

October 29, 2012

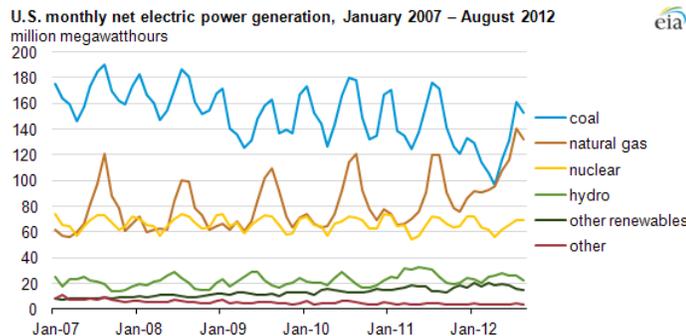
Natural Gas Trends

Highlights

**Summer Heat:
Natural Gas and Coal Generation**

In August 2012, coal produced 39% of U.S. electricity, up from a low of 32% in April 2012, when the natural gas share of generation equaled that of coal (See *Natural Gas Trends* September 24, 2012). Increased demand for electric power in the summer months—to run air conditioners—created more room in the market, and generation from both fuels increased between April and July. The August coal share of generation is still notably lower than the 50% annual average over the 1990-2010 period.

Every year during the height of summer, natural gas-fired generation from peaking generators increases to meet the demand for electricity, largely regardless of fuel prices. As demand for electric power moderates in the autumn months and the need for peaking generation moderates, total natural gas-fired generation decreases. Through the fall, if natural gas prices remain higher than in the spring, coal's share of generation may continue to increase



The consumption of natural gas by electric power generators has been increasing each year since 2009 as lower natural gas prices allowed natural gas-fired generators to compete with coal-fired generators. Coal generation shares declined in some regions (such as the Southeast) in response to declining natural gas prices through 2010 and 2011, and then more broadly across the United States when gas prices dropped precipitously in the first half of 2012. Natural gas demand at electric power plants was particularly high this past spring and summer. However, natural gas prices have generally increased since April, the lowest point for natural gas prices during 2012.

Source: <http://www.eia.gov/todayinenergy/detail.cfm?id=8450>

Data

- November Natural Gas Futures Contract (as of Oct. 26), NYMEX at Henry Hub closed at \$3.400 per million British thermal units (MMBtu)
- November Light, Sweet Crude Oil Futures Contract (as of October 26), NYMEX at Cushing closed at \$88.28 per U.S. oil barrel (Bbl.) or approximately \$13.74 per MMBtu

Last week: Texas, U.S. CDD higher than normal

For the week beginning 10/21/12 and ending 10/27/12, cooling degree days (CDD) were higher than normal for Texas and the U.S. For the cooling season (1/1/12 to 12/31/12), cumulative cooling degree days were 17% above normal for Texas and 23% above normal for the U.S.

Source: www.cpc.ncep.noaa.gov

COOLING DEGREE DAYS (CDD)				
City or Region	Total CDD for week ending 10/27/12	*Week CDD +/- from normal	Year-to-date total CDD	* YTD % +/- from normal
Amarillo	24	24	2008	49%
Austin	66	33	3063	6%
DFW	60	45	3282	29%
El Paso	19	12	2877	28%
Houston	64	32	3429	23%
SAT	72	37	3481	18%
Texas**	53	28	3023	17%
U.S.**	11	4	1464	23%

* A minus (-) value is cooler than normal; a plus (+) value is warmer than normal. NOAA uses 65° Fahrenheit as the 'normal' basis from which CDD are calculated.
** State and U.S. degree days are population-weighted by NOAA.

Last week: U.S. natural gas storage at 3,843 Bcf

For the week ending 10/19/2012 working gas in storage increased from 3,776 Bcf to 3,843 Bcf. This represents a net increase of 67 Bcf from the previous week.. Stocks were 153 Bcf higher than last year at this time and 251 Bcf above the 5-year average of 3,592 Bcf.

