

## (BN) Natural Gas Rises to 13-Week High on Outlook for Warm Weather

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By Naureen S. Malik

May 18 (Bloomberg) -- Natural-gas futures climbed to a 13-week high as forecasts for warmer-than-normal weather into June signaled increased power-plant demand.

Gas rose as much as 4.3 percent, heading for a fourth weekly gain that would mark the longest streak since January 2011. MDA EarthSat Weather in Gaithersburg, Maryland, predicted temperatures will be above normal east of the Rocky Mountains through June 1.

"We have hot weather coming in and in the short-term that's going to be supportive," said Daniel Flynn, an energy trader at PFGBest Research in Chicago. "This is more of a short-covering rally going into the weekend."

Natural gas for June delivery advanced 10.2 cents, or 3.9 percent, to \$2.696 per million British thermal units at 10:53 a.m. on the New York Mercantile Exchange after touching \$2.705, the highest intraday price since Feb. 17. Futures have rebounded 42 percent from a 10-year low last month on expectations that power plants will burn a record amount of gas this year.

The futures are up 7.5 percent this week and down 9.8 percent this year, hitting the 2012 low of \$1.902 on April 19.

The high temperature in Houston on June 1 may be 92 degrees Fahrenheit (33 Celsius), or 3 above normal, according to AccuWeather Inc. in State College, Pennsylvania. New York City's high may be 8 above normal at 83 degrees.

### Air-conditioning Demand

"The national demand for air conditioning will be above normal next week" and at the start of the following week, David Salmon, a meteorologist at Weather Derivatives in Belton, Missouri, said in a note to clients today.

U.S. cooling demand in the U.S. will be 11 percent above normal through May 25 and as much as 77 percent higher in the north-central states, according to Weather Derivatives.

Today's gains follow a 0.9 percent drop yesterday after the Energy Department reported U.S. gas inventories increased by 61 billion cubic feet to 2.667 trillion in the week ended May 11. Analyst estimates compiled by Bloomberg predicted a boost of 54 billion. The five-year average rise for the week was 91 billion.

Supplies were 41 percent above the five-year average for the week, dropping for the sixth consecutive week, department data show. The surplus swelled to a six-year high of 61 percent at the end of March after the fourth-warmest winter on record in the U.S. crimped demand for the fuel amid higher production.

### Risk of Reversal

"We remain concerned that the price and sentiment are running ahead of the actual progress" in reducing a surplus of 773 billion cubic feet, Tim Evans, an energy analyst at Citi Futures Perspective in New York, said in a note to clients today. "Among the issues, a further rally runs the risk of power utilities switching back to coal, undercutting demand."

Gas prices above \$2.50 may be enough to prompt some generators to burn more coal and less natural gas, Chris Kostas, senior power and gas analyst for Energy Security Analysis Inc. in Andover, Massachusetts, said yesterday.

The Energy Department forecast this month that power generators will consume 21 percent more natural gas this year compared with 2011 because of the drop in the fuel's price.

Some producers, including Chesapeake Energy Corp. and Encana Corp., have responded to lower prices by announcing production cuts this year. More will need to be made "sooner than later as the industry avoids being prematurely shut out of storage capacity," Dominick Chirichella, senior partner at the Energy Management Institute in New York, said in a note to clients yesterday.

Marketed gas production may climb 4.4 percent this year from a record 66.22 billion in 2011, the Energy Department said May 8 in its Short-Term Energy Outlook.

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