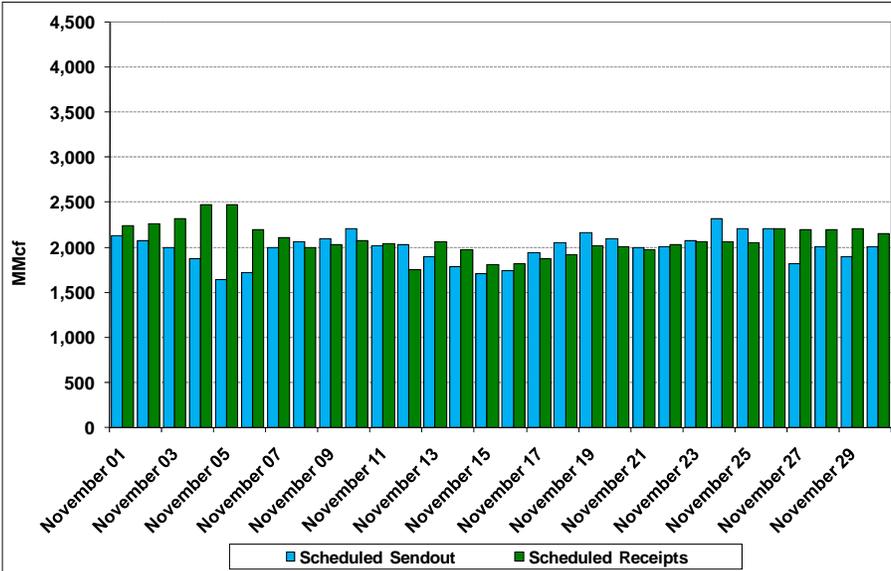




Monthly Natural Gas Report

Prepared by California Energy Commission Staff
 Electricity Supply Analysis Division – Electricity Analysis Office
 November 2008 – Issue # 2

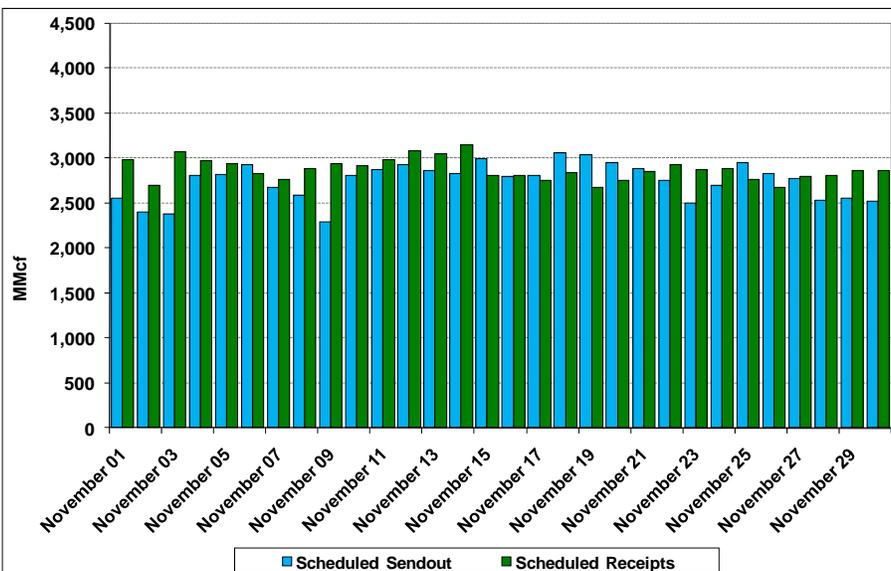
PG&E's Natural Gas Receipts and Deliveries



November temperatures in Northern and Central California were significantly milder than historical normals. Milder temperatures like these will tend to sharply reduce consumption of natural gas for space heating, which could explain lower sendouts for the month. However, sendouts and receipts for November 2008 do not deviate significantly from those of November of 2004 through 2007. Pacific Gas and Electric Co. receipts for November, charted here in green, averaged 2,085 million cubic feet per day (MMcf/d); an eight-month low, while scheduled sendouts, charted here in light blue, averaged 1,990 MMcf/d; the fourth lowest rate of the year. As a result, PG&E added 2,827 MMcf of net receipts, the lowest since February 2008.

