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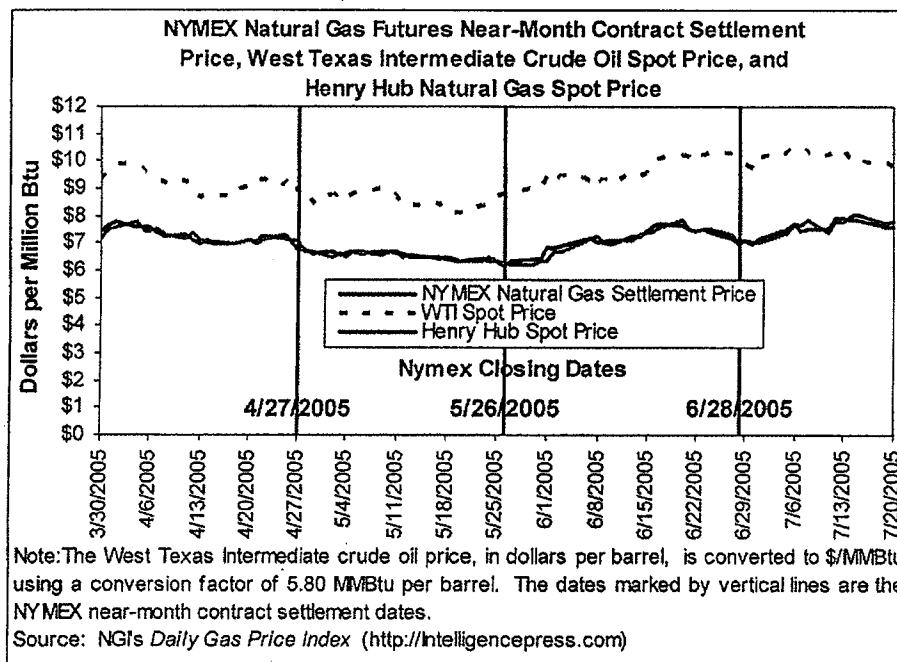
APPENDIX 1

☒ Welcome to EIA's Natural Gas Weekly Update. If you need assistance viewing this page, please call (202) 586-8800.

ORIGINAL

**Overview: Thursday, July 21 (next release 2:00 p.m. on July 28)**

Since Wednesday, July 13, changes to natural gas spot prices were mixed, increasing at most market locations in the Lower 48 States, while declining at most markets in the Rocky Mountains, California, and Midwest regions. For the week (Wednesday–Wednesday), prices at the Henry Hub declined 3 cents, to \$7.75 per MMBtu. Yesterday (July 20), the price of the NYMEX futures contract for August delivery at the Henry Hub settled at \$7.550 per MMBtu, declining about 35 cents or about 4 percent since Wednesday, July 13. Natural gas in storage was 2,339 Bcf as of July 15, which is about 10 percent above the 5-year average. The spot price for West Texas Intermediate (WTI) crude oil decreased \$3.27 per barrel, or about 5 percent, on the week to \$56.73 per barrel or \$9.78 per MMBtu.

**Prices:**

Spot price changes were mixed since last Wednesday, July 13, with increases occurring at most market locations in the Lower 48 States. Muggy weather and hot temperatures in most of the Lower 48 States likely contributed to the price increases, despite the influence of declining crude oil prices and the restoration of some natural gas production in the Gulf of Mexico. The Minerals Management Service reported that shut-in natural gas production in the Gulf of Mexico resulting from Hurricane Emily declined to 0.616 billion cubic feet (Bcf) per day as of Wednesday, July 20, down from the shut-in peak of 0.701 Bcf per day reported on Tuesday, July 19. Price declines occurred principally in the California, Rocky Mountains, and Midwest regions, where prices fell between 4 and 7 cents on average since last Wednesday, July 13. In the Texas and Louisiana regions, price changes were varied but prices remained within about 5 cents per MMBtu of their level on last Wednesday. Prices increased elsewhere in the Lower 48 States with the largest increases occurring in the Northeast region, where price hikes ranged between 4 and 40 cents per MMBtu and most increases exceeded 25 cents. As of July 20, 2005, natural

