NATURAL GAS REPORT FOR OCTOBER 2020

FUTURES PRICES\(^1\)

The natural gas futures market prices fluctuated throughout the month. The market prices were relatively low at the beginning of the month but continued to trend upward for the rest of the month. Weather, demand and supply continued to move the market prices. The NYMEX November futures contract prices reached $2.527 per MMBtu on October 1, followed by $2.438 per MMBtu on October 2. A slow demand recovery from the active Hurricane season and the market going into shoulder months, among other factors, may have contributed to the slide in the market prices. The November contract reached $2.881 per MMBtu on October 12, an increase of 14 cents from the prior trading day and the highest close for the front month contract to date since March 2019. The increase in the market prices may have been attributable, in part, to cold temperature forecasts and supply disruptions from Hurricane Delta. The November futures contract settled at $3.023 per MMBtu on October 21, the first time the front month contract reached above $3 since January 2019. The futures market prices continued to increase for the rest of the month. Adding to the upward market pressure may have been cold temperature forecasts, production declines associated with the active Hurricane season thus far and low storage injections compared to the historical averages, among other factors. The November and October contracts were closed at NYMEX at a price of $2.996 and $2.101 per MMBtu, respectively. The November price was about 15% higher while the October price was about 13% lower, respectively, than those of last year. The November contract expired at $2.996 per MMBtu on October 28, compared to $2.527 per MMBtu at the beginning of the month. On November 19, the NYMEX December futures were at $2.592 per MMBtu compared to $2.510 per MMBtu last year.

U.S. STORAGE LEVELS\(^2\)

Overall, the weather in the month was slightly warmer than normal. It ranked in the middle third of the October record. Additionally, for the year to date, it was the seventh warmest January – October in the historical record, according to the National Oceanic and Atmospheric Administration (NOAA). Active tropical storm activities continued into the month of October. Relatively steady storage injections occurred in the month. Nevertheless, the weekly storage injections gradually declined throughout the month and the total storage injections in the month were substantially less compared to both the five-year (2015-2019) historical averages and last year’s levels. For example, the storage injection levels in the last three weeks of the month were 43 Bcf in total compared to 194 Bcf for the five-year (2015-2019) historical averages and 230 Bcf for the last year’s levels during the same period. In particular, the storage inventory levels decreased by 36 Bcf for the week ending October 30, the first withdrawal of the heating season. Production declines caused by Hurricane Zeta may have, in part, contributed to the withdrawal. Additionally the average rate of injections into storage so far in the storage refill season (April through October), despite having been higher than the historical average, declined throughout the month, and eventually was 1% lower than the five-year average for the week ending October 23, according to the U.S. Energy Information Administration. The total storage inventories in the U.S. as of October 30 are 3,919 Bcf, 201 Bcf more than the five-year average and 200 Bcf higher than last year’s level, according to the U.S. 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.

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\(^1\) Data Source: WSJ, CME

\(^2\) Energy Information Administration’s Natural Gas Weekly Update
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.