

# California's Natural Gas Context

**Supply/Demand Outlook  
and  
Concerns for this Winter**

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Chairman  
California Energy Commission**



# Presentation Topics

- Background facts about natural gas in the US and California
- Why prices will be higher this winter
- Impacts of higher prices on consumers
- What's being done to cushion the impact



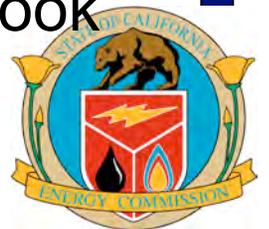
# California's NG Outlook

- Good news:
  - Current reliability good
  - Recent infrastructure improvements help
  - Current NG storage inventories good
  - Broad public energy dialogue more focused on NG issues
  - CA has aggressive energy efficiency and renewable programs
  - CA NG R&D program is helping
  - Greater NG use has helped “clear the air”

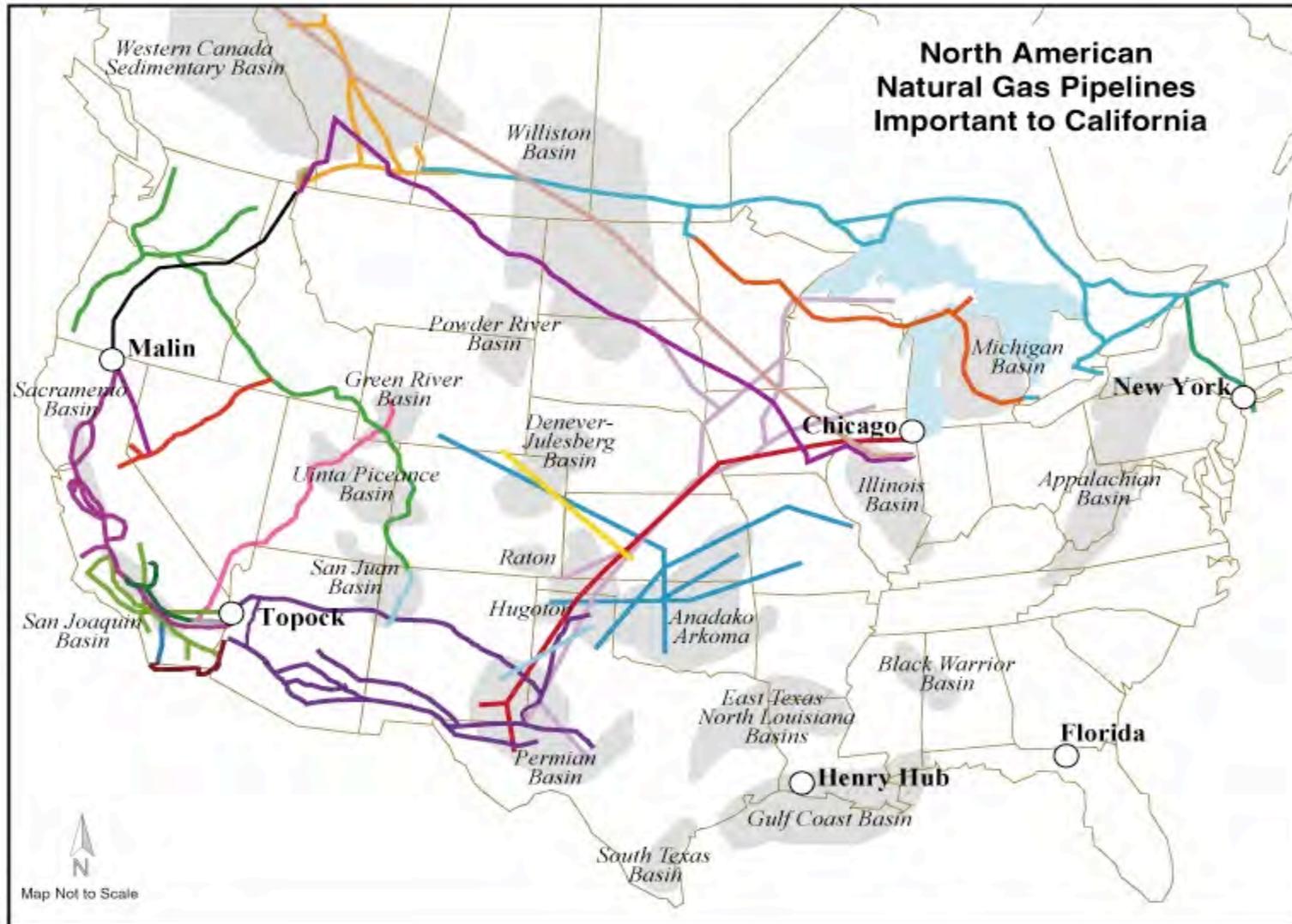


# California's NG Outlook

- Bad news:
  - NG prices are much higher than before
  - Prices will be even higher this winter
  - NG is the dominant fuel for power plants
    - ◆ Up to 50% of generation
  - CA imports 87% of its NG
  - CA is at the end of the pipeline
  - CA competes with all other major US markets for NG
  - The US long term supply/demand balance outlook is pessimistic

