



SPRING 2023



Natural Gas TODAY

For Municipal Gas Systems



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## CSU researchers predicting well above-average 2024 Atlantic hurricane season

By CSU MarComm. Staff

Colorado State University hurricane researchers are predicting an extremely active Atlantic hurricane season in their initial 2024 forecast. The team cites record warm tropical and eastern subtropical Atlantic sea surface temperatures as a primary factor for their prediction of 11 hurricanes this year.

When waters in the eastern and central tropical and subtropical Atlantic are much warmer than normal in the spring, it tends to force a weaker subtropical high and associated weaker winds blowing across the tropical Atlantic. These conditions will likely lead to a continuation of well above-average water temperatures in the tropical Atlantic for the peak of the 2024 Atlantic hurricane season. A very warm Atlantic favors an above-average season, since a hurricane's fuel source is warm ocean water. In addition, a warm Atlantic leads to lower atmospheric pressure and a more unstable atmosphere. Both conditions favor hurricanes.

While the tropical Pacific is currently characterized by El Niño conditions, these are likely to transition to La Niña conditions by the peak of the Atlantic hurricane season from August to October. La Niña tends to decrease upper-level westerly winds across the Caribbean into the tropical Atlantic. These decreased upper-level winds result in reduced vertical wind shear, favoring Atlantic hurricane formation and intensification.

Given the combined hurricane-favorable signals of an extremely warm Atlantic and a likely developing La Niña, the forecast team has higher-than-normal confidence for an April outlook that the 2024 Atlantic hurricane season will be very active. This is the highest prediction for hurricanes that CSU has ever issued with their April outlook. The prior highest April forecast was for nine hurricanes, which has been called for several times since the university began issuing April forecasts in 1995. However, the team stresses that the April outlook historically has the lowest level of skill of CSU's operational seasonal hurricane forecasts, given the considerable changes that can occur in the atmosphere-ocean between April

and the peak of the Atlantic hurricane season from August–October.

### CSU Tropical Weather and Climate team predicts 23 named storms in 2024

The CSU Tropical Weather and Climate team is predicting 23 named storms during the Atlantic hurricane season, which runs from June 1 to Nov. 30. Of those, researchers forecast eleven to become hurricanes and five to reach major hurricane strength (Saffir/Simpson Category 3-4-5) with sustained winds of 111 miles per hour or greater.

The team bases its forecasts on a statistical model, as well as four models that use a combination of statistical information and model predictions of large-scale conditions from the European Centre for Medium-Range Weather Forecasts, the UK Met Office, the Japan Meteorological Agency, and the Centro Euro-Mediterraneo sui Cambiamenti Climatici. These models use 25-40 years of historical hurricane seasons and evaluate conditions including: Atlantic sea surface temperatures, sea level pressures, vertical wind shear levels (the change in wind direction and speed with height in the atmosphere), El Niño (warming of waters in the central and eastern tropical Pacific), and other factors.

So far, the 2024 hurricane season is exhibiting characteristics similar to 1878, 1926, 1998, 2010 and 2020.

“Our analog seasons were all very active Atlantic hurricane seasons,” said Phil Klotzbach, senior research scientist in the Department of Atmospheric Science at CSU and lead author of the report. “This highlights the somewhat lower levels of uncertainty that exist with this outlook relative to our typical early April outlook.”

The team predicts that 2024 hurricane activity will be about 170% of the average season from 1991–2020. By comparison, 2023's hurricane activity was about 120% of the average season. The most significant hurricane of the 2023 Atlantic hurricane season was Hurricane Idalia. Idalia made landfall at Category 3 intensity in

Continued on page 3.

## Section 5 Reform Legislation, the MPACT Act, Introduced in Senate

By Joshua St. Pierre, APGA

On April 18, Senator Richard Blumenthal (D-CT) and Senator Cindy Hyde-Smith (R-MS) introduced the bipartisan “Making Pipelines Accountable to Consumers and Taxpayers Act” (MPACT Act). This bill will ensure a more fair and equitable process for public gas systems and others to engage in rate cases with the Federal Energy Regulatory Commission (FERC), ultimately keeping energy rates lower for Americans. According to a recent survey conducted by the Natural Gas Supply Association (NGSA), over a five-year period, 20 major interstate pipelines had a net over-recovery of \$5.1 billion because they are charging these unjust and unfair rates. The MPACT Act will grant FERC the authority to issue refunds from interstate natural gas pipelines to customers under Section 5 of the Natural Gas Act (NGA) when these unfair and unjust rates are charged.