Prepared by CEC Staff 12/04/2008

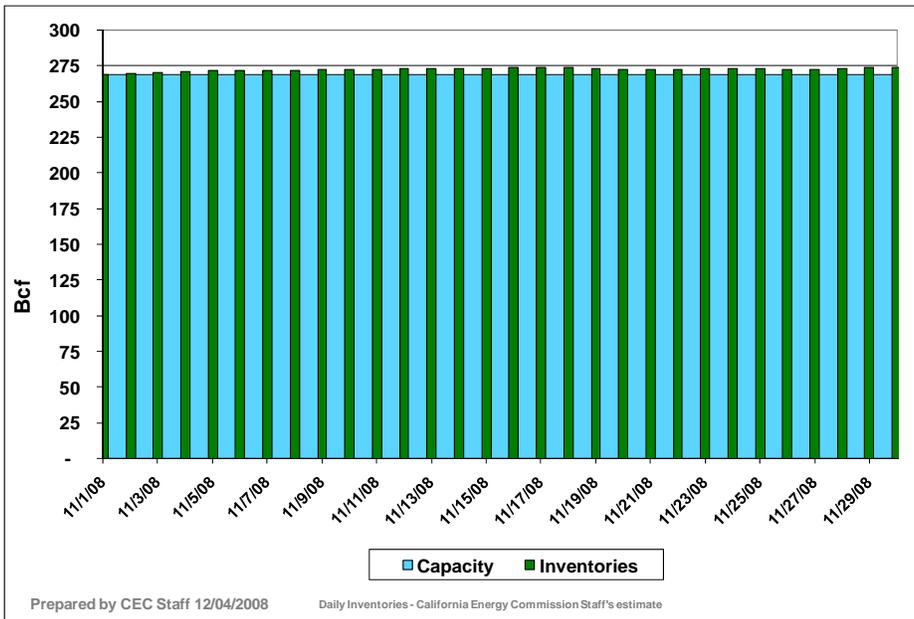
SoCalGas' Natural Gas Receipts and Deliveries



Temperatures throughout November across Southern California were also significantly milder. Receipts last month were generally higher than November receipts for 2004 through 2007, but sendouts were fairly consistent with those same prior months. SoCalGas November receipts, charted here in green, averaged 2,872 MMcf/d, while scheduled sendouts, charted here in light blue, averaged 2,745 MMcf/d. As a result, SoCalGas added 3,808 MMcf of net receipts.

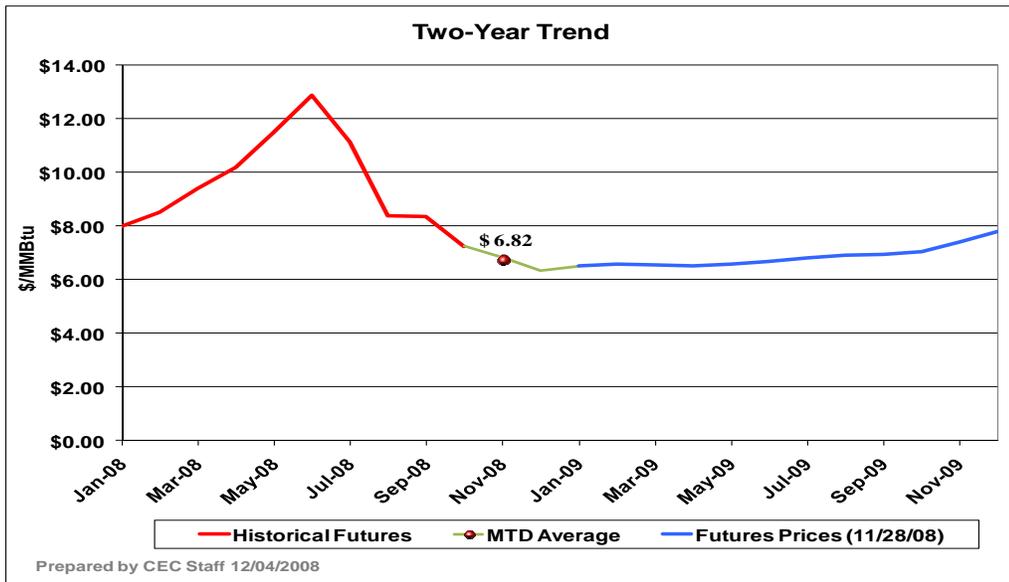
Prepared by CEC Staff 12/04/2008

California Daily Storage Inventories



Utilities in California began November with natural gas inventories, charted here in green, equal to 100%, or 269 billion cubic feet (Bcf), of their maximum allocated storage capacity, which is charted here in light blue. These utilities ended the month with inventories at 102%, or 274.1 Bcf. The month, therefore, added only 5.1 Bcf to inventories; less than half the quantity stored October 2008. PG&E and SoCalGas control storage capacity in addition to the 269 Bcf allocated to their core retail customers; which they can use, for example, to take advantage of favorable terms for buying additional natural gas.

