

GENERAL UPDATE

- The January 2019 contract price decreased \$0.23 (4.9%) to finish the week at \$4.469/MMBtu.
- Physical gas spot prices experienced overall increases this past week. Boston's Algonquin Citygate prices rose by \$0.98 (16.4%) to \$6.96/MMBtu, with a particularly notable spike up to \$11.06/MMBtu on Monday, December 3 as a cold front took hold over the Northeast. Transco Zone 6 NYC increased \$0.46 (10.2%) to \$4.99/MMBtu, reaching a high of \$6.03/MMBtu last Tuesday.
- Tennessee Zone 4 Marcellus prices increased just \$0.06 (1.4%) to \$4.33/MMBtu. Dominion South, serving southwest Pennsylvania, increased \$0.08 (2%) to \$4.29/MMBtu.
- SoCal Citygate saw notable price fluctuations due to chilly temperatures and supply constraints, jumping \$2.69 (36.6%), to \$10.03/MMBtu. Prices at Northern California PG&E Citygate decreased \$0.26 (-3.9%) to \$6.45/MMBtu. PG&E did, however, reach a high of \$13.63/MMBtu on Friday, November 30.

Near-month natural gas futures prices (Nymex)



Source: CME Group as compiled by Bloomberg, L.P.

POWER

- Early last week, ERCOT announced its anticipated 8.1% reserve margin for the 2019 summer. This indicates tighter reserve capacity than last summer (10.9%) and suggests increased energy price volatility year/year. As a result, forward strips in ERCOT traded higher: The 12 Month ATC strip for the Houston zone increased \$0.54 (1.1%) to \$49.22, the 24 Month ATC strip increased \$0.52 (1.2%) to \$44.02 and the Cal 2019 ATC strip increased \$0.59 (1.2%) to \$48.17/MWh.
- Price volatility was not limited to ERCOT – after two weeks of a bearish market, forward prices in northeast markets experienced gains throughout the week. For the NEMASSBOST zone in ISONE, the 12 Month ATC strip increased \$0.81 to \$51.05 (1.6%), the 24 Month ATC strip increased \$0.47 (1%) to \$49.22, and the Cal 2019 ATC strip increased \$1.40 (2.8%) to \$51.49/MWh.
- For the N.Y.C. zone in NYISO, the 12 Month ATC strip increased \$1.25 (2.7%) to \$46.90. The 24 Month ATC strip increased \$0.89 (2%) to \$44.45, while the Cal 2019 ATC strip increased \$1.44 (3.2%) to \$46.77/MWh.
- For the PEPCO zone in PJM, the 12 Month ATC strip increased \$0.92 (2.1%) to \$44.33, the 24 Month ATC strip increased \$0.77 (1.9%) to \$41.84, and the Cal 2019 ATC strip increased \$1.10 (2.6%) to \$43.87/MWh.

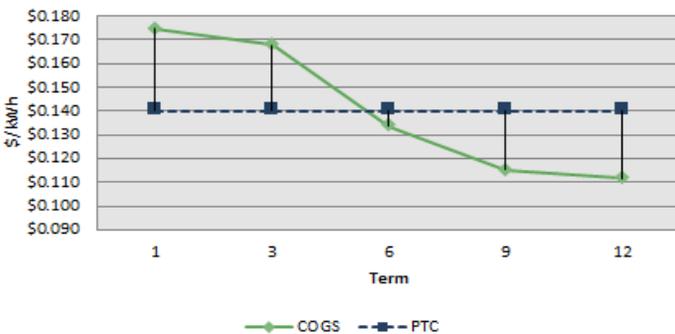
UTILITY HIGHLIGHT

ISONE

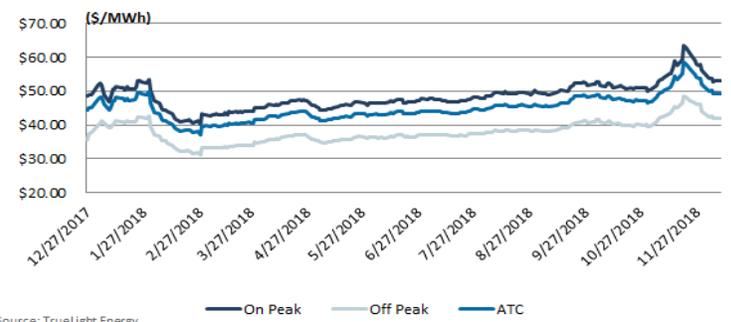
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NARRAG