For decades, FERC has lacked the necessary authority to issue refunds to natural gas customers when interstate pipelines charge excessive rates, allowing these for-profit pipeline companies to keep billions of dollars that belong to Americans. The Federal Power Act (FPA), which regulates electric transmission entities, gives FERC the authority to issue refunds when unfair and unjust rates are charged. Natural gas customers deserve the same protections that electric customers already enjoy.

Both Senator Blumenthal and Senator Hyde-Smith have committed to rectifying this inconsistency with the introduction of the MPACT Act. Similar, bipartisan bills have been introduced in both the House and the Senate in the past two sessions of Congress. Attention will now turn to educating other lawmakers on the need for reform, particularly for non-profit, public gas systems, that are dedicated to delivering energy at the most affordable rates possible.

AGPA along with a dozen other businesses and trade associations sent a letter to both Senators thanking them for their efforts to introduce the bill and urging for its swift passage. Several of these industry groups representing energy-intensive trades will be working to grow the list of cosponsors of the MPACT Act, as well as introduce similar legislation in the House.

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# Pipeline Industry Concerned About Methane Fee Proposal

By Stephen Barlas

Natural Gas industry groups are asking Congress to cancel the methane emissions fee, which goes into effect in March 2025, based on emissions in 2024.

The Methane Emissions Reduction Program was enacted as part of the Inflation Reduction Act (IRA). The Environmental Protection Agency (EPA) issued the Part 99 - which cites the section of the Clean Air Act - proposed rule on Jan. 26, laying out how the agency would determine the "excess emissions" subject to the fee.

The proposal divides the natural gas industry into three separate baskets, each with a different equation for determining the fee. Natural gas compression facilities and gas transmission pipelines are in the same category, and the fee would be assessed when emissions exceed 0.11% of the natural gas sent to sale "from or through" the facility.

For each ton of methane above the "waste emissions threshold," the applicable facility must pay \$900 in 2025 for its excess 2024 emissions, with the charge increasing to \$1,200 in 2026 for 2025 excess emissions and then to \$1,500 in 2027 and each year beyond for the preceding year's excess emissions.

In a hypothetical example, based on emissions from an onshore oil or gas production facility - in a different basket than the pipelines which reports emission of 3,000 metric tons of

methane - the EPA figured such a facility would exceed its threshold by 696 tons, subjecting it to a \$626,400 charge due to the EPA by March 31, 2025.

Some of the angst about this proposal is caused by the uncertainty of a different EPA proposed rule - on greenhouse gas emissions reporting, issued in August 2023 and not yet finalized. It would determine the methane reporting requirements for various natural gas sectors. Those reports will be used by the EPA to determine the emissions overage fee.

Last October, Micheal Dunn, executive vice president of the Williams Companies, sent a letter to the EPA that applauded some of the improvements in the reporting rule that the EPA was planning to make. However, he also submitted suggestions on how to "improve the proposed rule's integrity, both technically and legally."

He particularly objected to the use of the "Natural Gas Sent to Sale" reporting measure that the EPA wants and has proposed to use in the Part 99 Program, and he argued it should be limited to the quantity of gas transferred to third parties. He explained that using the quantity of gas transported through the transmission compressor station to represent gas "sent to sale from or through such facility" can lead to double counting of "Natural Gas Sent to Sale."



The EPA apparently ignored Dunn's plea, based on the Part 99 proposed rule the agency issued in late January. Industry comments on the Part 99 proposal were not yet due at publication time.

In a press release, Dustin Meyer, American Petroleum Institute (API) senior vice president of Policy, Economics and Regulatory Affairs, said:

"This punitive tax increase is a serious misstep that undermines America's energy advantage. While we support smart federal methane regulation, this proposal creates an incoherent, confusing regulatory regime that will only stifle innovation and undermine our ability to meet rising energy demand. We look forward to working with Congress to repeal the IRA's misguided new tax on American energy."

The EPA does set up two excess fee exemption categories. The first is a "compliance exemption," which is available to companies whose emis-

sions comply with the EPA's final rule issued in January 2024 - which sets standards of compliance for various pieces of equipment, in the case of the transmission industry, including wet and dry seal compressors, controllers and rod packing.

Those so-called Part W regulations do not apply to pipelines, so they do not have access to the compliance exemption.

