

May 16, 2016

Natural Gas Trends

Highlights

Pipeline accident reporting rule to be reviewed

The time period in which pipeline operators must report accidents will be among topics discussed at June 1-3 meetings of advisory committees to the Pipeline and Hazardous Materials Safety Administration, the agency announced last week.

The Gas Pipeline Advisory Committee and the Liquid Pipeline Advisory Committee will meet jointly to discuss a rule proposed by the agency last July that would require pipeline operators to report accidents or incidents within one hour of discovery, allow PHMSA to recover costs for pipeline design review work, amend operator qualification standards and create a renewal procedure for special permits.

Also on the agenda is a rule PHMSA proposed on May 2015 to amend safety rules related to plastic piping systems used in gas services, the agency said.

The proposal on the timing of accident reporting followed the May 19, 2015, Santa Barbara oil spill that sent more than 100,000 gallons of crude oil onto beaches and into the ocean where a pipe operated by Plains All American Pipeline ruptured near Refugio State Beach in California.

Nearly 90 minutes lapsed before Plains All American notified the federal government's National Response Center of the burst pipeline, according to a preliminary PHMSA report. While pipeline operators are required to notify officials of any incidents that result in a release of oil, gas or other liquids, current regulations do not specify a time limit for notification after a pipeline accident.

Under PHMSA's proposed rule, a pipeline operator would have to notify the agency's National Response Center "at the earliest practicable moment," not to exceed one hour, of an accident or incident on their system and provide data on the volume of product that breached the pipeline.

Panels to vote on rules, advise agency

The advisory committees are mandated by statute and comprise subject matter experts from federal and state government, industry and the public, and advise PHMSA on the technical feasibility, practicability and cost-effectiveness of proposed standards.

The panels are expected to vote on the rulemakings at the meeting and make recommendations to the secretary of transportation within 90 days, the agency said. The secretary is not required to accept the recommendations but must report on the reasons behind any decision to reject them.

The timing, location and agenda for the meetings have not yet been announced. The agency is accepting comments on the notice under the rulemaking docket PHMSA-2016-0032. It encouraged members of the public to attend and make a statement during the meeting.

Source: Platts Gas Daily

Data

- June 2016 Natural Gas Futures Contract (as of May 13) NYMEX at Henry Hub closed at \$2.096 per million British thermal units (MMBtu)
- June 2016 Light, Sweet Crude Oil Futures Contract WTI (as of May 13), closed at \$46.21 per U.S. oil barrel (Bbl.) or approximately \$7.97 per MMBtu

Last week: Texas warmer than normal last week

For the week beginning 5/8/16 and ending 5/14/16, cooling degree days (CDDs) were higher 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

COOLING DEGREE DAYS (CDD)				
City or Region	Total CDD for week ending 5/14/16	*Week CDD +/- from normal	Year-to-date total CDD	* YTD % +/- from normal
Amarillo	8	-6	32	-999%
Austin	76	10	327	-7%
DFW	70	18	265	45%
El Paso	61	13	223	33%
Houston	87	20	401	8%
SAT	83	13	425	10%
Texas**	71	15	372	19%
U.S.**	20	3	104	-999%

* 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 2,681 Bcf

For the week ending 5/6/2016 working gas in storage increased from 2,625 Bcf to 2,681 Bcf. This represents an increase of 56 Bcf from the previous week. Stocks were 816 Bcf higher than last year at this time and 813 Bcf above the 5 year average of 1,868 Bcf.

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

U.S. WORKING GAS IN STORAGE				
Region	Week ending 5/6/16	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	468	454	14	24.8%
Midwest	582	566	16	51.2%
Mountain	161	157	4	40.0%
Pacific	288	284	4	23.1%
South Central	1,182	1,164	18	55.7%
Lower 48 Total	2,681	2,625	56	43.5%

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

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

The gas rig count for the U.S. was up one for the week and down 136 when compared to twelve months ago. The total rig count for the U.S. was down nine compared to last week and down 482 when compared to twelve months ago. The total rig count includes both oil and natural gas rotary rigs.

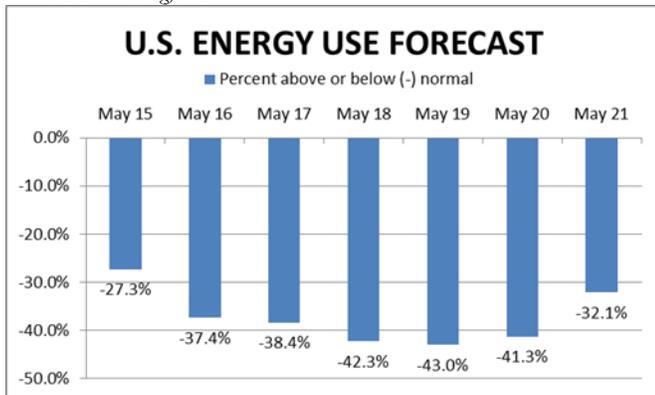
Source: Baker Hughes

BAKER HUGHES ROTARY RIG COUNT				
	As of 5/13/2016	+/- prior week	Year ago	+/- year ago
Texas	181	-7	373	-192
U.S. gas	87	1	223	-136
U.S. oil	318	-10	660	-342
U.S. total	406	-9	888	-482
Canada	43	7	77	-34

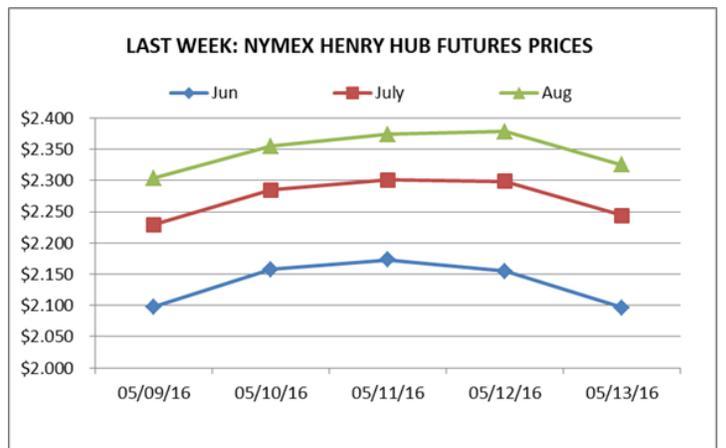
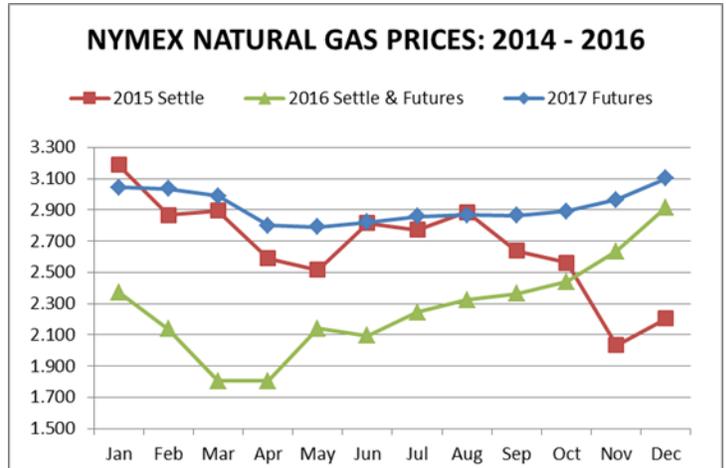
This week: U.S. energy use below normal

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



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 5/13/2016

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US June futures				
NYMEX	\$2.096	-\$0.005	-\$1.632	\$2.664