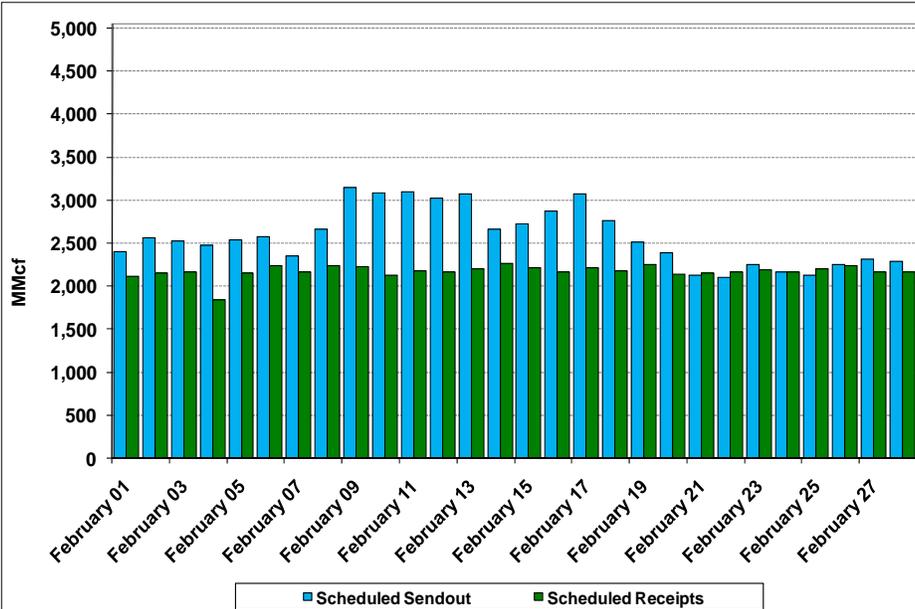




Monthly Natural Gas Report

Prepared by California Energy Commission Staff
 Electricity Supply Analysis Division – Electricity Analysis Office
 February 2009 – Issue # 5

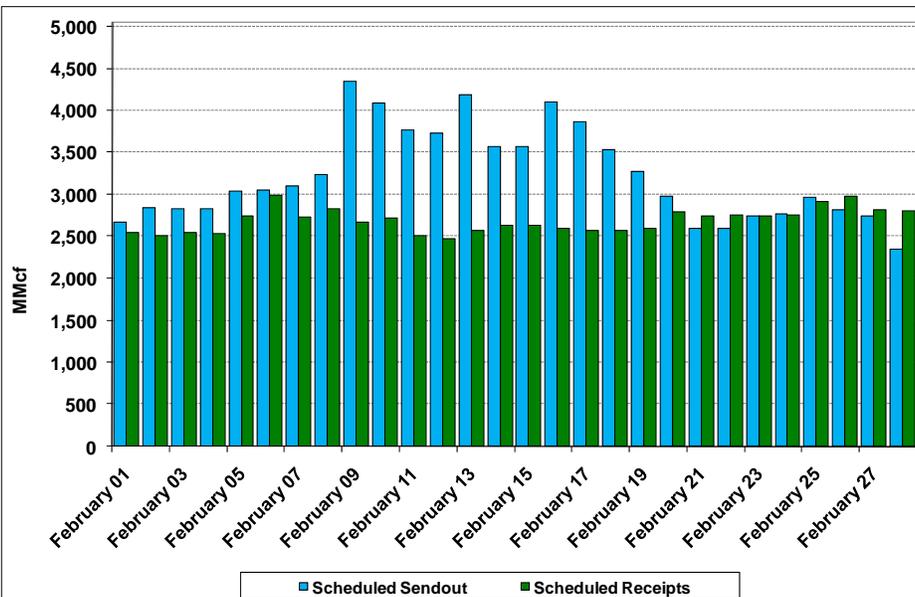
PG&E's Natural Gas Receipts and Deliveries



Daily temperatures through the first and final weeks of February were seasonally mild. A series of storms dominated February's second and third weeks, driving temperatures as low as 32 ° F. February 11 in the Sacramento and San Joaquin valleys and inland Bay Area communities. Daily temperatures thereafter rose, with lows reaching the upper 40s and low 50s in most cities by month's end. Pacific Gas and Electric Co. increased natural gas sendouts during mid-February's wintry weather to meet increased demand to fuel furnaces and other space heating equipment. PG&E receipts for February, charted in green, averaged 2,098 million cubic feet per day (MMcf/d), while scheduled sendouts, charted in light blue, averaged 2,488 MMcf/d. As a result, PG&E depleted its inventories by 11,318 MMcf.

