

ABAG Publicly Owned Energy Resources (ABAG POWER)

Executive Committee

May 28, 2020

Agenda Item 5.c.

Report on Natural Gas Program

Subject: Market Price Comparison

Background: Beginning this calendar year in the range of \$3.00/MMBtu, western and northwestern pricing have since declined, averaging \$2.55 at PG&E's Citygate during March 2020, compared to \$4.02 in March 2019.

Several factors have contributed to the year-on-year decline in pricing:

- The COVID-19 crisis has resulted in significant decreases in global demand for oil production, of which natural gas is a common byproduct. To balance supply and demand, production cuts were proposed but not adopted due to opposition of by many of the world's largest oil producers and exporters, resulting in further downward pressure on prices. Later, however, there was agreement for record-level production cuts.
- While the domestic production of natural gas has substantially increased over the past few years, it is unknown if the U.S. will also commit to limiting its production.
- National gas storage inventories are at a 55% surplus compared to last year, and a 20% surplus compared to the five-year average. Storage inventory provides an opportunity to hedge against price fluctuations.
- Most of the country experienced a warm winter with many regions continuing to experience higher than average temperatures, further decreasing demand for heating fuels.
- This fiscal year has seen one incident of unplanned compressor/pipeline maintenance, which is expected to uplift prices at Malin in May 2020.

The gas price at "Henry Hub" in Louisiana, a major U.S. benchmark, has been volatile, frequently jumping from its lowest level in two decades – \$1.60/MMBtu – and now hovering around \$1.75/MMBtu as of May 13, 2020.

Issues: None.

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Recommended Action: None.

Attachment: Market Price Comparison

Reviewed:

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