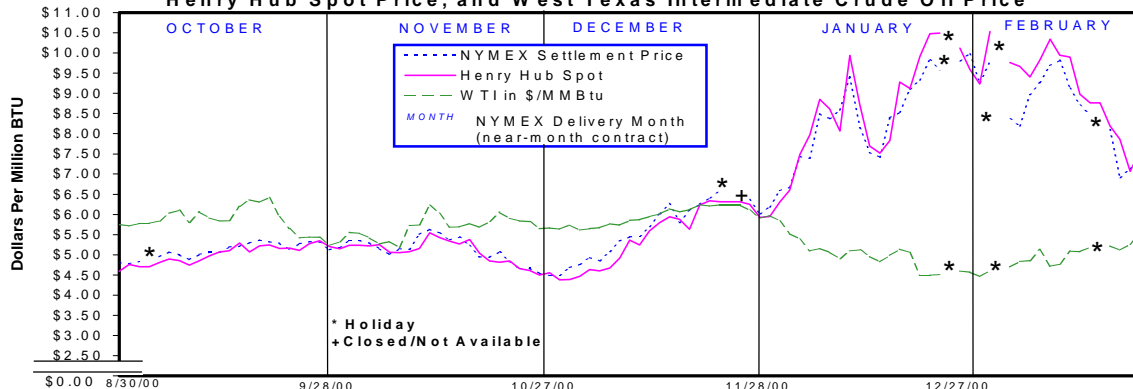


**NYMEX Natural Gas Futures Near-Month Contract Settlement Price, Henry Hub Spot Price, and West Texas Intermediate Crude Oil Price**



Note: The Henry Hub spot price is from the GAS DAILY and is the midpoint of their high and low price for a day. The West Texas Intermediate crude oil price, in dollars per barrel, is the "sell price" from the GAS DAILY, and is converted to \$/MMBtu using a conversion factor of 5.80 MMBtu per barrel. The dates marked by vertical lines are the NYMEX near-month contract settlement dates.

**HENRY HUB PRICE**

(\$ per MMBtu)

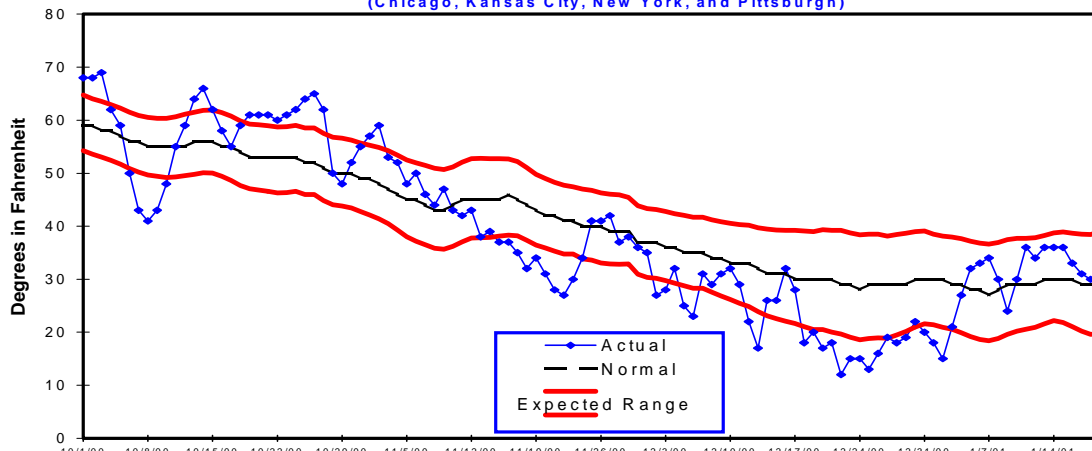
**SPOT FUTURES**

January February

Del Del

01/15	Holiday	Holiday
01/16	8.04-8.34	8.103
01/17	7.72-8.00	6.909
01/18	6.98-7.15	7.136
01/19	7.48-7.67	7.459

**Average Temperature for Four Major Gas Consuming Metro Areas (Chicago, Kansas City, New York, and Pittsburgh)**

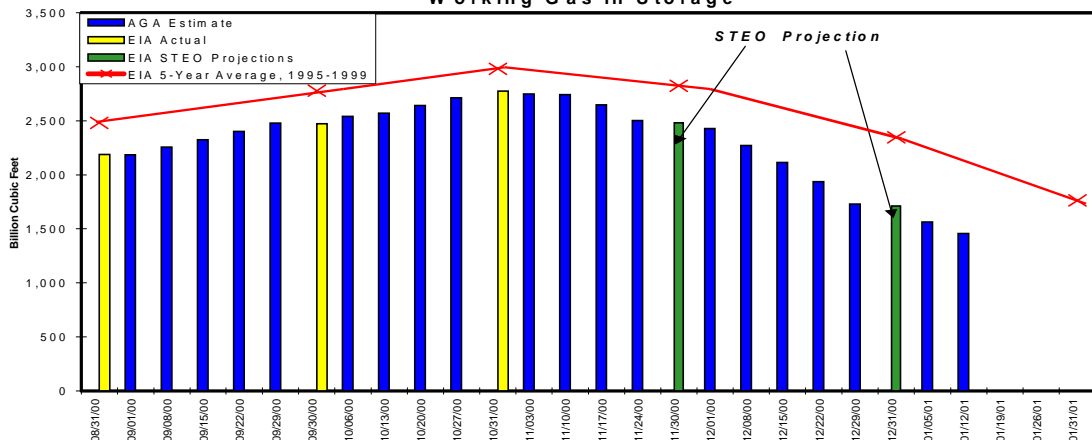


The bounds are computed by adding and subtracting from the average temperatures for the last 10 years an amount equal to twice an estimate of the standard deviation for temperatures on a day.

