

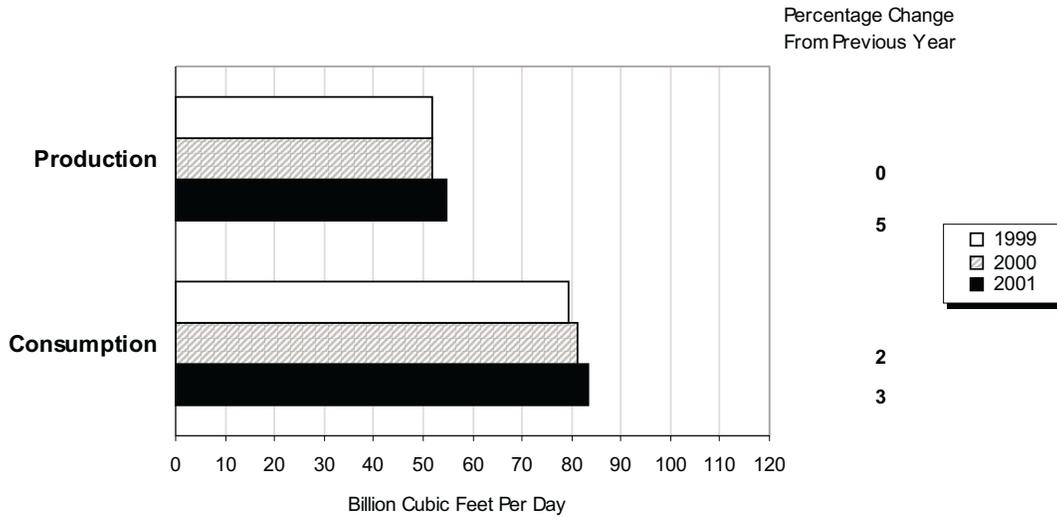
# Highlights

This issue of the *Natural Gas Monthly* contains estimates of natural gas data through February 2001 for many data series at the national level. National-level natural gas prices are available through October (electric utilities), November (residential, commercial, and industrial), or January (wellhead). State-level data are generally available through November 2000 although underground storage data are available through December 2000.

Temperatures in January and February of this year in most regions of the country were seasonable or slightly warmer than normal, showing moderation from the generally colder-than-normal levels seen in November and December 2000. However, demand for natural gas continued to be strong. Highlights of the most recent data are:

