the DESK

Wednesday, July 19 , 2017 Volume 19

GAS STORAGE FORECAST

TheDesk Consensus Avg: + 31.4 Bcf
TheDesk Median: +31 Bcf
TheDesk Survey Range: 25 to 43 Bcf
Top 6 Survey's Index Avg: +31.5 Bcf
Standard Deviation: 3.5
Number of Forecasts: 31
Editor's Forecast: + 35 Bcf
The Desk GWDD Model: NA
YTD Boxscores #1: Reza Haidari: 28 Bcf

LY REPORT & 5YR AVG

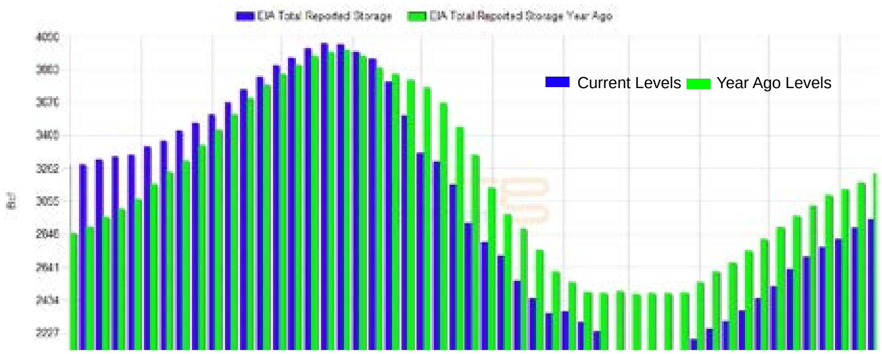
'16 Build/Same Week: 38 Bcf (adj)
5 Yr Avg Draw/Same Week: 59 Bcf

LAST FRIDAY/ EARLY VIEW

Early View Avg (7/14) 33 ***Bcf***
Early View Median: 32.5 Bcf
Range: 25 to 43 Bcf
Standard Deviation: 5.8
Number of Forecasts: 10

LY & 5YR STORAGE LEVELS

Current Storage Level: 2,945 Bcf
Storage 2016/Same Week: 3,234 Bcf/Delta -289 Bcf (8.9%)
5Yr Avg/Same Week: 2,773 Bcf/Delta +172 Bcf (6.2%)



AROUND THE DESK

Lots of news around the desk this week … While most of official Washington is locked in a death loop of incomprehensible health care contrivances or anything related to those naughty Ruskies, lots of other important stuff keeps moving forward, courtesy of the Deep State, while others continue to be delayed and possibly fizzle… A flurry of stories hit the street this week over a leaked, draft version of DOE's baseload (read, coal) power generation study. The draft version (from the Spring) said that the closures of big, old coal plants ain't so much about regulation. Rather, agency researchers point to cheap natty gas and a huge rise in cheap renewables, which led to a big drop in power demand, which led to the big plant closures. No surprises there. These conclusions seem to run counter to the administration's generally pro-coal, anti-regulation stance, right? So what's the news here? Well, the earlier draft's conclusions about natural gas and demand declines didn't make it into the current version of the grid study. Oops. Since the earlier draft findings were largely self-evident, to the rest of us anyway, we reckon this whole matter will go away soon enough. We figure WH support for coal may not survive the first 365 after all… And so much for the Trump budget, say most GOP House and Senate committee chairs... A Senate Appropriations subcommittee just approved a $38.4 billion bill to fund DOE and related water and energy programs in 2018. The draft legislation would actually increase energy department spending by $629 million next year; overall, the budget is about $4 billion more than the WH earmarked for the same set of departments and programs. Tennessee Republican Lamar Alexander, the Senate energy and water subcommittee's chairman, called the president's budget proposal "unrealistic." Yup. The good news is that basic and important research (ARPA-E) is back in there… Oh, the delays… This week it was noted that both the Northern Access and Atlantic Sunrise pipelines continue to see state regulatory delays, while Energy Transfer Partners has bumped its massive Rover pipeline's Phase 1 start date to late September, months after the original July 1 start. FERC is what's the matter on the lat-

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weekly gas storage tealeaves

