

GENERAL UPDATE

- Financial gas markets trade higher, with the October 2018 NYMEX contract increasing \$0.11 (3.9%) to expire at \$3.021/MMBtu on September 26, 2018. The contract for November 2018 rose \$0.10 (3.5%) to \$2.980/MMBtu.
- Physical gas spot prices were mixed. Boston's Algonquin Citygate increased \$0.32 (11%) to \$3.23/MMBtu. Transco Zone 6 NYC decreased \$0.16 (-5.3%) to \$2.85/MMBtu.
- Tennessee Zone 4 also decreased, falling \$0.85 (-33.3%) to \$1.70/MMBtu. Dominion South, serving southwest Pennsylvania, decreased \$0.41 (-16%) to \$2.16/MMBtu. Chicago Citygate prices fell \$0.11/MMBtu (-3.6%) to \$2.89/MMBtu.
- SoCal Citygate prices decreased \$0.88 (-19.2%) to finish at \$3.70/MMBtu last week due to the fact that SoCal natural gas inventories were close to the maximum allowable capacity 83 Bcf. Prices at Northern California PG&E Citygate increased \$0.19 (6.1%) to \$3.28/MMBtu.

Near-month natural gas futures prices (Nymex)



Source: Natural Gas Intelligence

POWER

- After a couple weeks of consistent price gains, especially on the winter 2019 portion of the forward curve, Northeast prices generally stayed flat or experienced a slight decrease. For the NEMASSBOST zone in ISONE, the 12 Month ATC strip decreased \$0.09 (-0.2%) to \$48.87. The 24 Month ATC strip increased by a slight \$0.04 (0.1%) to \$47.38 while the Cal 2019 ATC strip increased a notable \$0.49 (1%) to \$48.02/MWh.
- For NYISO Zone J, the 12 Month ATC strip decreased \$0.50 (-1.1%) to \$43.95. The 24 Month ATC strip also decreased, dropping \$0.21 (-0.5%) to \$43.05, while the Cal 2019 ATC strip decreased by \$0.04 (-0.1%) to \$43.06/MWh.
- Price movement in PJM was similar to that in NYISO – generally trending downwards with more movement in the front portion of the curve. For the PEPCO zone, the 12 Month ATC strip decreased \$0.31 (-0.8%) to \$40.63. The 24 Month ATC strip decreased \$0.10 (-0.3%) to \$39.23, while the Cal 2019 ATC strip decreased \$0.07 (-0.2%) to \$39.64/MWh.
- ERCOT generally saw prices trend higher with gains on both summer and winter strips as concerns of a continually tight supply stack continue to drive up the forward curve. For the Houston zone, the 12 Month ATC strip increased a notable \$0.91 (2.2%) to \$42.60. The 24 Month ATC strip increased \$0.39 (1%) to \$40.20, while the Cal 2019 ATC strip slipped \$0.01 (<0.05%) to \$41.44/MWh.

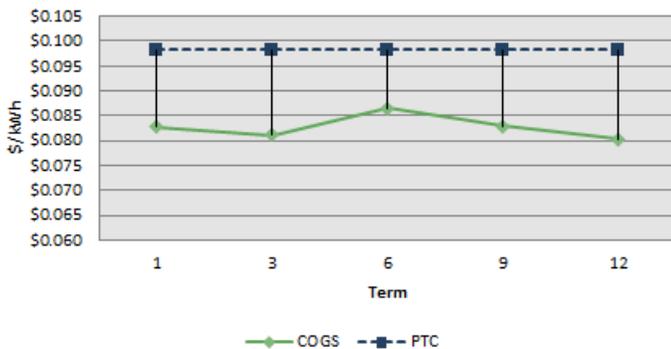
UTILITY HIGHLIGHT

PJM

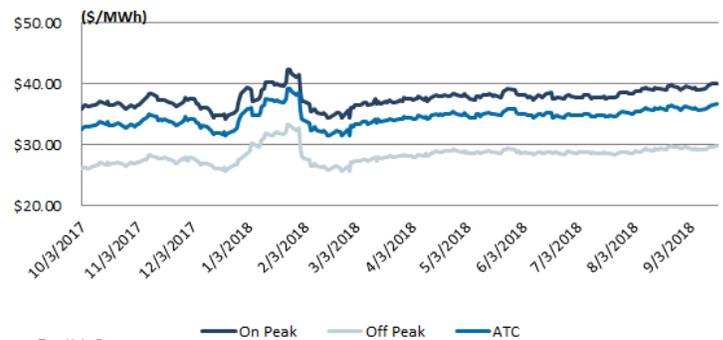
MD

POTED

POTED - GSCS



POTED - 12 MONTH STRIP PRICING



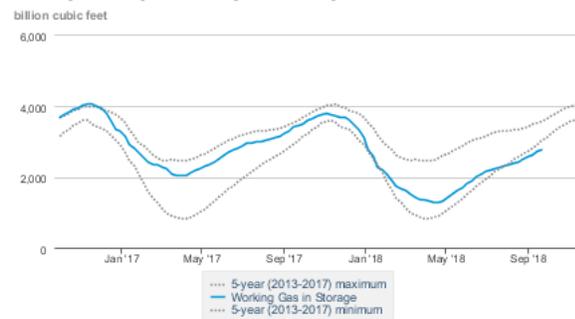
- The current Price to Compare (PTC) for Maryland's Potomac Edison (POTED) General Service Small Commercial Type I 0-700 kWh and >700 kWh calculated blend rate class (GSCS) is \$0.09820/kWh for the current price period which started October 1, 2018.

