

Natural Gas Has Biggest Gain This Year in U.S. on Heat Wave

For gas-fired units to supply electricity for air conditioning.

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Natural gas rallied to its biggest gain this year in the U.S. as record-breaking heat moved from the Midwest to the Northeast, spurring utilities to increase electric power.

Temperatures are soaring from Minneapolis to Boston, exceeding 100 degrees Fahrenheit (38 Celsius) in cities such as St. Louis. Power generators burn more of the fuel in gas-fired units during hot weather as people turn up air conditioners. Above-average temperatures will cover most of the eastern half of the U.S. through the first week of August, forecasters said.

"It's one of the biggest moves I've ever seen," said Carl Neill, an analyst with Risk Management Inc. in Chicago. "You're just seeing huge demand for gas."

Gas for September delivery rose 79.6 cents, or 11 percent, to \$7.98 per million British thermal units at 12:47 p.m. on the New York Mercantile Exchange. The price reached \$8.07 earlier, a 12 percent rise and the largest increase this year on a percentage basis. Gas hasn't surpassed \$8 since April 24. It's rallied for eight days in nine, surging 44 percent since July 18.

A mass of hot air that smothered the West Coast last week, leaving more than 100 people dead in California, moved into the Midwest this weekend. That weather will hit the Northeast by tomorrow, delivering near-record heat in many areas.

"We think it's going to rival the heat that we saw two weeks ago where we had upper 90s to 100 degrees in New York City and upper 90s in Chicago," Matt Rogers, meteorologist at Rockville, Maryland-based MDA EarthSat Energy Weather, said in a phone interview. "It may even exceed the event that we had two weeks ago, the one that caused the power outages in New York City and elsewhere. It's very impressive."

Heat Warnings

Excessive heat warnings or heat advisories were in place today for much of the Midwest and Plains states, including Minneapolis, Chicago and St. Louis.

A heat advisory was in effect for Minneapolis, where the high will touch 100 degrees today, with a heat index rating of 109, the National Weather Service said. Heat index is a measure of the combined effect of temperature and humidity.

Peak readings in St. Louis will get to 102 today, 101 tomorrow and 99 on Aug. 2, National Weather Service forecasters said. Record highs are 104, 105 and 104 for the three dates, from 1980, 1901 and 1964, respectively. Missouri Governor Matt Blunt less than two weeks ago sent the National Guard to the city to rescue people from dangerously hot homes after a power failure.

Nuclear Plant Shut

Excessive heat warnings were in effect for Chicago, where highs were projected to reach 99 degrees today and tomorrow. American Electric Power Co. yesterday shut down one

of two nuclear reactors in Bridgman, Michigan, about 80 miles outside of Chicago, because lake water temperatures were too high to cool the facility.

Boston will reach 99 on Aug. 2, surpassing the seasonal norm of 82 and falling shy of the 1975 102-degree record.

Temperatures in New York City will peak at 95 tomorrow and 99 on Aug. 2. The record is 100 for both days, from 1933 and 1955, respectively. Consolidated Edison Inc., owner of the city's electric utility, will face another test less than a week after restoring power to 25,000 customers who lost service when the company's grid failed.

Higher-than-average temperatures were expected to stretch from the Plains to the Atlantic coast from Aug. 5 through 9, according to the latest outlook from the U.S. Climate Prediction Center.

Summer Withdrawal

Record heat the past two weeks has limited the availability of gas to add to storage, trimming a surplus versus historical averages.

Utilities and manufacturers made their first-ever summertime withdrawal from underground caverns in the week ended July 21, the Energy Department reported last week. Stockpiles fell by 7 billion cubic feet. Summer is when storage is typically built up to supplement pipeline supplies during winter.

Inventories have never recorded a weekly drop during the months of May through September since the government began tracking gas-supply fluctuations in 1994.

The inventory drop took U.S. stockpiles to 2.756 trillion cubic feet, 22 percent higher than the average for the past five years. They had been 26 percent higher in the prior week. Analysts surveyed by Bloomberg had expected a gain of 24 billion, based on a median of 22 replies.

The five-year average supply surplus stood at 63 percent in early April and 46 percent in late May.