The market had a decent showing last week; EIA's 57-Bcf build was right in the zone for a change. Our Consensus came in slightly higher at 58.5 Bcf and the Survey Index was closer at 57.8 Bcf. We didn't count a lot of spot-on forecasts this week, but well over half missed the tape by only 1-2 Bcf. The best we've seen in many moons. The coming report, however, should prove to be tricky. The heat certainly showed up in key areas last week and blew out GWDD counts here and there. That said, last week's weather was almost perfectly aligned with what we saw last year, same week – and last year's adjusted build was 38 Bcf. Last week was about 4 degrees warmer than the five-year average. Since May, weather has actually been 9 percent cooler than last year and 4 percent cooler than the five-year average. And yet, we have eaten a huge amount of gas since the injection season began – the overhang is getting tiny indeed. Our Early

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The industry journal of energy trading, Natural Gas Storage Analysis and market intelligence

(AROUND THE DESK from page 1)

ter pipe. We've read a number of wire stories over the past couple weeks that tried to get a handle on how well or how badly all the big pipeline and related oil/gas transport infrastructure projects are doing, given the attitude of the new team in Washington. Most of these stories were inconclusive. There seems to be a broad expectation that drilling on public lands may see a bit more 'speed to market,' as they say, but the experts tell us that pipelines and such really are complex matters and delays will happen in any case. Pipelines, one former FERC staffer tells us, are "the ultimate CYA exercise... on both sides of the table." True enough. Less pushback – or rather lack of support, as seen from the White House during the second Obama term – doesn't hurt either… Our Interior, Energy and Commerce Departments plus related agencies seem to be toeing a common line these days, at least on the top line. New LNG facilities permitting and so forth is said to be the real test for this administration – with the president pitching US gas to Europeans and others these days, can he deliver more production facilities as well, in record time? This is the hope and expectation, at least for many of us. But not so for the Industrial Energy Consumers of America (IECA). In the past two weeks we've seen a barrage of anti-US energy export/anti-LNG statements and speeches by the group's long-time chief, Paul Cicio. What gives? Manufacturers, it seems, are scared all this export talk will lead to energy higher prices, which will make manufacturing less competitive. This week the group touted its opposition to S. 1415, the "License Natural Gas (LNG) Now Act," which attempts to fasttrack LNG projects. IECA says the US doesn't have enough gas to spare, long term, and further, pointing to a recent NERA study, "LNG exports reduce wages and investment, and show only a small net economic benefit, which peaks in 2020 and rapidly declines. Production of oil and gas, and exporting LNG, are not large job creators when compared to manufacturing…" Cicio said in a statement that "if natural gas prices rise, the manufacturing sector will be damaged, which would threaten millions of good-paying jobs and trillions in capital assets nationally." This will be an important duel to follow between these two competing camps: producers and marketers against, essentially, their big commercial customers. Manufacturers have enjoyed cheap natural gas fuel inputs for a few years now and producers are finally enjoying reasonable profitability after being in the doldrums for the same number of years. A lot of the argument pivots on reserves figures. Cicio touts EIA reserves numbers to say that, at projected rates of exports, our 100-year bonanza of cheap gas will only last a few decades at best. Hmm. One expert tells us that in a long, low-price environment, producers are less prone to explore new geographies and geologies, which may add support, depth and length for proven reserves. Same with oil; when prices rise, it's amazing how much recoverable stuff emerges seemingly out of nowhere. We reckon the IECA's current, "crying wolf" campaign will fall on deaf ears with this administration… Bad luck, thy name is EnerVest. Sure, we thought it was a catchy name five or six years ago too. No mas. By now you're read about private equity firm EnerVest and its supremely bad investments in acreage and wells in the Marcellus/Utica region. One source we spoke to yesterday says the lawyers and investors have been circling fairly aggressively already, but to what end? Good question. The vast swath of acreage the firm owns will be worth something, someday, right? Our source described EnerVest as the next Chesapeake-like debacle. We've not heard anything about this implosion impacting current land prices in the shale-rich region, though most agree they will remain low well after gas prices ratchet higher later this year and into 2018… *And so, there it is…*

weekly gas storage **tealeaves**

(TEALEAVES from page 1)

