

Highlights

This issue of the *Natural Gas Monthly* contains estimates of natural gas data through December 2000 for many data series at the national level. National-level natural gas prices are available through August (electric utilities), September (residential, commercial, and industrial), or November (wellhead). State-level data are generally available through September 2000 although underground storage data are available through October 2000. According to reports filed with the Energy Information Administration, 74 billion cubic feet of gas in underground storage was reclassified from base gas to working gas in Michigan during October, thus increasing supplies available from storage.

Monthly Data

After 3 years of warmer-than-normal winter weather, temperatures in November and December 2000 returned to normal or colder-than-normal levels. These falling temperatures resulted in increased demand for natural gas. Also in December, production increased significantly from the previous month's level for the first time in 9 months. Highlights of the most recent data are:

- Dry natural gas production in December 2000 increased by 11 percent from the level in November 2000. As natural gas prices remain unusually high during the second month of the 2000-2001 heating season, increased production will mitigate pressure for further price rises. Production for December is estimated to be 1,705 billion cubic feet or 55 billion

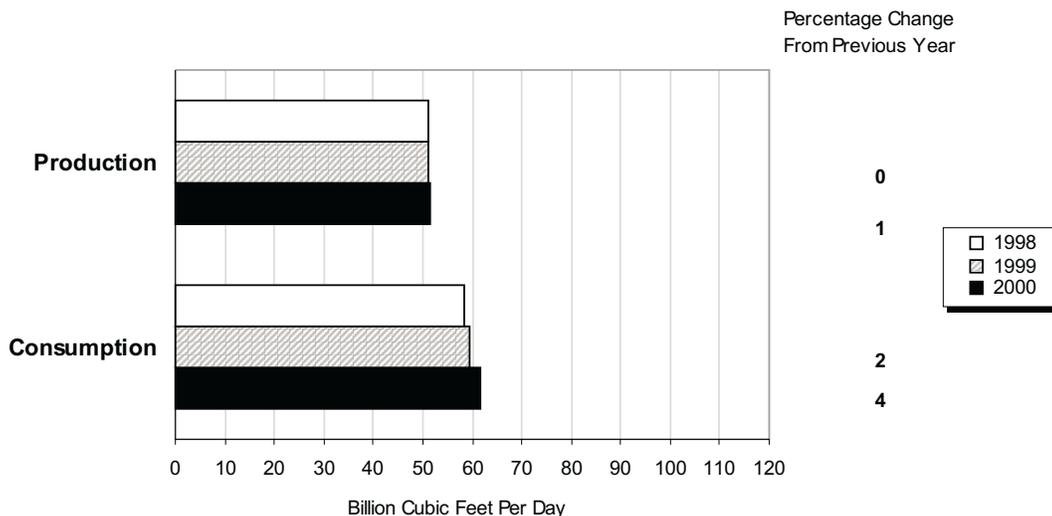
cubic feet per day, an 11-percent increase over December 1999 production levels.

- Working gas in underground storage facilities dropped to 1,710 billion cubic feet at the end of December 2000, 32 percent lower than at the end of December 1999 and 27 percent lower than the average for this point in the heating season during 1995-1999. Data on working gas in underground storage include 74 billion cubic feet reported as reclassified from base gas to working gas in Michigan in October 2000. Nationally, the reclassification increased the level of working gas at the end of October by about 3 percent. Net storage withdrawals were at record-breaking levels across the Nation during the month of December, totaling 771 billion cubic feet, 56 percent more than the average December withdrawal level during 1995-1999.
- End-use consumption for December 2000 is estimated to be 2,378 billion cubic feet, 16 percent greater than during the same period one year ago. Gas consumption rose in the residential and commercial sectors with increased demand for space heating. Residential consumption showed an especially large increase, 35 percent above December 1999, as temperatures across the nation dropped below normal, especially in the East. Consumption in the commercial sector is estimated at 492 billion cubic feet in December 2000, 36 percent more than in December 1999.