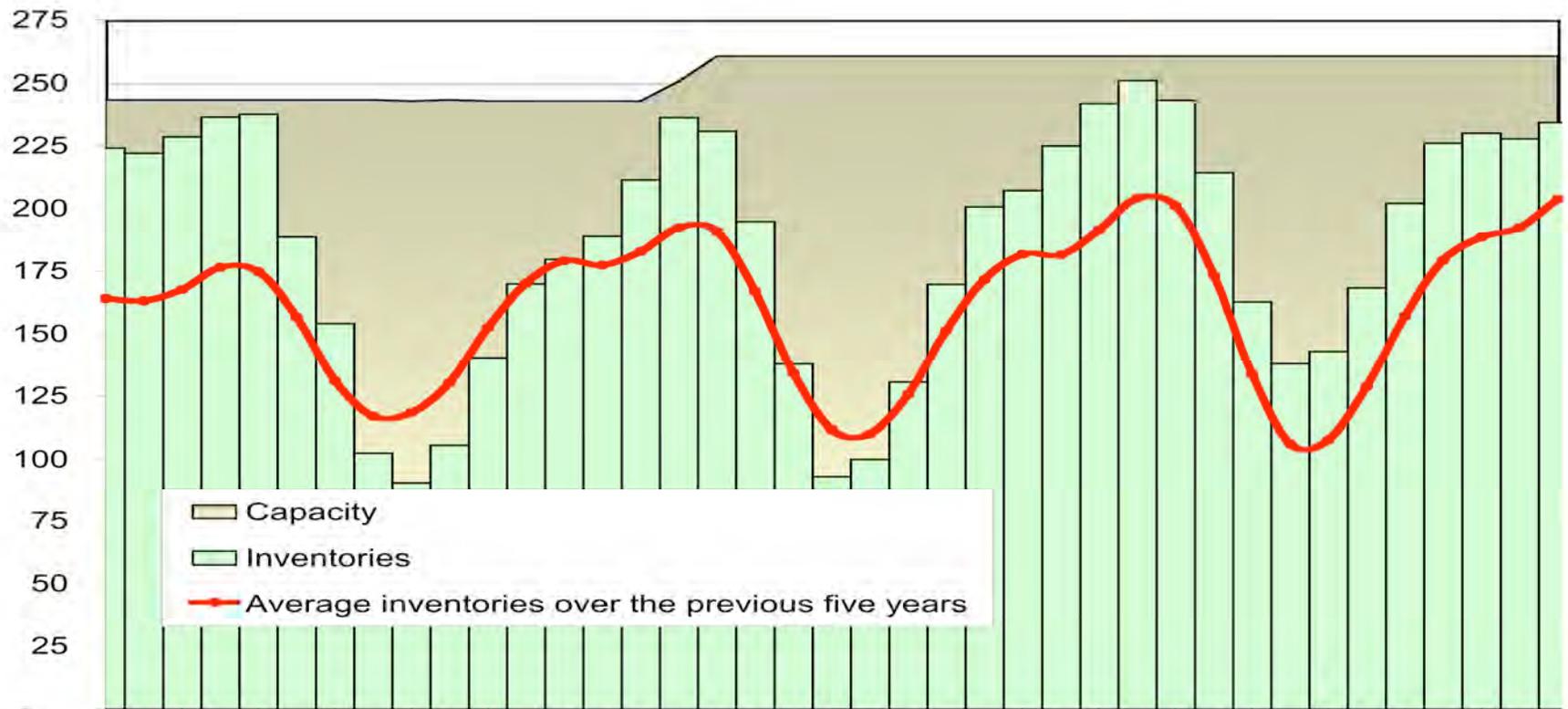


# California Energy





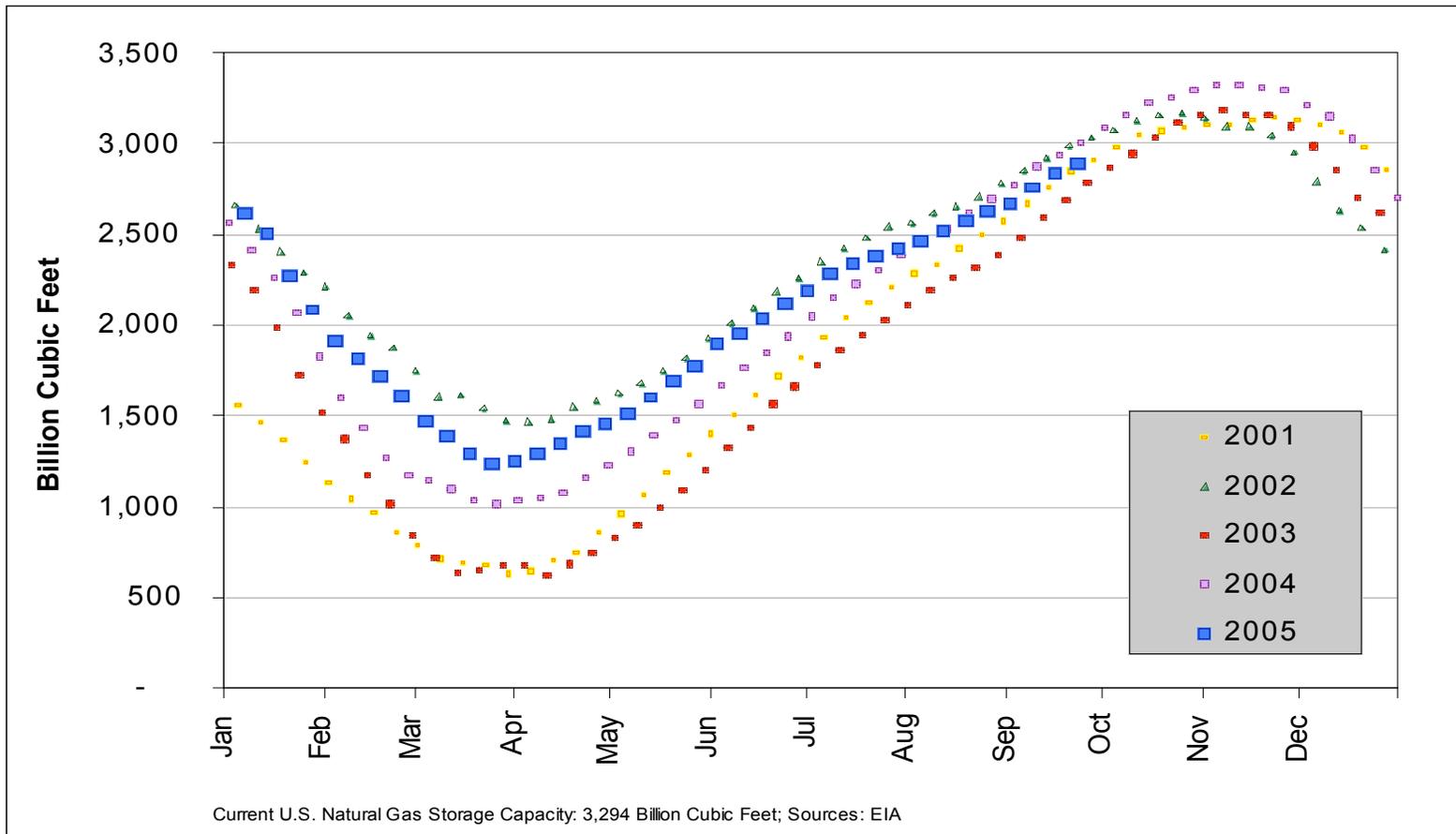
# California NG Storage Inventories



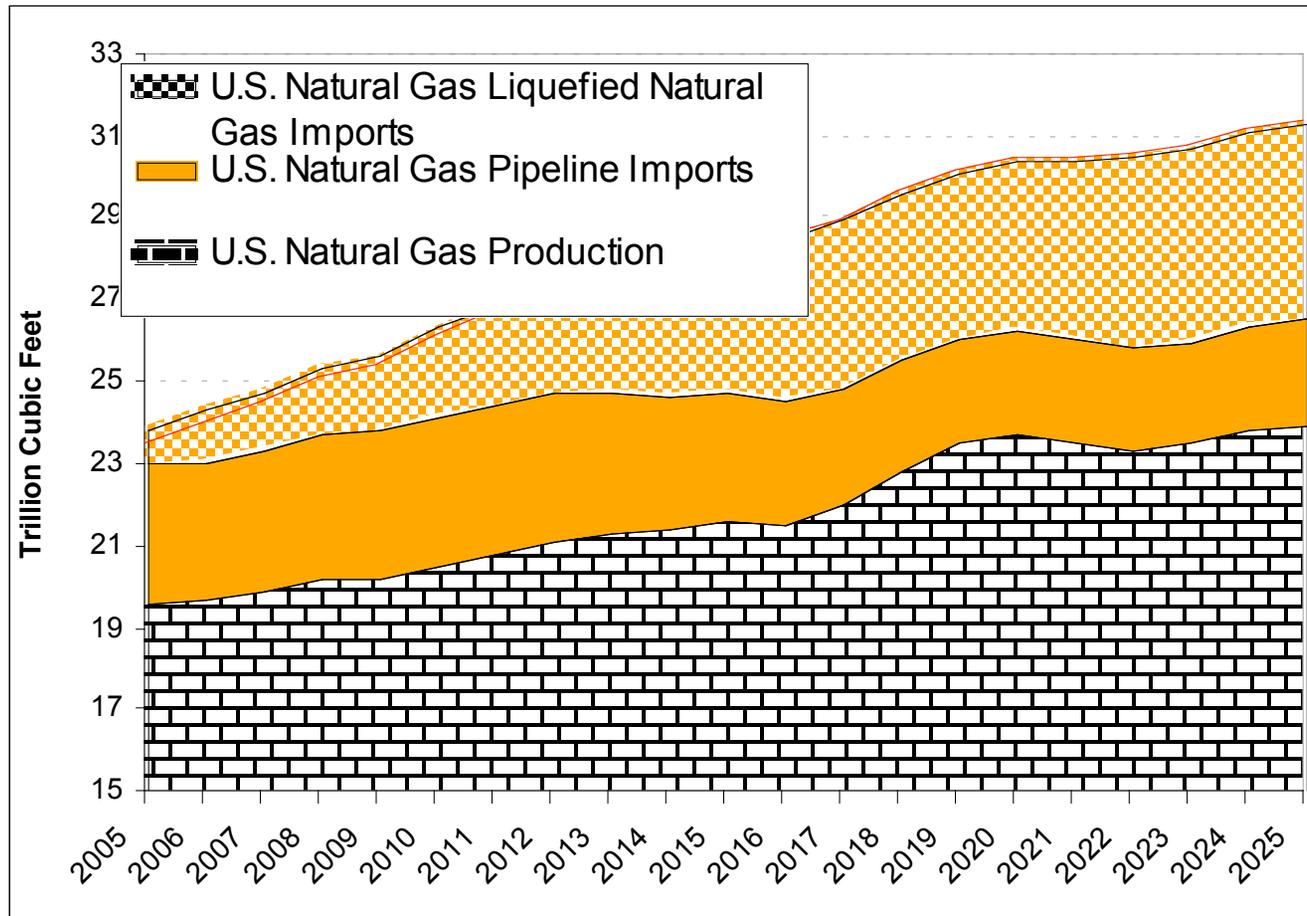
Beginning of the month levels, unless otherwise indicated. California Energy Commission estimate



