

June 27, 2016

Natural Gas Trends

Highlights

Gas prices sustain nine-month high

US natural gas prices in June are at their highest since September averaging \$2.57/MMBtu in the first four weeks of the month as abnormally high temperatures and extensive nuclear outages are prompting a surge in power burn. On Tuesday, NYMEX Henry Hub futures for July settled at \$2.768/MMBtu, the highest single-day price since August 10, Platts data shows. Sustained high prices for US gas come amid an uptick in demand from power generators as production continues to wane. So far this month, gas demand for power burn is up nearly 25% or 6.3 Bcf/d compared to May. In a year-on-year comparison, power burn is up 6%, or about 1.8 Bcf/d. US dry gas production, meanwhile, has declined to an average 70.6 Bcf/d so far this month, down nearly 1% from output that averaged 71.2 Bcf/d in May. On the demand side, the largest uptick in consumption has come from generators along the eastern seaboard and in the desert Southwest, both of which have ramped up gas usage to meet cooling demand, Platts data shows. In the Northeast and Southeast, power burn in June is up 1.6 Bcf/d and 1.7 Bcf/d, respectively compared to May. In the Southwest, generators are using an additional 1.2 Bcf/d compared to last month.

High temps stoke cooling demand

High temperatures along the eastern seaboard and in the Southwest over the last four weeks are a key factor contributing to the uptick in power burn seen over the last month. From the start of June, the average daily temperature in the Northeast has been 71.9 degrees Fahrenheit, 1 degree above the average normal temperatures of 70.9 degrees. Over the same period, temperatures in the Southeast have averages 2.1 degrees above normal and in the Southwest, 1.8 degrees above normal. For the week ending Thursday, Platts Bentek forecasts Energy Information Administration weekly cooling-degree days in the US North, including the Northeast and Midwest, at 58, meaning that daily temperature deviations above 65 degrees Fahrenheit will have averaged more than eight degrees. The same index is forecast to reach 119 in the US South, including the Southeast, Texas and the Midcontinent. In the west, including the Pacific Northwest, the Southwest and the Rockies, the index is forecast at 68.

Nuclear outages hit eastern seaboard

Nuclear outages, currently impacting the eastern seaboard most severely, are also contributing to the recent uptick in US power burn, Platts Bentek data shows. In the Northeast, month-to-date nuclear outages have averaged 4,352 MW, more than 20 times the outages that averaged just 202 MW over the same period last year. In the Southeast, month-to-date nuclear outages are averaging 2,341 MW, up 54% in a year-on-year comparison. The Southwest has seen a more nominal impact from outages that have averaged 202 MW so far this month.

Source: Platts Gas Daily

Data

- July 2016 Natural Gas Futures Contract (as of June 24 NYMEX at Henry Hub closed at \$2.662 per million British thermal units (MMBtu)
- August 2016 Light, Sweet Crude Oil Futures Contract WTI (as of June 24), closed at \$47.64 per U.S. oil barrel (Bbl.) or approximately \$8.21 per MMBtu

Last week: Texas warmer than normal last week

For the week beginning 6/19/16 and ending 6/25/16, cooling degree days (CDDs) were higher than normal (warmer) on average for the week and for the year to date for most of the Texas cities shown.

Source: www.cpc.ncep.noaa.gov

COOLING DEGREE DAYS (CDD)				
City or Region	Total CDD for week ending 6/25/16	*Week CDD +/- from normal	Year-to-date total CDD	* YTD % +/- from normal
Amarillo	116	40	398	19%
Austin	129	5	927	-3%
DFW	157	35	886	19%
El Paso	161	35	909	21%
Houston	132	13	998	3%
SAT	130	4	1048	3%
Texas**	127	13	943	9%
U.S.**	75	18	394	19%

* 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 3,103 Bcf

For the week ending 6/17/2016 working gas in storage increased from 3,041 Bcf to 3,103 Bcf. This represents an increase of 62 Bcf from the previous week. Stocks were 618 Bcf higher than last year at this time and 678 Bcf above the 5 year average of 2,425 Bcf.

