

Highlights

This issue of the *Natural Gas Monthly* includes a Special Focus article, the Executive Summary from the recently released Energy Information Administration report, "Impact of Interruptible Natural Gas Service on Northeast Heating Oil Demand." The report assesses the relationship between interruptible gas service contracts and heating oil demand in the Northeast during the winter of 1999-2000.

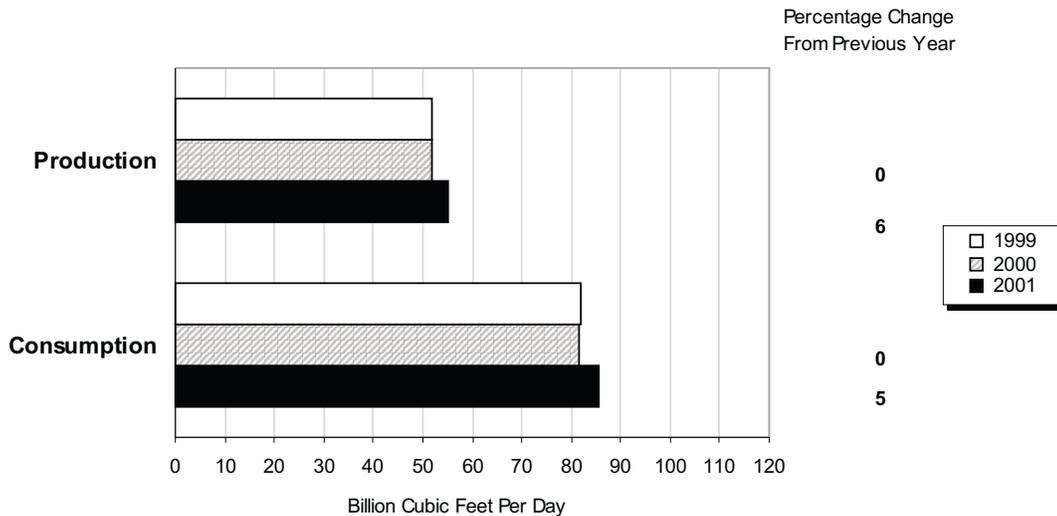
Also included in this issue of the *Natural Gas Monthly* are estimates of natural gas data through January 2001 for many data series at the national level. National-level natural gas prices are available through September (electric utilities), October (residential, commercial, and industrial), or December (wellhead). State-level data are generally available through Octo-

ber 2000 although underground storage data are available through November 2000.

As the nation entered January 2001, the third month of the 2000-2001 heating season, temperatures moderated from the generally colder-than-normal levels seen in November and December 2000. However, demand for natural gas remained strong. Highlights of the most recent data are:

- Dry natural gas production in December 2000 and January 2001 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 and 6 percent more than January 2000 levels. Recent increases in production have oc-

Figure HI1. Average Daily Rate of Natural Gas Production and Consumption, January, 1999-2001



Source: Table 2.