- Over the last week, the POTED ATC 12-month strip has a slight decrease of 0.3% to finish at \$37.33/MWh.
- Since June 1, 2018, the strip has traded between \$34.36/MWh and \$37.62/MWh, which was reached Thursday September 20, 2018.

NATURAL GAS

- For the week ending September 21, the EIA reported net injections into storage of +46 Bcf, which is lower than last report's +86 Bcf for the week ending September 14.
- Working natural gas stocks totaled 2,768 Bcf, which is 621 Bcf (22.4%) lower than last year's level and 690 Bcf (24.9%) lower than the five year average for the same week.
- For the January 2019 futures contract, working gas stocks continue to trade at a lower premium, averaging at \$3.02/MMBtu which is \$0.06/MMBtu higher than the spot price. Last year at this time, the January 2019 contract was \$0.31/MMBtu higher than the spot price.

Working natural gas in underground storage

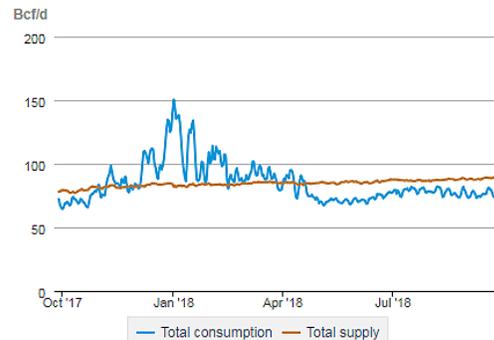


Source: Form EIA-912, "Weekly Underground Natural Gas Storage Report"

SUPPLY & DEMAND

- The EIA reported that the average total supply of natural gas was unchanged week/week as gains in production (+1%) offset declines in imports (-2%).
- Total U.S. consumption of natural gas fell 2% week/week as demand for power generation dropped 10% under cooler weather. Consumption in both the industrial sector (+2%) and residential-commercial sector (+22%) saw gains week/week, while natural gas exports to Mexico decreased 2%.
- LNG exports were flat week/week with five LNG vessels, totaling 18.4 Bcf, departing from US ports.

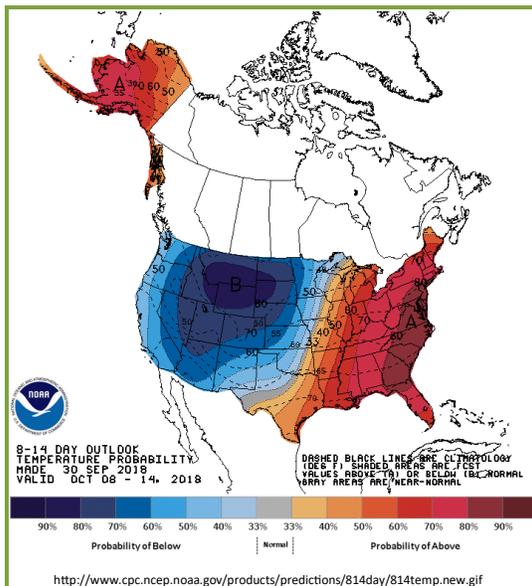
Total supply/demand balance (last 365 days)



Source: OPIS PointLogic Energy, an IHS Company

MARKET INTELLIGENCE

- Since the U.S. became an annual net natural gas exporter in 2017 for the first time in nearly 60 years, it has more than doubled export levels for the first half of 2018. For January through June 2018, net natural gas exports averaged 0.87 Bcf/day, compared to the 2017 average of 0.34 Bcf/day. This is largely due to multiple new liquefied natural gas (LNG) facilities in operation or under construction and scheduled to begin service by the end of 2019. Net natural gas exports are projected to average at 2.0 Bcf/day for 2018 and 5.8 Bcf/day for 2019.
- Wholesale electricity prices in the western U.S. were the highest they have been since 2008 for the summer of 2018 due to record-high temperatures and supply constraints amidst ongoing maintenance. California reached a new record high for monthly statewide average temperature in July, totaling 79.7 degrees and surpassing the previous record set in 1931. This in turn led to increased demand for electricity, causing CAISO to issue a Flex Alert asking customers to restrain their usage on July 24th and 25th. CAISO's average peak-period electricity prices for July reached \$101/MWh. A notable increase in natural gas fuel costs also contributed to high electricity prices, with SoCal Citygate averaging \$39/MMBtu on July 24, compared to the normal average of \$8/MMBtu. Solar generation is a potential remedy for the western U.S. to mitigate this volatility.



WEATHER

- Strong ridging takes hold of the east, resulting in high probability of above normal temperatures across the entire eastern half of the lower 48. These final remnants of summer appear locked in throughout the Mid-Atlantic as the likelihood of anomalously high temperatures drops off out into the Midwest and Plains.
- A deep trough of cooler Canadian air drops down from Canada to provide below normal conditions to the entire western half of the lower 48. A high probability of below normal temperature is locked in for the Northern Rockies and most of the West, with less aggressive anomalies more likely to take place along Pacific coast.
- Most of the lower 48 is expected to see above normal precipitation, with the lone spot of dry air taking hold of the Pacific Northwest extending down into central California.

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