



OUTLOOK FOR 2014 ENERGY AND UTILITY SECTORS

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Sub-Sectors

- How these sectors are intertwined
 - End Users
 - Commodity Prices
 - Energy Policy and Regulations
- Sub-sectors of Interest
 - E&P
 - Midstream
 - Downstream
 - Distribution
 - Generation

Commodity Prices

Fossil Fuels				
Average Prices PA	2012	2013	2014	2015
WTI a (\$/bbl)	94.12	97/91	96.67	90.92
Brent (\$/bbl)	111.65	108.64	107.82	101.92
Gasoline (\$/gal)^b	3.63	3.51	3.5	3.38
Natural Gas (HH \$/MCF)^c	2.83	3.84	4.89	4.62
Natural Gas (Res \$/MCF)	10.69	10.31	11.32	11.84
Heating Oil (\$/gal)^d	3.97	3.78	3.82	3.65
Electricity (cent/Kwh)^d	11.88	12.12	12.53	12.83

a West Texas Intermediate.

b Average regular *pump price*.

c Henry Hub.

d U.S. Residential average.

Source: EIA Energy Short-Term Energy Outlook, June 10, 2014

US Supply and Consumption

Supply	2012	2013	2014	2015
Crude (mm bbl/day)	6.49	7.44	8.42	9.27
NG (BCF/day)	65.7	66.5	69.0	69.94
Coal (mm tons)	1016	984	1017	1009
Consumption				
Liq Fuel (mm bbl/day)	18.5	18.9	18.9	19.0
NG (BCF/day)	69.8	71.3	72.5	72.3
Coal (mm tons)	889	925	961	931
Electricity (B KwHs/day)	10.47	10.5	10.7	10.7

Source: EIA Energy Short-Term Energy Outlook, June 10, 2014



E & P

- Integrated v. Upstream Focused
- Crude v. Natural Gas
- Development
- Credit Quality Outlook

Midstream

- Opportunities
 - Bakkan Crude Gathering and Transport
 - Gathering in Marcellus Shale
 - Transport in Marcellus Shale
- Challenges
 - Regulation
 - Headline Events
 - Politics

Electric Utilities

- Vertically Integrated v. Distribution v. Generation
 - While gas prices are expected to be higher but not at a level to permit for wholesale generators to generate heady returns.
 - Renewed almost frantic focus on regulated assets.
 - Credit Quality Outlook
 - Mergers and Reorganizations
 - Regulation
 - Local Commissions, FERC
 - EPA

Carbon

Carbon Emissions (mmTons)	2005	2007	2014	2015
Coal	2182	2172	1799	1742
Natural Gas	1183	1241	1414	1409
Petroleum & Other Liquids	2623	2596	2280	2281
Fossil Fuels	5988	6009	5499	5432

Source: EIA Energy Short-Term Energy Outlook, June 10, 2014

- New EPA Regulations

Electric Utility Credit Quality

- Credit Quality has gradually weakened over the past 15 years. In 2000 Over 50% of electric utilities had debt ratings in the “A” categories by S&P Now 60% are in the “BBB” categories.
- Ratings are currently Stable – Moody’s has Stable Outlooks on 96% of \$615 billion in rated utility sector debt.
- Outlook for the Unregulated Utilities as a sub-sector is Negative.
- Pressures on credit quality from
 - Low natural gas and thus wholesale electric prices.
 - Need for rate relief for replacement of aged infrastructure.

Natural Gas Utilities

- Stable Credits
 - Most are somewhat but not entirely indifferent to natural gas prices.
 - Cold Winter?
- Challenges
 - Aging infrastructure especially in older cities
 - According the the PA PUC 93% of gas leaks are from cast iron and unprotected steal pipes.