Natural Gas Burner Tip Prices for California and the Western United States

A burner tip price includes the cost to procure and deliver natural gas to a gas-fired electric generator. This price includes both a commodity and a transportation component. The commodity component is the price of natural gas after production from the well and processing for injection into a nearby utility pipeline. The transportation component is the cost of transporting the gas from its injection point near the production basin to the electric generator for consumption.

The Energy Commission estimates burner tip prices to improve electric generation and transmission system planning. Fuel to run gas-fired turbines is a major portion of the overall cost of operating these generators. These fuel costs therefore affect decisions on the types of electric generation and infrastructure that are built.

Burner tip prices for Northern and Southern California are shown in **Table 1** and **Table 2**, respectively:

Table 1: Estimated Northern California (PG&E) Burner Tip Price (Nominal $/MMBtu)

	2014	2015	2016	2017	2018	2019	2020
January	$ 4.89	$ 4.87	$ 5.36	$ 5.34	$ 5.39	$ 5.38	$ 5.53
February	$ 4.64	$ 4.61	$ 5.10	$ 5.06	$ 5.11	$ 5.09	$ 5.23
March	$ 4.56	$ 4.52	$ 5.02	$ 4.96	$ 5.01	$ 4.98	$ 5.14
April	$ 4.70	$ 4.65	$ 5.19	$ 5.11	$ 5.16	$ 5.12	$ 5.29
May	$ 4.85	$ 4.80	$ 5.37	$ 5.27	$ 5.32	$ 5.28	$ 5.45
June	$ 4.68	$ 4.75	$ 5.04	$ 5.14	$ 5.22	$ 5.25	$ 5.35
July	$ 4.75	$ 4.84	$ 5.11	$ 5.22	$ 5.29	$ 5.33	$ 5.43
August	$ 4.42	$ 4.53	$ 4.76	$ 4.86	$ 4.92	$ 4.96	$ 5.06
September	$ 4.37	$ 4.50	$ 4.72	$ 4.81	$ 4.86	$ 4.91	$ 5.01
October	$ 4.53	$ 4.69	$ 4.90	$ 4.99	$ 5.04	$ 5.10	$ 5.21
November	$ 4.87	$ 5.06	$ 5.26	$ 5.36	$ 5.41	$ 5.48	$ 5.60
December	$ 4.92	$ 5.14	$ 5.33	$ 5.42	$ 5.47	$ 5.54	$ 5.67

Source: Supply Analysis Office staff analysis.

Table 2: Estimated Southern California (SoCalGas) Burner Tip Price (Nominal $/MMBtu)

	2014	2015	2016	2017	2018	2019	2020
January	$ 5.14	$ 5.15	$ 5.64	$ 5.61	$ 5.68	$ 5.65	$ 5.82
February	$ 4.87	$ 4.87	$ 5.36	$ 5.31	$ 5.37	$ 5.34	$ 5.50
March	$ 4.78	$ 4.78	$ 5.27	$ 5.21	$ 5.27	$ 5.23	$ 5.40
April	$ 4.93	$ 4.92	$ 5.45	$ 5.37	$ 5.43	$ 5.38	$ 5.56
May	$ 5.09	$ 5.07	$ 5.64	$ 5.54	$ 5.60	$ 5.55	$ 5.74
June	$ 4.91	$ 5.00	$ 5.30	$ 5.41	$ 5.49	$ 5.52	$ 5.63
July	$ 4.98	$ 5.10	$ 5.38	$ 5.49	$ 5.57	$ 5.61	$ 5.72
August	$ 4.63	$ 4.76	$ 5.00	$ 5.10	$ 5.17	$ 5.21	$ 5.31
September	$ 4.59	$ 4.73	$ 4.95	$ 5.05	$ 5.11	$ 5.16	$ 5.26
October	$ 4.76	$ 4.93	$ 5.15	$ 5.24	$ 5.30	$ 5.36	$ 5.47
November	$ 5.12	$ 5.33	$ 5.54	$ 5.64	$ 5.70	$ 5.77	$ 5.89
December	$ 5.18	$ 5.41	$ 5.61	$ 5.71	$ 5.75	$ 5.83	$ 5.96

Source: Supply Analysis Office staff analysis.

The method for estimating burner tip prices can be summarized in two steps. First, the commodity price is estimated using economic and demographic assumptions in a general equilibrium model. Staff used the annual commodity prices from the *2013 Natural Gas Issues, Trends, and Outlook Final Staff Report*, which are then converted into monthly prices using a method detailed in the report. The second step estimates transportation rates from pipeline utility tariffs, which are then added to the commodity price to account for the price of transportation to the electric generator.

A full description of the method and a comparison to other methodologies can be found in *Estimating Natural Gas Burner Tip Prices for California and the Western United States*. The report and associated spreadsheet-based model are available for download at:

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