View range from last Friday was nearly 20 Bcf wide, signaling lots of conflicted rationales in the market. For last week's EIA report, the market mostly overestimated demand and came in a bit shy on the supply side. This week may prove to be a similar tale, overestimating demand and underestimating supply. EIA has been churning out all sorts of optimistic production figures lately, blowing away last year and continuing to rise well into 2018 and possibly beyond. Risk to the upside this week we think, despite the apparent demand spike in several regions. Bentek says the South Central is expected to see a 9-Bcf draw this week. Wow. This week's report may be a true toss-up, though the range has tightened quite a bit since last Friday. We see this week's build in a higher range, say, 34-39 Bcf, rather than a lower, 28-33 Bcf range favored by the likes of Reza Haidari of Thomson Reuters Analytics (at 28 Bcf), who is also our current, YTD Boxscores leader or the Bentek Flow Model, (at 30 Bcf) our #2 Boxscores YTD. –the editor

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UBS forecasts that EIA will report a 30-Bcf injection for the week ended July 14. UBS further estimates that inventories increased to 2,975 Bcf, widening the deficit vs. last year to 302 Bcf and narrowing the surplus vs the five-year average to 166 Bcf. "Last week's withdrawal implies that the weather-adjusted S/D balance loosened ~0.5 Bcf/d WoW. Over the last month, we estimate the weather-adjusted S/D balance has been balanced vs. last year and 2.4 Bcf/d undersupplied vs. the five-year average. The market has loosened since 1Q, driven by fuel-switching gas-to-coal given higher prices (gas-fired power burn has been down YoY in 36 of the last 38 weeks) and production that has risen ~1.1 Bcf/d since 1Q17. We project the storage refill season ends with inventories beginning next winter at ~3.8 Tcf (~50 Bcf below the five-year average)."

The front-month contract continues to gain as traders weigh the upcoming slate of bullish Summer injections, "perhaps portending further gains later this week," Andy Weissman of EBW Analytics says. "Importantly, forecasts for above-normal temperature anomalies now cover the vast majority of Texas for the last week of July and the first week of August, helping to kick in additional power sector cooling demand," he adds. EIA's July Drilling Productivity Report forecasts shale gas production to reach 52.86 Bcf/d by August,1.62 Bcf/d greater than June 2017 and 4.56 Bcf/d more than August 2016 levels. Output growth is likely to be led the Marcellus and Haynesville plays, with a combined 0.36 Bcf/d of increased production. Associated gas production from the oil-directed Permian basin may also jump by 0.16 Bcf/d over the same period. Notably, the July DPR increased April-July production by a combined 0.46 Bcf/d versus the June release, underscoring continuing issues with the accuracy of pipeline flow data for capturing real-time changes in output. Shale supply is likely to grow further for the rest of 2017, as new Northeastern pipeline takeaway capacity enters service, although in-service dates may slide – particularly for the Rover pipeline, Weissman says.

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weather desk

Exclusive Weather Forward Views from WSI, MDA EarthSat Weather and the Commodity Weather Group

Michael Shuman, a senior meteorologist with The Weather Company/WSI, says that anomalous mid-Summer heat and elevated humidity will cover a good portion of the central and eastern US during the remainder of the current week through the upcoming weekend. There will be rain and thunderstorm risks that will curtail the scope of the heat across the northern tier, but most major cities and power pools will see max temps climb into the upper 80s and90s, nearing 100. "This won't set any records, but the over-scope of the hot weather will support the strongest demand of the season when measured by CONUS PWCDDs. The pattern will break down during the medium-range periods, as the Eastern and Southern states will undergo a cooling trend during the 6- to 10-day period due in part to an increase in shower and thunderstorm activity," Shuman says. A shift in the large-scale pattern will cause the focus of the anomalous heat to move back into portions of the Central US, Northern Rockies, interior Northwest and even interior California. For more information, go to http://www.wsi.com/industries-energy.htm.