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[http://tonto.eia.doe.gov/oog/info/ngw/historical/2005/07\\_21/ngpf.asp](http://tonto.eia.doe.gov/oog/info/ngw/historical/2005/07_21/ngpf.asp)

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gas prices at most market locations in the Lower 48 States are about 30 to 40 percent above last year's levels. At \$7.75 per MMBtu, prices at the Henry Hub are \$2.03 per MMBtu, or 35 percent, above last year's level at this time.

| Spot Prices (\$ per MMBtu) | Thur.<br>14-Jul | Fri.<br>15-Jul | Mon.<br>18-Jul | Tue.<br>19-Jul | Wed<br>20-Jul |
|----------------------------|-----------------|----------------|----------------|----------------|---------------|
| Henry Hub                  | 8.00            | 8.03           | 7.77           | 7.70           | 7.75          |
| New York                   | 8.57            | 8.63           | 8.59           | 8.56           | 8.66          |
| Chicago                    | 7.89            | 7.96           | 7.75           | 7.71           | 7.74          |
| Cal Comp. Avg.             | 7.24            | 7.03           | 7.02           | 6.85           | 6.85          |
| Futures (\$/MMBtu)         |                 |                |                |                |               |
| Aug. delivery              | 7.844           | 7.849          | 7.652          | 7.586          | 7.550         |
| Sept. delivery             | 7.895           | 7.898          | 7.712          | 7.642          | 7.599         |

\*Avg. of NGI's reported avg. prices for: Malin, PG&E citygate, and Southern California Border Avg.

Source: NGI's Daily Gas Price Index (<http://intelligencepress.com>).

At the NYMEX, the price of the futures contract for August delivery at the Henry Hub decreased 4 percent since Wednesday, July 13, to \$7.550 per MMBtu. Similarly, prices for the futures contracts through the remainder of the 2005 injection season (September 2005 through October 2005) fell about 35 cents per MMBtu or about 4 percent. Futures prices for these months became "backwardated," as the Henry Hub spot price ranged between 9 and 20 cents higher than the prices for futures contracts for August 2005 through October 2005, with successively lesser differentials in each succeeding month. This likely reflects the effects of increased tightness in the natural gas spot market, owing to the production shut-ins in the Gulf of Mexico and the continued warm temperatures in most regions. Despite the backwardation through the injection season months, prices for futures contracts for delivery during the 5-month heating season, November 2005 through March 2006, continue to exceed the spot price by as much as \$1.26 per MMBtu and about \$1.02 on average.

#### Recent Natural Gas Market Data

##### Estimated Average Wellhead Prices

|                      | Jan-05 | Feb-05 | Mar-05 | Apr-05 | May-05 | Jun-05 |
|----------------------|--------|--------|--------|--------|--------|--------|
| Price (\$ per Mcf)   | 5.52   | 5.59   | 5.98   | 6.44   | 6.02   | 6.15   |
| Price (\$ per MMBtu) | 5.37   | 5.44   | 5.82   | 6.27   | 5.86   | 5.99   |

Note: Prices were converted from \$ per Mcf to \$ per MMBtu using an average heat content of 1,027 Btu per cubic foot as published in Table A4 of the Annual Energy Review 2002.

Source: Energy Information Administration, Office of Oil and Gas.

#### Storage:

Working gas in storage increased to 2,339 Bcf as of Friday, July 15, which is 10.4 percent above the 5-year average inventory level for the report week, according to EIA's *Weekly Natural Gas Storage Report* (See Storage Figure). This stock level implies a net injection of 59 Bcf, which is about 23 percent less than both the 5-year average and last year's injection of 77 Bcf for the report week. At 2,339 Bcf, storage levels are 220 Bcf above the 5-year average inventory level and 122 Bcf above the stock level at this time last year. The lower-than-normal injection is partly due to decreased production in the Gulf of Mexico where Hurricane Dennis caused shut-ins of offshore natural gas production. According to the Minerals Management Service, cumulative shut-in gas production between Friday, July 8 and Friday, July 15 totaled more than 23 Bcf. Higher-than-normal temperatures across most of the Lower 48 States during the report week also likely contributed to the below-average net injection.

