

September 23, 2013

Natural Gas Trends

Highlights

Industry, regulators fear federal shutdown impact

Gas industry officials and regulators expressed concern last week that a federal government shutdown October 1 would delay the review and permitting of key projects while hamstringing agencies' ability to police the energy markets.

"Taking our cops off the beat for even a few days could have disastrous impacts on these markets that consumers depend on,"

Commodity Futures Trading Commission member Bart Chilton said Friday. "Under a shutdown scenario, government regulators will be handcuffed in our ability to go after crooks who are trying to evade oversight and protection of markets," Chilton said. "You can bet the 'do-badders' are licking their chops."

President Obama and House and Senate lawmakers were wrangling over the contents of a budget deal that would fund the government beyond the end of September, with press reports indicating that many Republicans are tying a defunding of the Affordable Care Act to the budget deal – complicating passage of a stopgap budget measure. Strictly along party lines, the Republican-led House on Friday passed a short-term spending plan that would keep the government operating for 11 weeks beyond October 1 while eliminating funding for Obamacare. The senate was expected to reject the package.

In terms of how a resulting shutdown could impact the Federal Energy Regulatory Commission, spokesman Craig Cano said last week that "a limited number of FERC staff would continue work on commission responsibilities such as market monitoring, hydroelectric project inspections, and liquefied natural gas facility inspections." While Cano declined to provide a more substantive outline of how the commission would operate during a government shut-down, statements from Chairman Jon Wellinghoff and other FERC officials in the run-up to a possible shutdown in 2011 shed more light on what FERC responsibilities would be put on hold. Wellinghoff said that "essential employees" working on health and safety issues would remain. And Charles Schneider, FERC's then-executive director, said at the time that ongoing FERC proceedings with a deadline would be put on hold. As such, a shutdown could slow or stop progress on the permitting and review of natural gas pipelines and LNG facilities, as well as other commission activities like the review of electricity market filings.

Bill Cooper, president of the Center for Liquefied Natural Gas, said that "any delays in the permitting process are always a concern for us," particularly when those delays are beyond the control of the applicant and the regulatory agency. "When you defund or prevent a regulator from doing its job, you never know when a resolution is coming," Cooper said. "We hope there isn't a federal shutdown, not only for the sake of government workers, but for the fact that delays in certificating pipelines prolong the time that much-needed infrastructure gets built," said Cathy Landry, a spokeswoman for the Interstate Natural Gas Association of America. "That, in turn, delays the benefits consumers get from access to... natural gas at reasonable prices."

Even so, Landry stressed that if government does close, "pipeline construction and expansion work does not stop," and the industry will continue to work on landowner and right-of-way issues and conduct environmental reviews.

Source: Platts Gas Daily

Data

- October 2013 Natural Gas Futures Contract (as of September 20), NYMEX at Henry Hub closed at \$3.687 per million British thermal units (MMBtu)
- October 2013 Light, Sweet Crude Oil Futures Contract WTI (as of September 20), closed at \$104.67 per U.S. oil barrel (Bbl.) or approximately \$18.05 per MMBtu

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

For the week beginning 9/15/13 and ending 9/21/13, cooling degree days (CDD) were higher than normal (warmer) for the week as well as 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 9/21/13	*Week CDD +/- from normal	Year-to-date total CDD	* YTD % +/- from normal
Amarillo	42	5	1732	35%
Austin	107	8	2710	4%
DFW	118	35	2651	13%
El Paso	71	3	2566	21%
Houston	121	27	2788	11%
SAT	120	21	3023	14%
Texas**	105	22	2533	8%
U.S.**	36	3	1232	11%

* 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 3,299 Bcf

For the week ending 9/13/2013 working gas in storage increased from 3,253 Bcf to 3,299 Bcf. This represents an increase of 41 Bcf from the previous week. Stocks were 187 Bcf lower than last year at this time and 18 Bcf above the 5 year average of 3,281 Bcf.

