ago	+/- year ago
Texas	851	3	909	-58
U.S. gas	388	19	498	-110
U.S. oil	1388	-13	1429	-41
U.S. total	2123	18	2233	-110
Canada	341	12	303	38

This week: U.S. energy use below normal

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



2013 prices. Natural gas prices for 2013, shown below in green, are the NYMEX settlement prices for January-August and the futures prices for the remaining months of 2013.



NATURAL GAS PRICE SUMMARY AS OF 8/2/2013

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US September futures				
NYMEX	\$3.347	-\$0.216	\$0.713	\$3.650