The second is the "Unreasonable Delay Exemption," which exempts a source for methane emission overages caused by unreasonable delay, as determined by EPA in environmental permitting of gathering or transmission infrastructure." Any company wanting to take advantage of the exemption would have to meet four criteria:

- (1) It exceeds the waste emission threshold,
- (2) the exempted emissions are from flaring, due to delays in permitting gathering, transmission lines or compressor stations necessary to offtake associated gas,
- (3) a certain amount of time must have passed between submitting the permit application and claiming unreasonable delay, and
- (4) the owner or operator seeking the permit cannot have contributed to the delay.

The law firm, Sidley, points out the congressional language underlining the methane fee requirements allows companies to net emissions "for facilities under common ownership or control" by "accounting for facility emissions levels that are below the applicable threshold within and across all applicable segments."

Properly applied, states Sidley, this could provide a significant source of relief for large companies with multiple facilities. However, there is also language in the law which may make netting" more difficult to apply to a facility.



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**CSU researchers predicting well above-average 2024 Atlantic hurricane season**  
continued from page 1.

the Big Bend region of Florida, causing \$3.6 billion dollars in damage and resulting in eight direct fatalities.

In addition to the various hurricane metrics that CSU has used for many years, the forecast team introduced a

- ◆ 62% for the entire U.S. coastline (average from 1880–2020 is 43%).
- ◆ 34% for the U.S. East Coast, including the Florida peninsula (average from 1880–2020 is 21%).
- ◆ 42% for the Gulf Coast from the Florida panhandle westward to Brownsville (average from 1880–2020 is 27%).
- ◆ 66% for the Caribbean (average from 1880–2020 is 47%).

Forecast Parameter and 1991–2020 Average (in parentheses)	Issue Date 4 April 2024
Named Storms (NS) (14.4)	23
Named Storm Days (NSD) (69.4)	115
Hurricanes (H) (7.2)	11
Hurricane Days (HD) (27.0)	45
Major Hurricanes (MH) (3.2)	5
Major Hurricane Days (MHD) (7.4)	13
Accumulated Cyclone Energy (ACE) (123)	210
ACE West of 60°W (73)	125
Net Tropical Cyclone Activity (NTC) (135%)	220

new metric last year. Accumulated Cyclone Energy (ACE) occurring west of 60 degrees west longitude is an integrated metric accounting for storm frequency, intensity and duration in the western half of the Atlantic basin. ACE generated west of 60 degrees west correlates better with land-falling storms in the Atlantic basin than basinwide ACE, since virtually all hurricane-prone landmasses in the Atlantic Ocean are located west of 60 degrees west.

The forecast team also provides probabilities of named storms, hurricanes and major hurricanes tracking within 50 miles of each county or parish along the Gulf and U.S. East Coast, as well as hurricane-prone coastal states, Mexican states, Canadian provinces and countries in Central America and the Caribbean. These probabilities for regions and countries are adjusted based on the current seasonal forecast.

Generally, a slightly lower percentage of basinwide ACE occurs west of 60 degrees west in El Niño years relative to La Niña years. Since the team anticipates La Niña as the most likely

Probabilities are provided for both the 1880-2020 climatological average as well as the probability for 2024, based on the latest CSU seasonal hurricane forecast.

State	2024 Probability			Climatological		
	Probability >=1 event within 50 miles	Hurricane	Major Hurricane	Probability >=1 event within 50 miles	Hurricane	Major Hurricane
Alabama	78%	43%	14%	58%	28%	8%
Connecticut	35%	13%	2%	22%	8%	1%
Delaware	35%	10%	1%	23%	6%	1%
Florida	96%	75%	44%	86%	56%	29%
Georgia	82%	46%	10%	63%	30%	6%
Louisiana	84%	56%	23%	66%	38%	14%
Maine	34%	11%	2%	21%	7%	1%
Maryland	47%	18%	1%	31%	11%	1%
Massachusetts	49%	23%	5%	33%	14%	3%
Mississippi	72%	43%	13%	53%	28%	8%
New Hampshire	29%	9%	2%	18%	6%	1%
New Jersey	35%	11%	1%	23%	7%	1%
New York	41%	16%	4%	26%	9%	2%
North Carolina	85%	56%	13%	68%	38%	8%
Rhode Island	32%	13%	2%	20%	8%	1%
South Carolina	76%	44%	14%	57%	29%	8%
Texas	80%	54%	25%	61%	36%	16%
Virginia	65%	31%	2%	46%	20%	1%

outcome in 2024, the percentage of basinwide ACE occurring west of 60 degrees west is predicted to be higher than last year.

