



# NEWS

CONTACT: Sandra Crockett; [scrockett@ngsa.org](mailto:scrockett@ngsa.org)

Phone: (202) 326-9325

For Immediate Release: May 23, 2007

<http://www.NGSA.org>

<http://www.NaturalGas.org>

## Cooling Season Ahead Looking A Lot Like 2006 for Wholesale Natural Gas Customers, NGSA Says

Washington, D.C. (May 23, 2007) ... If hurricanes steer clear of the Gulf of Mexico again this summer, the U.S. wholesale natural gas market this cooling season is likely to look a lot like it did last year, according to an annual outlook released today by the Natural Gas Supply Association (NGSA).

"Government forecasters don't believe the heat will be as harsh as last summer, the second warmest on record, but with an increasingly narrow margin of error in terms of supply availability, the still-fresh memory of Hurricanes Katrina and Rita in 2005 is still keeping the marketplace a little jittery," said NGSA Chairman Chris Conway, who released the association's projections during a media briefing at the National Press Club.

"That fear premium, coupled with an economy that continues to expand, albeit more slowly, is likely to offset any downward pressure from reduced air conditioning loads, especially since the hottest regions of the country are still projected to be those that depend most on natural gas-fired power generation," Conway said.

NGSA does not predict wholesale or retail natural gas prices, but relied upon an independent analysis and publicly reported data to forecast overall flat market pressure this summer compared to last year. The projection is based on a series of supply and demand fundamentals that each, with the exception of weather, point to little or no change in this year's outlook.

"Since actual summer temperatures are still likely to be the biggest determining factor for ultimate natural gas costs as a component of end-use electricity or for other industrial uses, and given that we were fooled last year, this was one of the tougher calls we've ever had to make," Conway said. "In the end, though, our analysis indicates that the combined weight of all of the other market factors is significant enough to counter the long-range degree-day forecasting. Also, even though it remains an unpredictable wild card, the simple threat of more hurricane-related supply disruptions appears to be adding some early-season anxiety, as well."

-more-

A similar projection by the association last year fell short when even a normal hurricane season failed to materialize, leading to record inventory levels and causing natural gas prices to drop sharply toward the tail end of the injection period. Conway said a variety of such potential wildcards remain, but said a repeat circumstance was among the possibilities factored into this year's assessment.

Slight usage increases in all market sectors are projected to contribute to a relatively mild 1.4 percent expansion in total summer natural gas demand, according to an NGSA-commissioned analysis by Energy Ventures Analysis (EVA). Even with a somewhat cooler season than last year, economic growth will continue to mean an anticipated 2.2 percent increase in power loads, with recent natural gas-fired capacity additions picking up a share of those extra electricity needs, EVA predicted.

Presently, natural gas fuels about 20 percent of the electricity generated in the U.S., but since it is also the fuel of choice for most new peaking units, its cost can end up setting the regional power prices for a variety of other intermediate and base-load units.

As for the U.S. economy, it continues on a slow-growth trajectory, according to analysis by Global Insight. The unemployment rate and the Consumer Price Index are projected to end up relatively flat, with estimated overall gross domestic product (GDP) expanding at 2 percent, down somewhat from 3.2 growth percent last summer. This change, though, does not suggest a significant pressure move from last cooling season.

According to analyses from both the U.S. Energy Information Administration (EIA) and EVA, storage is at the second highest level for this point in an injection season, down somewhat from the same period last year. As a result, NGSA projects average weekly storage demand of about 59.5 billion cubic feet, not enough to change the outlook from last year's average rate of 57.2 Bcf.

"Meanwhile, total available supply is projected to average 60.7 Bcf/day, almost no change at all from last year's average of 60.5 Bcf/day," said Conway, who also is president, gas and power, ConocoPhillips. "While this may not sound like a big deal, it actually represents a remarkable restoration from the devastation of the 2005 hurricanes, leading to another slight increase in projected domestic production during the season. This recovery served to keep last summer's prices in check despite the near-record heat and first-ever summer storage withdrawals. It's also why we will be able to reliably and competitively meet the projected demand this cooling season."

NGSA 05-07

*NGSA represents integrated and independent companies that produce and market natural gas in the United States. NGSA is actively involved in pursuing regulatory and legislative issues that affect the association's members. Established in 1965, NGSA encourages expanded use of natural gas and supports regulatory and legislative actions that foster competitive markets.*

###