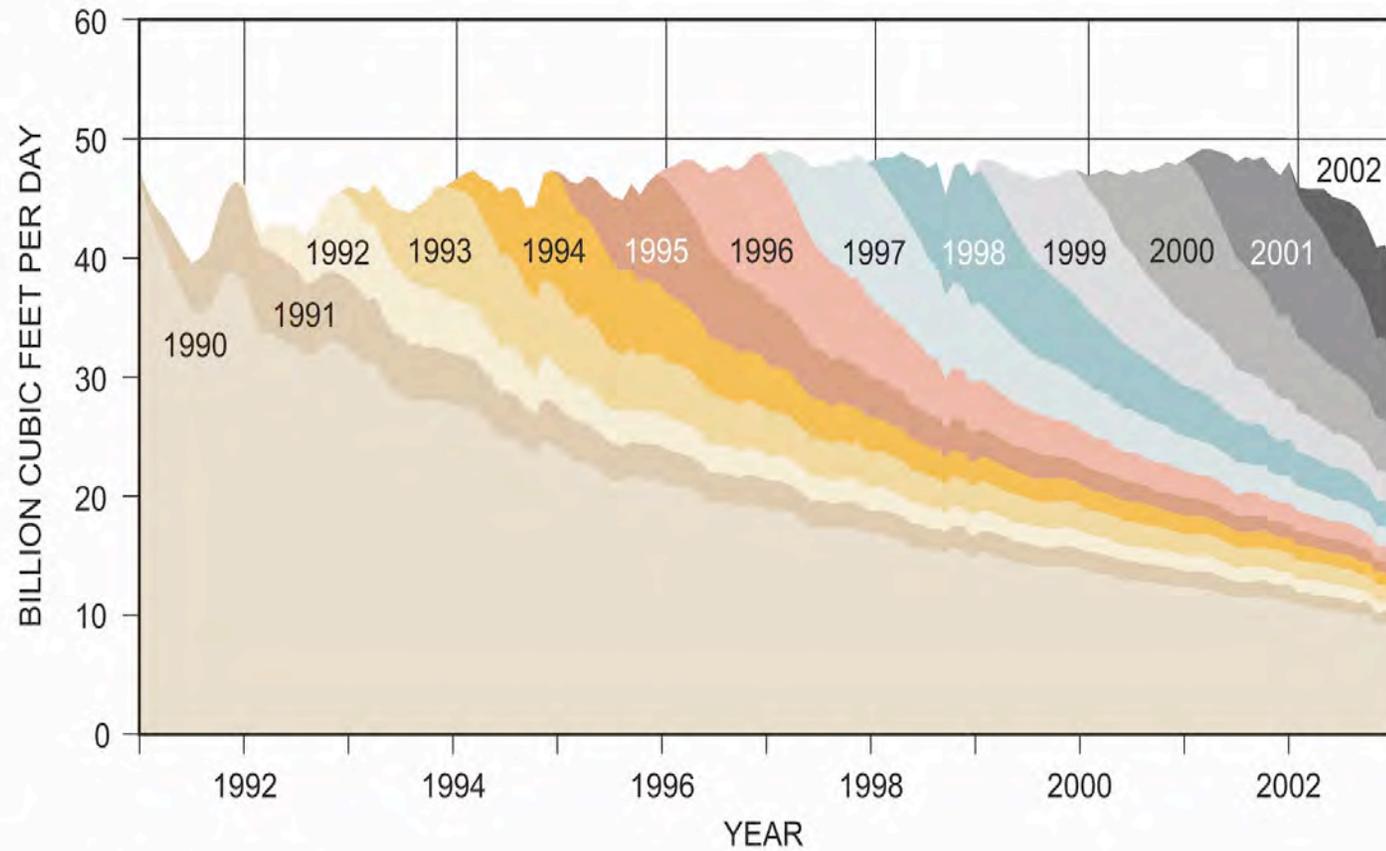
# US NG Storage Inventories



# US NG Supply Forecast by US DOE



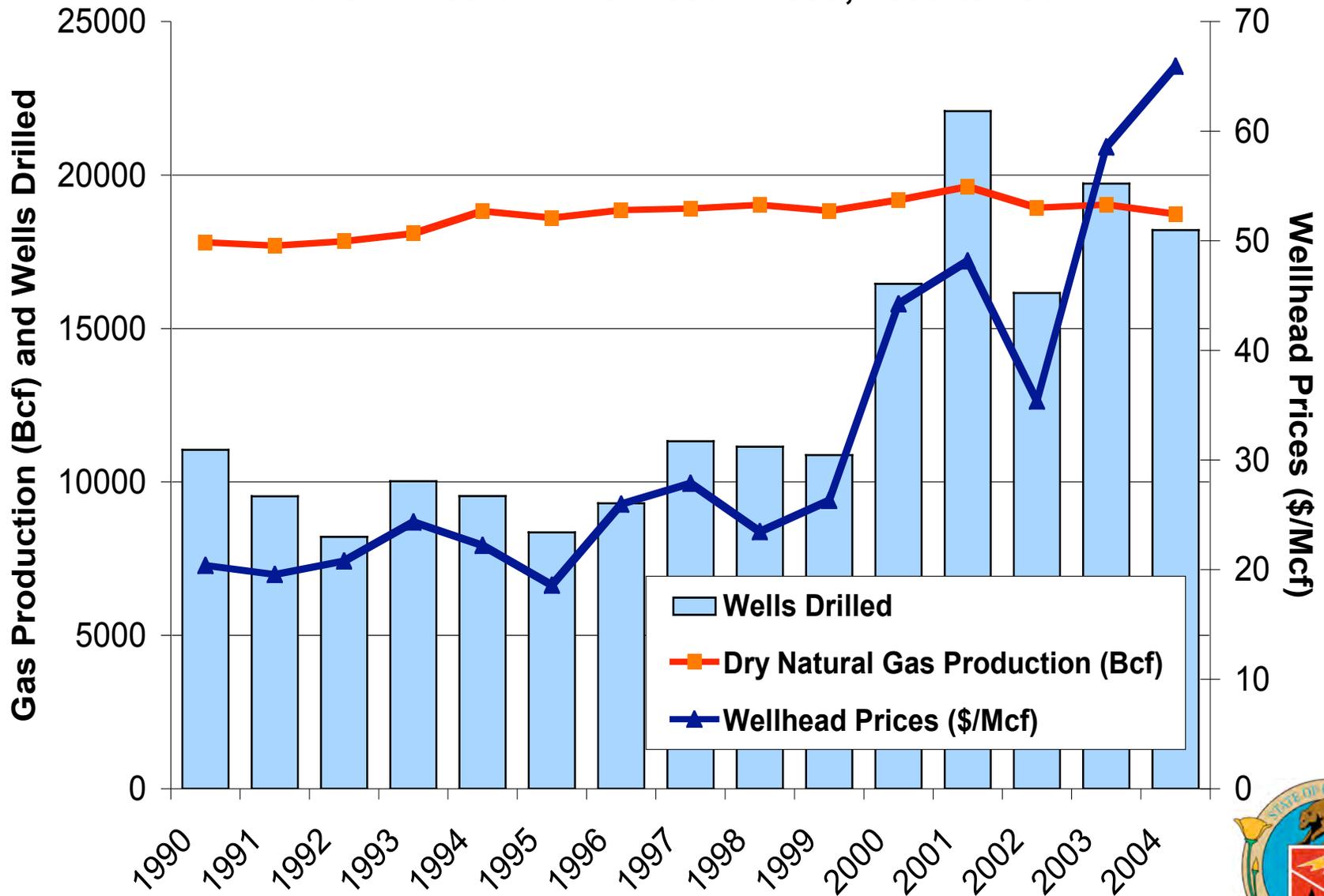
