

March 5, 2012

**Natural Gas Trends****Highlights****FERC SEEKS PUBLIC COMMENT ON UPDATED STANDARDS APPLICABLE TO INTERSTATE GAS PIPELINES**

The Federal Energy Regulatory Commission (FERC) proposes to update and improve its business practice standards applicable to interstate natural gas pipelines. The agency **seeks public comment** on its proposed rule updates and improvements; comments are due on or before March 23, 2012. FERC Docket No. RM96-1-037 was established for this initiative. The agency's rule proposal:

- Incorporates by reference, with certain exceptions, the latest business practice standards adopted by the Wholesale Gas Quadrant of the North American Energy Standards Board (NAESB), otherwise known as **Version 2.0 Standards** applicable to natural gas pipelines;
- Includes provisions that support **coordination** between the natural gas and electric industries;
- Establishes standards for pipeline postings of information about **waste heat**; and
- Adds general provisions that allow more efficient processing of wholesale natural gas transactions.

The proposed rules pertaining to coordination between the natural gas and electric industries include, in part, the creation of 15 new types of notice to be provided by natural gas pipelines via email and posted on pipeline company websites. The notices are designed to inform public utilities and gas shippers of changes in pipeline system conditions, for example, intraday bumps. The FERC anticipates implementing its new standards beginning on the first day of the month four full months after issuance of a final rule.

Source: [www.ferc.gov](http://www.ferc.gov)**Data**

- April Natural Gas Futures Contract (as of March 2), NYMEX at Henry Hub closed at \$2.484 per million British thermal units (MMBtu)
- April Light, Sweet Crude Oil Futures Contract (as of March 2), NYMEX at Cushing closed at \$106.70 per U.S. oil barrel (Bbl.) or approximately \$17 per MMBtu

**Last week: Texas, U.S. HDD lower than norm**

For the week beginning 2/26/12 and ending 3/3/12, heating degree days (HDD) were lower than normal for Texas and the U.S. For the heating season (7/1/11 to 6/30/12), cumulative heating degree days were 18% below normal for Texas and 14% below normal for the U.S.

Source: [www.cpc.ncep.noaa.gov](http://www.cpc.ncep.noaa.gov)

HEATING DEGREE DAYS (HDD)				
City or Region	Total HDD for week ending 3/3/2012	*Week HDD + / - from normal	Year-to-date total HDD	* YTD % +/- from normal
Amarillo	118	-33	3122	-10%
Austin	34	-24	1375	-7%
DFW	34	-51	1675	-20%
El Paso	70	-14	2036	-8%
Houston	18	-37	918	-32%
SAT	27	-27	1055	-25%
Texas**	37	-33	1427	-18%
U.S.**	140	-21	2979	-14%

\* A minus (-) value is warmer than normal; a plus (+) value is cooler than normal. NOAA uses 65° Fahrenheit as the 'normal' basis from which HDD are calculated.

\*\* State and U.S. degree days are population-weighted by NOAA.

**Last week: U.S. natural gas storage at 2,513 Bcf**

For the week ending 2/24/12, U.S. working gas in storage decreased from 2,595 to 2,513 Bcf, compared to 1,757 Bcf in storage a year ago and compared to an average of 1,733 Bcf in storage during the 5-year period from 2007 to 2011. Working gas in storage in the producing region (which includes Texas) declined from 993 to 974 Bcf.

Source: [www.eia.doe.gov](http://www.eia.doe.gov)

U.S. WORKING GAS IN STORAGE				
Region	Week ending 2/24/12	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	1,174	1,232	-58	+ 38.4%
West	365	370	-5	+ 43.7%
Producing	974	993	-19	+ 54.6%
Lower 48 Total	2,513	2,595	-82	+ 45%

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

**Last week: U.S. gas rig count down 19 to 691**

The gas rig count for the U.S. was down 19 when compared to the prior week and down 208 when compared to 12 months ago. The U.S. total rig count was up 8 from the prior week, and up 282 when compared to 12 months ago.

