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Energy Market Report

Report Date: February 12, 2016

Report Week: February 3, 2016 to February 10 2016

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News Tracker:

-Natural gas prices were mixed this Report Week (Wednesday, February 3, to Wednesday, February 10), with prices on the West Coast and in the Rockies declining, and prices elsewhere generally increasing. The Henry Hub spot price rose from $2.06 per million British thermal unit (MMBtu) to begin the Report Week to $2.13/MMBtu to close the Report Week.

-At the New York Mercantile Exchange (Nymex), the price of the near-month (March 2016) natural gas futures contract rose by less than 1¢ from $2.038/MMBtu to open the Report Week to $2.046/MMBtu at the close of the Report Week.

-Working natural gas in storage decreased by 70 billion cubic feet (Bcf) over the storage report week, declining to 2,864 Bcf as of Friday, February 5. Working gas stocks were 25% and 23% above the year-ago and five-year (2010-15) average levels for the week, respectively. The net withdrawal 70 Bcf compared with 153 Bcf a year-ago. The five-year (2010-15) average for the same week was 168 Bcf. This week's net withdrawal ended a five-week streak of triple-digit storage draws.

-The total oil and natural gas rig count declined by 48 units, with 571 units in service for the week ending Friday, February 5, according to data from Baker Hughes Incorporated. The oil rig count decreased by 31 units to 467, and the natural gas rig count fell by 17 units to 104. This is the fifth consecutive double-digit weekly decline and the lowest recorded natural gas rig count in the Baker Hughes dataset, which goes back to 1987.

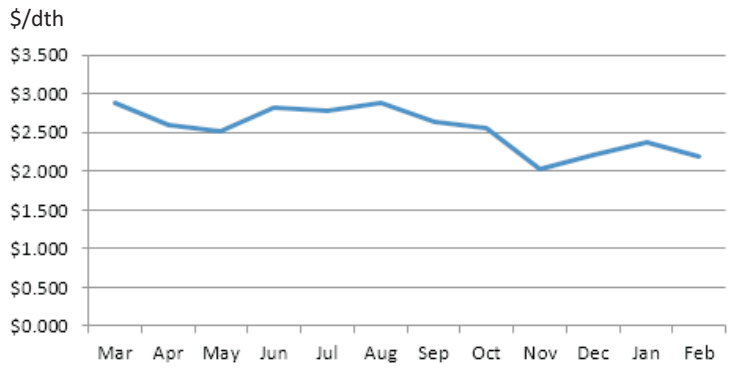
- The leak at the Southern California Gas Company's Aliso Canyon storage field continues, but the rate of leakage has been decreasing. The company has drilled an offset well to near the bottom of the leaking well, and is hoping to enter the wellbore and plug the leak. The company anticipates the leak will be stopped by late February or possibly sooner.

-The natural gas plant liquids (NGPL) composite price at Mont Belvieu, Texas, rose by 4.0% to $3.81/MMBtu for the week ending Friday, February 5. The spot prices of liquid products were mixed this week; ethane and natural gasoline were down 2.4% and 0.8%, respectively, and propane, butane, and isobutane were up 8.3%, 8.0%, and 7.4%, respectively.

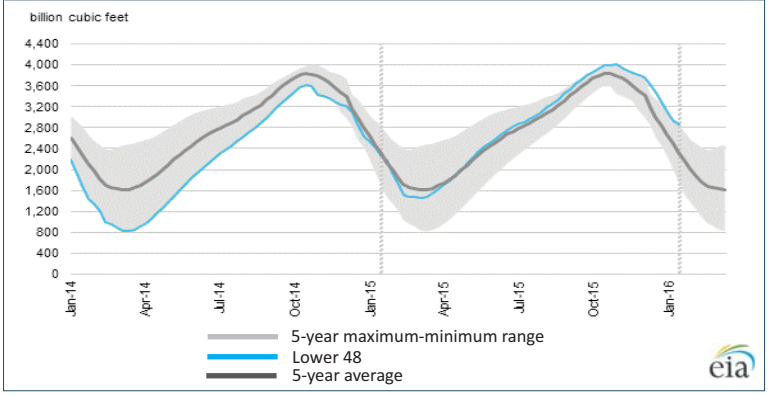
- U.S. consumption increased by 12.8% for the report period, driven by a large increase in residential/commercial consumption related to the cold weather.

Excerpted from eia

Monthly NYMEX Natural Gas Settle Price: Mar 2015 - Feb 2016:



Working nat. gas in underground storage as of February 5, 2016



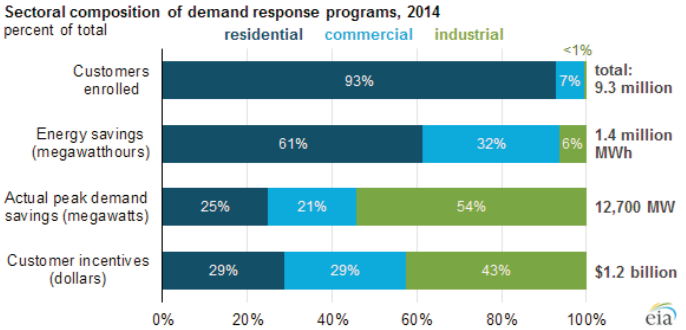
Forward 12-month NYMEX natural gas strip price - Mar16-Feb17:

Process Load-weighted $2.376/dth (w/w = -$0.008)

Typical Heat Load-weighted $2.422/dth (w/w = -$0.009)

Demand response saves electricity during times of high demand:

Demand response in the electricity market involves the targeted reduction of electricity use during times of high demand. In response, customers receive incentives for these reductions. A recent Supreme Court ruling is expected to result in faster growth in demand response in the wholesale electricity markets that cover about 60% of U.S. power supply. Demand response is one element of demand-side management, which includes increased adoption of energy efficient equipment at residential, commercial, and industrial customer locations. Some programs allow electric power system operators to directly reduce customers' load by temporarily turning off cooling equipment or industrial processes, for instance. In other programs, customers retain control and can choose to participate in announced demand-response events. Equipment such as advanced metering systems and appliances that can be remotely cycled by grid operators (for example, air conditioners and water heaters) is a component of demand-response programs.



Commercial and industrial customers make up a small share of the number of demand-response customers (7% and less than 1%, respectively), but they provide larger shares of the energy savings and receive much larger incentives. Industrial customers delivered more than half of all actual peak demand savings from demand response in 2014. The average annual commercial customer incentive was almost $600, while the average industrial incentive was more than $9,000. Because demand-response actions often occur during times of peak electricity demand, demand response provides value to the electric system in several ways. Lower demand means that less efficient, and often more expensive, forms of electricity generation do not need to come online during times of high demand. Reducing the amount of demand often results in lower wholesale electricity prices. Less demand means less stress on transmission and distribution systems, making them less likely to fail.

"Risks, I like to say, always pay off. You learn what to do or what not to do." -Jonas Salk[1]

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[1] "Jonas Salk Biography - Academy of Achievement," 2015