# California Energy



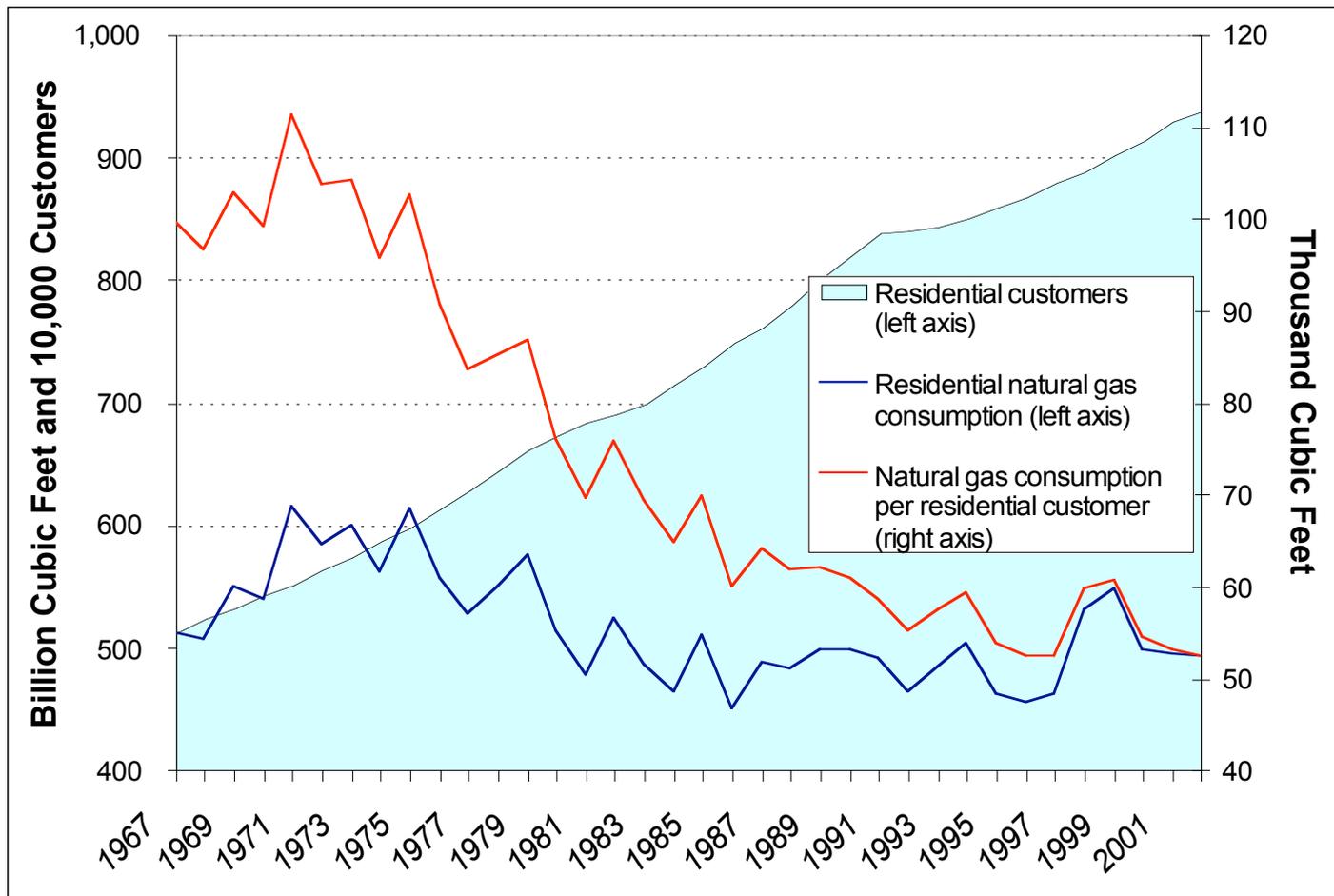
Source: IHS Energy Group.



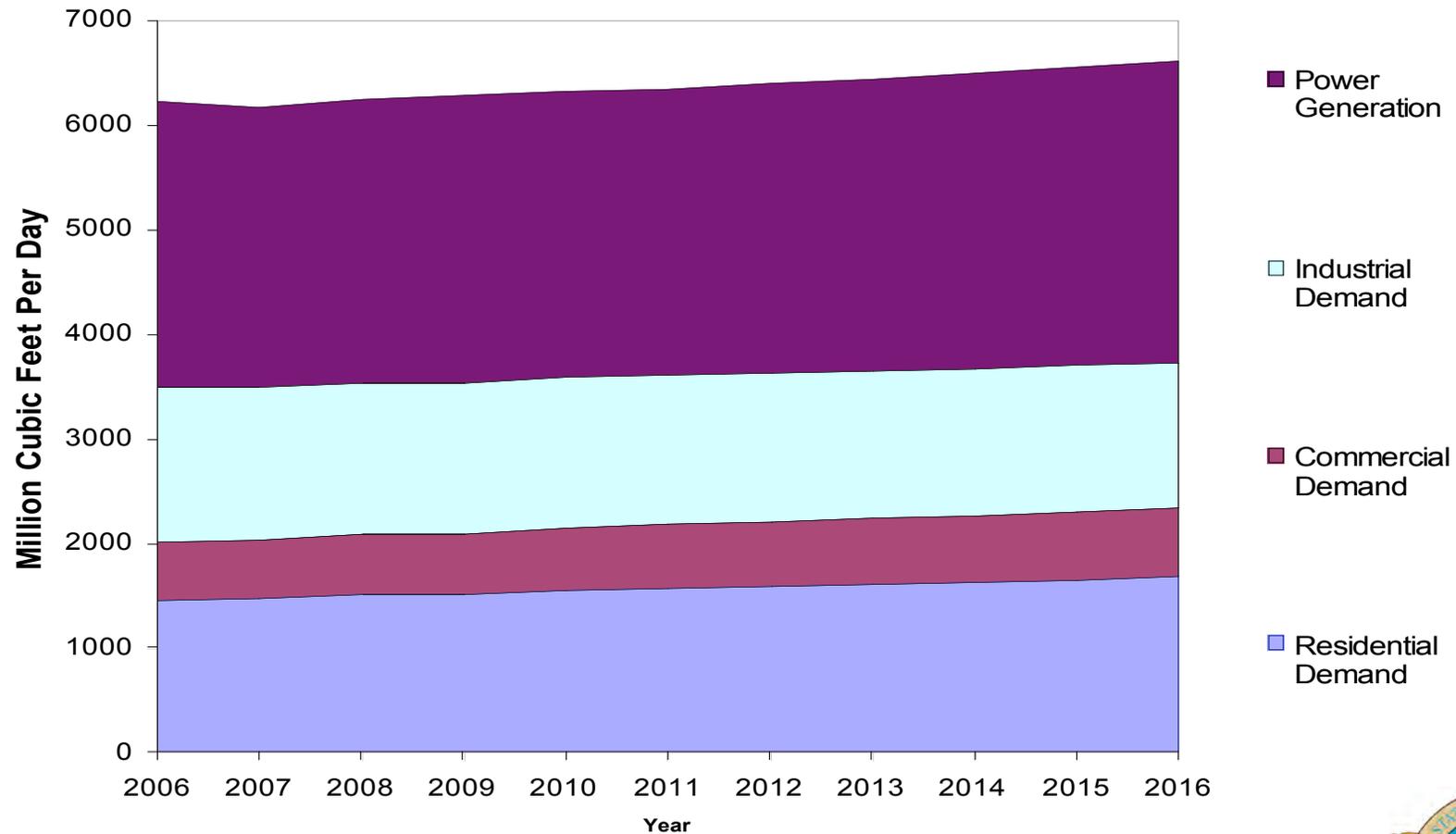
Wells Drilled and Wellhead Prices, 1990 to 2004



