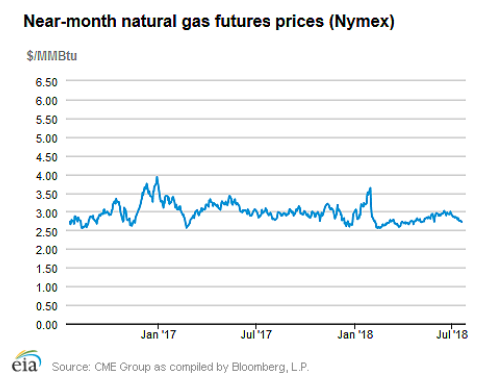
ADVANTAGE | ENERGY PARTNERS

Tuesday, July 24th, 2018

GENERAL UPDATE



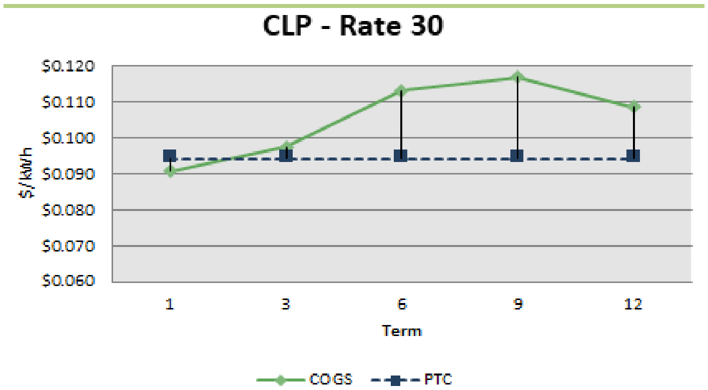
- Financial gas markets were essentially unchanged. The August 2018 contract added $0.01 to close the week at $2.76/MMBtu.
- Physical spot gas prices were mixed. At the Chicago Citygate prices slipped $0.09, about 3.3%, to $2.66/MMBtu. The price at SoCal Citygate shot up $4.47, a staggering 97%, to $9.07/MMBtu. Prices have increased $5.36 since July 4th due to high temperatures and continued delivery restraints in the Southern California area. Prices at PG&E Citygate added $0.03 (about 1%) to $2.96/MMBtu.
- At the Algonquin Citygate, serving the Boston area, prices ticked just $0.01 higher (less than 0.5%) to $2.71/MMBtu. Transco Zone 6, NYC, prices fell $0.09 (3%) to $2.83/MMBtu.
- Prices moved higher in the Mid-Atlantic. Tennessee Zone 4 Marcellus prices traded $0.16 (7.6%) higher to close at $2.25/MMBtu. Prices at Dominion South increased $0.20 (9.2%) to $2.37/MMBtu yesterday.

