

April 28, 2014

Natural Gas Trends

Highlights

UGI fined \$96,000 in latest pipe safety settlement

UGI Utilities, beset by a series of gas pipeline-related accidents over the past three years, will pay a \$96,000 civil penalty and change its operating procedures as part of a settlement this week with Pennsylvania regulators over a gas ignition accident in June 2012, the state Public Utility Commission said Wednesday.

The settlement relates to an incident in which a four-man crew working for a contractor was inserting a plastic pipe into a low-pressure bare steel gas main as part of UGI's pipeline replacement program in Hazleton, Pennsylvania. A spark from an electric saw ignited natural gas in the area of the work, burning the face of a crew member. He was treated at a hospital for minor injuries. The Bureau of Investigation and Enforcement at the Pennsylvania Public Utility Commission alleged that UGI violated both federal and state regulations as a result. The settlement approved by the full commission Wednesday requires the utility to revise its operating procedures. UGI admitted no wrongdoing. "It's a fair settlement reached after work with the PUC" and its staff, UGI spokesman Joe Swope said Wednesday.

With increased scrutiny nationwide on the dangers of aging pipelines in residential areas, UGI has accelerated its replacement of vintage pipelines in recent years following several incidents of leaks and a deadly explosion and a fire along a cast iron distribution main in 2011. The utility is currently undergoing a \$1.2 billion, 30-year program to replace the cast iron and bare steel pipes remaining along its system.

UGI agreed to step up the replacement of cast iron pipe in particular over a 14-year period following the February 2011 explosion of a 12-inch diameter main and resulting fire that killed five people and destroyed eight row homes in Allentown. That cracked and corroded cast iron main was installed in 1928. UGI paid a \$386,000 penalty in a settlement related to the incident. After the Allentown blast, Pennsylvania's legislature increased penalties for state pipeline safety violations.

Separately, UGI agreed to pay a \$1 million state fine last August to settle allegations that it had failed to properly repair and monitor leaks on a Wilkes-Barre bare-steel gas main.

The proposed settlement came after a whistleblower, who identified himself as a UGI Penn employee, called the National Response Center to report that "a leak on a high-pressure distribution line had been discovered and subsequently repaired by the company using improper clamps" which blew out three days later and that "the gas company may be trying to cover up the release," according to the settlement. Federal pipeline safety regulators then passed the information along to the state PUC.

UGI last week said it would spend more than \$85 million in fiscal year 2014 alone to replace 65 miles of cast iron and bare steel mains. The company said that more than 85% of its 12,000-mile pipeline system is now comprised of contemporary materials. Source: Platts Gas Daily

Data

- May 2014 Natural Gas Futures Contract (as of April 25), NYMEX at Henry Hub closed at \$4.647 per million British thermal units (MMBtu)
- May 2014 Light, Sweet Crude Oil Futures Contract WTI (as of April 25), closed at \$100.60 per U.S. oil barrel (Bbl.) or approximately \$17.34 per MMBtu

Last week: Texas warmer than normal

For the week beginning 4/20/14 and ending 4/26/14, heating degree days (HDD) were lower than normal (warmer) for the week but higher than normal (cooler) for the year to date for most Texas cities shown and for the US. Source: www.cpc.ncep.noaa.gov

HEATING DEGREE DAYS (HDD)				
City or Region	Total HDD for week ending 4/26/14	*Week HDD +/- from normal	Year-to-date total HDD	* YTD % +/- from normal
Amarillo	7	-48	4115	-2%
Austin	0	-7	2163	32%
DFW	0	-12	2582	10%
El Paso	0	-15	1986	-21%
Houston	0	-7	1733	14%
SAT	0	-7	1550	-1%
Texas**	4	-7	2284	15%
U.S.**	62	-5	4502	5%

* 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 899 Bcf

For the week ending 4/18/2014 working gas in storage increased from 850 Bcf to 899 Bcf. This represents an increase of 49 Bcf from the previous week. Stocks were 831 Bcf lower than last year at this time and 1,008 Bcf below the 5 year average of 1,907 Bcf.