Historical & Futures Settlement Prices



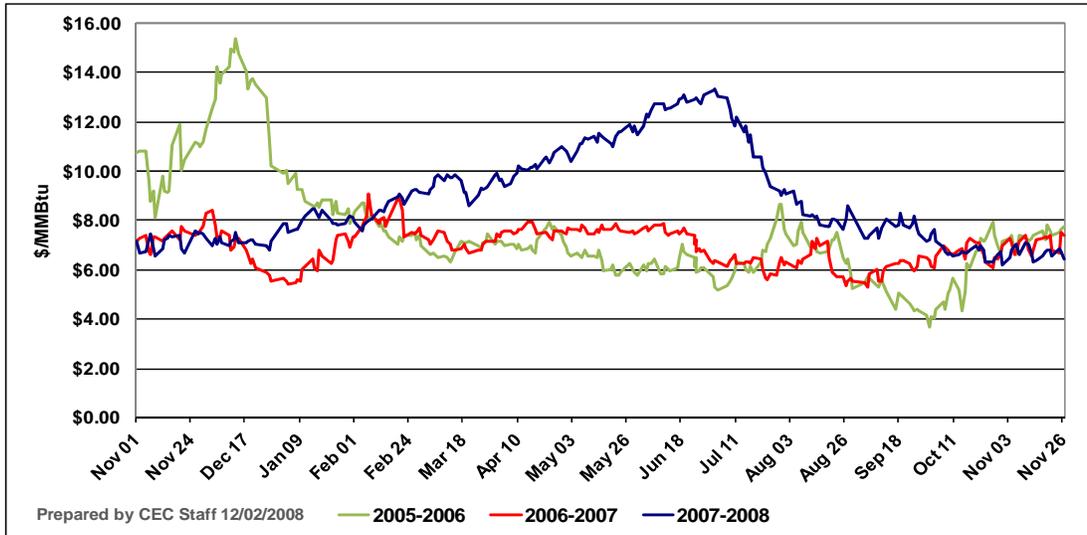
Henry Hub November Average Futures Prices

Nov	\$	Nov	\$
3	7.09	14	6.47
4	7.45	17	6.64
5	7.49	18	6.60
6	7.20	19	6.81
7	6.97	20	6.39
10	7.42	21	6.50
11	6.85	24	6.83
12	6.56	25	6.39
13	6.48	26	6.88
November Daily Average	\$ 6.82		

The November Daily Average is the non-weighted average of natural gas futures prices at the close of each day.

The average monthly futures price for natural gas delivered to Henry Hub, Louisiana, as charted above in red, peaked June 2008 at \$12.87/MMBtu, then began a five-month fall to a November 2008 monthly average price of \$6.82/MMBtu, as charted in green above. The average month-to-date December price, also charted above in green, has fallen even further, to \$6.35/MMBtu. Average monthly prices remain at values not seen since October 2007, but, since January 2005, these same prices have fallen even lower; for example, to as little as \$4.90/MMBtu September 2006. Forward contract prices, charted in blue, continue to suggest that traders expect prices to regain nearly a dollar over the next twelve months. Natural gas futures contracts traded on the New York Mercantile Exchange (NYMEX) November 28, 2008, and which expire December 2009, averaged \$7.81/MMBtu.