Matt Rogers of the Commodity Weather Group says that the overnight models offered an interesting disconnect: they were all cooler with slightly lower demand except for the European ensemble, which ended up slightly hotter. "As a result, while the other models all lost demand compared to yesterday morning, the European gained slightly. The battle seems to again revolve around how quickly the heat ridge returns to the Western US, with the European slower and the American/Canadian models running faster," Rogers says. "We again defer slightly to the typically more skillful European ensemble, which leads to a flat to slight demand gain range vs. yesterday." Short-range heat looks the most impressive right now, with some hotter changes for the Midwest to East Coast the balance of this week into the weekend. The Middle Atlantic could surge more strongly hot this weekend (upper 90s to near 100) before pulling back behind the early-week cold front. For more information, go to http://www.commoditywx.com/free-trial.

Brad Harvey, a meteorologist for MDA Information Systems, says that this Summer to date has been one of steady heat in the West and variability in the Eastern Half, but surges of heat at times into the East have made this a top-10 hottest first half of the season based on national PWCDD measures. Another one of these heat surges is on the way: Temperatures are forecast to reach the low 100s in St. Louis through the end of the week, while upper 90s and low 100s are expected in parts of the southern Mid-Atlantic region for the upcoming weekend. Any risk to this forecast is related to storminess near these areas. The 6- to 10-day period offers a regime similar to most Summers, with aboves focused in the Western Half while a brief round of belows intrude from the Midwest (early) to the East (mid-period). In all, the period will average marginally below normal in the Northeast and near normal in the Midwest and South. The 11- to 15-day period balances out a July currently forecast to rank as the seventh hottest on record nationally, with ~380 PWCDDs. For more information, go to http://www.mdaus.com/Weather-Services/Energy.aspx.

EEI Generation

WEEKLY ELECTRIC OUTPUT IN PREVIOUS WEEKS--GWh

Week Ended	2017	Week Ended	2016	% Inc. (17/16)	52 Weeks Ended	2017	% Inc. (17/16)
Jun 24	87,167	Jun 25	88,590	-1.6	Jun 24	4,023,664	1.6
Jul 01	82,260	Jul 02	86,222	-4.6	Jul 01	4,019,701	1.3
Jul 08	87,622	Jul 09	88,147	-0.6	Jul 08	4,019,176	1.2
Jul 15	90,927	Jul 16	91,030	-0.1	Jul 15	4,019,073	1.1
Jul 15	**2,111,715**	**Jul 16**	**2,119,035**	**-0.3**	**YEAR TO DATE, FIRST 28 WEEKS**		

Generation Outages/Week-on-Week

IIR ENERGY

Outage data courtesy of IIR Energy, providers of real-time energy supply information. For more information please visit www.iirenergy.com or email us at iirteam@iirenergy.com

Avg GW's Offline by Fuel Group	Current Wk 7/19/2017	Last Wk 7/12/2017	% Chg	Last Yr 7/18/2016	5 Yr Avg
Coal	1.49	1.77	16%	2.36	1.49
Natural Gas	1.71	1.33	-28%	1.55	1.71
Nuclear	2.58	2.44	-6%	3.87	2.58
Fuel Oil	0.39	0.29	-31%	0.00	0.39
Renewables	0.84	0.87	3%	0.93	0.84
Total	**7.00**	**6.71**	**-4%**	**8.71**	**7.00**

THIS WEEK'S SURVEY TALLY

The Game: Weekly Gas Storage Boxscores
Each week we poll up to 39 professional natural gas forecasters, surveys and models for our weekly Natural Gas Storage Boxscores (see page 7). This is North America's most comprehensive natural gas storage survey. Forecasts are arranged into 3 categories:
1. Major Surveys (up to 6) + avg (Survey Index).
2. Bank/Financial Firm Analysts (up to 8) + avg.
3. Ind. Analysts/Models/Commercial Firms (up to 25)

This week, the preliminary tallies **(31 estimates)** are:
Survey's Polled This Week: 5
Survey's Forecast Avg: +31.5 Bcf (med. 31.4 Bcf)
Bank Analysts Polled: 5
Bank Forecast Avg: +31 Bcf (med. 30 Bcf)
Independents Polled: 21
Ind Analyst Forecast Avg: 31.5 Bcf (med. 30 Bcf)

