

MONTHLY NATURAL GAS REPORT FOR JUNE 2014

The natural gas market prices fluctuated in the month of June and the price volatility was comparable to the previous month. The market prices increased at the beginning of the month as the market anticipated summer heat ahead despite relatively mild weather thus far. However, moderate temperature outlooks in the major cooling regions decreased the market prices. Weekly U.S. natural gas storage injections were robust during the month and put downward pressures on the market prices. The market prices, despite a temporary surge in the middle of the month, trended downward toward the end of the month. Temperatures in the month were warmer than normal.

INDEX PRICE¹

The three major pipelines' first of month index prices for June in Missouri declined from May. CEGT East and SSCG's prices fell about 4 and 6%, respectively, to \$4.45 and \$4.24 per MMBtu while PEPL price dropped about 3% to \$4.16 per MMBtu. CEGT East and SSCG's prices are about 10 and 8%, respectively, higher than those of last year while PEPL's price increased about 6% compared to that of last year. The July first of month index prices for CEGT East, PEPL, and SSCG are \$4.36, \$4.14 and \$4.25 per MMBtu, respectively. CEGT and SSCG's prices are about 23 and 22%, respectively, higher than those of last year while PEPL's price increased about 21% compared to that of last year.

STORAGE LEVELS²

Temperatures during the month of June were warmer than normal. Weekly U.S. natural gas storage injections were robust during the month and the weekly injections were larger than historical averages this time of the year. In fact, each weekly injection during the month was a triple digit increase. The weekly injection for the week ending June 27 marked an eighth consecutive triple digit injection though the injection for the week ending June 27 was lower than that in the previous week as summer heat returned and more gas was used for power generation from increased cooling demand. Despite a lack of financial incentive to inject and increased gas demand for power generation for cooling load, the total storage level increased at a relatively higher than expected pace in the month after having depleted to a historically low level this past winter. The robust injections in the month may have been attributed in part to strong natural gas production. The total storage inventories in the U.S. as of June 27 are 1,929 Bcf, 790 Bcf lower than the five-year historical average, while the deficit to the previous year is 666 Bcf.

FUTURES PRICES³

The natural gas futures market prices fluctuated in the month of June and the price volatility was comparable to the previous month. The market prices increased at the beginning of the month as the market anticipated summer heat ahead despite relatively mild weather thus far. However, moderate temperature outlooks in the major cooling regions and an anticipated rise in natural gas storage level decreased the market prices. Then, the market prices rose on June 12. In particular, the NYMEX July contract surged to \$4.762 per MMBtu, a gain of 5.6% from the previous day, the largest one day percentage gain for a prompt month contract in the last few months. It was also the highest price for the July contract and the prompt-month contract since May 6 according to the U.S. Energy Information Administration. Hot temperature outlooks and less than expected storage injections for the previous week, among other factors, may have contributed to the large increase in the futures prices. The market prices declined for most of the rest of the month as robust storage injections and updated weather forecasts calling for moderate temperatures weighed down on the prices. The July and June contracts were closed at NYMEX at a price of \$4.400 and \$4.619 per MMBtu, respectively. The July contract price was 19% higher than that of last year while the June contract price was 11% higher than that of the same period last year. The July contract expired at \$4.400 per MMBtu on June 27, compared to \$4.542 per MMBtu at the beginning of the month. On July 17, the NYMEX August futures were at \$3.954 per MMBtu compared to \$3.629 per MMBtu last year.

OUTLOOK

Mild weather thus far has put a cap on the market prices. Temperatures in the remainder of summer and the pace at which storage refills will continue to determine the market direction in the coming months.

Prepared by the Procurement Analysis, July 2014

¹ Data Source: Inside Ferc's Gas Market Report

² Energy Information Administration's Natural Gas Weekly Update

³ WSJ, CME