

IMGA gas NEWS

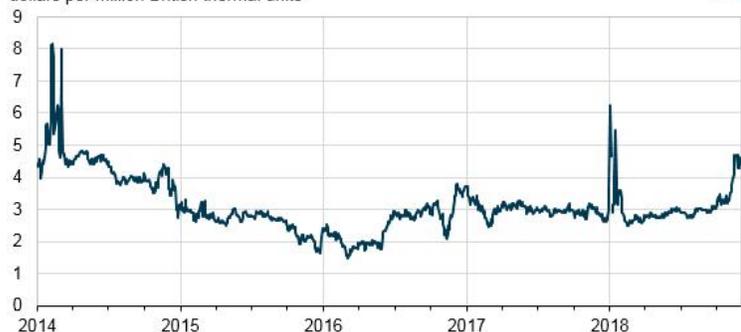
Interstate Municipal Gas Agency

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Issue 103

November U.S. natural gas prices increased beyond previous market expectations

Daily Henry Hub natural gas spot price (Jan 2, 2014-Dec 3, 2018)
dollars per million British thermal units



Source: U.S. Energy Information Administration, based on Thomson Reuters

On November 23, the natural gas spot price at the Henry Hub in Louisiana was \$4.70 per million British thermal units (MMBtu), the highest price since a temporary spike in January 2018, and before that, the highest price since June 2014. The relatively sudden increase in prices exceeded the expectation of many market participants, based on the prices and volatility of futures and options contracts at the beginning of November. Prices have come down, but they remain at a higher level than during much of the past four years.

Natural gas is the primary space heating fuel in almost half of all U.S. households, and colder temperatures increase the consumption of natural gas for heating purposes. Data from the National Oceanic and Atmospheric Administration indicate the heating degree days (HDD) in November totaled 14% more than the 10-year (2008-2017) average for November. HDD are a temperature-based proxy for heating demand, and more HDD indicate colder temperatures. In the U.S. Midwest and Northeast, where heating demand is often the greatest, data indicate that HDD

for November were 17% to 28% more than the 10-year average, respectively.

As weather-related natural gas demand increased, relatively low levels of natural gas in storage likely contributed to price increases. Natural gas inventories ended October at the lowest level since 2005. On November 23, U.S. inventories of natural gas were less than 3.1 trillion cubic feet, or 19% lower than the previous five-year average.

In November, natural gas prices rose well beyond market expectations in October. With the release of the Short-Term Energy Outlook each month, EIA publishes market-implied confidence intervals for natural gas prices using the value of futures and options contracts. Based on the value of natural gas futures and options contracts for December 2018 delivery traded during the five-day period ending November 1, the implicit 95% confidence interval encompassed prices between \$2.63/MMBtu and \$3.95/MMBtu. These intervals suggested a less than 2% chance that natural gas futures for December delivery would rise to more than \$4/MMBtu. However, on November 28, the contract for December delivery closed at \$4.72/MMBtu.

Although prices have risen recently, EIA expects that growth in U.S. natural gas production will put downward pressure on prices in 2019. EIA forecasts Henry Hub natural gas spot prices to average \$2.98/MMBtu in 2019, down slightly from the 2018 expected average of \$3.01/MMBtu.

Increases in natural gas prices in spot markets generally do not immediately pass through to residential natural gas prices and expenditures. State utility commissions set the rates that utilities can charge for natural gas deliveries, often a year or more in advance, reflecting the cost of wholesale natural gas that utilities purchase over many months. In addition, residential prices include charges to cover utility operating cost and the cost to transport and distribute natural gas that are not directly linked to spot market prices.

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Divernon, Illinois
Enfield, Illinois
Findlay, Illinois
Franklin, Illinois
Fulton, Missouri
Grayville, Illinois
Karnak, Illinois
Lamoni, Iowa
Louisville, Illinois
Milford, Illinois
New Boston, Illinois
Perryville, Missouri
Pinckneyville, Illinois
Pittsfield, Illinois
Plattsburg, Missouri
Pleasant Hill, Illinois
Riverton, Illinois
Rossville, Illinois
Tamm, Illinois
Thebes, Illinois
Vienna, Illinois
Waverly, Illinois
Westville, Illinois
White Hall, Illinois
Winchester, Illinois

IMGA Eligible Utility

DD Farms, Inc.
Graceland University
Illinois State University
Southern Illinois University-Carbondale
Western Illinois University

Operator Qualification Certification

The next certification sessions are scheduled for January 29 in Franklin and January 31 in Pinckneyville for Tapping/Valves, and February 26 in Franklin and February 28 in Pinckneyville for Regulating Devices.

Please contact Brenda Rubenacker at the office to register or for any questions.
IMGA office: 217-438-4642
brubenacker@imga.org

SAVE THE DATE 2019 IMGA Annual Meeting

March 19, 2019 at Northfield Inn & Conference Center in Springfield, IL
Come and talk with other municipal leaders. Share solutions and problems for natural gas within your community.

Listen to knowledgeable speakers on today's natural gas topics.

Enjoy a great breakfast buffet and a delicious prime rib and shrimp buffet for lunch.



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