This week's HighBallers:
1. Donnie Sharp, Huntsville Utils: 41 Bcf
2. Kilduff Report: 39 Bcf
3. ARM Energy: 36 Bcf
4. Tim Evans, CITI Futures: 36 Bcf
5. The Desk Editor: 35 Bcf
6. Schneider Electric: 35 Bcf

This week's LowBallers:
1. Andy Weissman, EBW Analytics: 25 Bcf
2. PIRA: 27 Bcf
3. Bentek S/D Model: 28 Bcf
4. Reza Haidari, ThomsonReuters: 28 Bcf
5. PointLogic Energy: 28 Bcf

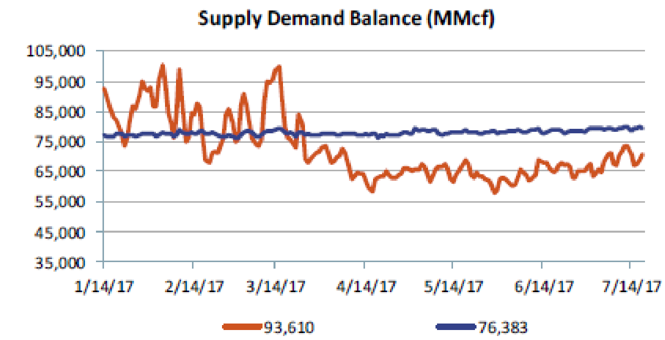
Metro Desk All Stars: +30 Bcf
(avg of our top 5 analysts)

Tealeaves' Preliminary Forecast Range For 7/27:
25 to 38 Bcf
Last Year, Next Week: 20 Bcf (unadjusted)
5 Year Average/Next Week: +47 Bcf (unadjusted)

ICE (EIA) Cleared Storage Futures

Weekly Storage		End Of Storage (11/17)	
20 Jul	27 Jul	09 Nov 17 -	41 @ 3,790
2 @ 31	9 @ 27	8 @ 3,780	23 @ 3,791
5 @ 32	14 @ 28	1 @ 3,784	6 @ 3,792
	6 @ 29	96 @ 3,785	3 @ 3,793
		22 @ 3,786	5 @ 3,794
		6 @ 3,787	27 @ 3,795
		3 @ 3,788	1 @ 3,796
		14 @ 3,789	15 @ 3,800

The Desk Average Forecast: +31.4 Bcf
The Desk Median: 31 Bcf
Survey Index: +31.5 Bcf*
*(*avg. of the top 6 national surveys)*
The Desk Range: +25 to 43 Bcf
Editors Forecast This Week: **+35 Bcf**
GWDD Model Forecast: NA
(see http://weather.deltixlab.com/)
Standard Deviation: 3.5



Last Four Reports: **236 Bcf**
Last Four Reports/Weekly Avg: **59 Bcf**
Last Four Reports/5 Yr Average: **292 Bcf**
Last Four Reports/Weekly 5 Yr Avg: **73 Bcf**

Winners of Last Week's Boxscores: For last week's reported 57 Bcf Implied Flow, we had a two winners: **The SNL Survey** and **Tony Yuen of CITI** were both spot-on at 57 Bcf and thus are **The Best Natural Gas Storage Forecasters in the Land** for report week 7/13/17.

The Desk Commentary from 2016

Net injections into storage totaled 34 Bcf, compared with the five-year (2011-15) average net injection of 61 Bcf and last year's net injections of 70 Bcf during the same week. Working gas stocks total 3,277 Bcf, 559 Bcf above the five-year average and 471 Bcf above last year at this time.

During the most recent storage week, the average natural gas spot price at the Henry Hub was $2.79/MMBtu, while the Nymex futures price of natural gas for delivery in January 2017 averaged $3.34/MMBtu, a difference of 55¢/MMBtu.

Expected net injections for the week ranged from 35 to 60 Bcf, with a median of 39 Bcf, as reported by Bloomberg. This week's *Weekly Natural Gas Storage Report* (WNGSR) figure was below the low end of expectations.

Temperatures in the Lower 48 states averaged 77°F, 2°F above the normal and 2°F above last year at this time.