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

U.S. WORKING GAS IN STORAGE				
Region	Week ending 9/13/13	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	1,688	1,647	41	-6.7%
West	511	507	4	10.8%
Producing	1,100	1,099	1	8.9%
Lower 48 Total	3,299	3,253	46	0.5%

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

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

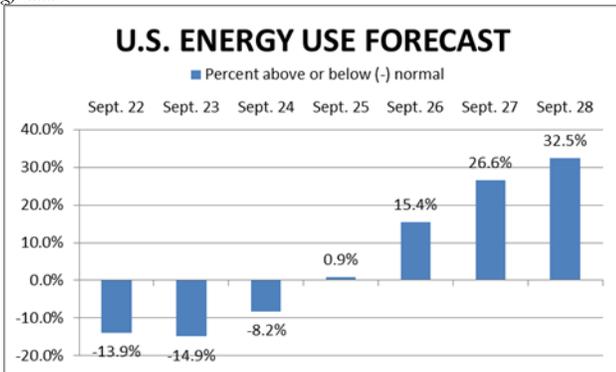
The gas rig count for the U.S. was down 14 when compared to the prior week and down 41 when compared to twelve months ago. The total rig count for the U.S. was down seven for the week and down 98 when compared to twelve months ago. The total rig count includes both oil and natural gas rotary rigs.

Source: Baker Hughes

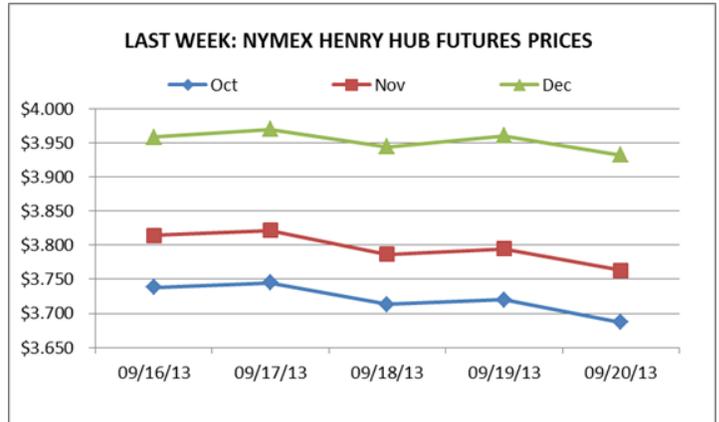
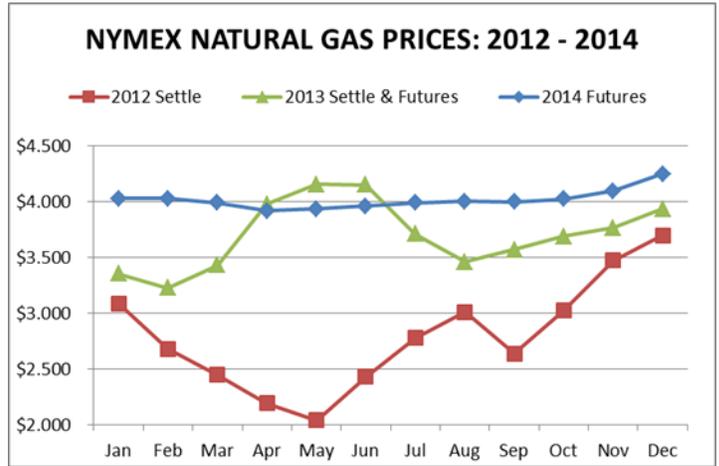
BAKER HUGHES ROTARY RIG COUNT				
	As of 9/20/2013	+/- prior week	Year ago	+/- year ago
Texas	836	-14	877	-41
U.S. gas	386	-15	454	-68
U.S. oil	1369	8	1402	-33
U.S. total	1761	-7	1859	-98
Canada	388	8	363	25

This week: U.S. energy use varies

U.S. energy use is predicted to be below normal early in the week increasing to above normal, 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-September and the futures prices for the remaining months of 2013.



NATURAL GAS PRICE SUMMARY AS OF 9/20/2013

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US October futures				
NYMEX	\$3.687	\$0.010	\$1.053	\$3.934