Prepared by CEC Staff 3/03/2009

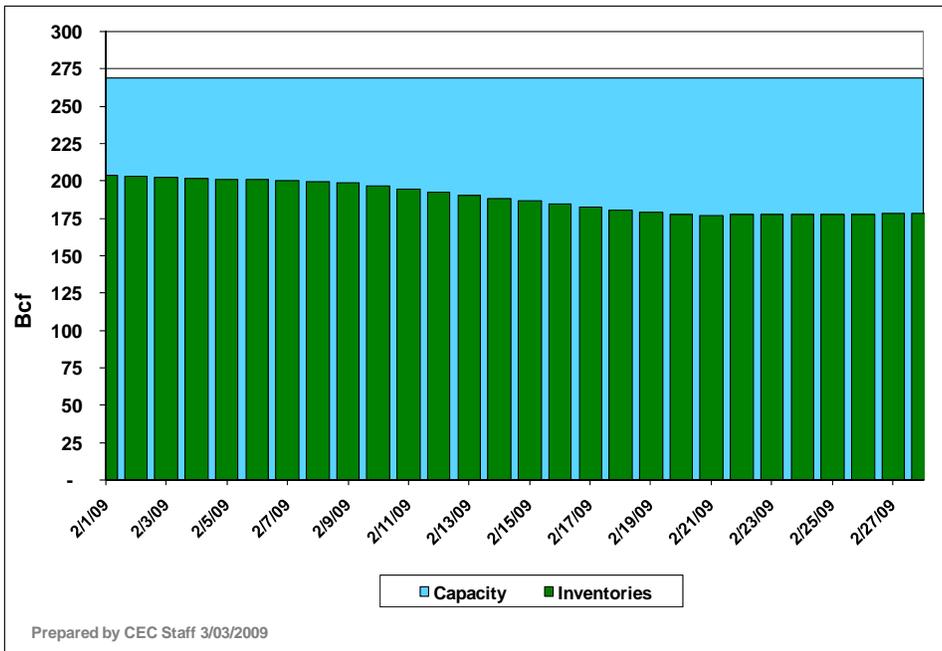
SoCalGas' Natural Gas Receipts and Deliveries



Southern California experienced weather patterns similar to Northern California's trends. Southern California Gas Co. also acted to satisfy customer demand for natural gas to fuel furnaces and other space heating equipment with increased sendouts through February 20. SoCalGas receipts for January, charted in green, averaged 2,593 MMcf/d, while scheduled sendouts, charted in light blue, averaged 3,108 MMcf/d. As a result, SoCalGas depleted its inventories by 14,937 MMcf.