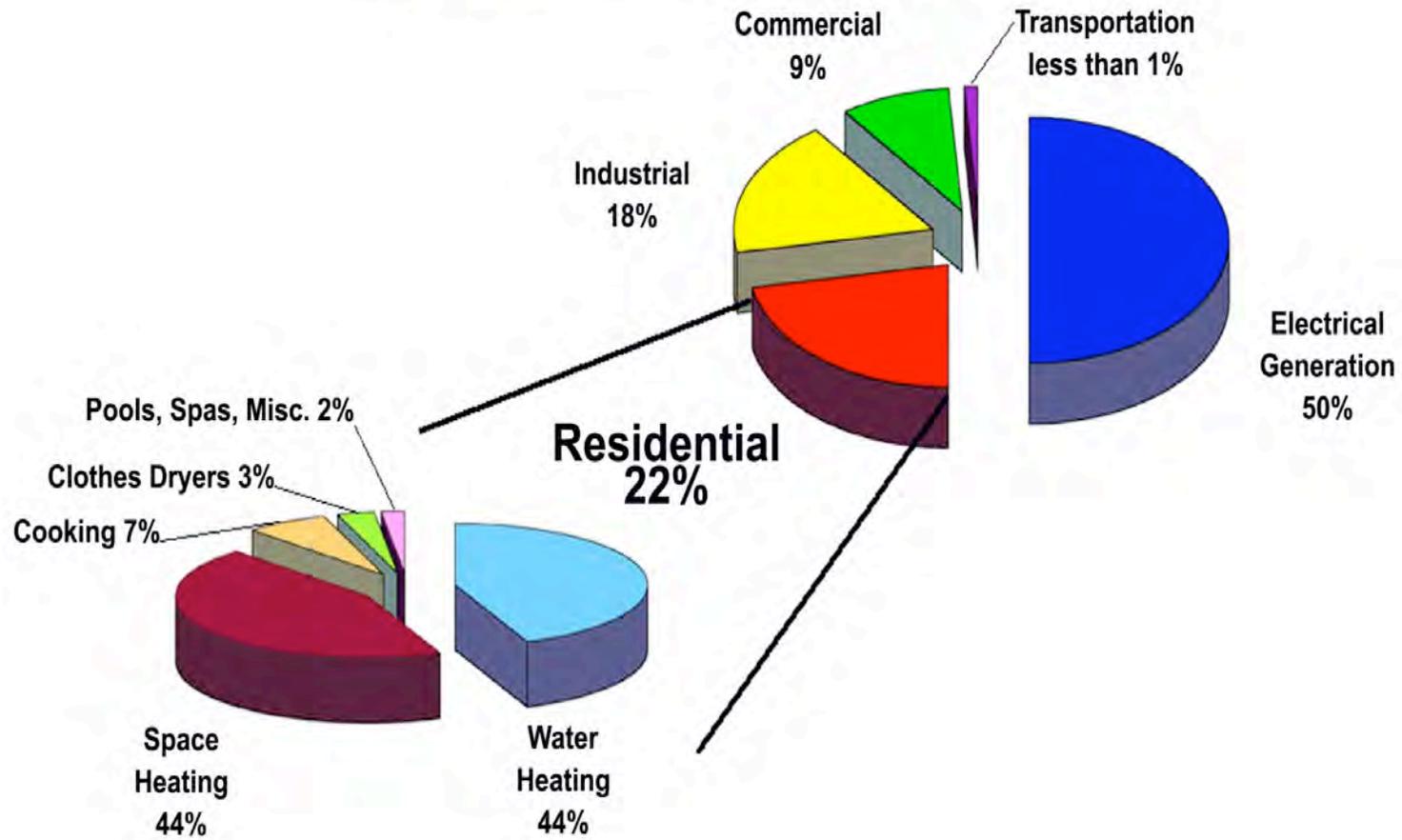
# CA Efficiency Gains



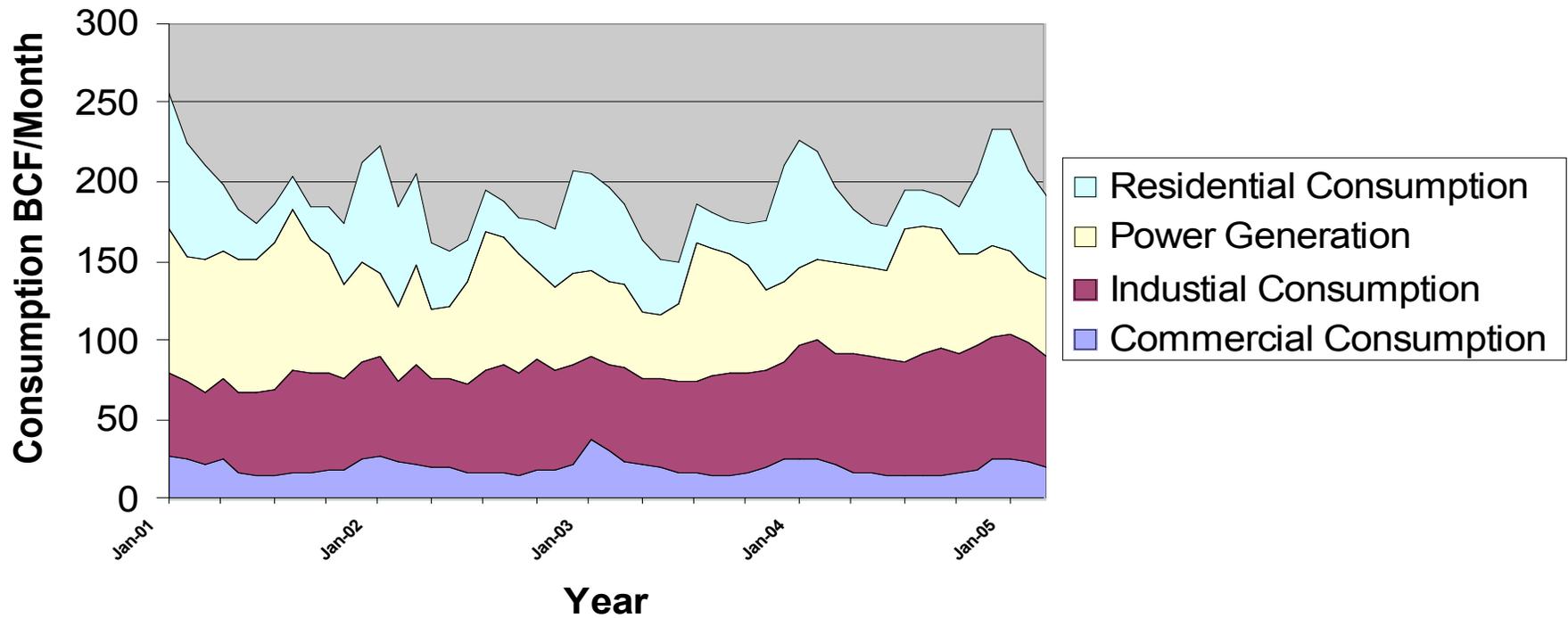
# California NG Demand Projection



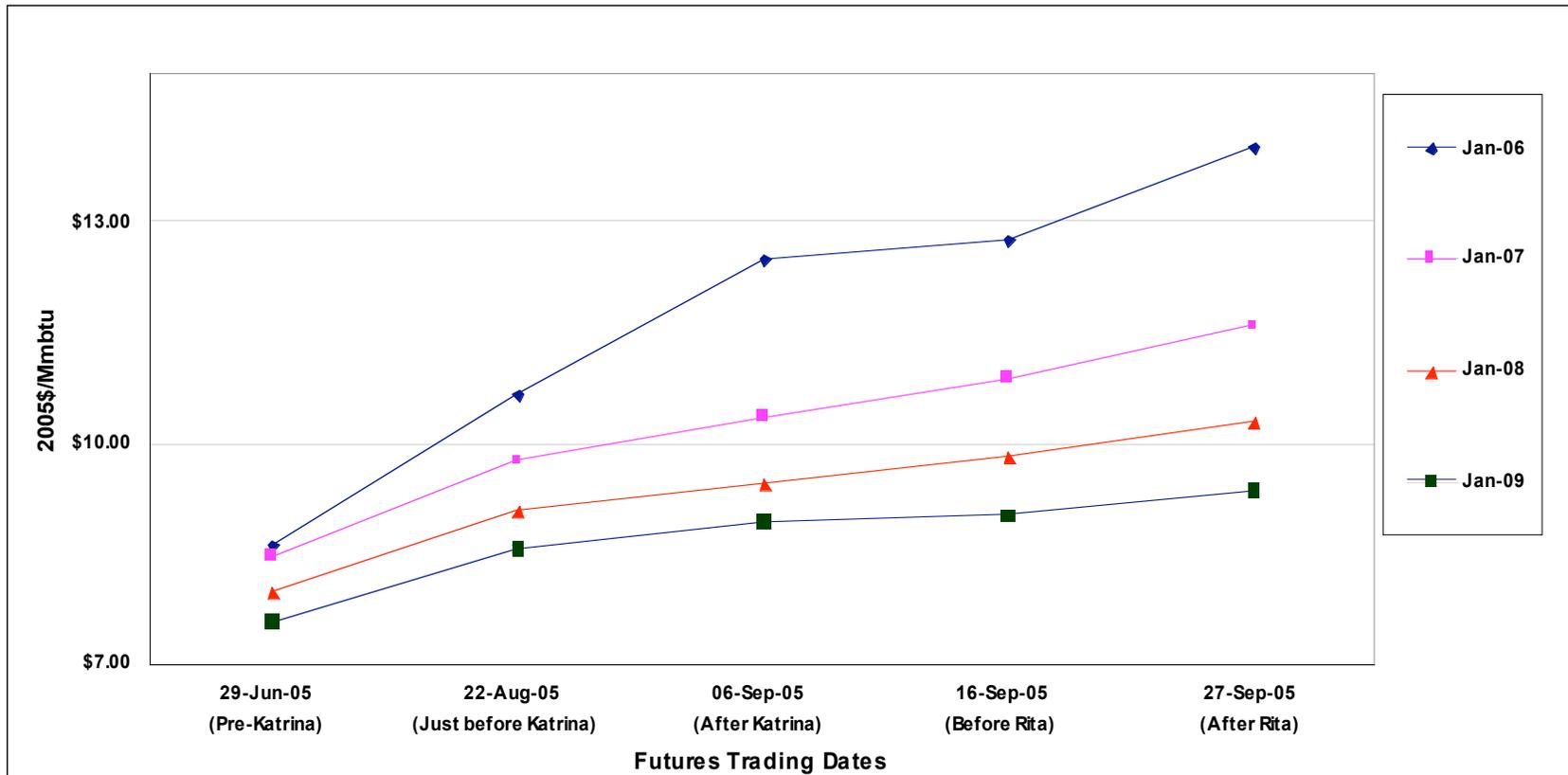
