

April 18, 2016

Natural Gas Trends

Highlights

US power burn dips to 10-week low

US power burn dipped to a 10-week low this past weekend averaging 21.1 Bcf/d Saturday and Sunday, signaling a shoulder-season trough in electricity demand, data from Platts Bentek showed Tuesday. Historically, power burn dips to a seasonal low in early April as mild temperatures keep heating and cooling demand to a minimum. On Saturday power burn in the Southeast and Texas fell 0.9 Bcf/d and 0.4 Bcf/d, respectively, while declines in consumption were also seen in all other US regions except the Rockies. Over the last week, power burn has averaged 22.7 Bcf/d, the lowest weekly average this year.

Q1 power burn up 7% on year

Looking back at Q1 2016, power burn has averaged 24.4 Bcf/d, about 75 higher than during Q1 of 2015. Much of the annual increase in power burn comes on the back of baseload growth in gas consumption from coal retirements, which totaled about 15.2 GW in 2015. Bentek expects that another 6.8 GW of coal-fired power will be retired this year.

A secondary factor that has contributed to the increase in power burn this year is economically motivated fuel switching from coal to gas as low-priced gas has afforded generators a cheaper fuel source over coal. To measure fuel switching, Platts Bentek uses the variance between actual power burn demand and weather-normalized demand. Whenever actual burn comes in higher than weather normal, it is assumed that the higher burn is a result of other factors driving demand beyond just weather, such as the price of fuel.

So far in 2016, the positive variance from weather-normal burn has averaged 1.7 Bcf/d, according to the most recent Bentek data. With Platts Bentek's summer Henry Hub price forecast showing prices rising to only \$2.38/MMBtu in October, gas prices are expected to stay low enough to encourage economic fuel switching through the summer.

For regions like the Northeast and the Southeast, gas has been more competitive as a fuel source compared to coal since the early part of 2015 when Henry Hub prices were hovering around the \$3 mark. In other coal heavy regions like the Midwest and Texas, gas has been the more competitive fuel source since September of last year when Henry hub prices averaged \$2.64/MMBtu.

Source: Platts Gas Daily

Data

- May 2016 Natural Gas Futures Contract (as of April 15) NYMEX at Henry Hub closed at \$1.902 per million British thermal units (MMBtu)
- May 2016 Light, Sweet Crude Oil Futures Contract WTI (as of April 15), closed at \$40.36 per U.S. oil barrel (Bbl.) or approximately \$6.96 per MMBtu

Last week: Texas warmer than normal last week

For the week beginning 4/10/16 and ending 4/16/16, heating degree days (HDDs) were lower than normal (warmer) on average for the week and for the year to date for all Texas cities shown.

Source: www.cpc.ncep.noaa.gov

HEATING DEGREE DAYS (HDD)				
City or Region	Total HDD for week ending 4/16/16	*Week HDD +/- from normal	Year-to-date total HDD	* YTD % +/- from normal
Amarillo	51	-21	3227	-22%
Austin	1	-10	1375	-16%
DFW	7	-12	1576	-33%
El Paso	13	-12	1971	-22%
Houston	0	-13	1012	-33%
SAT	0	-10	1036	-34%
Texas**	16	-2	1490	-25%
U.S.**	85	0	2423	-15%

* 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 2,477 Bcf

For the week ending 4/8/2016 working gas in storage decreased from 2,480 Bcf to 2,477 Bcf. This represents a decrease of 3 Bcf from the previous week. Stocks were 956 Bcf higher than last year at this time and 849 Bcf above the 5 year average of 1,628 Bcf.

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

U.S. WORKING GAS IN STORAGE				
Region	Week ending 4/8/16	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	419	434	-15	3920.0%
Midwest	538	548	-10	62.0%
Mountain	150	149	1	32.7%
Pacific	269	265	4	28.7%
South Central	1,101	1,084	17	63.6%
Lower 48 Total	2,477	2,480	-3	52.1%

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

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

The gas rig count for the U.S. remained the same compared to last week but was down 128 when compared to twelve months ago. The total rig count for the U.S. was down three compared to last week and down 514 when compared to twelve months ago. The total rig count includes both oil and natural gas rotary rigs.