ThomsonReuters Composite Weekly Storage Fundamental Data

This chart comes courtesy of ThomsonReuters Analytics.

http://financial.thomsonreuters.com/en/products/tools-applications/trading-investment-tools/eikon-trading-software/energy-trading.html

	Jun 23	Jun 30	Jul 07	Jul 14
Supply				
Dry Production (Avg MMcf/d)	71186	71554	72200	71493
LNG Sendouts (Avg MMcf/d)	0	0	0	0
Canadian Net Imports (Avg MMcf/d)	5659	5372	5523	6089
Demand				
Lower-48 4-Sector Consumption (Avg MMcf/d)	59669	56742	59415	63301
Dev. from Normal (Avg MMcf/d)	6024	2013	4310	6211
Gas-to-Pwr Consumption (Avg MMcf/d)	31074	28270	31238	34681
Mexican Exports (Avg MMcf/d)	3806	4221	4021	4024
Weather				
HDD Actuals + Fcst Weekly Total	1	4	1	1
Dev. from Normal Weekly Total	-4.3	0.9	-1.3	-0.3
CDD Actuals + Fcst Weekly Total	85	71	89	95
Dev. from Normal Weekly Total	18.7	-3.4	9	10.4
S/D Balance Method Storage Forecast				
Adjusted Implied Storage (Bcf/week)	47	66	63	25
Pipeline Flow Method Storage Forecast				
Flow Storage Forecast (Bcf/week)	53	67	70	35
Blended Method Storage Forecast				
"Best of" Storage Forecast (Bcf/week)	49	66	65	28
EIA Storage Actuals				
EIA Storage Actuals (Bcf/week)	46	72	57	..
Weather Adjusted Weekly Imbalance				
Weather Adjusted Implied Storage (Bcf/week)	68	63	72	45
Prices				
Henry Hub Day-Ahead Weekly Avg ($/MMBtu)	2.89	2.97	2.91	2.94
Henry Hub Nymex Prompt Month Weekly Avg ($/MMBTU)	2.91	3.04	2.9	2.98
Henry Hub Nymex Last Year Prompt Month Weekly Avg ($/MMBTU)	2.7	2.82	2.86	2.74

Natural Gas Storage Weekly Forecast Boxscores + Current Week Estimates

Storage Forecasts				Stocks (BCF)	6-Jul	13-Jul	20-Jul
EIA - 2017					72	57	
EIA - 2016					39	64	34
EIA - 2015					91	99	68
EIA - 2014					93	107	90

Storage Forecasts	3Q Score	3Q Weeks #1	YTD Score	Weeks #1	6-Jul	13-Jul	20-Jul
Bloomberg Survey Avg.	84.61		62.88	2	66	58	
Paul Belflower/Mustang Fuel	92.36	1	60.57	3	68	56	25
Tim Evans/CITI Futures	88.08	1	45.34	1	68	55	36
Team Tameron/Wells Fargo	85.32		64.76	4	66	56	29
C. Fenner/Macquarie Energy	84.61		67.64	4	66	58	31
Norse Gas Marketing	84.61		61.34	1	66	58	34
Peter Marrin/SNL Editor	78.38		60.10		66	59	34
Gabe Harris/WoodMac	77.93		64.68	4	66	54	32
SNL Energy Survey	76.91	1	61.47	2	64	57	31
Banks Index	76.80		54.99		65	58	31
"APDM"	75.88		50.91		66	53	28
Wm. Featherston/UBS	74.82		50.64	1	65	55	30
Kyle Cooper/IAF Advisors	72.58		64.24		66	60	31
EMD All Stars	72.57		72.07		66	60	30
PIRA	72.16		65.89		65	59	27
Schneider Electric	72.16		62.42		65	59	35
Metro Desk Consensus Avg.	68.50		65.07		64.1	58.5	31.4
Robry825 (05)	67.79		59.58	6	65	51	30
Surveys Index	67.54		60.45		64	58	31.5
Genscape	67.27		68.50	3	64	55	30
Reuters Survey	64.62		62.26	2	64	59	32
Independants Index	64.10		66.34		64	58	31.5
Bentek - Flow	61.46		70.47	2	65	61	30
PointLogic Energy (PLE)	58.82		56.66		64	60	28
R. Haidari, Thomson-Reuters	58.76		72.76	2	66	65	28
Platts Survey	56.79		58.04	2	63	59	31
Tony Yuen/CITI Group	53.41	1	62.40	3	60	57	
Metro Desk Editor Forecast	52.50		59.39	1	62	55	35
ARM Energy	49.84		70.68	3	62	59	36
Dow Jones Survey	48.06		52.89	1	60	56	32
Donnie Sharp/Huntsville Utils	47.34		62.76	3	60	58	41
TFS/Tradition Energy	44.55		54.08	1	61	59	30
Jared Hunter, Ind. Trader	44.55		65.92	4	61	59	29
A. Weissman/EBW Analytics	35.79		52.44		58	53	25
Bloomberg Energy	32.79		58.96	2	62	63	
Bentek - S/D	31.15		44.79		62	64	28
John Kilduff, Kilduff Report	30.42		47.48	1	60	61	39
M. Adkins/Raymond James	30.22		44.64	2	62	65	29

