

Pacific Southwest Natural Gas Price Forecast

The Pacific Southwest (PSW) natural gas price forecast (Table 1) is based on the assumptions that the long-term equilibrium annual price for gas delivered to pipeline at Ignacio, Colorado, in the San Juan Basin is \$1.23/MMBtu (1994 dollars), and that prices will reach that level around 2005. The price for 1995, \$1.13/MMBtu, was determined from recent actuals. The annual forecasts for 1996 through 2001 were calculated to be the sum of 75 percent of the price in the previous year and 25 percent of the long-term equilibrium price. For comparison purposes, Table 1 also shows the Wharton Economic Forecasting Associates' (WEFA) Fall/Winter 1995 forecast for the price of natural gas delivered to pipeline in the San Juan Basin.

BPA's annual forecast was distributed into a monthly forecast (Table 2) by using monthly factors that were calculated based on the WEFA monthly forecast for San Juan Basin natural gas prices. A transportation charge of \$0.20/MMBtu (1994 dollars) was added to the monthly delivered-to-pipeline price at Ignacio to derive the price to the California border at Topock. In Table 2, BPA's monthly forecast of natural gas prices begins with May 1996. Actual natural gas prices reported for Ignacio and Topock are reflected for October 1995 through April 1996.