

ABAG Publicly Owned Energy Resources (ABAG POWER)

Executive Committee

April 15, 2021

Agenda Item 8.c.

Report on Natural Gas Program

Subject: Market Price Comparison

Background: During the first few calendar months of fiscal year 2020-21, gas prices at western markets were approximately \$2.50 per dekatherm (Dth). Market expectations generally assumed prices would remain stable and low throughout the remainder of 2020. The COVID-19 pandemic upended those predictions.

The most significant pricing impacts from the pandemic are decreases in both natural gas production and consumption. For the first half of the calendar year, these decreases still resulted in balanced supply and demand forces, and prices remained within the \$2.00-2.50/Dth range.

In August 2020, demand began to outstrip supply as western regions experienced persistent heat events. The increased demand caused a corresponding increase in pricing, compounded by lagging production. Since November, winter market prices have remained within the \$3.50-4.00/Dth range, often above the program's budgeted rate of \$3.61/Dth.

In February 2021, a severe winter storm struck vast swaths of the United States. The most severe effects were felt within Texas. The storm caused a surge in energy demand, when combined with the freezing temperatures, overwhelmed the state's energy infrastructure. Millions were forced to endure frigid temperatures without electricity or heat. Energy prices skyrocketed nation-wide as demand grew for natural gas and electricity.

Discussion Items: None.

Recommended Action: None.

Attachment(s): Market Price Comparison

Reviewed:

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Market Price Comparison