Reclassification of Natural Gas in Underground Storage

Data on working gas in underground storage include 74 billion cubic feet reported as reclassified from base gas to working gas in Michigan in October 2000. This change contributed to the level of 2,774 billion cubic of working gas in underground storage at the end of October, the beginning of the 2000-2001 heating season. Nationally, the reclassification increased the level of working gas at the end of October by about 3 percent from the 2,700 billion cubic feet it would have been otherwise. The end-of-October working gas level is 208 cubic feet lower than the 1995-1999 five-year average for October and 1,635 billion cubic feet greater than the average working gas level at the end of March during those years.

Figure H11. Average Daily Rate of Natural Gas Production and Consumption, January-December, 1998-2000



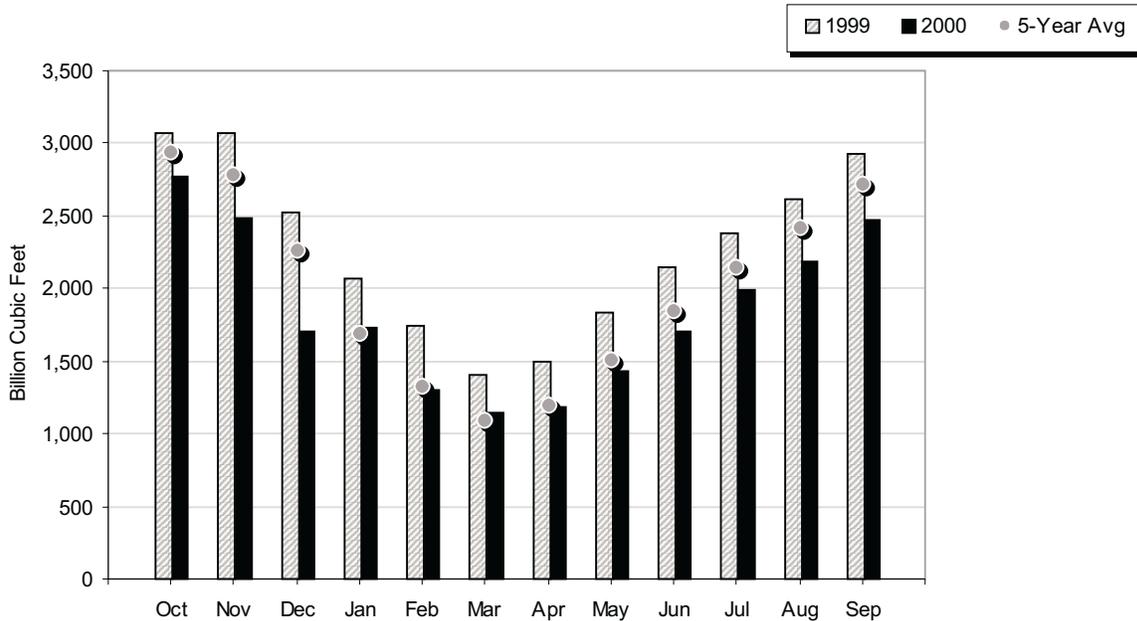
Source: Table 2.

- The average natural gas wellhead price increased during 2000 from a low of \$2.12 per thousand cubic feet in January to the most recent estimate of \$4.62 per thousand cubic feet in November. The November 2000 price is 89 percent higher than that of November 1999, which at \$2.44 per thousand cubic feet was the highest monthly price seen during 1999. The cumulative average wellhead price for January through November 2000 is estimated to be \$3.35 per thousand cubic feet, 61 percent higher than for the same period in 1999. Increases in natural gas consumption during 2000, relatively flat production levels for most of the year, and only a slight increase in net imports have all contributed to increases in wellhead prices.
- Daily settlement prices for the New York Mercantile Exchange futures contract at the Henry Hub set record highs at the end of December 2000. The futures contract for delivery in January 2001 closed at \$9.978 per million Btu on December 27, 2000. This is 1.7 times higher than the closing price of the December 2000 contract and 4.3 times higher

than that of last year's January contract, which closed at \$2.344 per million Btu.