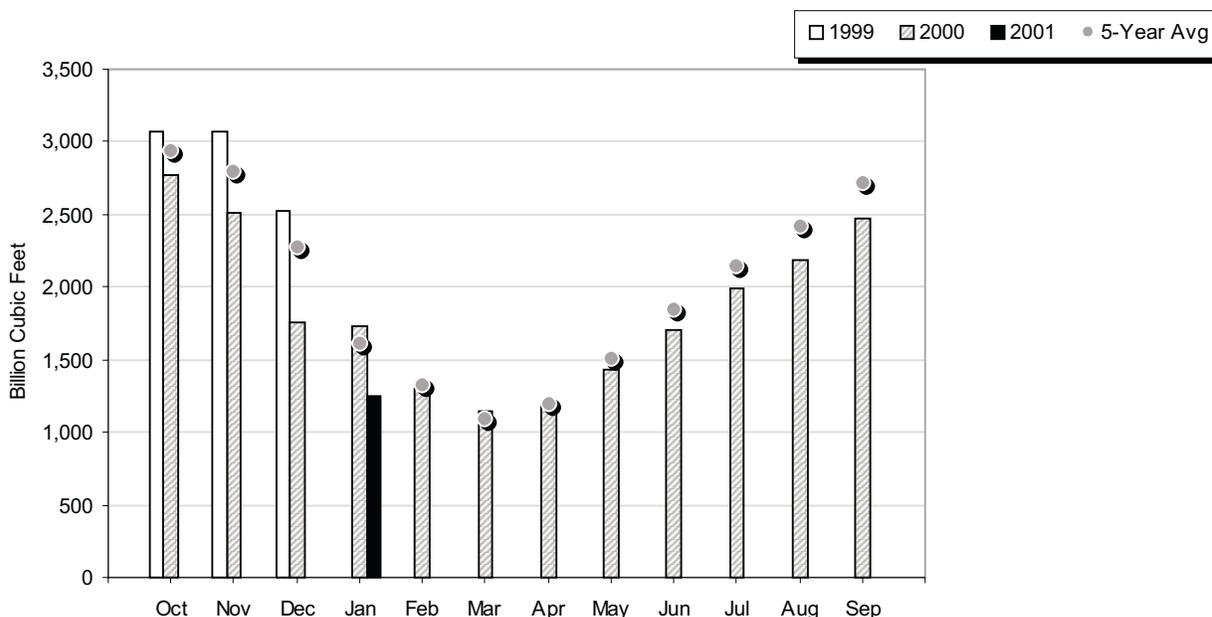
curred in response to the steady rise in wellhead prices seen throughout 2000.

- Net imports of natural gas are increasing thus far in the 2000-2001 heating season compared with the 1999-2000 season. In November 2000, they were only 1 percent higher than a year earlier, but net imports in December 2000 were 8 percent above those of December 1999. Net imports for January 2001 are estimated to be 341 billion cubic feet, 11 percent more than in January 2000. The increased demand for gas for space heating because of colder-than-normal temperatures early in the current heating season together with concerns about low levels of gas in storage contributed to the rise in net imports.
- As temperatures moderated during January 2001, the level of net storage withdrawals declined, lessening the stress on the natural gas market that was anticipated because of low storage levels. Working gas in underground storage facilities is estimated to be 1,247 billion cubic feet at the end of January 2001. This is 28 percent lower than at the end of January 2000 and 29 percent lower than storage

levels for last month, December 2000. After record-breaking withdrawals last month, milder winter temperatures have slowed net storage withdrawals for the month of January to 525 billion cubic feet. This is the lowest net storage withdrawal for the month of January since 1998 and is 19 percent lower than the average withdrawal of 651 billion cubic feet, for this point in the heating season during 1996-2000.

- End-use consumption of natural gas for the first month of the year is estimated to be 2,470 billion cubic feet, approximately 5 percent higher than during January last year and 6 percent higher than the 5-year end-use consumption average during 1996-2000. Although temperatures moderated in January 2001 from the cold levels seen in November and December 2000, they were generally near normal levels, creating strong demand for gas for space heating. Residential consumption in January is estimated to be 1,006 billion cubic feet, 13 percent above the January 2000 level, and 10 percent more than the January 1999 level.