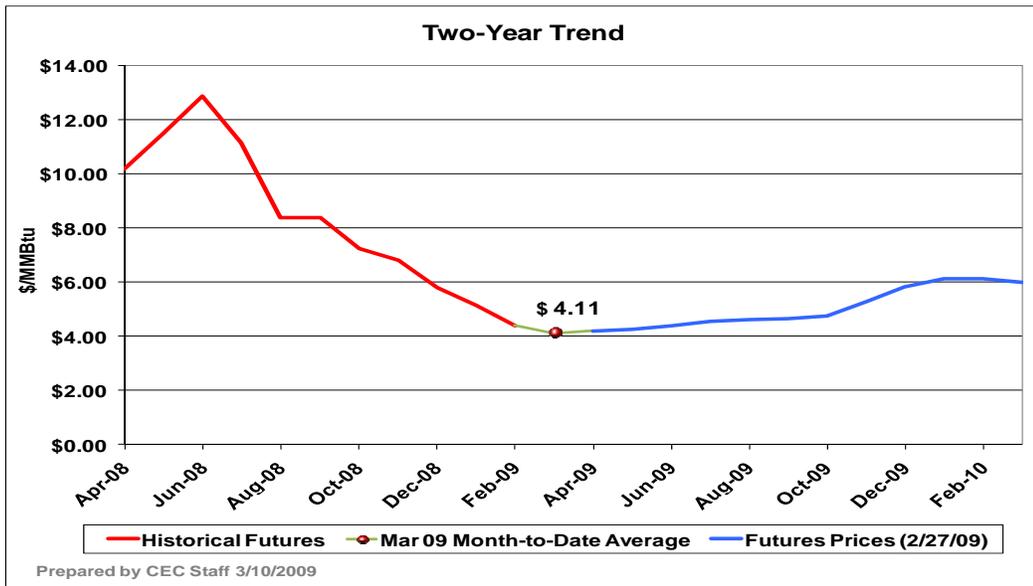
Prepared by CEC Staff 3/03/2009

California Daily Storage Inventories



Consistent with the mid-February cold spell, the rate of depletion of daily natural gas inventories, charted in green, increased February 10 through February 20 as PG&E and SoCalGas delivered gas in storage to meet customers' space heating demand. As noted in previous issues of this report, the natural gas utilities pursue a policy of maximizing these inventories during the milder spring and summer months, when natural gas prices are usually lower, in order to have them available to meet higher winter demand.

Historical & Futures Settlement Prices



Henry Hub February Average Futures Prices

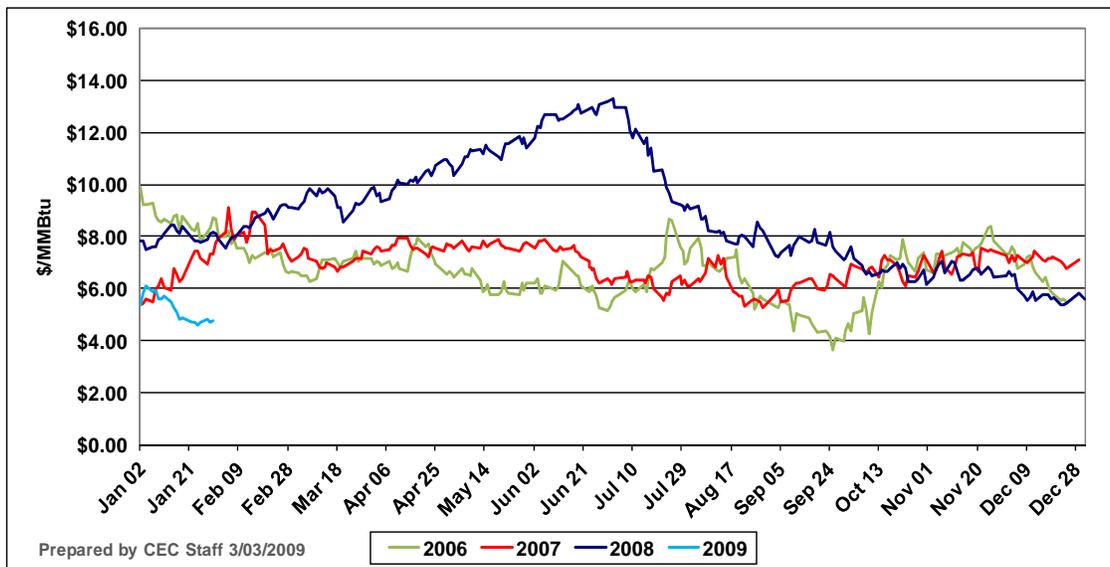
Feb	\$	Feb	\$
2	4.60	17	4.22
3	4.58	18	4.24
4	4.65	19	4.11
5	4.69	20	4.04
6	4.81	23	4.10
9	4.86	24	4.19
10	4.60	25	4.03
11	4.58	26	4.08
12	4.50	27	4.20
13	4.46		

February Daily Average	\$ 4.40
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The February Daily Average is the non-weighted average of natural gas futures prices at the close of each day.

The average monthly price history for natural gas futures traded on the New York Mercantile Exchange (NYMEX), futures which are standardized for delivery to Henry Hub, Louisiana, and are charted in red, peaked June 2008 at \$12.87/MMBtu, and then began an eight-month fall to the March 2009 month-to-date average price of \$4.11/MMBtu, charted in green. This is \$0.29/MMBtu below the February 2009 daily average price of \$4.40/MMBtu. Prices for futures contracts traded February 27, 2009, and expiring through March 2010, charted in blue, suggest that traders expect futures prices to regain more than two dollars by January 2010.