## 2004 Natural Gas Use in California



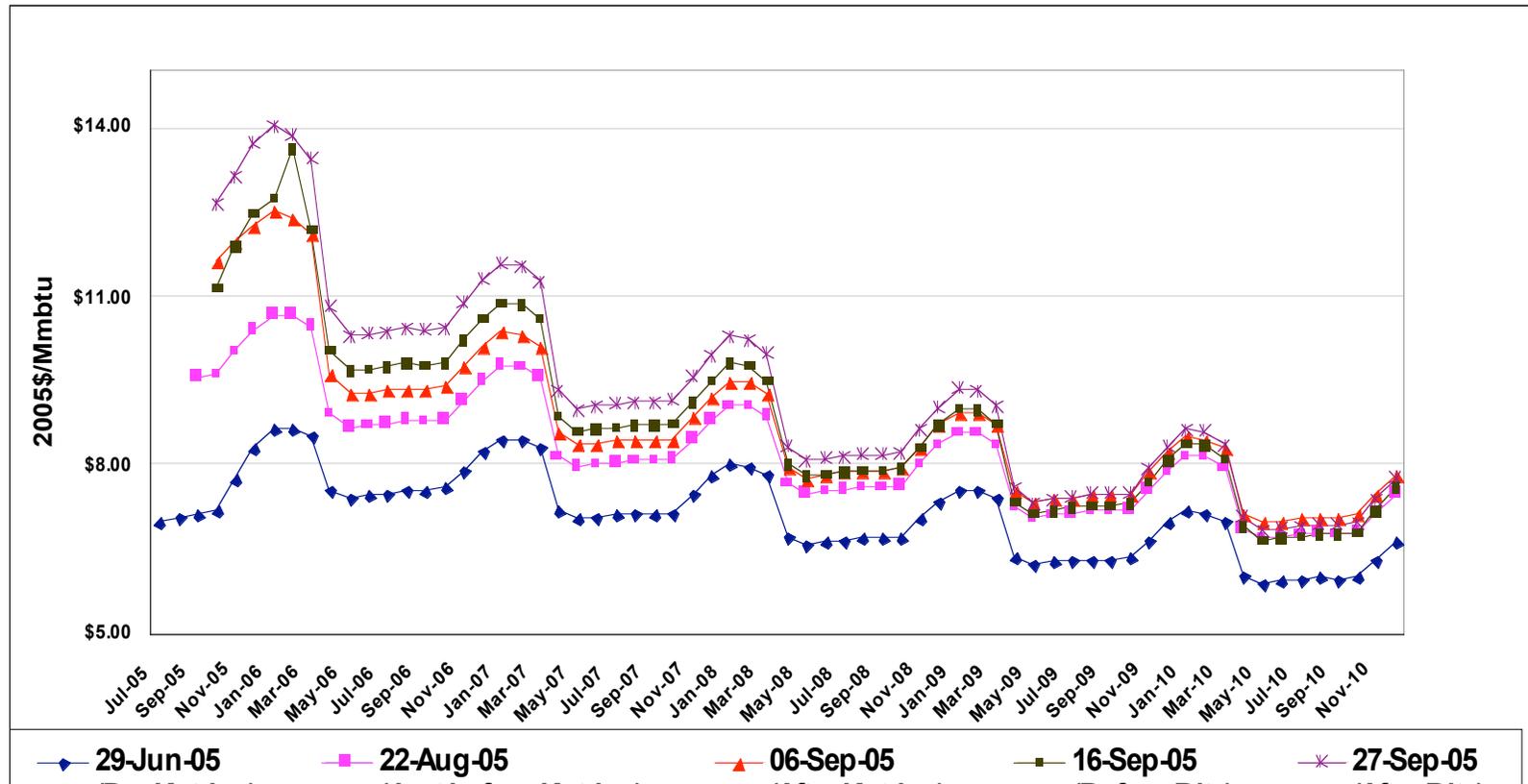
# California NG Consumption



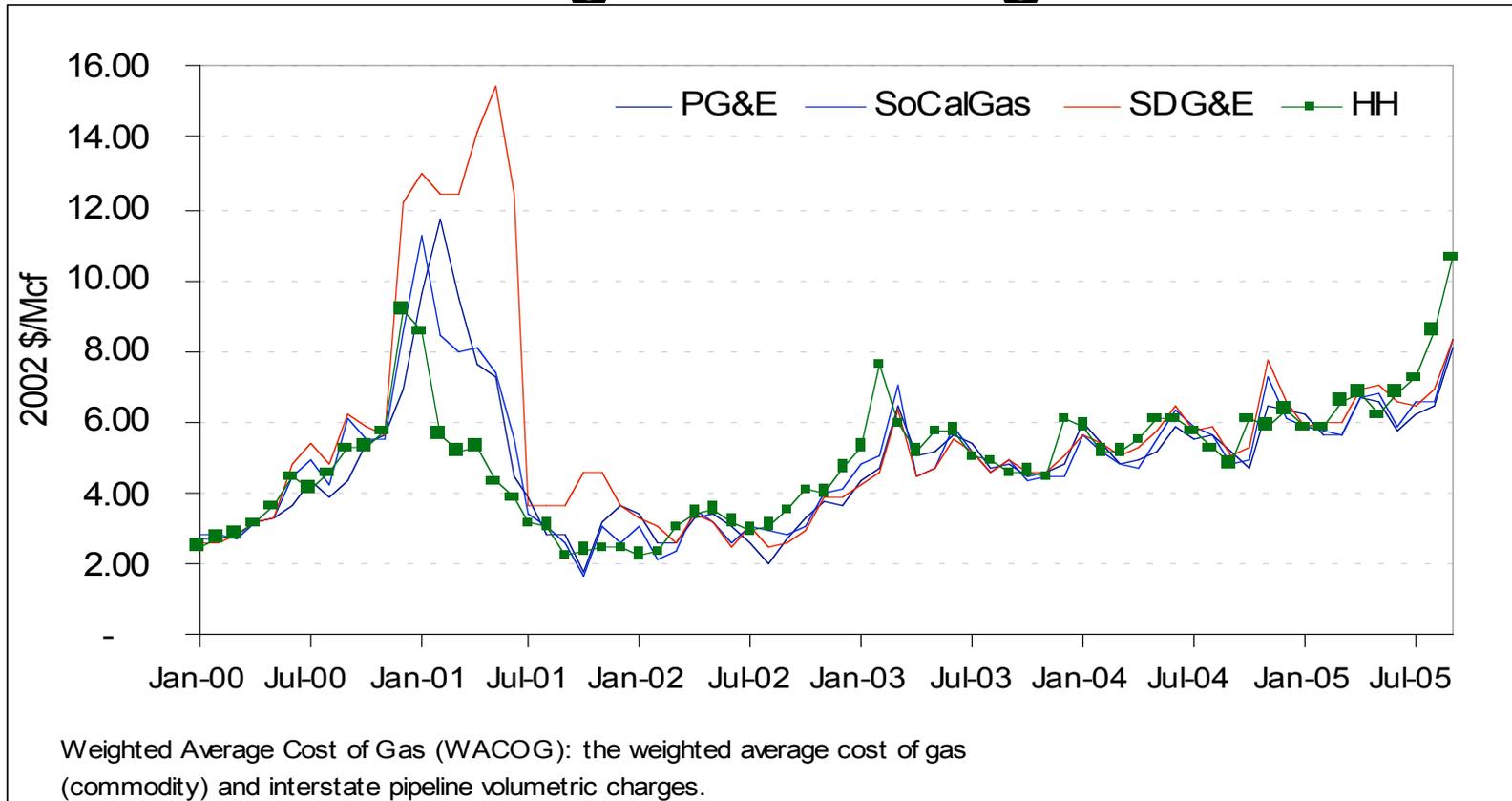
# Effects of Hurricanes on Future Prices