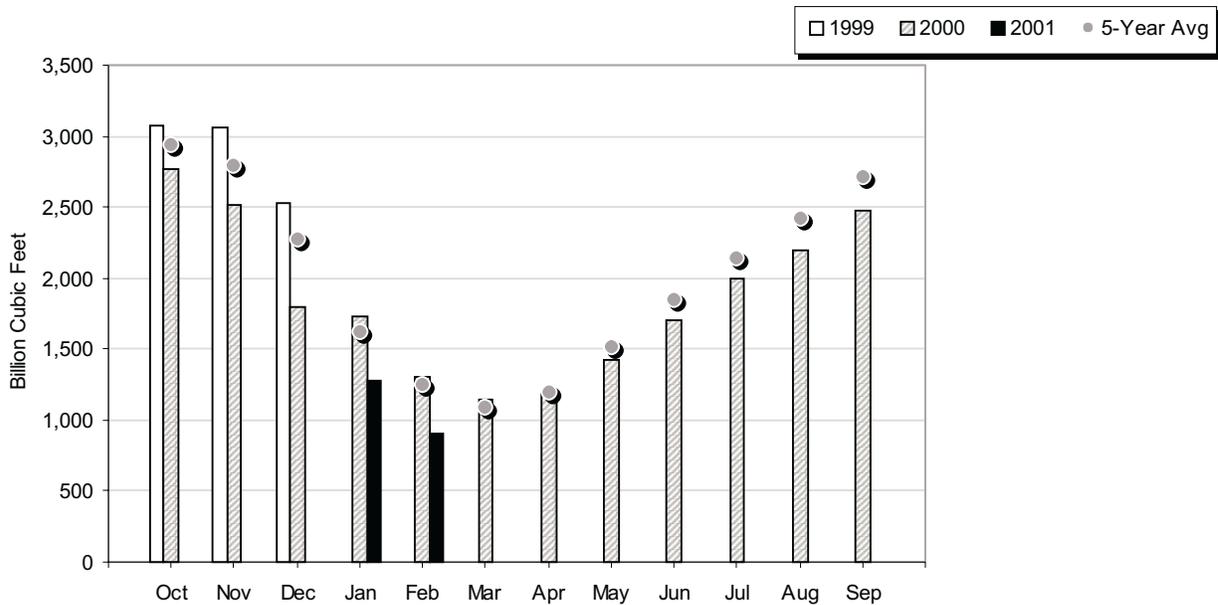
- Cumulative dry natural gas production in January and February 2001 is estimated to be 3,220 billion cubic feet or 54.6 billion cubic feet per day, a 5-percent increase over the same period of 2000. Production has been increasing since December 2000. Sharp increases in wellhead prices in recent months and sustained strong demand for gas have encouraged production growth.
- Net imports of natural gas rose in January and February 2001, totaling 632 billion cubic feet or 10.7 billion cubic feet per day. On a daily basis, they were 9 percent greater than the comparable rate of 9.8 billion cubic feet per day in 2000. Concerns about low levels of gas in storage together with sustained demand for natural gas may have contributed to the rise in net imports.
- Net withdrawals of natural gas from underground storage facilities during February 2001 are estimated at 376 billion cubic feet, 17 percent less than during February 2000 (Table 10) but nearly the same as the average for February during the previous 5 years. However, the relatively low storage levels at the end of October 2000 and strong withdrawals during November 2000, the first month of the 2000-2001 heating season, have led to persistently and significantly lower working gas levels than in the 1999-2000 heating season (Figure HI2). Working gas at the end of February 2001 is estimated at 901 billion cubic feet, 31 percent lower than at the end of February 2000 and 32 percent lower than the average for the previous 5 years.
- The Energy Information Administration (EIA) has issued a special report, "Natural Gas Storage in the United States in 2001: A Current Assessment and Near-Term Outlook," on its web site, <http://www.eia.doe.gov>. This report is located in "Featured Topics" on the right side of the natural gas page. The report examines the large decline of underground natural gas storage inventories thus far during the 2000-2001 heating season and the concern that the nation might run out of working gas in storage prior to the close of the heating season on March 31, 2001. It is based on monthly data from the Form EIA-191, "Underground Natural Gas Storage Report," through November 30, 2000, and weekly estimates by the American Gas Association for the period December 6, 2000, through February 23, 2001.
- Temperatures in 2001 generally returned from the cold levels seen earlier in the heating season to seasonable or slightly warmer than normal levels. However, demand for gas for space heating remained strong. From January through February 2001, residential consumption was 1,787 billion cubic feet or 30.3 billion cubic feet per day, 10 percent above the daily rate for the same period in 2000 when the weather was warmer than normal. Total end-use consumption of natural gas for the first 2 months of the year is estimated to be 4,577 billion cubic feet or 77.6 billion cubic feet per day, 3 percent higher than the comparable daily rate of 75.1 billion cubic feet per day seen in 2000.

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



Source: Table 2.

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



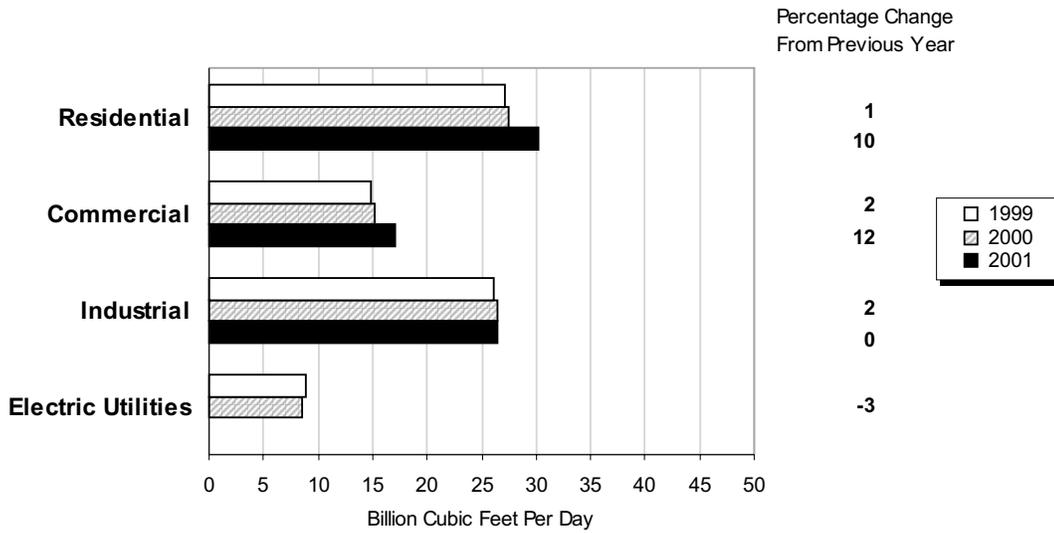
**Note:** The 5-year average is calculated using the latest available monthly data. For example, the December average is calculated from December storage levels for 1996 to 2000 while the January average is calculated from January levels for 1997 to 2001. Data are reported as of the end of the month, 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.