Henry Hub, Louisiana, Daily Spot Price

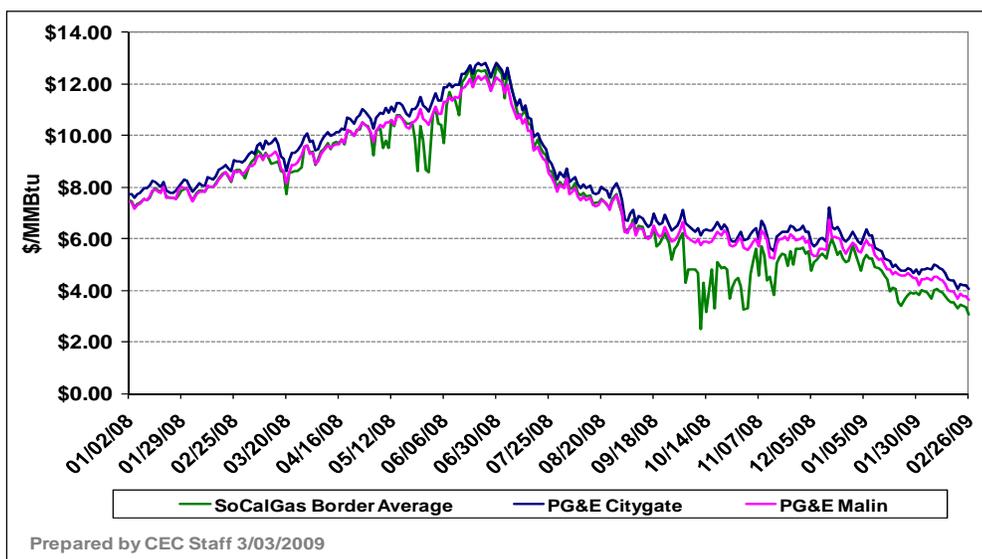


Daily Data

Feb	Henry Hub
2	4.48
3	5.04
4	5.01
5	4.84
6	4.67
9	4.76
10	4.83
11	4.68
12	4.73
13	4.60
17	4.35
18	4.35
19	4.45
20	4.21
23	4.23
24	4.21
25	4.20
26	4.08
27	4.04

Henry Hub daily spot prices for 2009, charted in light blue, fell 9.8% over the month of February 2009, continuing their slide from the July 2, 2008, annual peak of \$13.31/MMBtu and the January 2009 average of \$5.24/MMBtu. Only twice in the past three years have lower prices been recorded. As noted in the December and January issues of this report, demand destruction, caused by the deepening economic recession, and increased domestic natural gas supplies, is largely responsible for these declining price trends. The U.S. Energy Information Administration's March 10, 2009, Short-Term Energy Outlook forecasts domestic natural gas consumption falling 1.3% this year over 2008.