(See [Temperature Maps](#)) The nation as a whole experienced more than 11 percent more cooling degree days than normal with the relatively greatest deviations above normal generally located in New England, the Middle Atlantic, and East and West North Central regions.

|                    | Current<br>Stocks<br>7/15/05 | One-Week<br>Prior<br>Stocks<br>7/08/05 | Implied Net<br>Change<br>from Last<br>Week | Estimated<br>Prior 5-Year<br>(2000-2004)<br>Average | Percent<br>Difference<br>from 5 Year<br>Average |
|--------------------|------------------------------|--|--|---|---|
| All Volumes in Bcf |                              |  |  |   |   |
| East Region        | 1,247                        | 1,200                                  | 47   | 1,171   | 6.5%  |
| West Region        | 351                          | 344                                    | 7  | 305   | 15.1%   |
| Producing Region   | 741                          | 736                                    | 5  | 643   | 15.2%   |
| Total Lower 48     | 2,339                        | 2,280                                  | 59   | 2,119   | 10.4%   |

Source: Energy Information Administration: Form EIA-912, "Weekly Underground Natural Gas Storage Report," and the Historical Weekly Storage Estimates Database. Row and column sums may not equal totals due to independent rounding.

### Other Market Trends:

**AGA Releases Winter Heating Season Survey Results:** On July 19, 2005, the American Gas Association (AGA) released a survey of local distribution companies regarding their peak-day and peak-month supply practices during the winter heating season of 2004-2005. The survey reflects responses from 54 AGA member companies that serve customers in 30 states. The survey showed that during this past winter about 70 percent of utility companies used some type of financial instrument to hedge at least a portion of their natural gas supplies from price fluctuations. That was 15 percent more than 3 years ago when only 55 percent of the survey respondents used financial tools. When asked about their regulatory environment, 37 of the companies indicated that financial losses and gains were treated equally within their hedging plans. Only three noted that losses and gains were treated unequally. According to the AGA, the majority of the companies surveyed plan to use financial tools to hedge the same amount of natural gas and some plan to hedge even more of their supplies for this upcoming winter. On the physical side, 47 companies reported using storage as a primary hedging tool. Twenty-nine of those companies hedged between 26-50 percent of winter heating season supplies using underground storage compared with 22 companies last year. Several companies noted that storage (as a physical hedge) is the only hedge they employ, choosing not to use financial instruments at all.

**Minerals Management Service Announces Final Rule:** The Minerals Management Service (MMS) of the Department of the Interior announced a Final Rule for offshore floating platforms on July 19, 2005. The Final Rule creates regulations for floating platforms through reference to existing industry standards, which will save the public funds in developing separate and/or duplicate government standards. Until now, the MMS has not specifically distinguished between floating and fixed platforms. The Final Rule also streamlines the permitting process for floating platforms. MMS said the changes were needed owing to the industry's increasing reliance on floating facilities following the development of new technologies that enable drilling and production in deeper waters while reducing costs. Deepwater areas of the Outer Continental Shelf (water depths greater than 1,000 feet, or 305 meters) in 1993 accounted for approximately 12 percent of the oil and 2 percent of the gas produced offshore. By the end of 2004, deepwater areas accounted for about 62 percent of the oil and 32 percent of the gas produced offshore. Minimal changes to regulations concerning oil and gas production safety systems and pipeline rights-of-way also were included in the Final Rule. The Final Rule will take effect on August 18, 2005.

### Summary:

Natural gas spot prices increased at most market locations outside the California, Rocky Mountains, and

Midwest regions of the Lower 48 States since last Wednesday, July 13. Prices for the futures contracts for the upcoming heating season (November 2005 through March 2006) continued to trade at a significant premium to the Henry Hub spot price. Working gas in storage was 2,339 Bcf, which is about 10 percent above the 5-year average.

*Short-Term Energy Outlook*