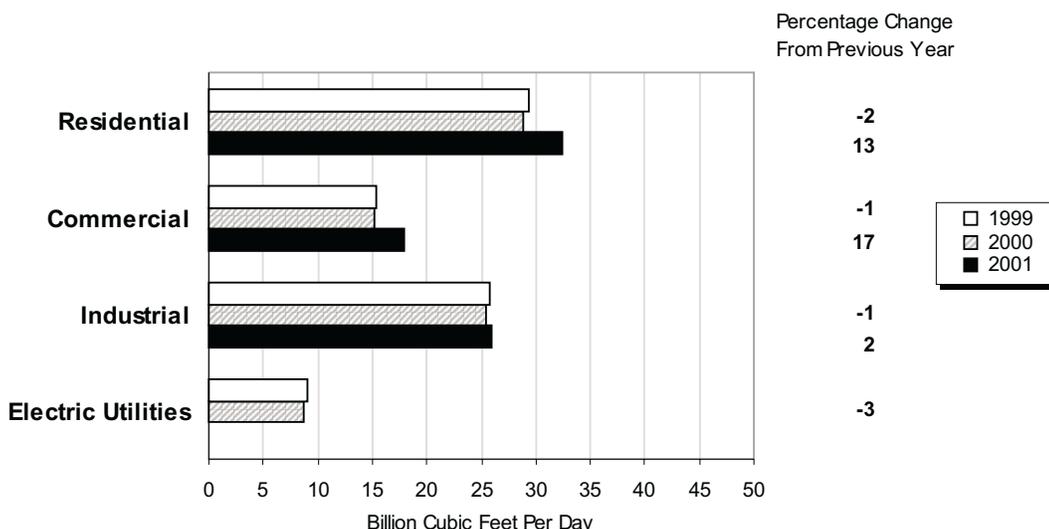
Figure HI2. Working Gas in Underground Storage in the United States, 1999-2001



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 while the January average is calculated from January levels for 1997 to 2001. 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.

Figure HI3. Average Daily Rate of Natural Gas Deliveries to Consumers, January, 1999-2001

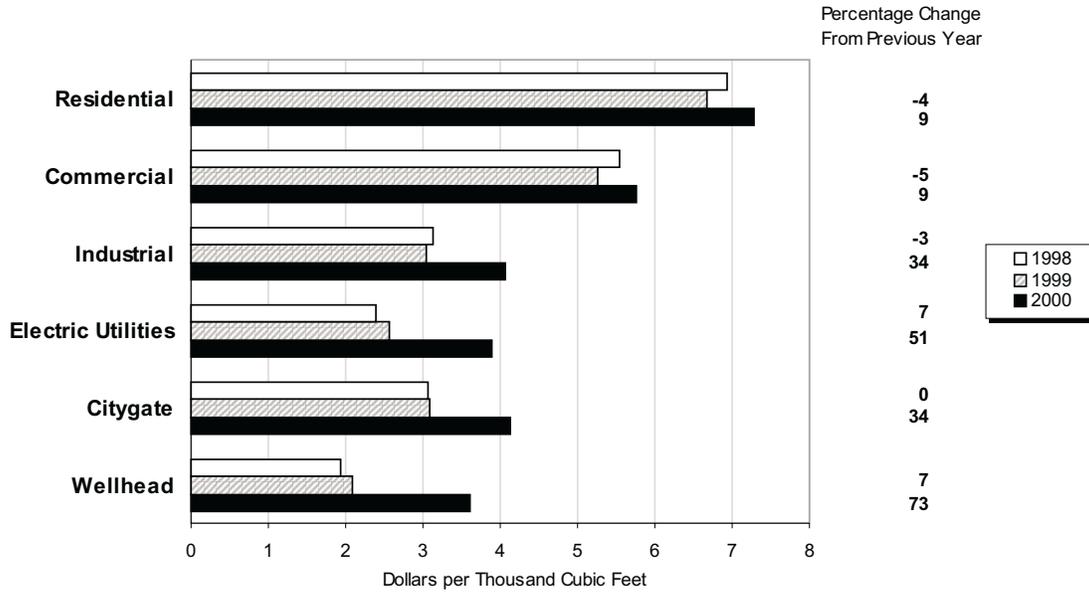


Note: Electric utilities reflect deliveries for January-October.

Source: Table 3.

