



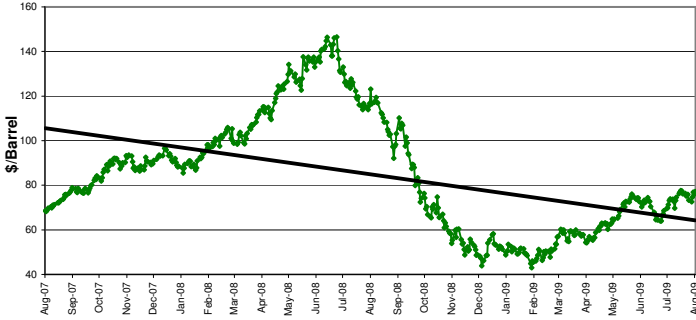
# COMPETITIVE ENERGY SERVICES CETX ENERGY AGENCY MARKET SUMMARY

VIII - Issue 34

WEEK ENDING 8/21/09

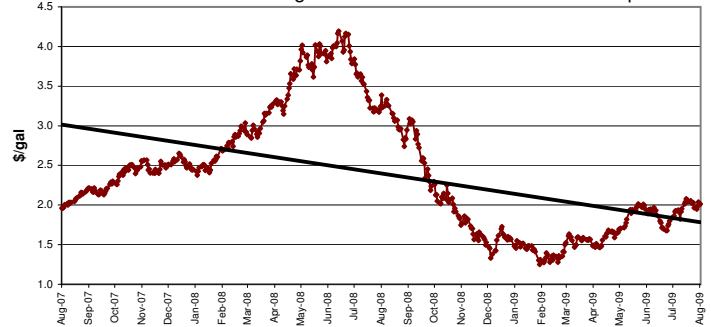
## Oil Market

**NYMEX Crude Futures - 12 Month Forward Strip**



The September 2009 crude oil contract expired on August 20th at \$72.54/barrel on the NYMEX. October is currently the prompt month. As of August 21st, the 12 month NYMEX forward strip starting October 2009 was \$77.24/barrel, up 5% from the previous week. The current price is 79% above the 24 month low set on February 18th, 2009 at \$43.06/barrel. Strip prices are 47% below the 24 month high for the 12 month strip, which was set July 14th, 2008 at \$146.44/barrel.

**NYMEX #2 Heating Oil Futures - 12 Month Forward Strip**



The August 2009 heating oil contract expired on July 31st at \$1.79/gal. September is currently the prompt month. As of August 21st, the 12 month NYMEX forward strip starting September 2009 was \$2.01/gal. This is up 2.5% from the previous week and is 61% above the 24 month low set at \$1.25/gal on February 18th, 2009. Strip prices are 52% below the 24 month high, set on July 3rd, 2008 at \$4.19/gal.

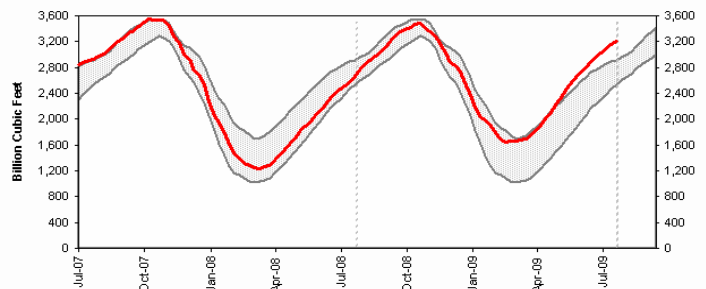
## Natural Gas Market

**NYMEX Henry Hub Futures: 12 Month Forward Strip**



The future price of natural gas is the single most important determinant of the future price of electricity. Natural gas fired generation plants are most often called upon to provide incremental electricity and because of the structure of the competitive electricity market, these plants generally set the price of electricity for all consumers. Electricity suppliers, therefore, follow the natural gas market closely and base their prices to consumers on the forward prices for natural gas.

**Working Gas in Storage Compared to 5-Year Range**



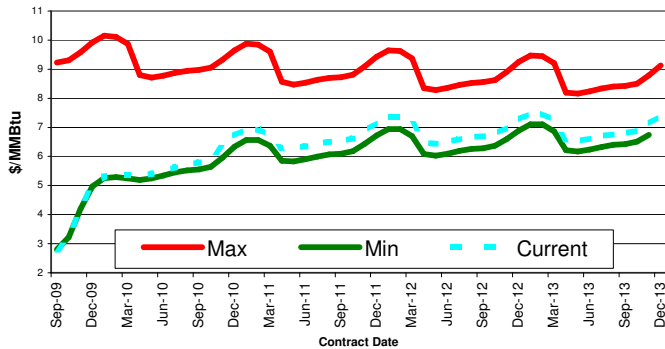
This chart shows the amount of natural gas in storage at each point in time compared to the highest and lowest amounts over the past 5 years (shown as shaded region). When current storage levels approach their lowest levels, gas markets will be tight during the winter months and prices can be expected to rise. Conversely, high amounts of natural gas in storage will, all other things being equal, have a dampening effect on prices.

Source: EIA <http://tonto.eia.doe.gov/oog/info/ngs/ngs.html>

The August 2009 natural gas contract expired on July 29th at \$3.38/MMBtu. September is currently the prompt month. As of August 21st, the 12 month NYMEX strip starting September 2009 was \$4.91/MMBtu, down 5% from last week. The current strip price is 10% above the 24 month low, set April 27th at \$4.45/MMBtu, and 63% below the 24 month high, set July 3rd, 2008 at \$13.33/MMBtu. For comparison the 18, 24, 36, and 48 month NYMEX forward natural gas strips starting September 2009 were \$5.42/MMBtu, \$5.67/MMBtu, \$6.05/MMBtu, and \$6.27/MMBtu respectively.

