

September 28, 2009

# Natural Gas Trends

## Highlights

### MARKET MANIPULATION CASE SETTLES

**FERC approves settlement.** On 9/21/09, the Federal Energy Regulatory Commission (FERC) approved an agreement between Dallas-based Energy Transfer Partners, L.P. (ETP) and FERC's Enforcement Litigation Staff settling the Staff's allegations that ETP manipulated natural gas prices for up to 17 months at two natural gas market trading hubs in Texas, including the Houston Ship Channel and Waha. Under the settlement, ETP agreed to pay \$30 million of penalties and sanctions and to comply with certain conditions in return for FERC's agreement to dismiss the market manipulation allegations against ETP and to terminate the investigation. The settlement agreement provisions applicable to ETP include, in part:

- ETP will establish a **\$25 million fund to compensate parties directly affected by ETP's alleged market manipulation.** The fund, which is to be administered by a FERC judge, will be available to entities that can show, within 60 days from the date FERC's approval order is published in the Federal Register, that they are entitled to a distribution.
- ETP will pay a **\$5 million civil penalty** to the U.S. Treasury.
- ETP agreed to comply with FERC's regulations on the ***Prohibition of Energy Market Manipulation***.
- ETP agreed to be subject to a **detailed compliance program** requiring, for example, written trading protocols and practices, mandatory compliance training, internal disciplinary mechanisms, and procedures for conducting internal investigations.
- ETP agreed to participate in two annual audits of its compliance program by an **independent auditor**.

Under a separate \$10 million agreement in 2008, ETP settled similar allegations with the Commodities Futures Trading Commission.

Source: [www.ferc.gov](http://www.ferc.gov)

## Data

- October Natural Gas Futures Contract (Sep 25), NYMEX at Henry Hub closed at \$3.985
- November Light, Sweet Crude Oil Futures Contract (Sep 25), NYMEX at Cushing closed at \$66.02 per Bbl. or approximately \$10.51 per MMBtu

### Cooling Degree Days Above Normal Year-to-date

For the cooling season (1/1/09 to 12/31/09), cumulative cooling degree days are 11% above normal for Texas and 3% above normal for the U.S. From 9/20/09 thru 9/26/09, Texas had lower than normal cooling degree days while the U.S. had higher than normal cooling degree days.

#### Cooling Degree Days (CDD) *Week ending 9/26/09*

| City or Region | Week Total CDD | Week CDD +/- from Normal * | Year-to-date Total CDD | YTD, % +/- from Normal * |
|----------------|----------------|----------------------------|------------------------|--------------------------|
| Amarillo       | 7              | - 24                       | 1298                   | - 1 %                    |
| Austin         | 59             | - 31                       | 2993                   | + 13 %                   |
| Dallas - FW    | 46             | - 26                       | 2641                   | + 10 %                   |
| El Paso        | 48             | - 10                       | 2616                   | + 21 %                   |
| Houston        | 86             | + 1                        | 3089                   | + 20 %                   |
| San Antonio    | 65             | - 25                       | 3319                   | + 23 %                   |
| Texas**        | 61             | - 12                       | 2664                   | + 11 %                   |
| U.S.**         | 43             | + 15                       | 1164                   | + 3 %                    |

\* A minus (-) value is cooler than normal; a plus (+) value is warmer than normal. NOAA uses 65° Fahrenheit as the 'normal' basis from which CDDs are calculated.

\*\* State and U.S. degree days are population-weighted by NOAA.

Source: [www.cpc.ncep.noaa.gov](http://www.cpc.ncep.noaa.gov)

### U.S. Gas Storage Injections Swell to 3,525 Bcf

For the week ending 9/18/09, U.S. working gas in storage increased from 3,458 to 3,525 Bcf, compared to 3,016 Bcf in storage a year ago and compared to an average of 3,040 Bcf in storage during the 5-year period from 2004 to 2008. Working gas in storage in the producing region (which includes Texas) increased this week from 1,110 to 1,126 Bcf.

Source: [www.eia.doe.gov](http://www.eia.doe.gov)

#### U. S. Working Gas in Storage (Bcf) *Week ending 9/18/09*

| Region         | This Week | Last Week | Change | Current Δ from 5-Year Average (%) |
|----------------|-----------|-----------|--------|-----------------------------------|
| East           | 1917      | 1876      | + 41   | + 8.4 %                           |
| West           | 482       | 472       | + 10   | + 17.8 %                          |
| Producing      | 1126      | 1110      | + 16   | + 30.5 %                          |
| Lower 48 Total | 3525      | 3458      | + 67   | + 16.0 %                          |

**Gas Rig Count Rises to 710 This Week, Up 5**

The gas rig count for the U.S. was up 5 for the week and down 849 when compared to 12 months ago. The U.S. total rig count was up 7 for the week and down 978 when compared to 12 months ago.