Henry Hub, Louisiana, Daily Spot Price

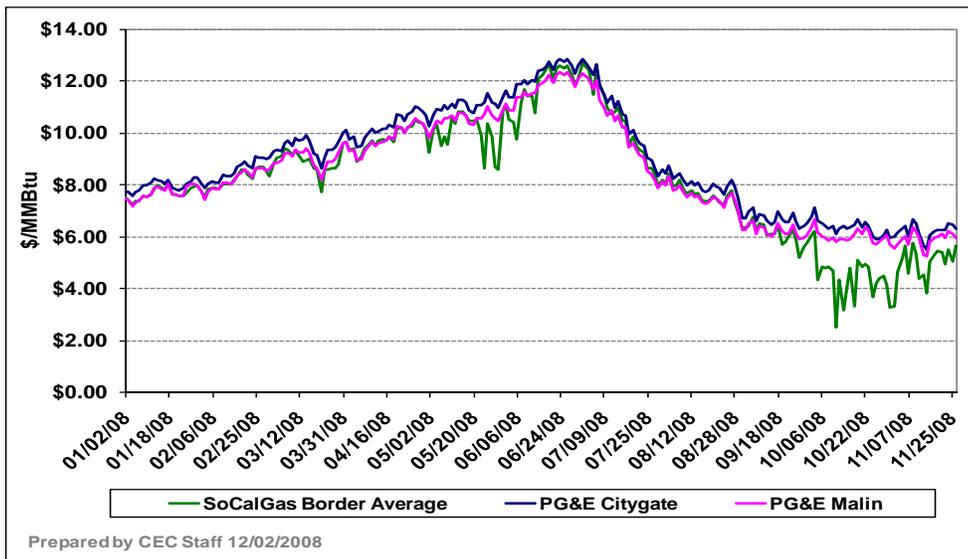


Daily Data

Nov	Henry Hub
3	6.45
4	6.79
5	6.94
6	7.04
7	6.60
10	7.07
11	7.02
12	6.65
13	6.31
14	6.33
17	6.55
18	6.74
19	6.76
20	6.76
21	6.56
24	6.85
25	6.71
26	6.43

As charted in dark blue above, Henry Hub daily spot prices peaked July 2, 2008, at \$13.31/MMBtu – more than \$7 above July natural gas prices for 2006 and 2007 – but have since lost all of their year-over-year gains, closing at \$6.43/MMBtu on November 26. In fact, as charted in green and red, 2006 and 2007 prices for the last trading day of November were \$1.32 and \$1.10 higher, respectively, than the November 26, 2008, price. Recent stability in both spot and futures prices, plus a convergence with prior years' autumn prices of \$6 to \$8/MMBtu, suggest that fundamentals are reasserting dominance in setting prices for natural gas. The late 2005 price spike is due to hurricanes Rita and Katrina forcing a lot of Gulf of Mexico natural gas production offline, which reduced supplies significantly.