The CSU team will issue forecast updates on June 11, July 9 and Aug. 6.

The CSU forecast is intended to provide a best estimate of activity in the Atlantic during the upcoming season – not an exact measure.

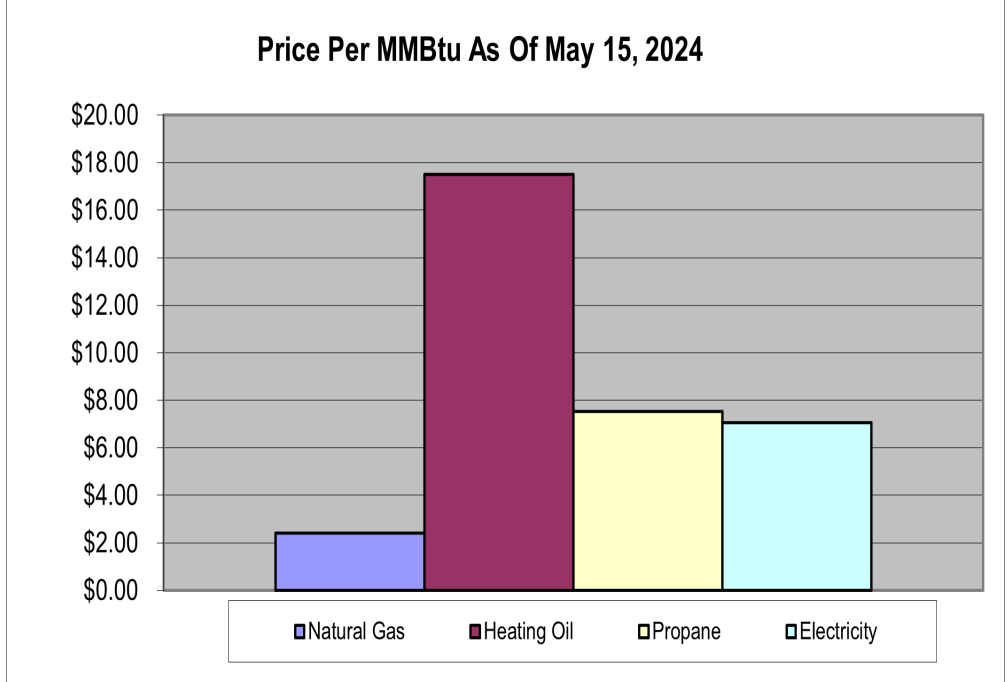
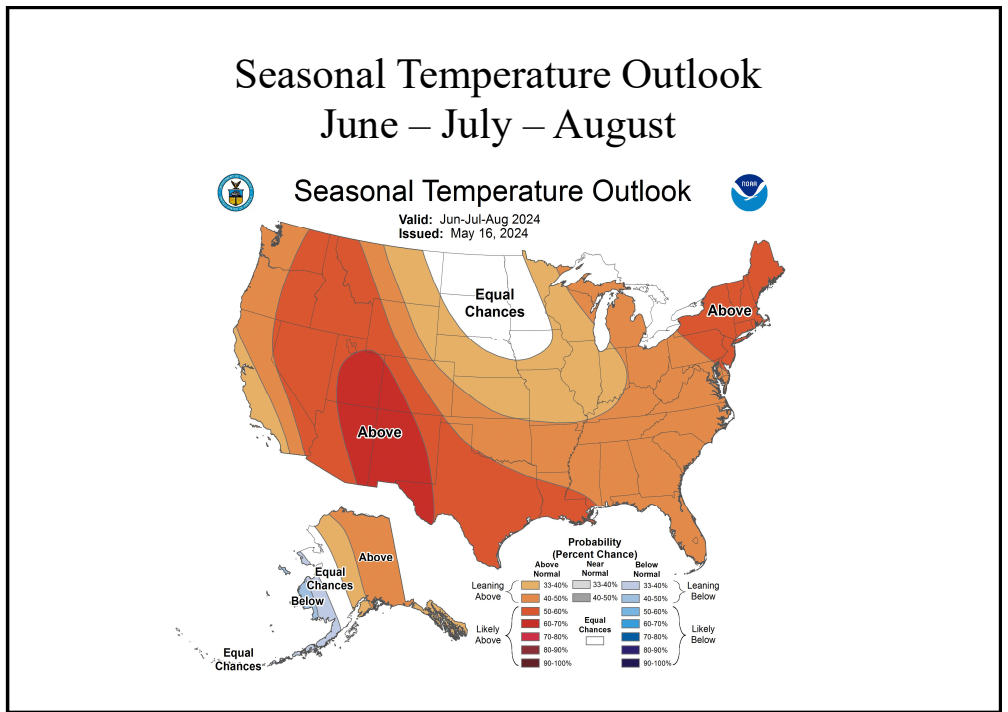
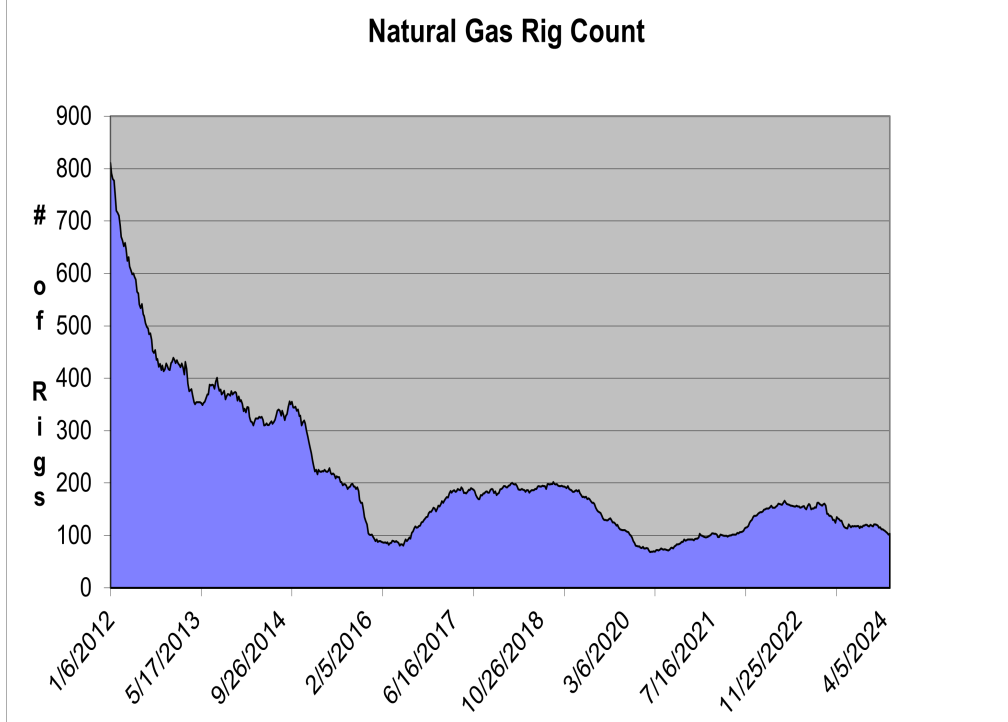
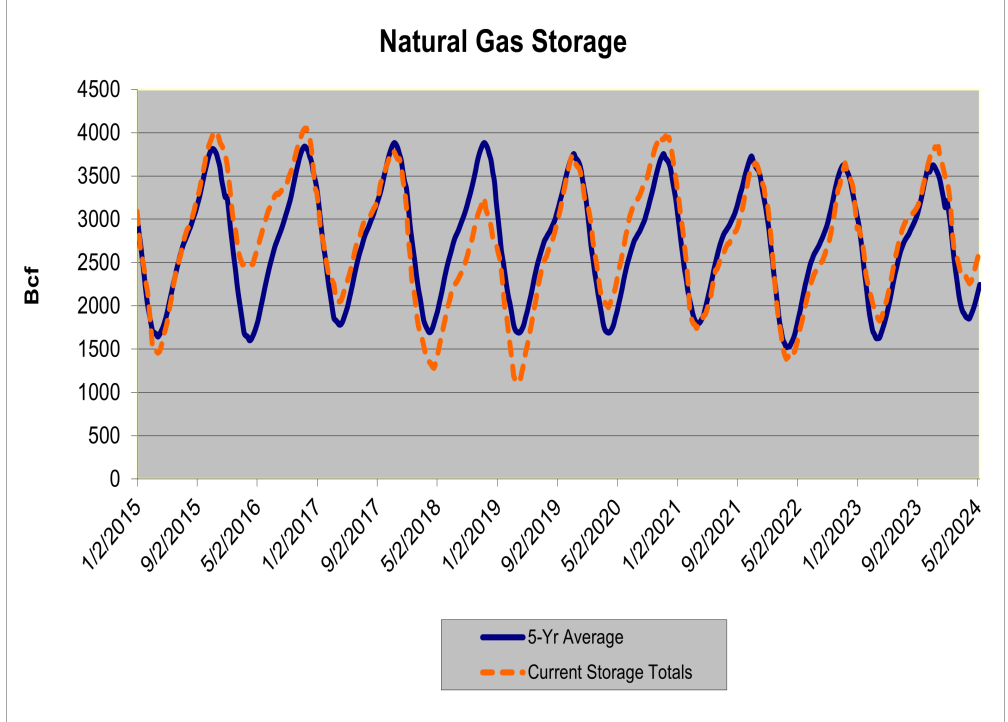
**Hurricane landfalling probability**