The EIA (Energy Information Administration) reported that natural gas in storage was 3,204 Bcf as of Friday, August 14th, 2009. This implies a net injection of 52 Bcf for the week, compared to a 5-year average injection of 56 Bcf and an 82 Bcf injection for the same report week last year. Gas in storage was about 21% above last year's level and 19% above the 5-year average.

## NYMEX Natural Gas Forwards vs. 1 Year Range

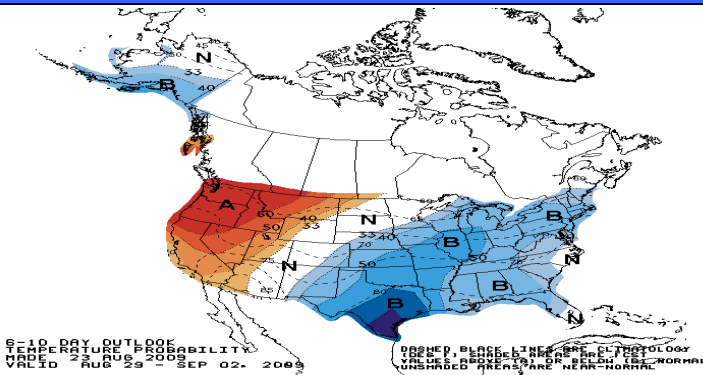


Score 12 Month Forward Strip	97
Score 24 Month Forward Strip	92
Score 36 Month Forward Strip	89

Natural gas futures are useful to monitor for both natural gas and electricity consumers. The natural gas futures market drives electricity pricing in many US markets, including Texas and New England. This chart shows the current forward prices for natural gas on the NYMEX exchange for each forward month shown on the horizontal axis compared to the highest and lowest prices for these same forward months over the past 12-month period. The Score provides a measure of how current prices compare to the historic range. A score close to 0 indicates that current prices are close to their historic maxima; a score close to 100 indicates that current prices are close to their historic minima.

## Weather Forecast

For the period August 29 - September 2, 2009



This chart measures how temperatures for this week compare to the long term average. The blue/purple areas are forecast to be colder than normal, white areas are normal, and yellow/orange/red areas are warmer than normal. Abnormally hot weather in the summer and cold weather in the winter can increase the price for natural gas, oil, and electricity.

Source: Chart from the National Weather Service Climate Prediction Center [www.cpc.ncep.noaa.gov](http://www.cpc.ncep.noaa.gov)

## Market Assessment

Crude oil inched upwards over the course of last week, tracking the stock market. On Wednesday the EIA released its storage report, showing the largest drop in U.S. stocks in 15 months. Although this was good news economically, oil prices slipped on Thursday after a Labor Department report indicated an unexpected jump in first-time applications for unemployment benefits for the previous week. Still, by Friday, oil for the prompt month had reached a 10-month high on news that existing home sales were climbing. Natural gas, on the other hand, moved lower. The down economy, in conjunction with a mild summer and a fortuitous lack of hurricanes in the Gulf of Mexico, have caused prices to drop 48% this year. Furthermore, the number of working natural gas rigs has gained for 4 weeks straight. Gas for the prompt month fell below \$3.00 and closed the week at \$2.80 per MMBtu, causing analysts to revise previous predictions of a \$3 floor to the \$2.25-2.50 range. As of Monday morning, both natural gas and crude oil were following the rally of the S&P 500.

NYMEX natural gas futures prices for the next 12 months fell 5% on average between Friday, August 21st, and the previous Friday. September 2009, the current prompt month, fell 13% and closed last week at \$2.80 per MMBtu, the lowest priced contract with delivery in next 12 months. The heating season contracts (November '09 – March '10) closed at an average price of \$5.05 per MMBtu. The highest priced natural gas contract in the next 12 months was the August 2010 contract at \$5.73 per MMBtu, a difference of \$2.93 from the September 2009 contract.

Crude oil for the next 12 months rose an average of 4% last week on the NYMEX. The October 2009 contract climbed over 6% to end the week at \$73.89 per barrel, the lowest priced crude oil futures contract with delivery in next 12 months. The most expensive contract in the next 12 months was September 2010, which closed the week at \$79.56 per barrel. NYMEX heating oil futures contracts for delivery in the next 12 months also rose 2.5% on average last week. September 2009, the prompt month, closed the week at \$1.90 per gallon while the winter heating months averaged \$2.00 per gallon Friday.

The EIA reported that for the week ending Friday, August 14th, U.S. crude oil stocks decreased by 8.4 million barrels, a sharp contrast to last week's gain of 2.5 million barrels. Despite the drop, stocks remain above the historical average. Gasoline inventories fell 2.1 million barrels and are currently at the high end of its average range. Distillate (including heating oil) inventories fell by 0.7 while propane increase by 0.3 million barrels; both are above their average range.

The National Weather Service forecasts cooler than normal weather for the Eastern United States and warmer than normal temperatures for the West (see map above). Energy prices, especially for natural gas, are very attractive compared to historical levels. Most clients with contracts before the end of 2010 should seriously consider hedging remaining electricity and natural gas costs through at least the end of the 2010 calendar year. Clients with contracts expiring in 2011 and beyond could also benefit from extending their hedged position. Hedging decisions are very dependent on unique budgetary circumstances and goals and clients should consult with their representatives at CES or CETX for customized assistance.



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