

whether to stay with their local distribution company (LDC), seek supplies from alternative sources, or switch to other fuels. The average prices paid by the industrial and electric utility sectors were \$5.28 and \$4.67 per Mcf, respectively.

- **The average price for natural gas at the city gate increased by nearly 24 percent from 2000 to 2001, climbing to \$5.72 per thousand cubic feet.** City gate prices represent the total cost paid by gas distribution companies for gas received at the point where gas is physically transferred from a pipeline company or transmission system to the local distribution company (LDC). This price reflects all charges for the commodity, storage, and transportation associated with the LDC obtaining natural gas for sale to consumers.
- **Residential prices in 2001 matched their previous record high, while prices to the other sectors were at their highest since the mid 1980s.** The average residential price was \$9.64 per Mcf for the year, virtually equal to the \$9.63 per Mcf observed in 1983 (all prices measured in constant 2001 dollars). At \$8.43 per Mcf, the average price to the commercial sector was its highest since 1984. The industrial and electric utility sectors paid more per unit in 2001 than at any time since 1985.

## Natural Gas Supply

### Natural Gas Production and Net Imports Increased in 2001

Domestic production and net imports increased by 716 Bcf in 2001, which was sufficient to satisfy demand and accommodate a large addition to storage volumes. Domestic production increased by more than 500 Bcf in 2001 compared with 2000 levels, and by almost 900 Bcf in the two years since 1999 (Figure 6). The increased domestic production reflects the record level of drilling for gas prospects, which in turn resulted in a net increase in proved reserves as well as more production. Net storage injections in 2001 were 1,165 Bcf, compared with net withdrawals of 829 Bcf in 2000. Net imports increased slightly, by about 66 Bcf, while gross imports were up 195 Bcf as new transmission projects started in late 2000 operated for the full year. New projects also added to gas exports, which increased by 130 Bcf, mostly to Canada.

Average prices for the year were higher in 2001 compared with 2000. The average wellhead price was \$4.02 per Mcf, although prices fell during the year from more than \$8 to just above \$2. Prices for imported gas were correspondingly higher. The average price for all gas

Figure 6. Natural Gas Supply, 1997-2001