Purple: Independent Analysts   Red: National Surveys   Green: Bank Analysts

(TEALEAVES from page 3)

PointLogic's forecast for the week ended July 14 is at a 28-Bcf build. Power demand picked up significantly – this week's daily average power burn was 2.9 Bcf/d greater than last week's daily average. This shift led the charge in bringing average total Lower 48 demand up 3.5 Bcf/d week over week. Other sectors of demand did not see significant week-over-week changes. Production decreased by 0.6 Bcf/d week over week to average 71.7 Bcf/d, which adds some low-side risk to this week's EIA report. Regionally, PointLogic Energy is anticipating storage activity to come in as the following: 17 Bcf East, 15 Bcf Midwest, 3 Bcf Mountain, -1 Bcf Pacific, -6 Bcf South Central.

Bentek, the Big B, is looking for a 30-Bcf build this week (Flow) and the S/D Model is pointing lower to 28 Bcf. "Both estimates compare bullishly to both last year's 38 Bcf injection and to the five-year average. All regions in the country were estimated to have a tighter supply/demand balance this week compared to the previous week, as US population-weighted temperatures increased by an average1.2 degrees Fahrenheit and total demand increased by an estimated 4.4 Bcf/d," Bentek says. "The South Central region is estimated to account for about 40 percent of the week-over-week decline in injection activity for the Lower 48 (-9) compared to the previous week's EIA announced 2 Bcf injection. The Midwest region is expected to have accounted for the second-largest change in storage activity week over week, at an estimated injection of 15 Bcf compared to 20 Bcf the week prior, as estimated by the EIA," Bentek says.

The Kilduff Report says that natural gas fundamentals prices continue to strengthen on the back of a stronger cooling demand outlook for this week. Tomorrow's storage report may provide the impetus for prices to push higher, when a smallish net injection of 39 Bcf is reported, which will further erode the surplus to the five-year average. "More gains appear likely," Kilduff says.

In its recent Short-Term Energy Outlook, EIA says that natural gas inventories will be 3,940 Bcf at the end of October 2017. That would be 2 percent higher than the five-year average but 2 percent lower than the record high end-of-October level from 2016. EIA also expects the share of US total utility-scale electricity generation from natural gas to fall from 34 percent in 2016 to 31 percent in both 2017 and 2018, a result of higher expected natural gas prices and higher electricity generation from renewable sources. Coal's forecast generation share rises from 30 percent in 2016 to 31 percent in both 2017 and 2018.

Raymond James is forecasting a build of 29 Bcf for this week's report. "The market was 0.1 Bcf/d tighter last week and has averaged 0.8 Bcf/d looser over the last four weeks. We expect the market to run 1.0 Bcf/d looser on a y/y basis for the week. Thus, our official forecast for Thursday is an injection of 29 Bcf. If correct, the y/y storage deficit of 298 Bcf will increase by 5 to a deficit of 303 Bcf," RJ says.