Natural Gas Daily Spot Prices

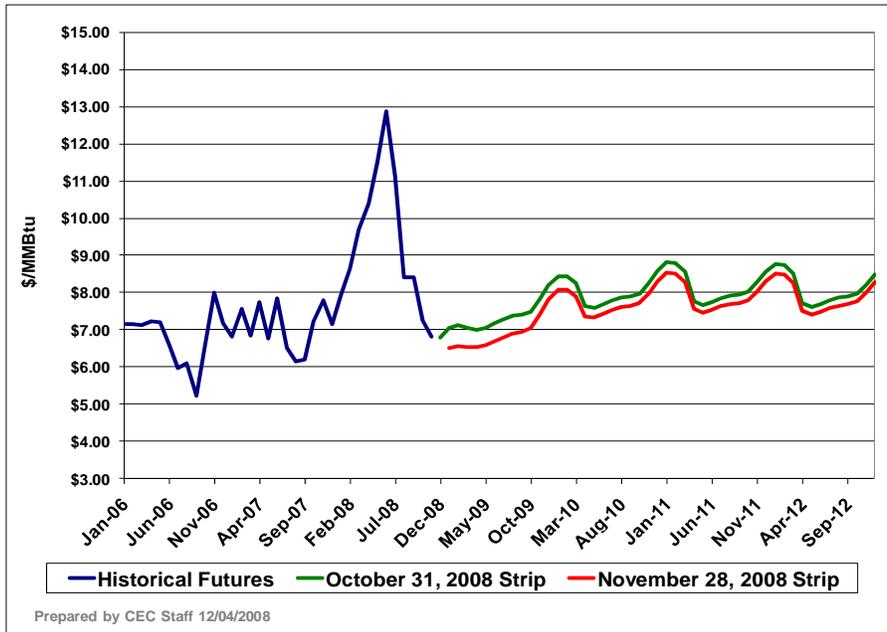


Daily Data

Nov	Topock	PG&E Citygate	PG&E Malin
3	3.30	5.99	5.56
4	4.62	6.16	5.72
5	5.13	6.30	5.90
6	5.63	6.41	5.99
7	4.57	6.00	5.71
10	5.73	6.68	6.35
11	5.36	6.49	6.19
12	4.39	6.11	5.94
13	4.53	5.66	5.28
14	3.82	5.50	5.25
17	5.04	6.07	5.80
18	5.27	6.20	5.98
19	5.42	6.26	6.02
20	5.37	6.28	6.09
21	4.94	6.26	5.97
24	5.52	6.51	6.21
25	5.02	6.44	6.10
26	5.63	6.31	5.97

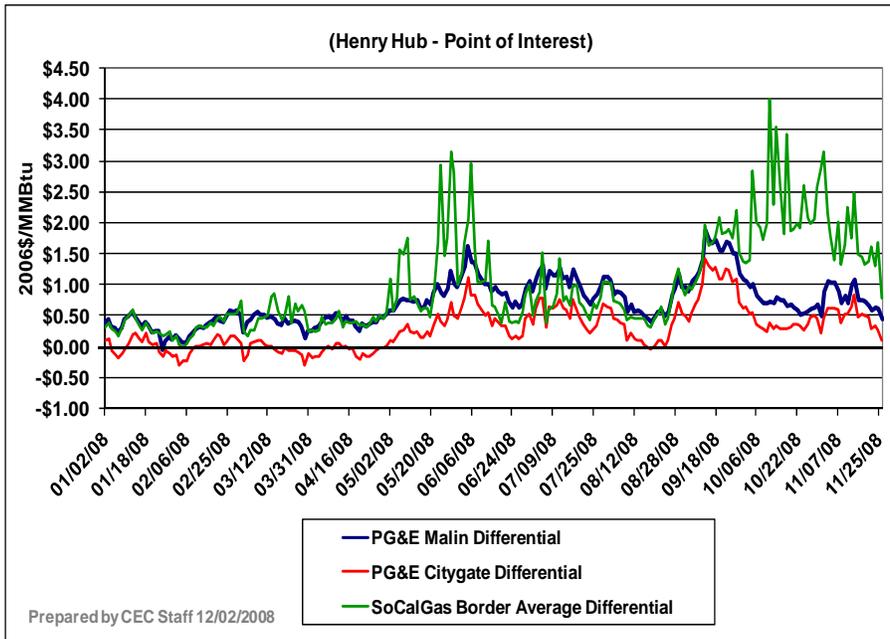
Consistent with spot prices for natural gas traded at Henry Hub, prices at the three major California pricing points have plummeted to the year's lowest. Natural gas traded at the PG&E Citygate and Malin pricing points, charted respectively in indigo and pink above, sold for almost \$1/MMBtu less than January 2008 prices. SoCalGas Border Average prices, charted above in green, have largely recovered from steep October differentials of as much as \$3/MMBtu below the prices for natural gas traded at the two PG&E pricing points.

Historical & Forward NYMEX Natural Gas Settlement Prices



Historical futures and the October 31, 2008, forward strip prices for natural gas, respectively charted here in indigo and green, converged to a differential of less than \$0.04/MMBtu for November, again suggesting that traders believe prices are stabilizing. Same-month differentials this year often hit a dollar, and in August approached \$3/MMBtu, reflecting the inability of markets to account for prices. The October 31 and November 28 futures strips, charted respectively here in green and red, indicate that NYMEX traders believe prices, after correcting for seasonal variation, will be flat through 2012.

Basis Differentials from Spot Prices at Henry Hub, Louisiana



Basis differentials from Henry Hub spot prices fell beginning in mid-November, meaning that natural gas prices are converging with Henry Hub prices at PG&E's Malin and Citygate, and the SoCalGas Border Average pricing points. Prices since last summer have responded enough to falling demand to remove much of that season's higher-priced marginal natural gas fields from production. This reduces pipeline congestion, increases price competition, and equalizes North American market clearing prices at lower levels.

Source Data:

www.pge.com • <http://www.nymex.com> • <https://ejenvoy.sempra.com> • <https://www.theice.com>

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