- The average natural gas wellhead price for 2000 is estimated to be \$3.60 per thousand cubic feet, which is \$1.43 or 66 percent higher than for 1999 (Table 4, Figure HI4). Increases in natural gas consumption during 2000, relatively flat production levels compared with 1999, and colder-than-normal temperatures in November and December have all contributed to the rise in the wellhead price. The average wellhead price increased nearly every month during 2000, from a low of \$2.12 per thousand cubic feet in January to a high of \$6.35 in December. The December 2000 price is nearly three times higher than the \$2.20 per thousand cubic feet seen in December 1999.
- Daily settlement prices for the New York Mercantile Exchange near-month futures contract at the Henry Hub declined significantly during the last half of January 2001 after spending much of the previous 6 weeks in the range of \$8 to \$10 per million Btu (Figure HI5). The contract for February 2001 delivery closed at \$6.293 per million Btu on January 29, 2001, but futures prices remain far above those of a year earlier. The February 2000 contract had closed at only \$2.610 per million Btu on January 28, 2000.
- The average prices paid for natural gas by all end-use sectors are higher during 2000 than they were in 1999. The greatest increases are seen in the industrial and electric utility sectors, where prices are more responsive to changes in the wellhead price than in the residential and commercial sectors. The average price paid for natural gas by electric utilities has been from 30 to 70 percent higher nearly every month thus far in 2000 compared with 1999. The most recent price estimate, for September 2000, is \$4.90 per thousand cubic feet, which is 64 percent higher than in September 1999. In the residential sector, the average price paid for natural gas has been from 8 to 22 percent higher than in 1999 nearly every month through October. The largest difference of 22 percent occurred for the October 2000 price estimate of \$9.25 per thousand cubic feet.

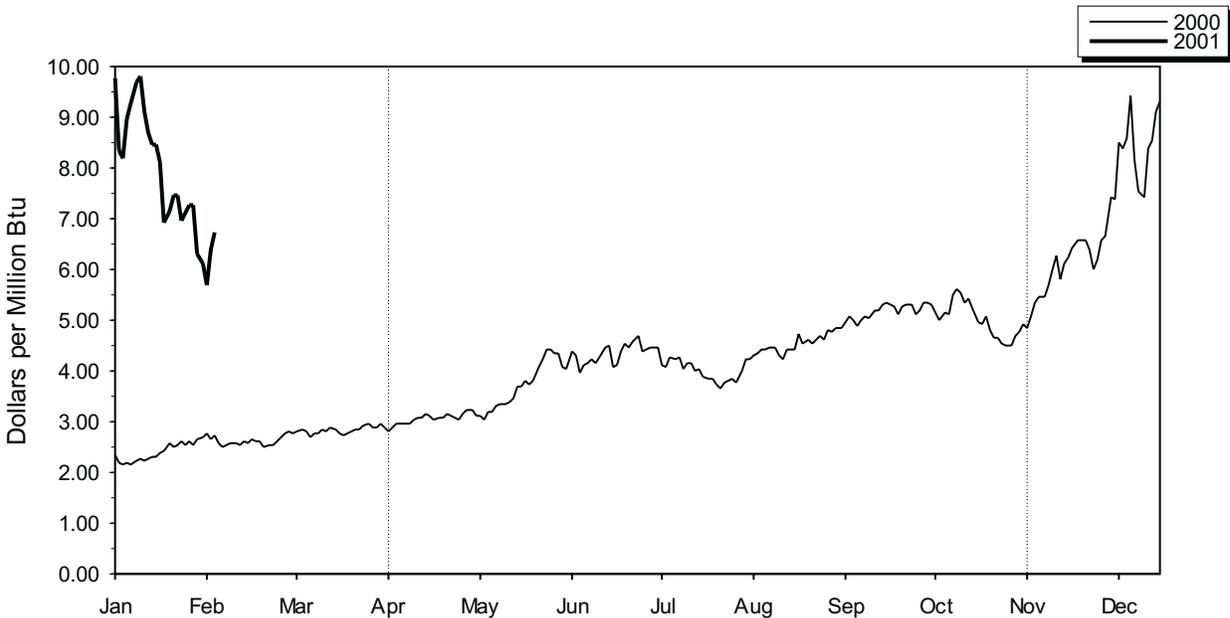
Figure HI4. Average Delivered and Wellhead Natural Gas Prices, January-October, 1998-2000



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.