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

U.S. WORKING GAS IN STORAGE				
Region	Week ending 4/18/14	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	328	311	17	-58.9%
West	178	168	10	-41.6%
Producing	393	371	22	-51.2%
Lower 48 Total	899	850	49	-52.9%

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 seven compared to the prior week and down 43 when compared to twelve months ago. The total rig count for the U.S. was up thirty from last week and 107 when compared to twelve months ago. The total rig count includes both oil and natural gas rotary rigs.

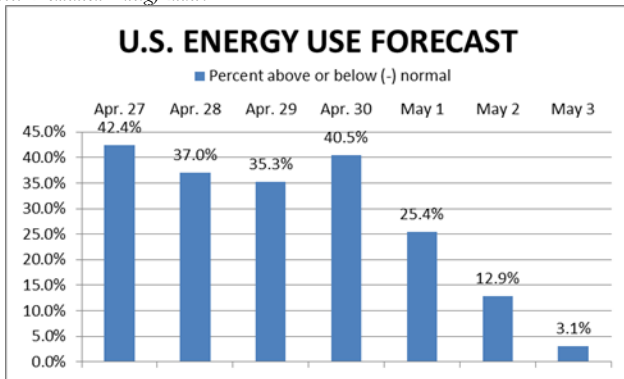
Source: Baker Hughes

BAKER HUGHES ROTARY RIG COUNT				
	As of 4/25/2014	+/- prior week	Year ago	+/- year ago
Texas	894	10	834	60
U.S. gas	323	7	366	-43
U.S. oil	1534	24	1381	153
U.S. total	1861	30	1754	107
Canada	168	-31	122	46

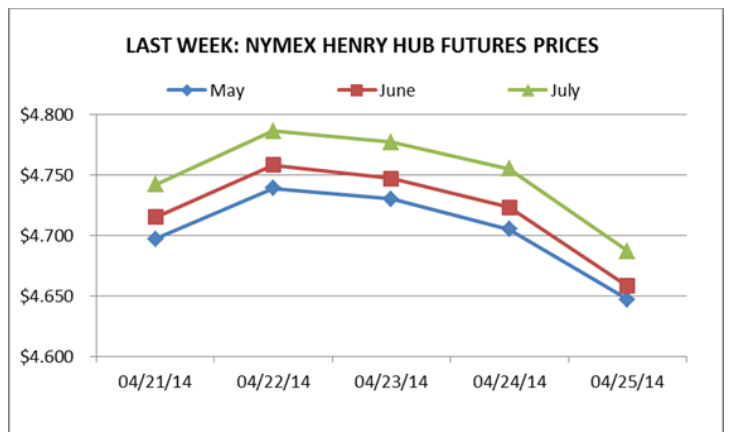
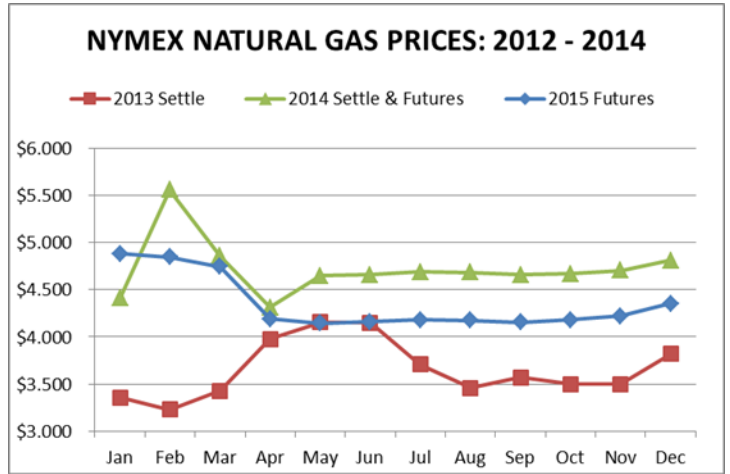
This week: U.S. energy use above normal

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



2014 prices. Natural gas prices for 2014, shown below in green, are the NYMEX settlement prices for Jan.-Apr. and futures prices for the remainder of the year.



NATURAL GAS PRICE SUMMARY AS OF 4/25/2014

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US May futures				
NYMEX	\$4.647	-\$0.094	\$0.671	\$4.692