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United States Natural Gas

Summary

Declining supply continues to be the driving force to higher prices for natural gas.

In both 2003 and 2004 mild weather reduced demand for natural gas and electricity. With more of the same, the supply of natural gas should not be the factor limiting the supply of electricity in 2005. The “train wreck” — inability to meet the demand for electricity — is likely to occur in 2006.

Mild weather is likely to persist for most of 2005, but it is not reasonable to expect it to last through 2006. Versus our previous work, the forecast average price was reduced by \$0.80 per MMBTU in 2005 and increased by \$0.80 per MMBTU in 2006. The fundamentals of natural gas continue to be increasing demand and declining supply.