- End users are seeing higher prices for natural gas in 2000 compared with 1999, but increases are higher in the industrial and electric utility sectors, which generally respond more quickly to changes in wellhead prices, than in the residential and commercial sectors. (Also note that end-use price information is not yet available for the current heating-season months.) The average city gate price (the price paid by local gas distribution companies) for January through September 2000 is estimated at \$3.97 per thousand cubic feet, \$0.91 (30 percent) higher than for the same period in 1999. The average price paid by industrial users through September 2000 is estimated at \$3.96 per thousand cubic feet, \$0.94 (31 percent) higher than in 1999 and the price paid by electric utilities (available through August only) is estimated at \$3.76 per thousand cubic feet, \$1.25 (50 percent) higher than in 1999. In contrast, the average price paid by residential users for January through September 2000 is estimated at \$7.13 per thousand cubic feet. This is \$0.51 per thousand cubic feet (8 percent) higher

Figure HI2. Working Gas in Underground Storage in the United States, 1999-2000



Note: The 5-year average is calculated using the latest available monthly data. For example, the December average is calculated from December storage levels for 1996 to 2000. Data are reported as of the end of the month, thus October data represent the beginning of the heating season.

Source: Form EIA-191, "Underground Natural Gas Storage Report," Form EIA-176, "Annual Report of Natural and Supplemental Gas Supply and Disposition," and Short-Term Integrated Forecasting System.

than in the same period of 1999. Similarly, the commercial sector paid an average of \$5.64 per thousand cubic feet for natural gas through September 2000. This is \$0.39 per thousand cubic feet (7 percent) higher than in 1999.

Annual Data

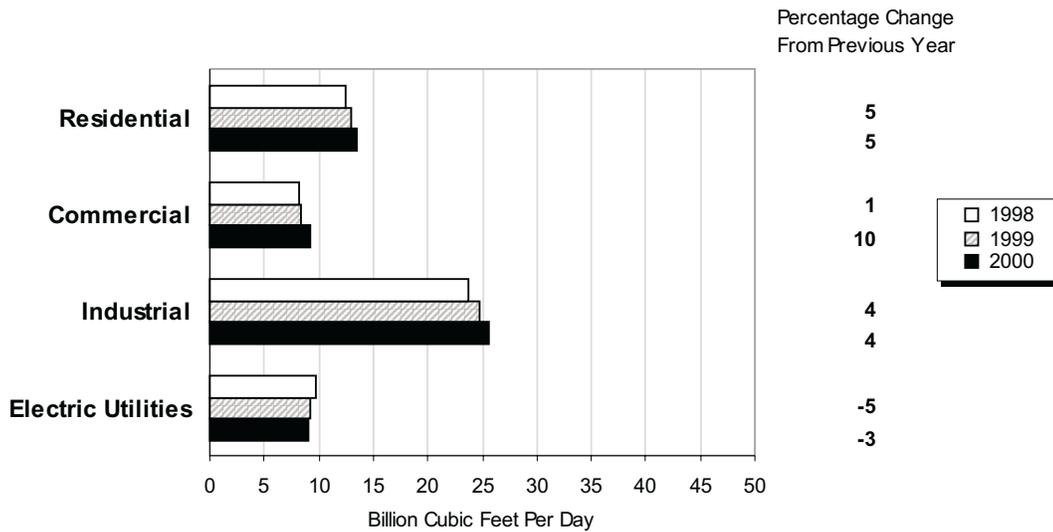
Estimates of production and consumption at the national level for the year 2000 are available for the first time in this issue of the *Natural Gas Monthly* (Tables 2 and 3). Highlights are:

- Natural gas production at the end of 2000 is estimated to be 18,848 billion cubic feet, 1 percent greater than the annual levels in 1999 and 1998. Monthly levels from 1998 through 2000 ranged from 1,448 to 1,637 billion cubic feet in all months except December 2000 when production reached 1,705 billion cubic feet. This recent increase has occurred in response to high gas prices and increased demand

for gas for space heating as the weather turned colder than normal.