- ◆ 62% for the entire U.S. coastline (average from 1880–2020 is 43%).

**Summary**

An analysis of a variety of different atmosphere and ocean measurements (through March) which are known to have long-period statistical relationships with the upcoming season's Atlantic tropical cyclone activity, as well as output from dynamical models, indicate that 2024 will have well above-average activity. The big question marks with this season's predictions are if the extreme anomalous warmth in the tropical and eastern subtropical Atlantic persists or begins to weaken, as well as the strength of La Niña if it does develop.

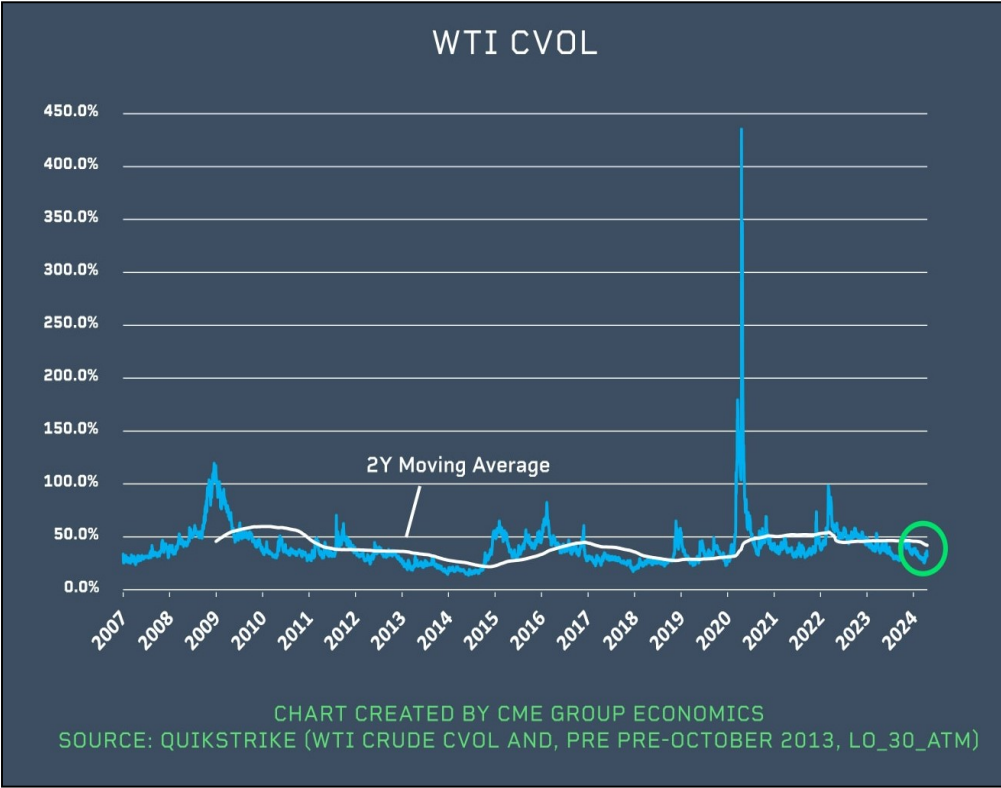
**Snapshots**



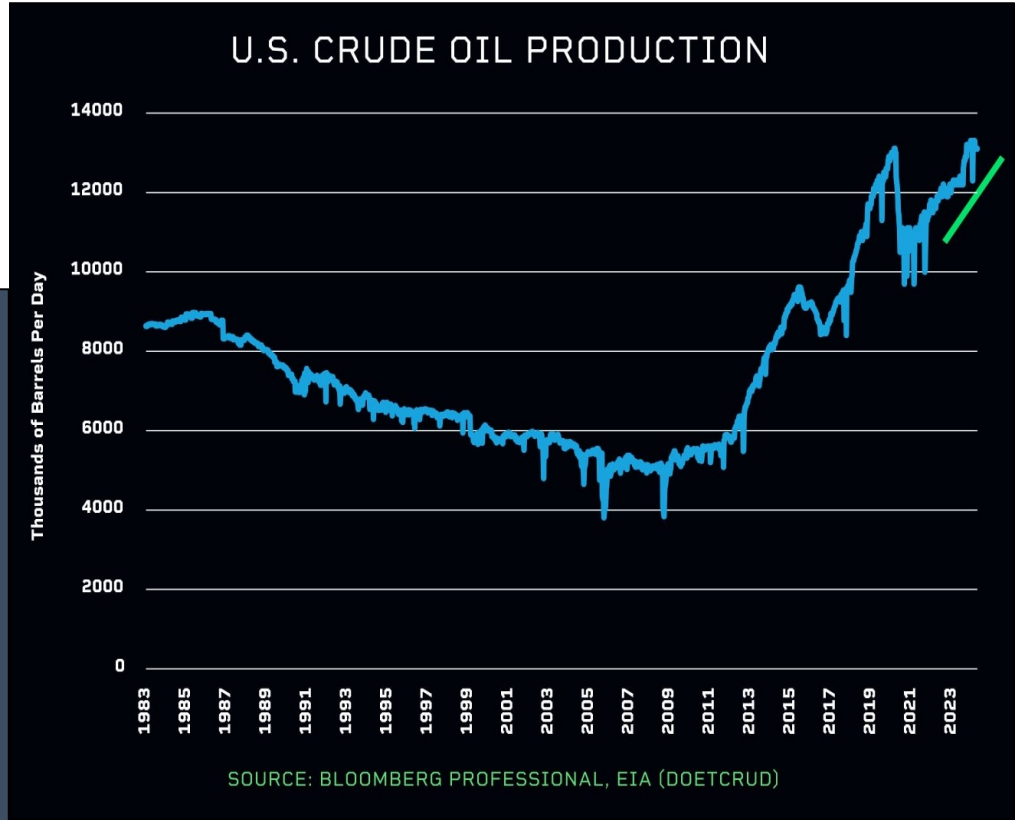