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

U.S. WORKING GAS IN STORAGE				
Region	Week ending 10/19/12	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	2,057	2,029	28	2.2%
West	532	521	11	10.1%
Producing	1,254	1,226	28	14.4%
Lower 48 Total	3,843	3,776	67	7.0%

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

Last week: U.S. gas rig count down 11

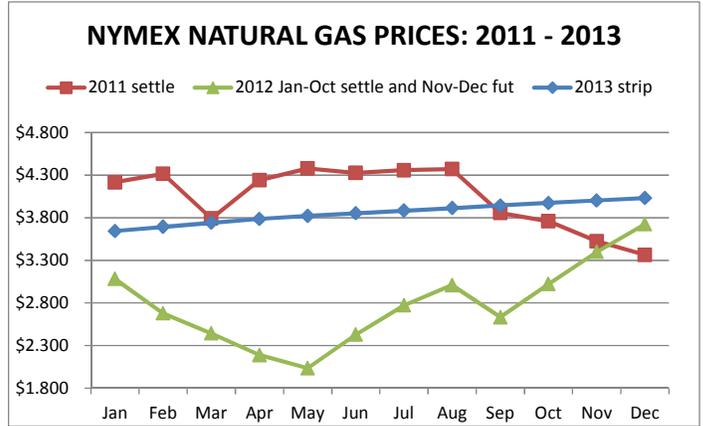
The gas rig count for the U.S. was down 11 when compared to the prior week and down 518 when compared to 12 months ago. The total rig count for the U.S. was down 13 for the week and down 195 when compared to 12 months ago. The total rig count includes both oil and natural gas rotary rigs.

Source: Baker Hughes

BAKER HUGHES ROTARY RIG COUNT				
	As of 10/26/2012	+/- prior week	Year ago	+/- year ago
Texas	860	-7	917	-57
U.S. gas	416	-11	934	-518
U.S. oil	1408	-2	1078	330
U.S. total	1826	-13	2021	-195
Canada	370	15	499	-129

Numbers are excerpted and not meant to be totaled

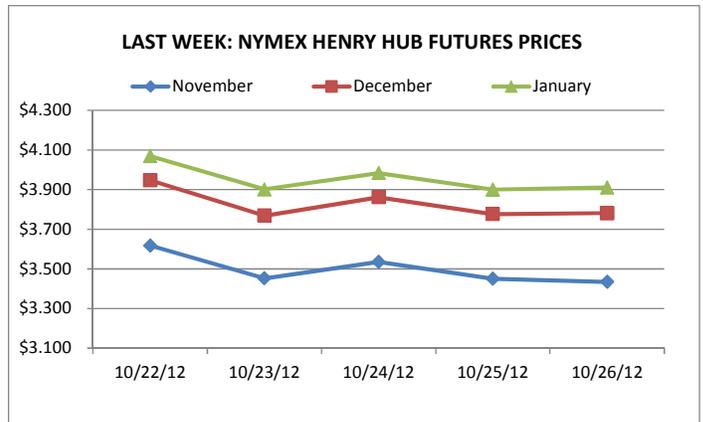
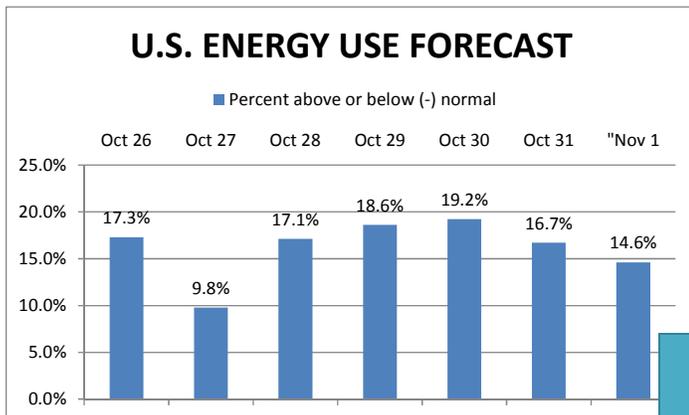
Strip prices. Natural gas strip prices for 2013, shown below in blue, are the average of daily settlement prices for the next twelve months of natural gas futures contracts.



This week: U.S. energy use predominately up

U.S. energy use is robustly above normal throughout the week. The lowest day's energy use is 9.8% 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



NATURAL GAS PRICE SUMMARY AS OF 10/26/2012

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg
US November futures				
NYMEX	\$3.400	-\$0.217	-\$0.359	\$3.529

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