

Natural Gas (Fall 2011)

Natural Gas Price Tug-o-War

The price of natural gas, as usual, is beginning its fall seasonal decline as air conditioners are turned off and heaters remain idle. Based on historical data, we can expect to see prices rebound as heating season gets into gear. Seasonality obviously drives price changes, but what else is pressuring prices?

This past summer's extreme heat led to a higher than normal amount of natural gas being used to generate electricity. This usage caused gas storage levels (gas stored in the summer is combined with pipeline delivery to meet the high levels of demand in the winter months) to remain below the five year average levels. We hope for this to recover closer to heating season.

The increased demand for natural gas to generate electricity will continue to play an even bigger role over time. We have recently seen many large commercial accounts switch from the dual fuel interruptible rate that was in place for many years to the low cost natural gas solution. This change is driving increased consumption.

The need for increased production to meet this ever changing demand appears to be endless and keeps prices firm. Increasing production from the Marcellus Shale is having a positive impact on the supply chain, which helps to maintain lower rates. Safer and more reliable extraction techniques and 'green' fracking fluids, being developed to minimize environmental impact, will enable production to continue increasing.

Due to this price tug-o-war, we expect that natural gas prices will trade in a tight range and remain stable for the foreseeable future. For the northeast, if you're planning on making a purchase this fall, you may consider fixing rates through winter to protect from upswings in capacity transportation costs.

What is your next step? Contact UtiliTech. Unlike most energy brokers, UtiliTech not only helps you take advantage of current market conditions, we also monitor your account, long-term, against fluctuating energy markets and work with you to take proactive steps to insure you are getting the best energy rates in the future. We can ensure you are getting the most value for your energy expenditures or even review your current energy contracts.

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