- Average end-use natural gas prices increased in all sectors during 2000. Still, increases in the residential and commercial sectors were much less than those seen by local distribution companies (LDCs). The average city gate price paid by LDCs from January through November is estimated at \$4.33 per thousand cubic feet (Table 4). This is \$1.19 per thousand cubic feet or 38 percent higher than during the same period of 1999 (Figure HI4). The estimated average residential and commercial prices<sup>1</sup> for January through November 2000 are \$7.51 and \$5.87 per thousand cubic feet, respectively. These prices are \$0.79 (12 percent) and \$0.57 (11 percent) higher than during the same period of 1999. The billing practices of many LDCs tend to average out the effects of large changes in prices for residential and commercial end users, but further increases can be expected given the sharp rise in the average natural gas wellhead price through January 2001.
- Residential expenditures for natural gas have increased as a result of both higher prices and higher consumption. In November 2000, the first month in the 2000-2001 heating season, the nation was on average 16 percent colder than normal and 43 percent colder than in November 1999, as measured by heating degree days (Table 26). Residential expenditures for natural gas in November 2000 are estimated at \$3.89 billion, 46 percent higher than the \$2.66 billion in expenditures in November 1999.
- The average natural gas wellhead price for January 2001 is estimated to be \$8.06 per thousand cubic feet, which is \$1.71 or 27 percent higher than in December 2000. The January 2001 estimate is nearly 4 times higher than the January 2000 price of \$2.12 per thousand cubic feet. The increase in January 2001 results from a continuation of the conditions that drove the wellhead price sharply higher throughout 2000. Increases in natural gas consumption during 2000, relatively flat production levels compared with 1999, and several periods of winter weather that were much colder than during the 1999-2000 heating season have all contributed to increases in the wellhead price.
- Daily settlement prices for near-month futures contracts at the Henry Hub on the New York Mercantile Exchange have declined sharply in early 2001 (Figure HI5). The futures contract for March 2001 delivery closed at \$4.998 per million Btu on February 26, 2001. This was the first time the near-month contract had settled below \$5 since the settlement price of \$4.849 per million Btu on November 6, 2000 (for the December 2000 contract). The closing price for the March 2001 contract is nearly 2 times that of the March 2000 contract. The April 2001 contract began its first few days of trading as the near-month contract with settlement prices generally above \$5.200 per million Btu.

1 End-use prices in the residential, commercial, and industrial sectors are for onsystem gas sales only. While monthly onsystem sales are nearly 100 percent of residential deliveries, in 2000 they have averaged 64 percent of commercial deliveries and only 16 percent of industrial deliveries (Table 4).

