FUTURES PRICES

The natural gas futures market prices increased in the month of July. The market prices fluctuated and the upward volatility in particular was substantial in the month. Though the market prices continued to decline, early in the month, from the previous month, a change in the direction of the market prices was significant afterward. In fact, the front-month futures price exhibited one of the sharpest climbs in recent years during the month as the front-month contract increased 57% between July 1 and July 26. Weather, demand and supply continued to affect the market prices. The NYMEX August contract settled at $5.730 per MMBtu on July 1 and declined and settled at $5.523 per MMBtu on July 5, the lowest settlement in the month. A decline in the overall energy market stemming from potential recession fear may in part have contributed to the fall in the market prices. Nonetheless, the market prices increased significantly for the rest of the month though moved lower toward the end of the month. The NYMEX August contract settled at $6.297 per MMBtu on July 7, an increase of 79 cents from the previous trading day. The contract continued to rise, settling at $7.479 per MMBtu on July 18, followed by $8.007 and $8.727 on July 20 and 25, respectively. The August contract eventually reached $8.993 per MMBtu on July 26, the highest settlement in the month and the highest for a front month contract since early June this year. Rising natural gas demand for cooling load from widespread intense heat across much of the country, lingering natural gas storage deficits, among other factors, may have contributed to the surge in the market prices. Adding to the upward pressure in the market prices was continuing uncertainty in the European energy market as Russia announced reductions in natural gas flows to the region as well as persisting high inflation. Eventually, the market prices declined from the record high toward the end of the month as the NYMEX September contract settled at $8.229 per MMBtu on July 29. The August and July contracts were closed at NYMEX at a price of $8.687 and 6.551 per MMBtu, respectively. The August price was about 115% higher while the July price was about 81% higher, respectively, than those of last year. The August contract expired at $8.687 per MMBtu on July 27, compared to $5.730 per MMBtu at the beginning of the month. On August 18, the NYMEX September futures were at $9.188 per MMBtu compared to $3.852 per MMBtu last year.

U.S. STORAGE LEVELS

Overall, the temperature in the month was much above the historical average. It ranked the 3rd warmest July of the 128 year-period of record, according to the National Oceanic and Atmospheric Administration (NOAA). While relatively steady storage injections occurred in the month a sustained heat wave triggered surging gas fired power demand in the month. The total storage injection levels in the month were below the five-year (2017-2021) historical averages though higher than last year’s volume. Overall, the storage level increased comparable to the historical average and more than last year’s level early in the month but the trend reversed in the middle of the month. For example, the storage level increased by 60 Bcf for the week ending July 1, same as the historical average and higher than 25 Bcf of last year for the same period. However, the storage level increased by 32 Bcf for the week ending July 15, compared to 41 Bcf for the historical average and 50 Bcf of last year for the same period and thus widened the storage deficit to the

1 Data Source: WSJ, CME
2 Energy Information Administration’s Natural Gas Weekly Update
historical average. Additionally the storage level increased by 15 Bcf for the week ending July 22, substantially less than 32 Bcf injection of the historical average and 38 Bcf injection reported last year for the same period and further increased the storage deficit to the historical average. The smaller than average injections may have been in part because one of the hottest July weather periods on record this year substantially increased cooling demand thus limited flows into storage. Nevertheless, a 41 Bcf injection occurred for the week ending July 29, relative to 33 Bcf and 16 Bcf injections for the historical average and last year’s level, respectively. The higher than the historical average storage injection at the end of the month may have, among other factors, been attributable to moderating temperatures, which decreased demand from gas-fired power generation for cooling demand. The total storage inventories in the U.S. as of July 29 are 2,457 Bcf, 337 Bcf lower than the five-year average and 268 Bcf below last year’s level. The average rate of injections into storage was 4% lower than the five-year average thus far in the refill season as of July 1 but is 5% lower as of July 29, according to the US Energy Information Administration.

**SUMMARY**

The wholesale price of the natural gas commodity was fully deregulated by the federal government in 1993. Local natural gas distribution companies (LDCs) do not produce the gas they sell but purchase it on an open market at market prices. The Missouri Public Service Commission (PSC) does not regulate the price of the natural gas commodity, but does monitor LDC purchasing decisions. The PSC continues to review the gas purchasing practices of the distribution companies in terms of reasonableness and prudence.
Monthly Natural Gas Prices

Note 1: 1 Million British Thermal Unit (MMBtu) is approximately equal to 1,000 cubic feet.

Note 2: Monthly Natural Gas Prices Based on the New York Mercantile Exchange (NYMEX) Expiration Prices, Source: WSJ.