- End-use consumption at the end of 2000 is estimated to be 20,655 billion cubic feet, 4 percent above the 1999 total of 19,890 billion cubic feet. In the residential sector, sharp increases in November and December 2000 were somewhat offset by declines in some months earlier in the year. The year ended with a 5-percent increase in this sector, compared to the 1999 annual level. Consumption rose by 10 percent in the commercial sector from 1999 to 2000. For the industrial sector, consumption was 4 percent higher this year. Some of this increase may reflect gas consumed by nonutility generators. As the restructuring of the electric utility industry proceeds, many previously regulated generating plants have been sold to entities that are not regulated utilities. These facilities are classified as nonutility generators, and the gas that they consume is reported as industrial consumption rather than electric utility consumption. End-of-year data are not yet available for the electric utility sector.

Figure HI3. Average Daily Rate of Natural Gas Deliveries to Consumers, January-December, 1998-2000



Note: Electric utilities reflect deliveries for January-September.
Source: Table 3.

Heating Season Information on the EIA Web Site

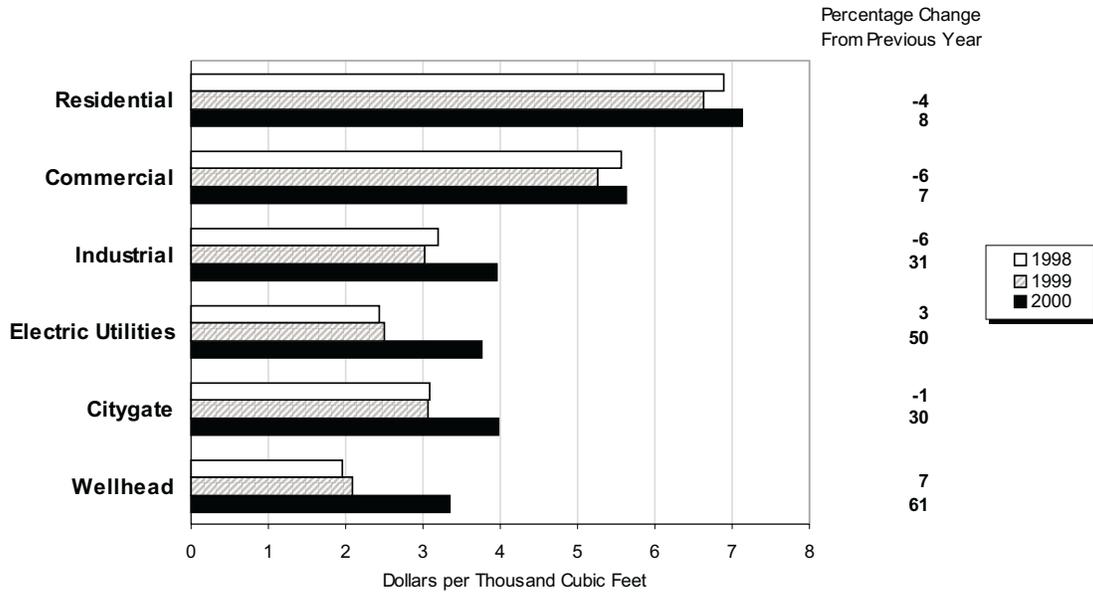
EIA provides two electronic publications on its web site, <http://www.eia.doe.gov>, that give weekly updates on the natural gas industry. Users of natural gas information may find these reports especially helpful during the current heating season. These reports are located in “Featured Topics” on the right side of the natural gas page.

- The *Natural Gas Update* is published Thursday afternoons and presents the most recent data released by the industry on natural gas storage as well as data on spot and futures prices for the first 3 days of the week. This report will be available throughout the 2000-2001 heating season.
- The *Natural Gas Weekly Market Update* is released each Monday afternoon. This report contains a

more in-depth analysis of the events of the previous week and includes data on average temperatures for major gas-consuming metropolitan areas. During the heating season these metro areas are: Chicago, Kansas City, New York, and Pittsburgh. For the rest of the year the metro areas are: Dallas/Fort Worth, Houston, Los Angeles, Miami, New Orleans, and New York.