Natural Gas Daily Spot Prices

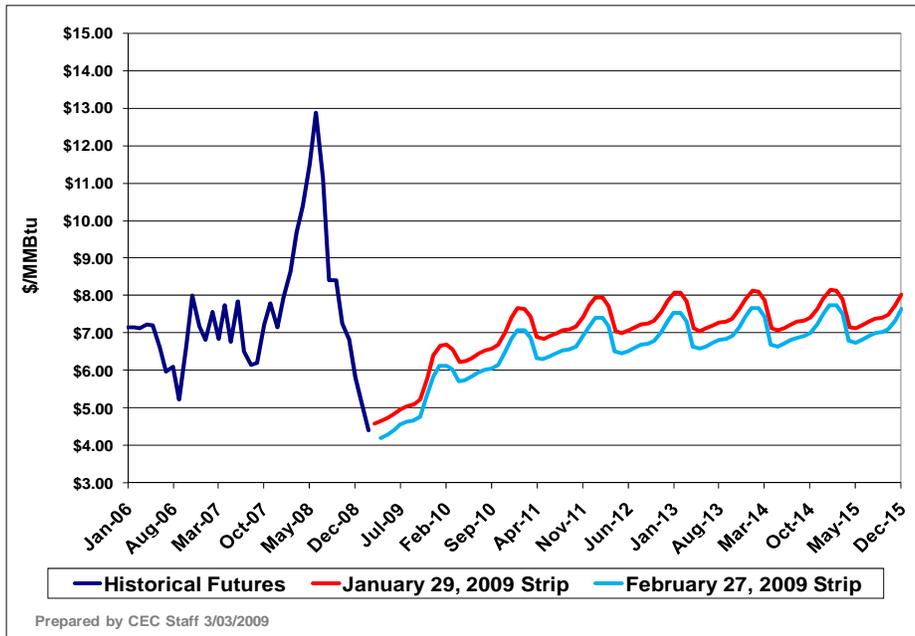


Daily Data

Feb	Topock	PG&E Citygate	PG&E Malin
2	3.82	4.62	4.22
3	4.03	4.83	4.45
4	3.95	4.81	4.44
5	3.94	4.88	4.49
6	3.71	4.80	4.38
9	4.03	4.99	4.54
10	4.08	4.96	4.54
11	3.95	4.86	4.46
12	3.92	4.82	4.41
13	3.77	4.68	4.27
17	3.66	4.46	4.05
18	3.55	4.38	3.98
19	3.54	4.39	3.97
20	3.29	4.07	3.69
23	3.43	4.26	3.87
24	3.42	4.19	3.80
25	3.37	4.20	3.79
26	3.08	4.06	3.65
27	2.97	4.02	3.62

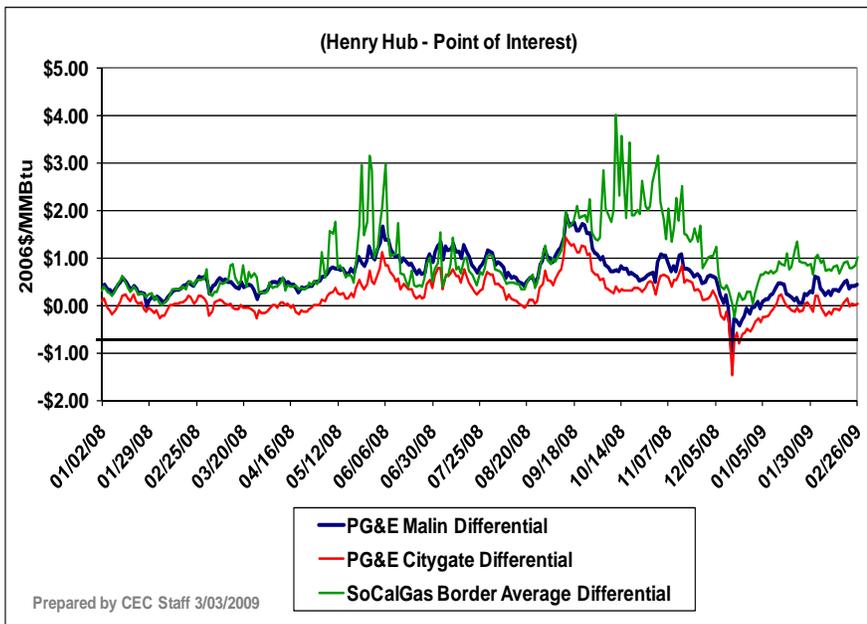
Spot prices for natural gas delivered to California's major pricing points continue to reflect the same fundamental reasons contributing to the slide in Henry Hub spot prices, and in fact California prices have fallen significantly more than prices at Henry Hub. SoCalGas Border Average prices, charted in green, fell 22.3%; PG&E Citygate prices, charted in indigo, fell 13.0%, and PG&E Malin prices, charted in pink, fell 14.2% during February 2009. As one of only four states suffering an unemployment rate that exceeded 10% in January 2009, the global recession has disproportionately hurt demand for natural gas and other goods and services in California.

Historical & Forward NYMEX Natural Gas Settlement Prices



Prices for futures strips traded February 27, 2009, on the NYMEX, charted in light blue, lost significant value from strips traded January 29, 2009, charted in red; continuing the pattern seen for most of the past six months. Driving this pattern is the plunge in historical futures settlement prices, charted in indigo, which have plummeted to about a third of their June 2008 value. As pointed out in previous issues of this report, however, prices for these strips suggest that traders continue to expect a recovery in prices through 2011.

Basis Differentials from Spot Prices at Henry Hub, Louisiana



Basis differentials at California's three major natural gas pricing points remained nearly flat for February 2009. Volatility also was low; February basis differentials at the PG&E Malin pricing point, for example, ranged from \$0.22/MMBtu to \$0.57/MMBtu, charted in indigo. Prices for natural gas at the SoCalGas Border, charted in green, continued a seven-month-long trend of the highest average discount from Henry Hub prices, at \$0.84/MMBtu.

Source Data:

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

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