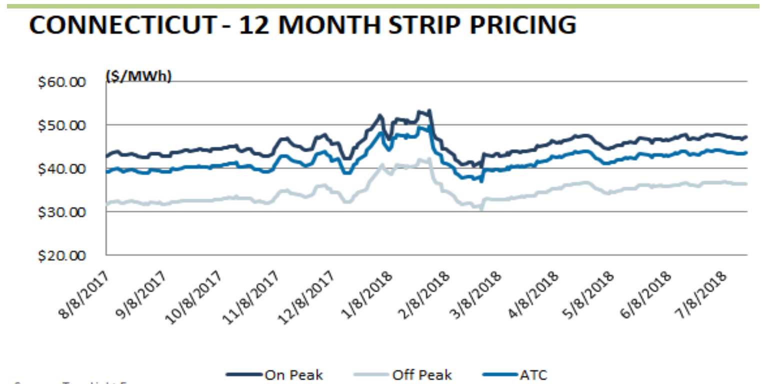
POWER

- With ERCOT on the tail end of a powerful heat wave, forward curves have responded to heat notably, resulting in broad price gains across all zones. For the Houston zone, the 12-month ATC strip rose $7.70 to end the week at $46.49, an increase of 19.85%. The 24-month ATC strip also rose $3.77 to end the week at $41.95, a 9.9% gain. Price gains were limited to the near months, as the Calendar 2019 ATC Strip for Houston lost $0.12 to end the week at $37.45/MWh, a minor movement of 0.3%.
- There were minimal changes in PJM curves throughout the week. The 12-month ATC strip for COMED inched up $0.02 to $29.03. The 24-month ATC strip for COMED saw some larger movement, slipping $0.09 (0.3%) to $28.30. The Cal 2019 ATC strip for COMED baked in the drop as well, falling $0.10 (0.3%) to $27.99/MWh.
- In New England's NEMASS zone the 12-month ATC strip rose $0.26 (0.7%) to $44.22. The 24-month curve added $0.11 to $43.78 and the Cal 2019 term added $0.09 to $43.14/MWh; each of these increases was less than 0.5%.
- NYISO forward pricing tended to drop in the Western zones, while increasing slightly in the Eastern zones. On the 12-month ATC strip, the West zone saw a notable drop of $0.35 (1%) to $32.53. The 24-month ATC West strip fell by a larger margin of $0.61 (1.9%) to $31.57, while the Cal 2019 ATC West strip saw a more muted loss of $0.33 (1%) to $31.10/MWh.

UTILITY HIGHLIGHT

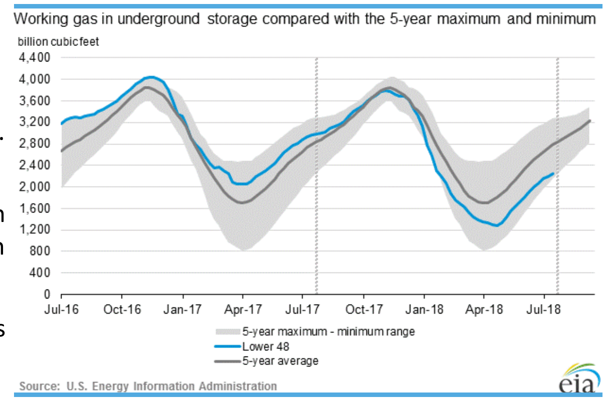
ISONE › CT › CLP





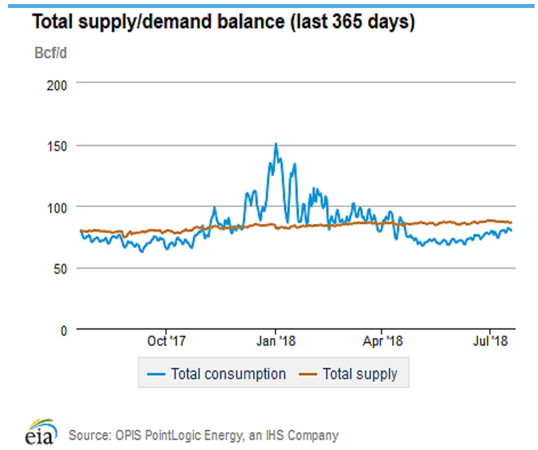
- The current Price to Compare (PTC) for Connecticut Light & Power (CLP), now Eversource, Small Commercial rate class (Rate 30) is $0.09422/kWh, effective July 1, 2018 through December 31, 2018.
- This PTC is a 1.27% increase from the previous price period PTC of $0.09304/kWh for January 1, 2018 to June 30, 2018.
- Over the last week, the CLP ATC 12-month strip was relatively flat, increasing by approximately 0.62% to finish at $43.75/MWh. The strip has decreased slightly from $44.16/MWh, less than 1%, since last reported 3 weeks ago on July 3, 2018.
- Since the beginning of the year, the ATC strip has reached a high of $49.72/MWh on Jan 30, 2018 and a low of $37.09/MWh on Feb 27, 2018 and has traded between $39.52/MWh and $44.18/MWh since March 1, 2018.