# What is Behind the Calm Oil Market?

By Erik Norland

Considering many factors like the Russia-Ukraine war, OPEC+ cutting production by 3.6 million barrels per day and conflict in the Middle East, many traders might be surprised to find out that oil prices are only around \$82 per barrel and that implied volatility on crude options are trading at relatively low levels below 40%.



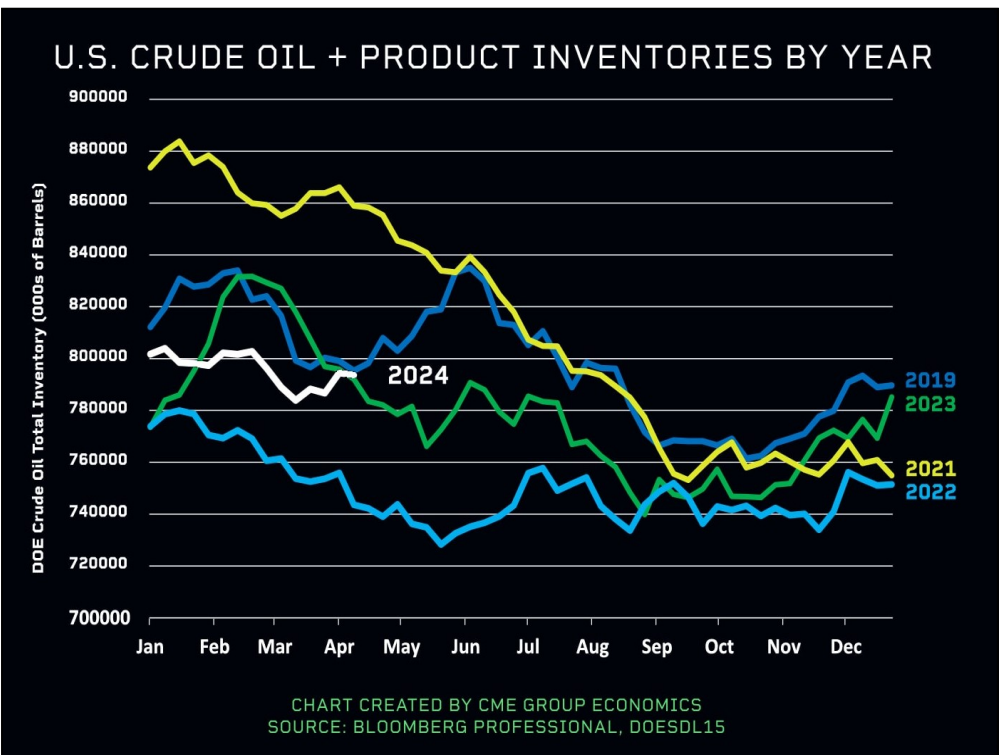
Given that oil production is about 3.5% lower globally than it would have been without OPEC+ production cuts, how is it possible that oil inventories are still at average levels? There are two reasons. First, a boom in U.S. production has replaced about one third of what OPEC cut.



