

**December 15, 2014**

# Natural Gas Trends

## Highlights

### Apex Power Plans 930-MW gas project in Cherokee County, Texas

Apex Power Group is in the early stages of developing a natural gas-fired project of up to 930 MW in Cherokee County, Texas, about 100 miles southeast of Dallas, one of the developer's managing partners said Thursday. David Jenkins said in an interview that Apex is considering two possible scenarios for its Neches project, which could begin commercial operation as soon as mid-2018. One would be a peaking station with four combustion turbine units totaling 930 MW, and the other would be a combined-cycle station with a capacity of 794 MW.

"Market-wise it's looking like a peaking facility would be more advantageous," Jenkins said, "but strictly from a financial angle we'd prefer to do combined-cycle" because such a facility would generate power with more regularity. The Apex executive said that he and his partners initially had considered bringing the Neches project online as soon as mid-2017, but the pace of development has slowed somewhat, in part because of the Electric Reliability Council of Texas's expectation that the region will have sufficient generating capacity through the next three or four years. "Given [ERCOT's] latest forecast, we're targeting [an outline date of] the 2018 summer peak at the earliest," he said.

Jenkins was referring to ERCOT's new Capacity, Demand and Reserves report, which was issued December 1. It showed that enough new generating capacity is being developed in ERCOT to ensure a reserve margin of 15% or more through 2018. ERCOT's reserve-margin target is 13.75%. Jenkins said that demand growth in ERCOT may be even stronger than the reliability council expects, and that Apex anticipates the region will need additional incremental capacity in 2018, 2019 and beyond. He declined to discuss all the reasons for siting the Neches project in Cherokee County, except to say that the developer "didn't want to get too far to the western part of the state, where we'd have to deal with the uncertainties around wind generation." Jenkins added that Apex did not pursue a Houston-area site for the project because of that area's non-attainment status regarding air quality and the resulting difficulty of securing an air permit. The developer has established relationships with Siemens for major power equipment, Kiewit for project design and construction, and Sage Environmental Consulting for permitting, Jenkins said. According to Apex's website, the company's principals also have worked on two past projects in California with Energy Investors Funds, which provided all of the needed development capital, among other things.

Apex Power Group is one of several developing new gas-fired generating capacity in ERCOT. Others included Calpine, which is planning two 227-MW CTs at its Guadalupe independent power plant in Marion; Competitive Power Ventures, which is planning the 900-MW, gas-fired Pondera King combined-cycle project in Houston; and Halyard Energy, which is planning a 400-MW peaking IPP in Henderson County. Also, Exelon Generation plans to add about 1,000 MW of gas-fired combined-cycle capacity at both its Colorado Bend IPP in Wharton County and its Wolf Hollow IPP in Granby.

Source: Platts Gas Daily

## Data

- January 2015 Natural Gas Futures Contract (as of December 12), NYMEX at Henry Hub closed at \$3.795 per million British thermal units (MMBtu)
- January 2015 Light, Sweet Crude Oil Futures Contract WTI (as of December 5), closed at \$57.81 per U.S. oil barrel (Bbl.) or approximately \$9.97 per MMBtu

### Last week: Texas warmer than normal

For the week beginning 12/7/14 and ending 12/13/14, heating degree days (HDD) were lower than normal (warmer) for the week and for the year to date for most Texas cities shown.

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

HEATING DEGREE DAYS (HDD)				
City or Region	Total HDD for week ending 12/13/14	*Week HDD + / - from normal	Year-to-date total HDD	* YTD % +/- from normal
Amarillo	101	-91	1040	-16%
Austin	57	-29	446	14%
DFW	79	-43	565	-3%
El Paso	54	-83	477	-35%
Houston	35	-43	313	-14%
SAT	23	-59	308	-18%
Texas**	62	-37	490	-2%
U.S.**	159	-17	1203	-3%

\* 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 3,359 Bcf

For the week ending 12/5/2014 working gas in storage decreased from 3,410 Bcf to 3,359 Bcf. This represents a decrease of 51 Bcf from the previous week. Stocks were 186 Bcf lower than last year at this time and 351 Bcf below the 5 year average of 3,710 Bcf.