NATURAL GAS



- For the week ending July 13, EIA reported net injections into storage of +46 Bcf. Estimates of weekly change ranged from 44 to 65 Bcf, with a median of 56 Bcf.
- This injection continues the trend of being below the 5-year average, 62 Bcf in this case. Working gas totaled 2,249 Bcf, which is 535 Bcf, or 17%, lower than the 5-year average and 710 Bcf lower than last year.
- We are on pace to end refill season lower than the 5-year range due to injections averaging approximately 17% lower than the 5-year averages.

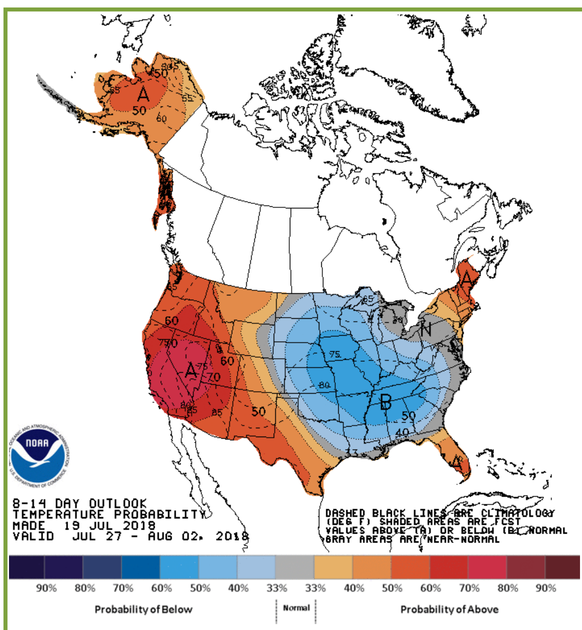
SUPPLY & DEMAND



- Overall average supply of natural gas fell by 1% week over week. Dry gas production decreased 1% while average net imports from Canada rose 2%.
- Increase in natural gas used for power burn, 9% week over week, drove overall increase in demand of approximately 4%. Industrial sector consumption dropped 1%, while commercial and residential consumption declined 6%. Imports to Mexico also dropped, decreasing 3% from the previous week.
- LNG vessels with 21.7 Bcf of carrying capacity departed the US during the week of July 12 through July 18, all departing from Sabine Pass.
- Kinder Morgan announced delays in commissioning its new Elba Island liquefaction facility, from Q3 2018 to Q4 2018.

MARKET INTELLIGENCE

- ERCOT experienced record-high price spikes last week due to the lingering heatwave and continued tight reserves. A new all-time system-wide peak demand record was set the afternoon of July 19th between 4 and 5pm. Peak demand topped at 73,259 MW, the first time the system has ever seen above 73,000 MW. The forecast for yesterday, July 23, 2018, was projected to be even higher than records set last week, however did not come to fruition.
- A hot topic of debate in the US House of Representatives is a new bill introduced by Representative Carlos Curbelo to create a $24/mt tax on carbon dioxide emissions as well as place restraints on the US Environmental Protection Agency's regulation of greenhouse gas emissions under the Clean Air Act. Though this bill is projected to cut emissions 30-40% from 2005 levels by 2030, it is unlikely to win favor in the Republican-controlled House. However the legislation has gained a small following among Republicans, which for many has signified a subtle shift in the party's traditional stances on climate politics.



http://www.cpc.ncep.noaa.gov/products/predictions/814day/814temp.new.gif

WEATHER

- Temperatures in the Lower 48 states averaged 76°F, 1° higher than normal and 1° lower than last year.
- The extreme heat hangs on in Texas, but should wrap up this week as the pattern shifts to the Southwest and up the West coast where conditions will approach record levels for this summer season. The system meets a low-pressure cool front in the middle of the country, bringing along with it below normal temperatures that extend eastward into the Appalachians.
- An upper low system creeps into the Great Lakes area helping keep temperatures below normal. A thin strip of above normal temperature hits the Northeast as a Bermuda high pattern brings warmth and humidity to the East coast. A hefty dose of above normal precipitation is also expected to hit the Mid-Atlantic, keeping the temperatures in the region around normal.
- As the heat passes away from the west, things will remain above normal but the anomalies should ease off and chances for West coast rain will increase.