

February 10, 2014

Natural Gas Trends

Highlights

Propane industry seeks FERC action to address spiking prices, supply shortfalls

The propane industry is asking FERC to pursue immediate action to address “dangerously low levels” of propane in the US due to weather and other factors, just as Midwestern governors are calling on the commission and other agencies to take steps in response to the shortfall.

On February 6, the National Propane Gas Association asked FERC to direct the Enterprise TE Products Pipeline “to temporarily provide priority treatment to propane shipments from Mont Belvieu, Texas, to locations in the Midwest and Northeast,” according to a FERC notice. As such, NPGA also asked FERC to require the pipeline operator to suspend the 81,000 barrels/d it usually reserves for contract shippers of diluent, the notice said (OR14-19). The steps would run “through the first week of March 2014 or such time as the emergency is resolved,” NPGA said in its request the same day.

NPGA said the move is necessary to address a shortage of propane in the Midwest and Northeast, driven in part by “severe winter weather in December and January followed immediately after a strong crop-drying season.” The group also referenced an Energy Information Administration report last month that pointed to those and other factors to explain spiking prices and low inventories.

“There is no question that additional propane is desperately needed in the Midwest and Northeast. There are, however, few options for providing such supplies,” NPGA said. The group said that the Enterprise TE pipeline currently has insufficient capacity to move the amount of propane needed to address the shortfall unless a policy change is made.

“As it takes two to three weeks for propane to travel from Mont Belvieu to storage facilities in the Midwest and Northeast via Enterprise TE, additional supplies of propane must begin flowing immediately to avoid critical shortages at the end of February. Unless the allocation policies on Enterprise TE are modified to immediately allow more propane to flow, propane will not reach the Midwest and Northeast in time to avoid further critical disruptions and consequences,” NPGA said. The group went on to say that “without commission action ... Enterprise TE believes that it lacks the certainty it needs to modify its allocation policies to allow these shipments to flow.”

In a related development, governors from Michigan, Wisconsin, Kansas and other Midwestern states asked President Obama in a February 4 letter to take immediate steps to address the propane shortage and high prices. The governors asked that FERC, the Department of Transportation, the Department of Energy, and other federal agencies “take every possible action to help increase propane supplies through every means of transport.”

We encourage you to explore regulatory waivers aimed at increasing the supply of propane in our states, including an extension of the hours of service waiver and temporarily waiving weight limits on the interstate highway system. Such actions would continue to help fill critical gaps between supply and demand,” the governors said.

Source: Platts Gas Daily

Data

- March 2014 Natural Gas Futures Contract (as of February 7), NYMEX at Henry Hub closed at \$4.775 per million British thermal units (MMBtu)
- March 2014 Light, Sweet Crude Oil Futures Contract WTI (as of February 7), closed at \$99.88 per U.S. oil barrel (Bbl.) or approximately \$17.22 per MMBtu

Last week: Texas cooler than normal

For the week beginning 2/2/14 and ending 2/8/14, heating degree days (HDD) were higher than normal (cooler) for the week and 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 2/8/14	*Week HDD + / - from normal	Year-to-date total HDD	* YTD % +/- from normal
Amarillo	288	98	2917	0%
Austin	171	78	1612	31%
DFW	216	87	1902	10%
El Paso	138	17	1684	-10%
Houston	144	58	1307	17%
SAT	133	44	1197	1%
Texas**	182	76	1676	16%
U.S.**	237	40	2977	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 1,923 Bcf

For the week ending 1/31/2014 working gas in storage decreased from 2,185 Bcf to 1,923 Bcf. This represents a decrease of 262 Bcf from the previous week. Stocks were 778 Bcf lower than last year at this time and 556 Bcf below the 5 year average of 2,479 Bcf.