Source: Baker Hughes

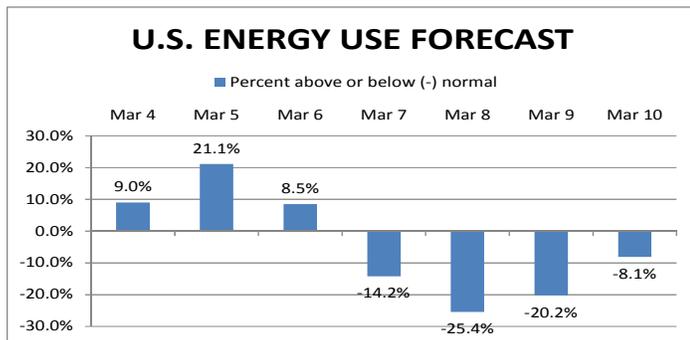
BAKER HUGHES ROTARY RIG COUNT				
	As of 3/2/12	+/- prior week	Year ago	+/- year ago
Texas	926	+6	733	+193
U.S. gas	691	-19	899	-208
U.S. oil	1293	+28	801	+492
U.S. total	1989	+8	1707	+282
Canada	681	-20	625	+56

Numbers are excerpted and not meant to be totaled

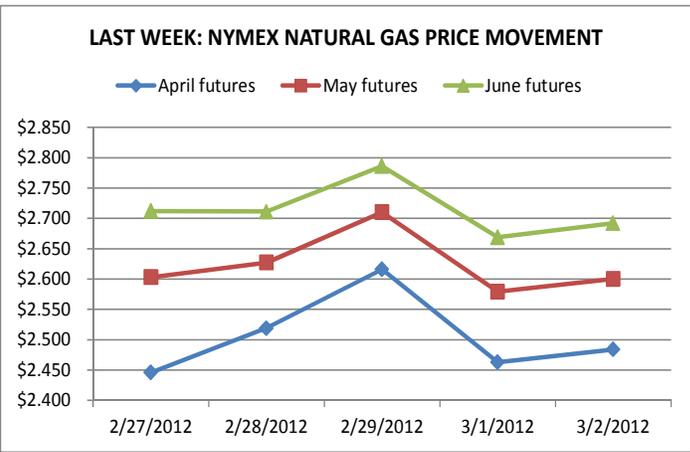
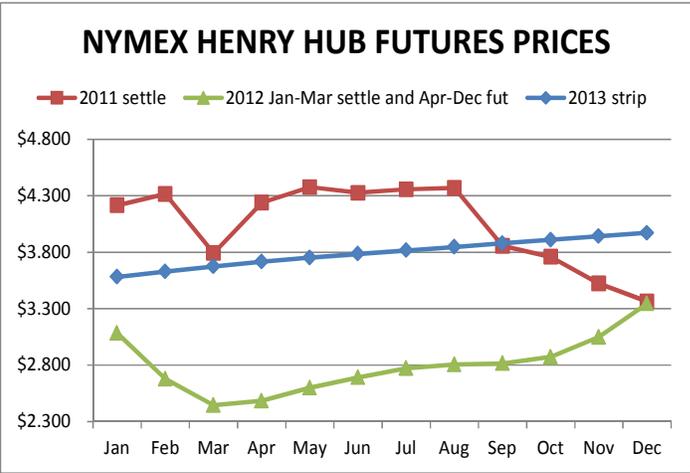
**This week: U.S. energy use high, then low**

U.S. energy use is forecasted to be higher than normal through Tuesday, then lower than 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



**Strip prices.** Natural gas strip prices for 2013, shown below in blue, are the average of daily settlement prices for the next twelve months of natural gas futures contracts.



**NATURAL GAS PRICE SUMMARY AS OF 3/5/2012**

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US April futures				
NYMEX	\$2.484	-\$0.066	-\$1.756	\$2.991

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