how to increase price reporting

Tom Bowring of Market Analytics (the PJM Market Monitor) was all alone at the recent FERC technical meeting on index liquidity when he noted how surprised he was by the "nearly unanimous" support for current indices, given the general lack of fixed-price deals that support them. He added that so far as he knew, "there has never been a study on the reliability of indices," and further, "there is no empirical evidence, so far as I know. Perhaps the professor has done such a study (he was looking to Rice University's Vince Kaminski at that moment) that these indices do actually represent gas prices." So, he continued, "let's start there, actually doing some evidence-based (investigations), and take a day, a couple months. Look at high-demand days and low-demand days and get a sample of all transactions on those days and attempt to see whether it really has a statistically reasonable sample of data or whether it's biased. I don't have a reason to believe either way, so starting there I think would be a good idea." We concur that this would be a reasonable exercise. Actually, we hear whispers that a team has already been formed at FERC to run the traps on this semi-investigation. The premise, however, that there is zero evidence that gas price indices are accurate, is a bit of a stretch. On this point, we must somewhat agree with Cornerstone's Greg Leonard. "One of the most salient, powerful facts that we've heard today is about the increase in index-price gas over the last nine years," he says. "It has increased almost every year for nine years, even while fixed-price gas trading declined. So, the ratio to fixed-price gas at companies that report, has gone from 4 to 1 to 8 to 1 … a dramatic shift… that is a vote of confidence in indices by the folks who have money at stake, pricing deals, transacting (at index) to me that speaks immensely to the question."

Drew Fossum of Tenaska focused on the "perceived regulatory risk needs to be addressed." He noted that the commission is in the unique position to do something about this. "I'm not sure there's actual regulatory risk as much as perceived regulatory risk. I think re-upping the safe harbor, modernizing it to fit the circumstances we have now with a lot of data pulled from the transacting companies, through the clearinghouse into the publisher's hands, and with some tweaks would make that (data) more accurately reflect the world now." He said that the reworked safe harbor should be actually in the regs, "and not just a policy statement." He added that, "perception matters. And that (adding the safe harbor to formal regulation) would indicate (FERC) commitment and make it durable, there's some value in that."

Tom Haywood, the Houston bureau chief for Energy Intelligence, spoke several times about the importance of FERC writing a better safe harbor for market participants. For that matter, all of the price reporting companies noted that they believed a better safe harbor would likely do the trick for increasing the number of companies reporting transactions to the various index publishers.

The discussion about some sort of reporting mandate took several turns during the day. Most folks didn't like the idea of any sort of federal mandate, although we also reckoned we'd hear the same basic response if we were talking about price reporting or registering our dogs. We've heard it in the past. Fifteen years ago, we recall FERC's first OMOI director, Bill Hederman, making threatening sounds and motions for a reporting mandate if the industry didn't get its act together. One can argue that indeed, the industry did get its collective act together, but clearly, not well enough. Orlando Alvarez of BP had lots of good ideas and comments to share. One was a variation on the reporting mandate theme that could possibly work. It would certainly increase price transparency overnight by several-fold. Harking back to some data provided by FERC (per Platts) in the first panel, it was noted that nine of the top 10 gas traders in 2016 do not report to price publishers. Of those nine, eight are marketing companies, much like Alverez's BP unit. "So," Alverez said, "if you mandated that those marketing companies that buy gas, for the purpose of resale must report, that would be change (everything)." Interesting idea – a mandate just for marketing companies. He added that marketing affiliates of pipeline companies should also perhaps be included in that mix. As for independent producers, he says the reporting burden would simply be too great.

Friend of the house Vince Kaminski, now a professor in the business school at Rice, said that increasing the volume of transactions reported to index publishers "is a critical task for the commission and for the energy business community." True enough. But mandatory reporting? He doubted it would fly in the US. "I have seen many regulatory initiatives being successfully contested in the court system, over many years of my career in the financial and energy industry … " So, what can be done? "I think education. To most market participants, reporting to the index publishers is to their advantage, because in principle they should want prices at which they transact being reflected in the indices." The current situation, he says, that of less fixed-price deals behind the indices, "is like the 'tail wagging the dog.' It is in nobody's best interest."

And so, have at it, FERC. Hybrid mandates and better safe harbor language and in no time flat, we'll likely see more price reporting and better, more liquid indices.

For the conference replay: http://ferc.capitolconnection.org/062917/fercarchive_flv_jw.htm.

For a copy of the full written transcript, go to: http://ferc.capitolconnection.org/062917/ferc062917.htm