MONTHLY NATURAL GAS REPORT FOR DECEMBER 2013

The natural gas market prices increased in the month of December. The market prices increased at the beginning of the month with colder than normal temperature outlooks. In fact, the month was one of the coldest December months on record. The market prices continued to increase for most of the month as cold temperatures in major gas consuming regions increased natural gas demand for heating.

INDEX PRICE[1]

The three major pipelines' first of month index prices for December in Missouri increased from November. PEPL and SSCG's prices rose about 3 and 2%, respectively, to $3.48 and $3.46 per MMBtu while CEGT East price increased about 6% to $3.61 per MMBtu. PEPL and SSCG's prices are about 3%, respectively, lower than those of last year while CEGT East's price increased about 1% compared to that of last year. The January first of month index prices for CEGT East, PEPL, and SSCG are $4.30, $4.27 and $4.28 per MMBtu, respectively. PEPL and SSCG's prices are about 32 and 34%, respectively, higher than those of last year while CEGT East's price increased about 33% compared to that of last year.

STORAGE LEVELS[2]

Temperatures during the month of December were colder than the historical average. In fact, the month was one of the coldest Decembers on record. As a result, relatively large storage withdrawals occurred during the month though the storage withdrawal for the week ending December 27 was smaller than the historical average as the cold weather concentrated on less populated areas, among other factors. For example, a record withdrawal for a single week to date, surpassing the previous record of 274 Bcf set in January 2008, occurred for the week ending December 13 when 285 Bcf were withdrawn as the cold temperatures in major gas consuming regions increased heating demand. The hefty storage withdrawals during the month were attributable to an early winter in much of the country and much colder than normal temperatures in the major gas consuming regions. The total storage inventories in the U.S. as of December 27 are 2,974 Bcf, increasing the deficit to the year-ago level to 562 Bcf, and the deficit to the previous five-year average to 289 Bcf.

FUTURES PRICES[3]

The natural gas futures market prices increased in the month of December. The market prices rose at the beginning of the month with colder than normal temperature outlooks. The market prices continued to increase for most of the month as cold temperatures in major gas consuming regions increased natural gas demand. The futures market prices climbed on December 5 when the U.S. Energy Information Administration (EIA) reported an all-time November weekly record storage withdrawal for the week ending November 29, 2013 as the relatively early winter for most of the country drove up heating demand. Additionally, the futures market prices surged on December 19 as EIA reported the record storage withdrawal for the previous week as historically cold weather continued and eventually on December 23 reached the highest for the prompt month contract in almost two and a half years when weather forecasts called for the return of record cold temperatures in the Midwest. The relatively high futures price level sustained toward the end of the month. The January and December contracts were closed at NYMEX at a price of $4.407 and $3.818 per MMBtu, respectively. The January contract price was 31% higher than that of last year while the December contract price was 3% higher than that of the same period last year. The January contract expired at $4.407 per MMBtu on December 27 compared to $3.988 per MMBtu at the beginning of the month. On January 17, the NYMEX February futures were at $4.326 per MMBtu compared to $3.494 per MMBtu last year.

OUTLOOK

Weather will continue to be a major driving force for the natural gas markets in the coming months. The pace at which storage level depletes amid prolonged cold weather could add to the market volatility.

Prepared by the Procurement Analysis, January 2014

[1] Data Source: Inside Ferc's Gas Market Report
[2] Energy Information Administration's Natural Gas Weekly Update
[3] Wall Street Journal, CME