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

U.S. WORKING GAS IN STORAGE				
Region	Week ending 12/5/14	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	1,780	1,830	-50	-9.1%
West	470	478	-8	-8.4%
Producing	1,109	1,102	7	-11.6%
Lower 48 Total	3,359	3,410	-51	-9.8%

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 up two for the week but was down 23 when compared to twelve months ago. The total rig count for the U.S. was up down 27 from last week and up 111 when compared to twelve months ago. The total rig count includes both oil and natural gas rotary rigs.

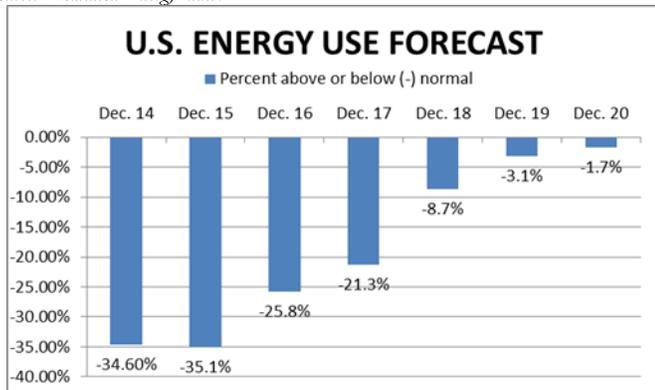
Source: Baker Hughes

BAKER HUGHES ROTARY RIG COUNT				
	As of 12/12/2014	+/- prior week	Year ago	+/- year ago
Texas	872	-24	848	24
U.S. gas	346	2	369	-23
U.S. oil	1546	-29	1411	135
U.S. total	1893	-27	1782	111
Canada	431	9	426	5

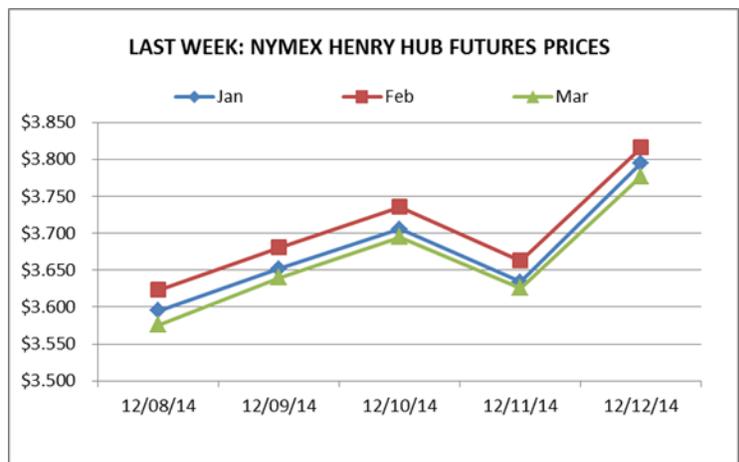
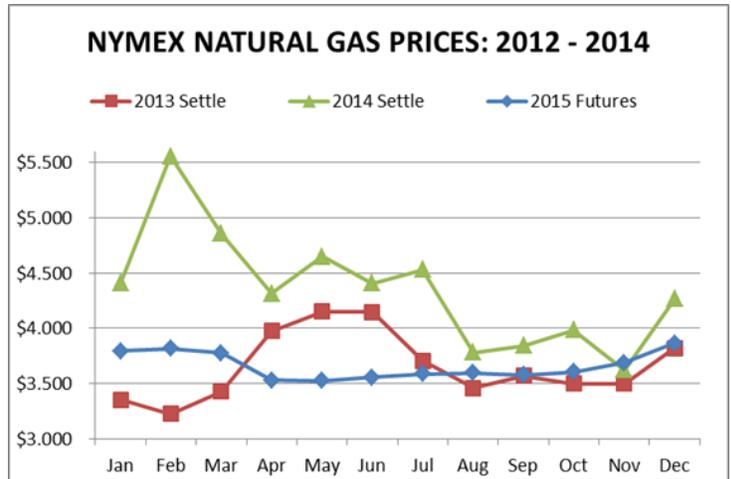
**This week: U.S. energy use varies**

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



2014 prices. Natural gas prices for 2014, shown below in green, are the NYMEX settlement prices for Jan. - Dec. and futures prices, shown in blue, for 2015.



**NATURAL GAS PRICE SUMMARY AS OF 12/12/2014**

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US Jan. futures				
NYMEX	\$3.795	-\$0.007	-\$1.762	\$3.755