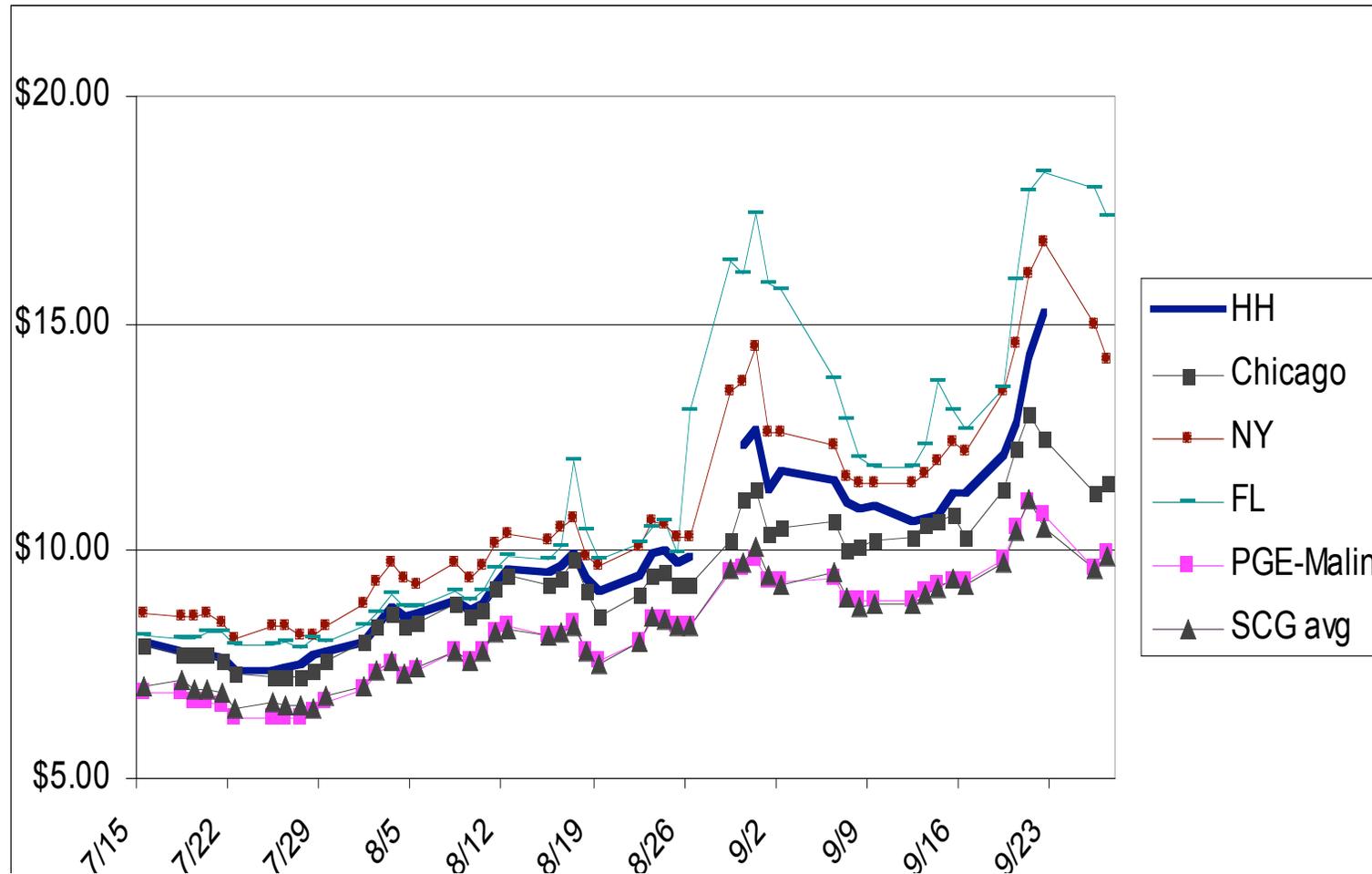
# Future Contract Price Trends



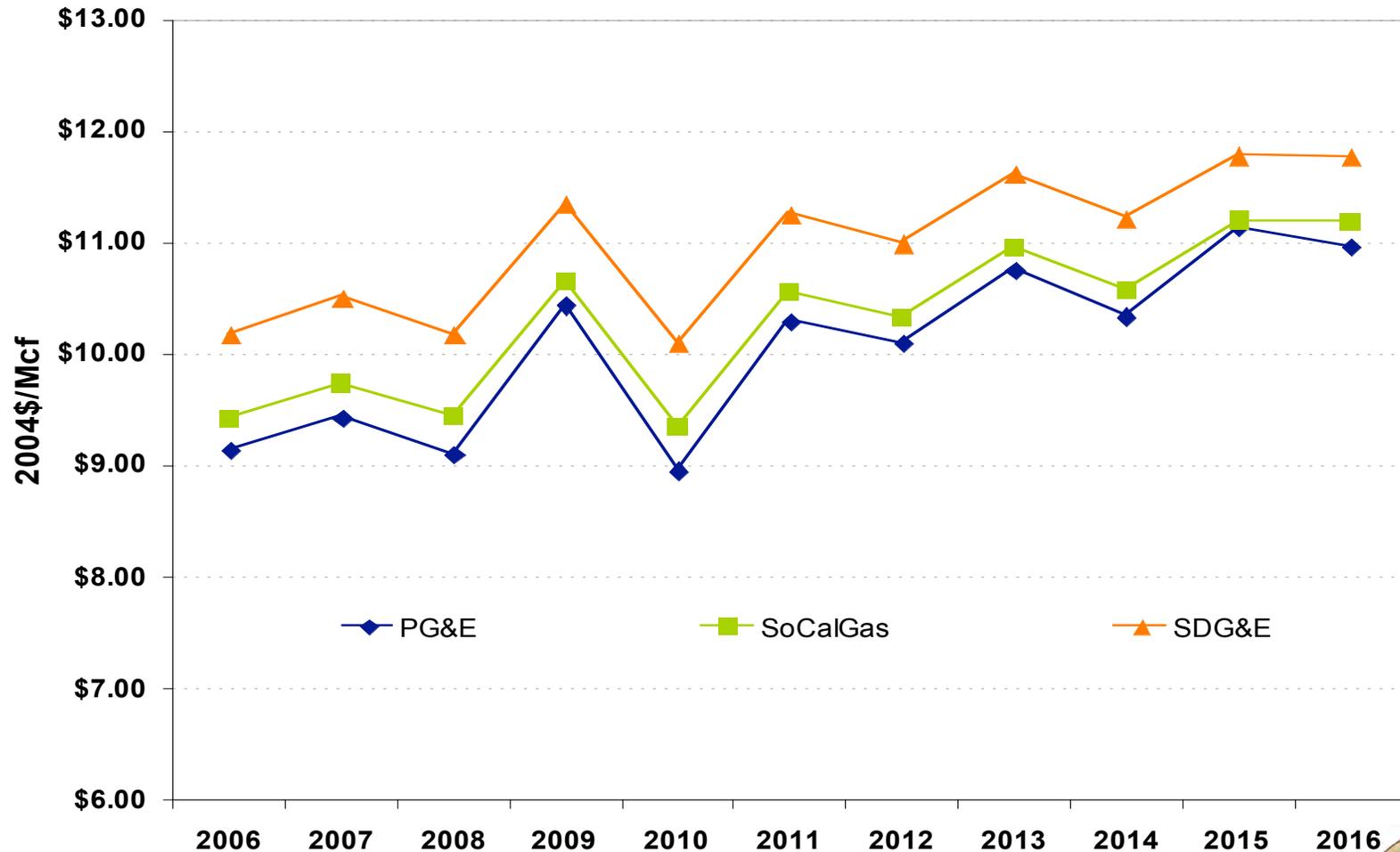
# CA Utilities Weighted Average Cost of Gas



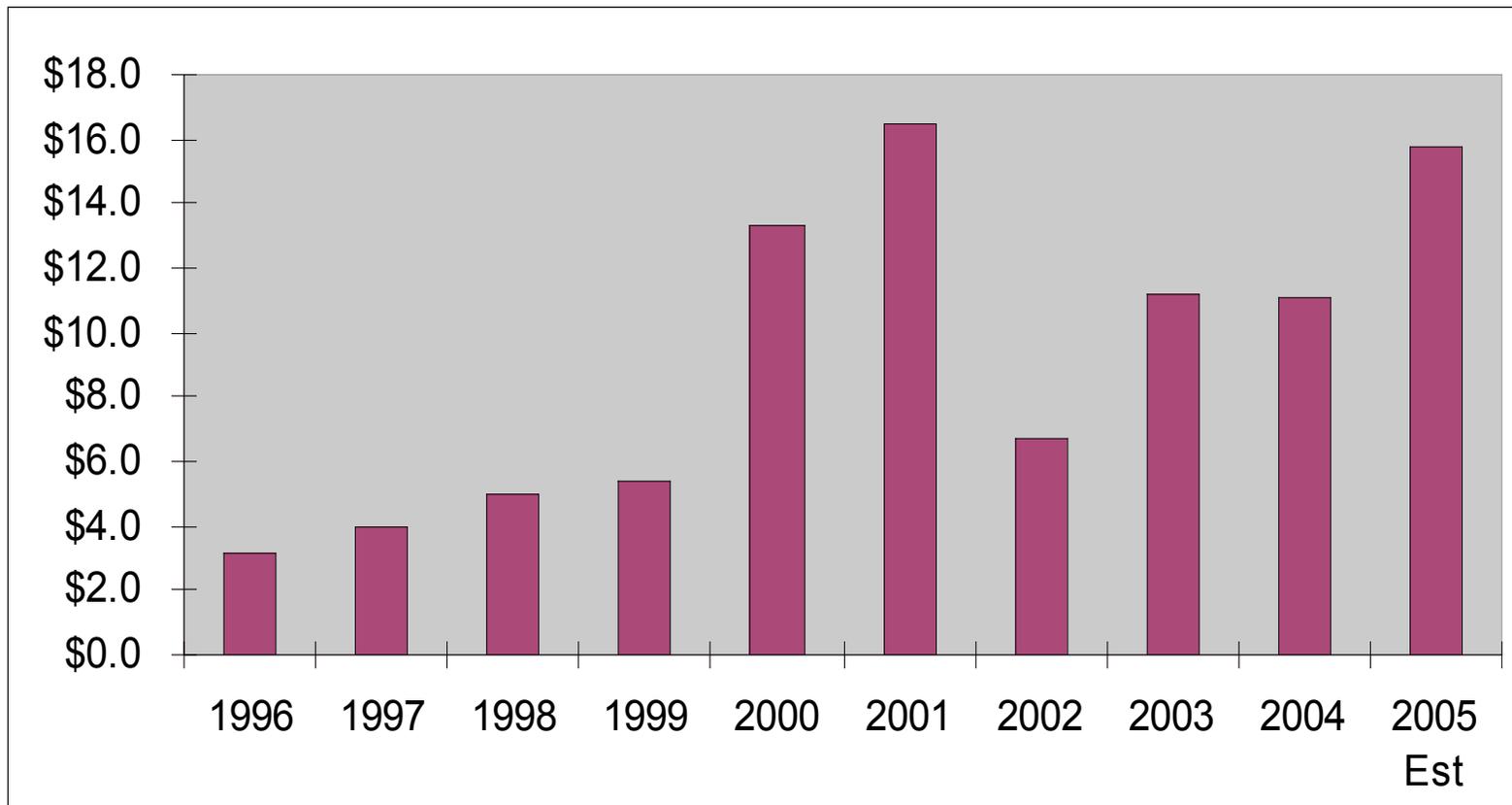
# Prices Around the US



# Price Projection for Residential Customers



# Natural Gas Commodity Costs to California Consumers in \$Billions



## CA Consumers' Cost of NG

- At \$5/mmBtu, Californian's pay about \$11 billion for just the molecules.
- At \$10/mmBtu, Californian's pay about \$22 billion for the molecules.
- Actions that result in a 10% savings will keep an extra \$1-2 billion in our state.



# California's Energy Policy

- Governor's energy policy priorities 2005
  - Aug 23 response to 2003/20054 IEPR
- Energy Action Plan II
  - Loading Order
- 2005 Draft Integrated Energy Policy Report (Energy Report)



# Broad Policy Priorities

- Energy efficiency—NG programs
- Energy efficiency—NG standards
- Energy efficiency—electric
- Renewable electric energy programs
- Distributed generation
- Increase fuel type diversity
- Increase fuel supply diversity
- Additional NG infrastructure



## Policies on NG

- Increase energy efficiency efforts
- Diversify sources of supply
- Develop alternative supplies
  - Biogas from ag operations
  - Landfill gas
  - Instate stranded gas
- Support molecules from LNG on West Coast



# What Can Residential Consumers Do?

- Turn down your thermostat to 68 degrees
- Replace or clean furnace filters once a month
- Reduce hot water temperature
- Seal up the leaks
- Consider replacing your old gas appliances with an ENERGY STAR® water heater or furnace
- For more tips check the web at
  - [www.energy.ca.gov/consumerfuels/](http://www.energy.ca.gov/consumerfuels/)



**Thank you**

**Questions?**