**Average Temperature for Four Major Gas Consuming Areas**

	Actual	Normal	Diff
01/13	36	30	6
01/14	36	30	6
01/15	36	30	6
01/16	33	30	3
01/17	31	29	2
01/18	30	29	1
01/19	29	29	0

**Working Gas in Storage**



**Working Gas Volume as of 01/12/01**

	BCF	% Full
East	872	48
West	264	52
Prod Area	323	34
U. S.	1,459	44

Source: AGA

The price slide in both cash and futures markets, which began the previous week and continued well into last week, had its final day on the futures market on Wednesday and in cash markets on Thursday. Above-normal temperatures continued from the previous week in many parts of the nation, but began to cool by midweek, and were slightly below normal over the weekend. OPEC's decision Wednesday to cut production by 5 percent, or some 1.5 million barrels per day elicited a relatively modest reaction in the spot price of West Texas Intermediate (WTI) crude oil, which by Friday had gained \$2.10 per barrel from the previous Friday to \$32.20 per barrel, or \$5.55 per MMBtu. California's first-ever rolling power blackouts not related to equipment problems started Wednesday. By Thursday evening, two-thirds of PG&E's gas supply was at risk of being cut off by its suppliers, prompting Energy Secretary Richardson to use his authority under the Natural Gas Policy Act of 1978 to order suppliers to continue supplying gas through Wednesday morning.

**Storage:** The pace of storage withdrawals slowed for the second week in a row, as the American Gas Association (AGA) estimated a total draw of 103 Bcf for the week ended Friday, January 12. This is the lowest withdrawal estimate since the week ended Friday, December 1 and is 26 percent below AGA's average for this week in the AGA's 7-year data series. In the East region, the estimated withdrawal of 63 Bcf was the second lowest for this week in January. This resulted in a slight improvement from last week with respect to EIA's estimated 5-year average stock level for this point in the year. The withdrawal of 27 Bcf in the Producing region is nearly 23 percent below that region's average of 35 Bcf for this week in the heating season, while the West region's draw of 13 Bcf is roughly equal to its average for this week.

**Spot Prices:** After the pause in trading for Monday's holiday, cash prices resumed their steady decline through Thursday at virtually every location tracked by *Gas Daily* outside of California. In California, where rolling electricity blackouts began Wednesday, prices on the PG&E system increased on Wednesday through Friday, as every available gas-fired electric generator was brought on line, and PG&E announced that up to two-thirds of its gas supplies were in jeopardy. On the SOCAL system, prices jumped \$3.75 on Friday as the market anticipated SOCAL's imminent imposition of a mandatory same-day, 70 percent balancing requirement (i.e., shippers will be required to deliver 70 percent of their consumption using firm transportation/storage on a day-by-day basis), triggered when SOCAL's storage levels fall below 40 Bcf, which reportedly occurred on Friday. At the Henry Hub, 6 straight days of falling prices culminated on Thursday in some trades made below \$7 per MMBtu for the first time since December 1 and a midpoint price of \$7.07 per MMBtu. Elsewhere, Thursday's price drops from the previous Friday's levels ranged from \$1-\$2 per MMBtu at most locations, with the largest seen at Northeast and Southeast supply points. Spot prices rebounded somewhat on Friday, at least partly in reaction to moderately increasing demand from cooler temperatures, which were forecast to continue dropping through the weekend. Friday's gains were on the order of \$0.20 to \$0.50 per MMBtu at most locations. Friday's Henry Hub spot price of \$7.58 per MMBtu, down \$1.18 from the previous Friday, was \$2.95 lower than this winter's current high of \$10.53. Likewise, citygate prices on Friday for New York, at \$8.33 per MMBtu, and Chicago, at \$7.74, were down \$30.69 and \$7.96, respectively, from their winter highs.

**Futures:** Wednesday's trading in the February contract ended a 5-day run of price declines. After gradual declines in early trading, the February contract's price fell substantially promptly after AGA's early-afternoon release of its unexpectedly low storage withdrawal estimate. The price drop exceeded the NYMEX's loss limit threshold, triggering a 15-minute suspension of trading. By day's end, the February contract had suffered the third largest ever one-day near-month-contract settlement-price drop, falling \$1.194 to settle at \$6.909 per MMBtu, the first time since December 1 that a near-month contract settled below \$7. The February contract then proceeded to rebound for the final two trading days, recovering 55 cents from Wednesday's level to settle at \$7.459 per MMBtu on Friday.

**Summary:** Falling spot and futures prices reached levels not seen since late November or early December. After cooler temperatures over the weekend, the latest NWS near-term temperature forecast of a warmer trend could exert further downward pressure. California's energy crisis worsened, making the future for natural gas consumers there even more uncertain.