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

U.S. WORKING GAS IN STORAGE				
Region	Week ending 6/17/16	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	612	585	27	12.3%
Midwest	724	703	21	32.4%
Mountain	194	188	6	39.6%
Pacific	318	312	6	10.0%
South Central	1,255	1,253	2	38.8%
Lower 48 Total	3,103	3,041	62	28.0%

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 137 when compared to twelve months ago. The total rig count for the U.S. was up ten compared to last week and down 433 when compared to twelve months ago. The total rig count includes both oil and natural gas rotary rigs.

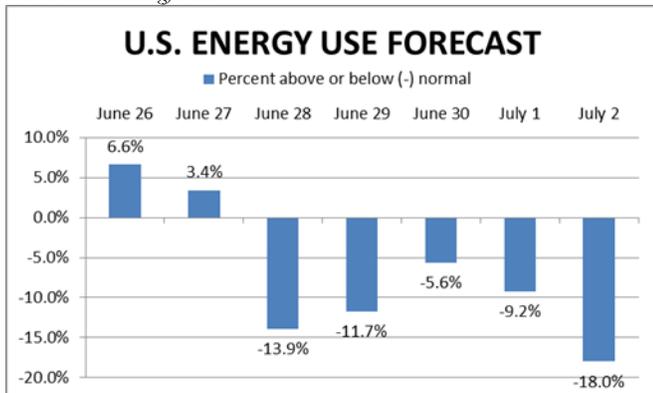
Source: Baker Hughes

BAKER HUGHES ROTARY RIG COUNT				
	As of 6/24/2016	+/- prior week	Year ago	+/- year ago
Texas	194	3	361	-167
U.S. gas	90	4	228	-138
U.S. oil	330	-7	628	-298
U.S. total	421	-3	859	-438
Canada	76	7	135	-59

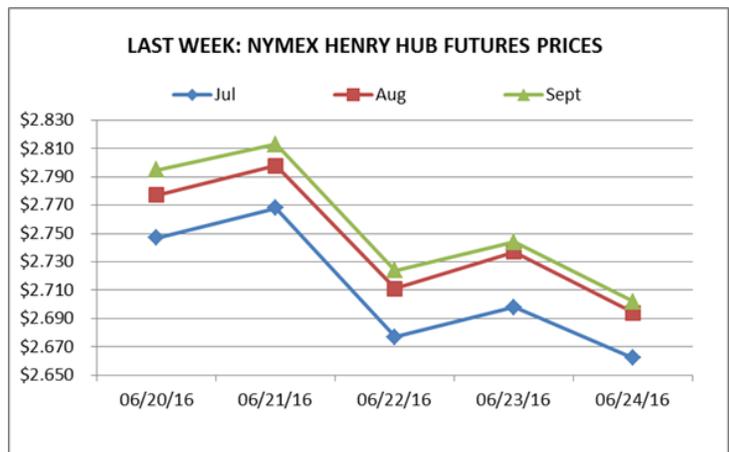
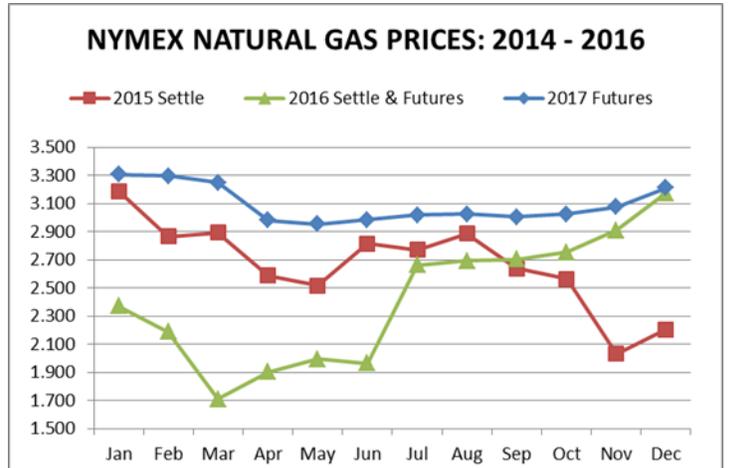
This week: U.S. energy use varies

U.S. energy use is predicted to vary 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-June and futures prices for the year.



NATURAL GAS PRICE SUMMARY AS OF 6/24/2016

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US July futures				
NYMEX	\$2.662	\$0.039	-\$1.066	\$2.664