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

U.S. WORKING GAS IN STORAGE				
Region	Week ending 1/31/14	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	920	1,063	-143	-25.3%
West	301	327	-26	-15.7%
Producing	702	795	-93	-21.0%
Lower 48 Total	1,923	2,185	-262	-22.4%

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 down seven compared to the prior week and down 74 when compared to twelve months ago. The total rig count for the U.S. was down 14 for the week but up 12 when compared to twelve months ago. The total rig count includes both oil and natural gas rotary rigs.

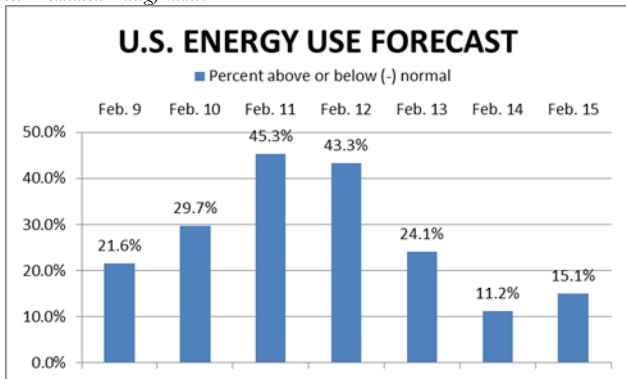
Source: Baker Hughes

BAKER HUGHES ROTARY RIG COUNT				
	As of 2/7/2014	+/- prior week	Year ago	+/- year ago
Texas	845	3	824	21
U.S. gas	351	-7	425	-74
U.S. oil	1416	-6	1330	86
U.S. total	1771	-14	1759	12
Canada	621	13	631	-10

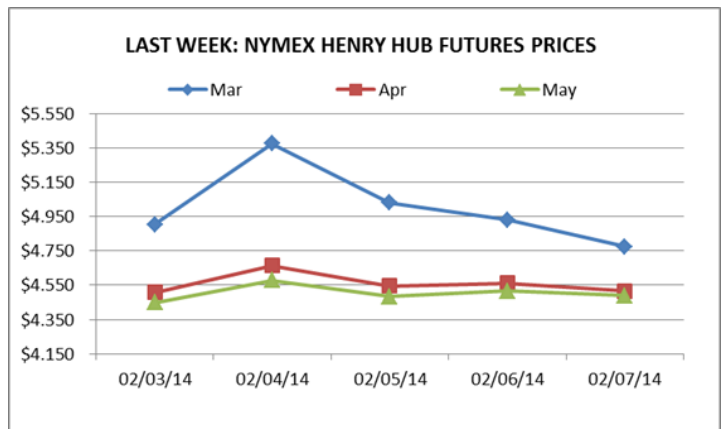
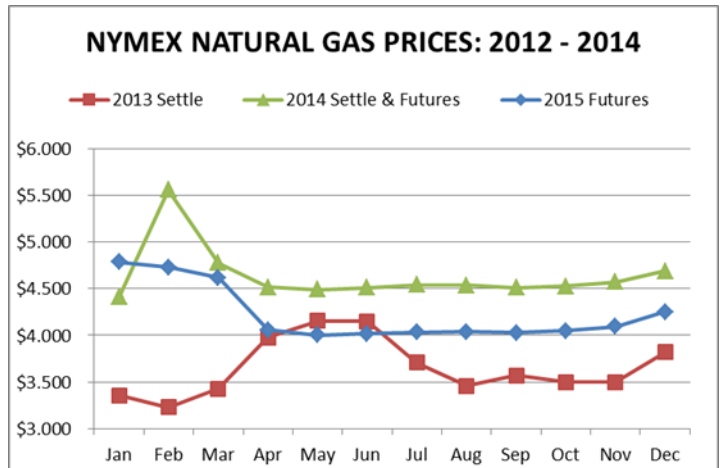
This week: U.S. energy use above normal

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 January and futures prices for the remainder of the year.



NATURAL GAS PRICE SUMMARY AS OF 2/7/2014

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US March futures				
NYMEX	\$4.775	-\$0.168	\$1.348	\$4.668