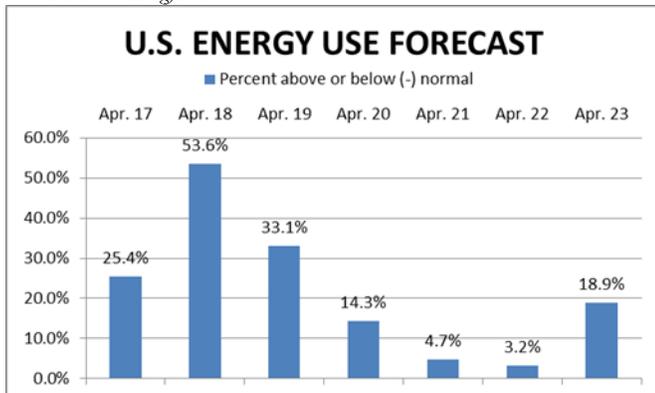
Source: Baker Hughes

BAKER HUGHES ROTARY RIG COUNT				
	As of 4/15/2016	+/- prior week	Year ago	+/- year ago
Texas	194	-3	412	-218
U.S. gas	89	0	217	-128
U.S. oil	351	-3	734	-383
U.S. total	440	-3	954	-514
Canada	40	-1	80	-40

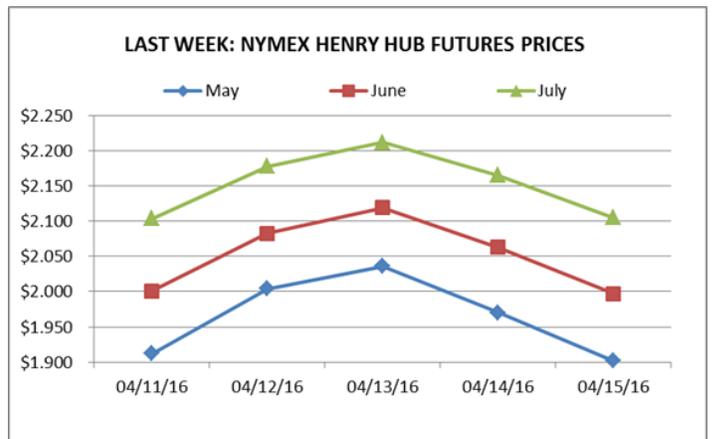
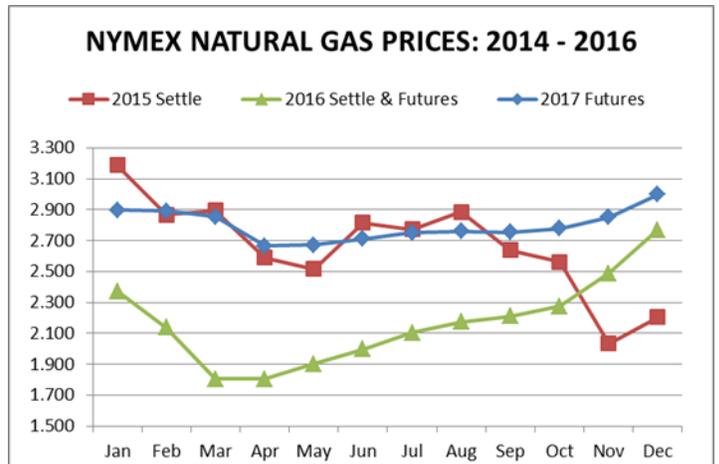
This week: U.S. energy use above normal

U.S. energy use is predicted to be above 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



2016 prices. Natural gas prices for 2016, shown below in green, are the NYMEX settlement prices for Jan-Apr. and futures prices for the year.



NATURAL GAS PRICE SUMMARY AS OF 4/15/2016

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
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US May futures

NYMEX	\$1.902	-\$0.088	-\$1.826	\$2.664
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