In addition, EIA recently published a brochure, *Residential Natural Gas Prices: What Consumers Should Know*, which explains the main components of the residential price, why consumers will be paying more on average this winter, and ways in which consumers can lessen the impact of potentially higher bills. This brochure is available electronically through the “What’s New” tab on the left of the natural gas section of EIA’s web site at <http://www.eia.doe.gov>. Paper copies are available from the National Energy Information Center (202) 586-8800.

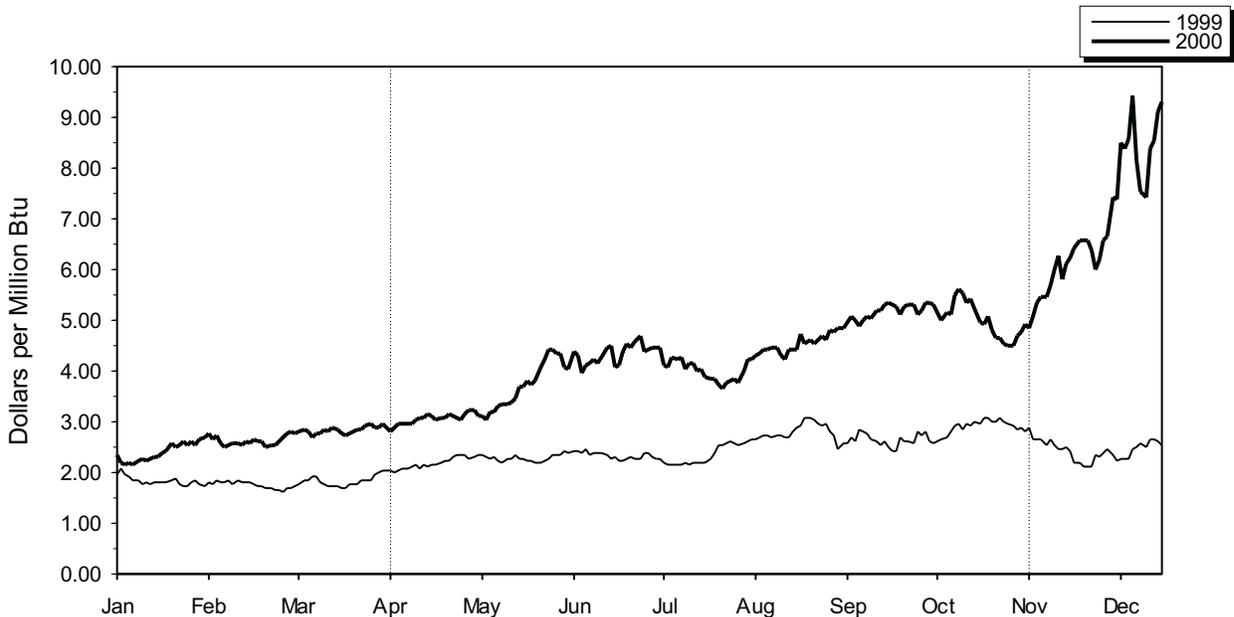
Figure HI4. Average Delivered and Wellhead Natural Gas Prices, January-September, 1998-2000



Note: Commercial and industrial average prices reflect onsystem sales only. The reporting of wellhead prices is 2 months ahead of the reporting of city gate, residential, commercial, and industrial prices. The reporting of electric utility prices is 1 month behind the reporting of city gate, residential, commercial, and industrial prices.

Source: Table 4.

Figure HI5. Daily Futures Settlement Prices at the Henry Hub



Note: The futures price is for the near-month contract, that is, for the next contract to terminate trading. Contracts are traded on the New York Mercantile Exchange. April 1 is the beginning of the natural gas storage refill season. November 1 is the beginning of the heating season.

Source: Commodity Futures Trading Commission, Division of Economic Analysis.

