

# The Washington Post

## Natural gas rises again on eve of heating season

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-- Natural gas prices that have fallen steadily for a year are bouncing back sharply, up 16 percent since Monday, raising questions about whether prices fell too far.

After jumping as much as 9 percent, natural gas settled 2.3 cents higher at \$3.32 per 1,000 cubic feet Tuesday on the New York Mercantile Exchange.

Oil also moved higher in afternoon trading as the dollar fell to a new yearly low against the euro, stocks moved higher and Federal Reserve Chairman Ben Bernanke said the worst recession since the 1930s is probably over.

Natural gas is still far from the \$14 that it commanded last summer, before the recession destroyed demand for gas, gasoline, diesel and jet fuel. Yet given the fact that storage facilities are brimming with natural gas, the \$1 spike since the beginning of the month has many energy analysts skeptical.

"No doubt, gas is cheap," analyst and trader Stephen Schork wrote Tuesday. "But, if there is no value, than cheap, in and of itself, is not a reason to own something. Back in the 1980s the Yugo GV was cheap also. The car was cheap for a reason."

Natural gas in key storage facilities is nearing capacity, some exceeding 97 percent.

How much more gas can be pumped into the massive caverns that are used for storage is key. The U.S Energy Information Administration said in its short-term energy outlook that it expects another 12 percent buildup through October.

It is, however, the time of year when people begin to think about heating their homes, and that means more natural gas may be flowing out of storage.

Prices hit \$2.409 on Sept. 4, a seven-year low, on the eve of the heating season.

"The easy answer is that it was just too cheap," PFGBest analyst Phil Flynn said. "Not the answer perhaps you were looking for but perhaps it is the most accurate one."

Even with prices rebounding this week, most homeowners who use natural gas for heat are likely to see much cheaper heating bills. Not only are natural gas prices cheaper, but most forecasters are expecting a mild winter.

There are continued signs that consumers are not using as much energy as they had even last year, when a gallon of gas hit \$4.

The four-week average for gasoline consumption in the U.S. fell 3.2 percent for the week ended Friday, the ninth straight weekly decline, even though gasoline is one-third cheaper than a year ago, according to a SpendingPulse report by MasterCard on Tuesday.

MasterCard's report is based on aggregate sales activity in the MasterCard payments network, coupled with estimates for all other payment forms, including cash and check.

Still, investors seeking a hedge against inflation have continued to plow money into oil markets.

Benchmark crude for October delivery rose \$2.07, to settle at \$70.93 a barrel. On Monday, the contract fell 43 cents to settle at \$68.86.

U.S. oil inventories are higher now than in May, and analysts expect demand to drop off in the autumn following the summer driving season. The government will report storage levels Wednesday, which can have a big impact on energy prices.

Analysts are expecting a drop in crude supplies and an increase in stocks of gasoline, diesel fuel and heating oil, according to a survey by Platts, the energy information arm of McGraw-Hill Cos.

Retail gas prices continue to edge lower. Prices at the pump fell 0.9 cents overnight to \$2.563 a gallon, according to auto club AAA, Wright Express and Oil Price Information Service. Prices are down 8 cents a gallon from a month ago and \$1.279 from a year ago.

In other Nymex trading, gasoline futures for October rose 4.59 cents to settle at \$1.7892 a gallon and heating oil rose 3.79 cents to settle at \$1.7801 a gallon.

In London, Brent crude fell 9 cents to settle at \$67.35 on the ICE Futures exchange.

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Associated Press writers Pablo Gorondi in Budapest and Alex Kennedy in Singapore contributed to this report.