The second reason is weak demand. China buys about 10 million barrels per day in the international markets, and its economy has been growing much more slowly than it was a few years ago. Slow growth in China often hits oil prices with a lag of about 12 months and may be among the factors preventing a further rise in global crude prices.

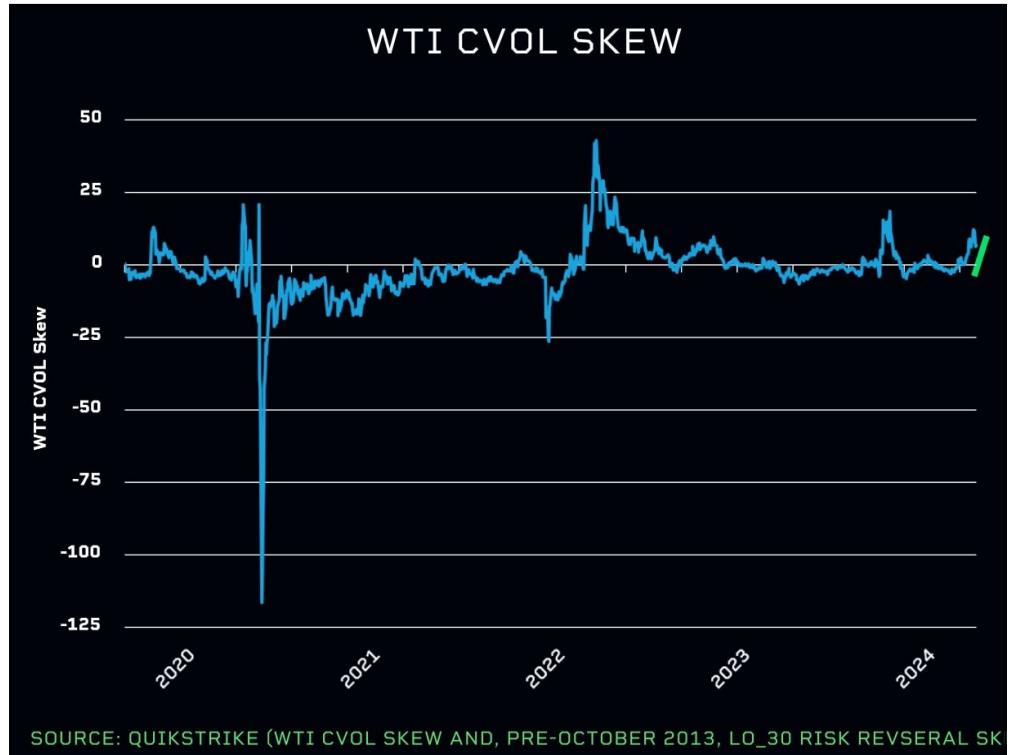
## Inventories Remain at Average Levels

So why are crude oil prices not higher and more volatile? Part of the answer lies in inventories. Crude and product inventories are right around their seasonally adjusted averages for the past five years. This suggests that at least some cushion exists in the event of a supply disruption.



## Higher Prices Expected?

That said, traders are displaying some signs of nervousness. The skew on CME Group's WTI CVOL index is quite positive at the moment, suggesting that some traders are buying out of the money call options to protect themselves from the possibility of much higher prices.



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