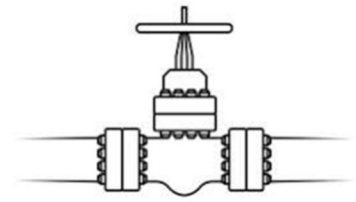


THE RNG PIPELINE-

A Monthly Newsletter Made Possible by: Raton Natural Gas



COMMUNITY & INDUSTRY NEWS

FEBRUARY 2025

NATURAL GAS EXPLAINED Factors of Natural Gas Markets

Source: eia.gov

Natural gas prices are affected by market supply and demand

Increases in natural gas supply generally result in lower natural gas prices, and decreases in supply tend to lead to higher prices.¹ Increases in demand generally lead to higher prices, and decreases in demand tend to lead to lower prices. In turn, higher prices tend to moderate or reduce demand and encourage production, and lower prices tend to have the opposite effect.

Three major supply-side factors affect prices:

- Amount of natural gas production
- Volume of natural gas in storage
- Volumes of natural gas imports and exports

Three major demand-side factors affect prices:

- Variations in winter and summer weather
- Economic growth
- Availability and prices of other fuels

Increased natural gas demand or reduced supply in the short term may cause large changes in natural gas prices, especially during the wintertime, because of infrastructure constraints or because many natural gas consumers can't switch fuels quickly.

U.S. natural gas production increased in recent years...

From 1986 through 2016, annual natural gas consumption was higher than dry natural gas production in the United States. However, dry natural gas production began increasing substantially in 2006. The gap closed in 2017 when pro-

duction exceeded consumption. Annual dry natural gas production remained higher than annual consumption through 2022. The average annual U.S. natural gas spot prices and residential prices decreased in 2009 and in most years through 2018 before increasing in 2019 and each year through 2022. The price increases were partly due to increased demand by most consuming sectors and to increased natural gas exports, especially liquefied natural gas (LNG).

Economic growth can affect natural gas demand and prices

The strength of the economy influences natural gas markets. During periods of economic growth, increased demand for goods and services from the commercial and industrial sectors may increase natural gas consumption. Economic-related increases in consumption can be particularly strong in the industrial sector, which uses natural gas as a fuel and a feedstock for making many products, such as fertilizer and pharmaceuticals.



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Winter weather strongly influences residential and commercial demand

During cold months, natural gas demand for heating by residential and commercial consumers generally increases the overall natural gas demand and can put upward pressure on prices. If unexpected and cold or severe weather occurs, the effect on prices can intensify because supply is often unable to react quickly to short-term increases in demand. The effect of weather on natural gas prices may be greater if the natural gas transmission (pipeline) system is already operating at or near full capacity. Natural gas supplies in storage can help to cushion the impact of high demand during cold weather.

Hot weather can increase electric power demand for natural gas

Unusually high temperatures can have direct and indirect effects on natural gas prices. Hot weather tends to increase demand for air conditioning in homes and buildings, which generally increases the electric power sector's demand for natural gas. During high-demand periods, natural gas prices on the spot market may increase sharply if natural gas supply sources are relatively low or constrained. In addition, increases in electric power sector natural gas consumption during the summer may lead to lower-than-normal injections of natural gas into storage, resulting in lower available storage volumes in the winter, which could affect prices.

Natural gas supplies held in storage play a key role in meeting peak demand

The volume of natural gas in underground storage fields has a large influence on overall supply. Storage helps to meet seasonal as well as sudden increases in demand, which domestic production and imports might not otherwise meet. When demand is low, storage may absorb excess domestic supply. Storage also supports pipeline operations and trading hub services. The amount of natural gas in storage typically increases in April... through October, when overall demand for natural gas is lower. However, in recent years, injections into storage have often continued into

the first half of November. Working natural gas in storage typically decreases in November through March, when withdrawals from storage increase, mostly to meet increases in natural gas demand for heating.

Competition with other fuels can influence natural gas prices

Some large-volume fuel consumers—such as power plants and iron, steel, and paper mills—can switch between natural gas, coal, and petroleum, depending on the cost of each fuel. When costs of other fuels fall, demand for natural gas may decrease, which may reduce natural gas prices. When the prices of competing fuels rise relative to the price of natural gas, switching from those fuels to natural gas may increase natural gas demand and prices. However, the capability of the U.S. manufacturing sector to switch fuels has declined in recent decades. Favorable natural gas prices in recent years have contributed to increased natural gas use by the electric power sector.

Source: eia.gov

IF YOU SMELL GAS...



Did you know that while natural gas is safe to use in your home, **a gas leak could be dangerous?**

The RNG natural gas is odorized.

RNG delivers odorized natural gas in pipelines ranging in size from 1" to 6". You can recognize a natural gas leak in several ways, including an unusual hissing noise, blowing dirt for no apparent reason, an unusual dry spot in the ground or dead vegetation for no apparent reason, bubbling water, and frozen ground in warm weather.

If you ever smell natural gas inside or outside your home, leave the area immediately! Then from a safe distance, call 911 and then call Raton Natural Gas Company at 575.447.0088.

RNG is available 24 hours a day every day of the year at 575.447.0088. We'll investigate and let you know when it's safe to return.

Raton Natural Gas Company
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