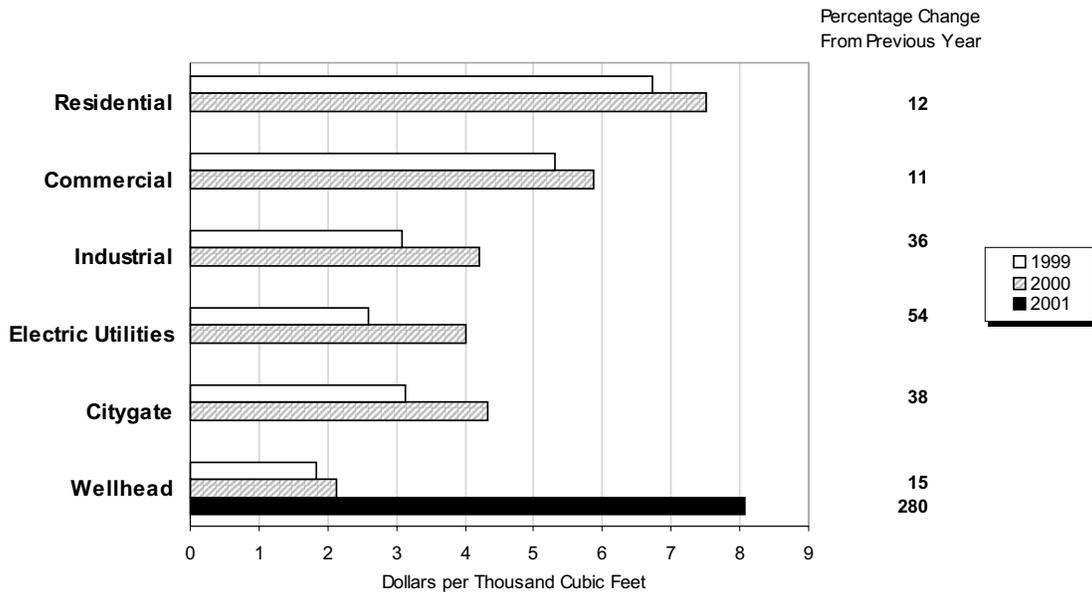
Figure HI3. Average Daily Rate of Natural Gas Deliveries to Consumers, January-February, 1999-2001



Note: Electric utilities reflect deliveries for January-November.

Source: Table 3.

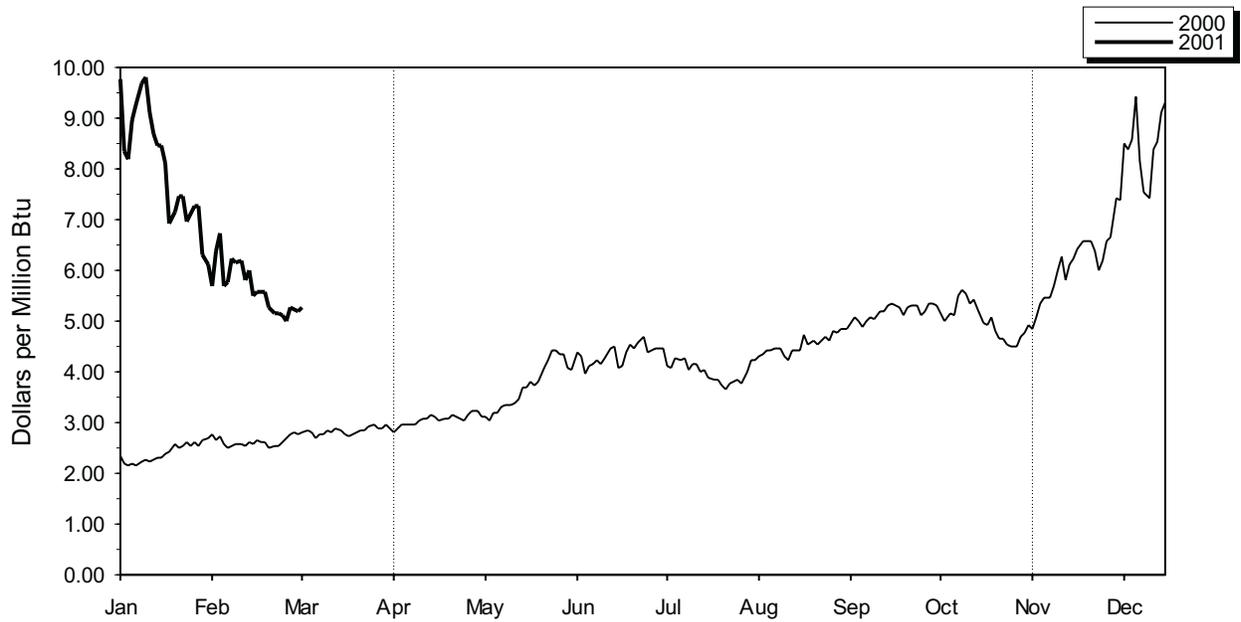
Figure HI4. Average Delivered and Wellhead Natural Gas Prices, Year-to-Date, 1999-2001



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.