*Baker Hughes Rotary Rig Count (9/25/09)*

|            | This Week | +/- Last Week | Year Ago | +/- Year Ago |
|------------|-----------|---------------|----------|--------------|
| U.S. total | 1017      | + 7           | 1995     | - 978        |
| Gas        | 710       | + 5           | 1559     | - 849        |
| Oil        | 297       | + 4           | 423      | - 126        |
| Texas      | 376       | - 6           | 950      | - 574        |
| N. Amer.   | 1245      | + 21          | 2460     | - 1215       |

Source: Baker Hughes, Inc.

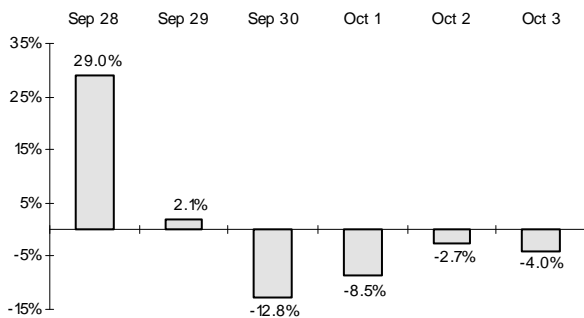
**Study Ranks CPS Energy No. 1 in South Region**  
 Last week, J.D. Power & Associates released the results of its 8<sup>th</sup> annual study of natural gas customer satisfaction levels across the U.S. In the South Region, CPS Energy (in San Antonio), the nation's largest municipally-owned energy company, ranked No. 1 in overall customer satisfaction. To view other rankings, visit the corporate site at [www.jdpower.com](http://www.jdpower.com).

**U.S. Energy Use Below Normal Most of Week**

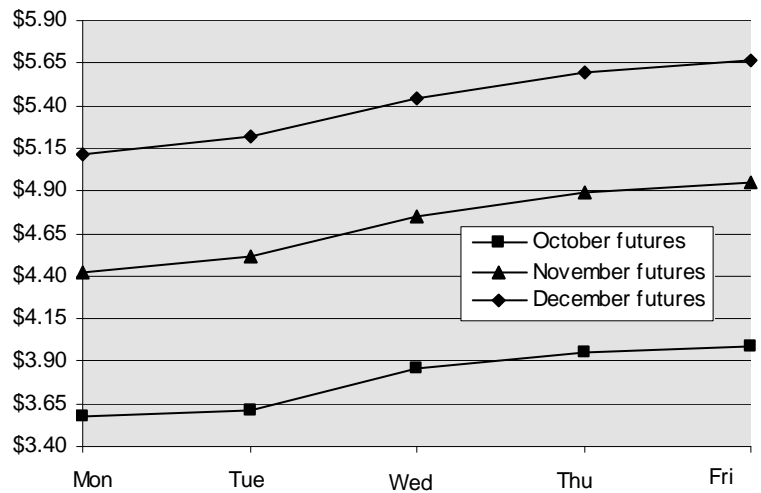
U.S. energy use is forecast to be below normal for most of the week with the exception of 9/28 which will have significantly higher than normal energy use, according to the Dominion Energy Index, as shown below. The index forecasts total U.S. residential energy usage, a component of which is natural gas.

Source: Dominion Energy Index

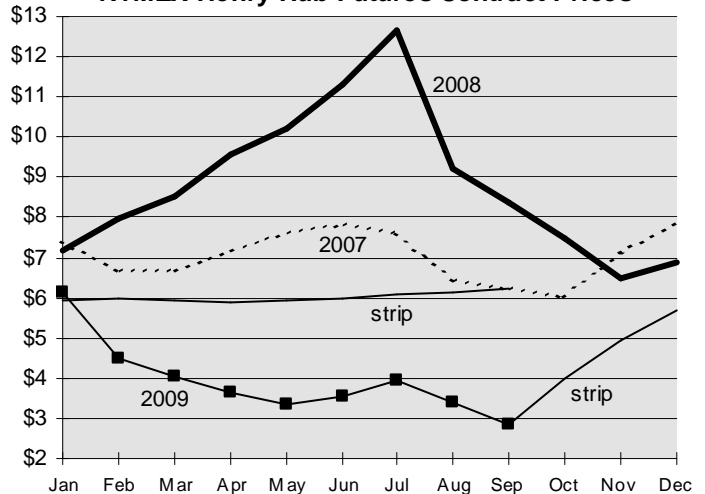
**U.S. Energy Use Forecast**



**NYMEX Natural Gas Price Movement 9/21/09 - 9/25/09**



**NYMEX Henry Hub Futures Contract Prices**



**Gas Price Summary 9/25/09**

|                      | This Week | +/- Last Week | +/- Last Year | 12-Month Strip Avg. |
|----------------------|-----------|---------------|---------------|---------------------|
| U.S. October futures |           |               |               |                     |
| NYMEX                | \$3.985   | \$0.207       | -\$3.487      | \$5.717             |