NARRAG G02



RHODEISLAND - 12 MONTH STRIP PRICING

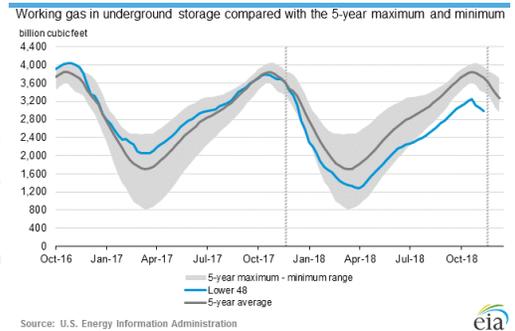


- The current Price to Compare (PTC) for Rhode Island's Narragansett Electric Company, d/b/a National Grid, General C&I - Fixed Price Option (G02) is \$0.1188/kWh for the October 1, 2018 to March 31, 2019 price period.

- The RHODEISLAND ATC 12-month strip has come back down from price spikes in November, with prices decreasing 1.8% since the beginning of December to \$49.40/MWh yesterday.
- In the past 3 months, the strip has traded between \$45.84/MWh and \$58.50/MWh, a new high for this year which was reached Tuesday, November 20.

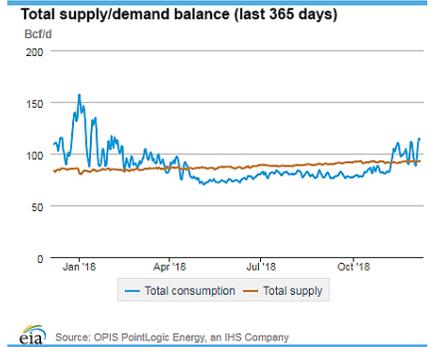
NATURAL GAS

- For the week ending November 30, the EIA reported net withdrawals from storage of 63 Bcf, which is significantly higher than last year's net withdrawals of 3 Bcf for this week and also higher than the 2013-2017 average net withdrawals of 58 Bcf.
- Working natural gas in storage totaled 2,991 Bcf, which is 704 Bcf (-19.1%) lower than last year's level and 725 Bcf (-19.5%) lower than the five year average of 3,716 Bcf.
- The January 2019 futures contract price is trading at a discount to the average spot price, creating incentive for withdrawals. NYMEX future prices averaged at \$4.47/MMBtu which is \$0.10/MMBtu higher than the spot price.



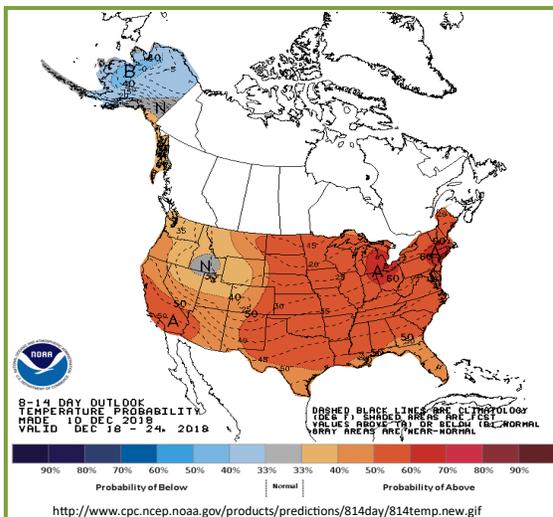
SUPPLY & DEMAND

- The EIA reported that the average total supply of natural gas was flat week/week, averaging 92.7 Bcf/d. Dry natural gas production also remained constant while net imports from Canada decreased 1%.
- Total U.S. consumption of natural gas fell by 1% week/week on the back of lower industrial (down 1%) and res-com sector (down 4%) demand. Demand from power burn increased 2% while natural gas exports to Mexico decreased 1%.
- LNG Exports increased week/week with eight vessels totaling 27.9 Bcf departing from U.S. ports.



MARKET INTELLIGENCE

- Prices for US natural gas, the primary space heating fuel for nearly half of all US households, experienced higher than expected spikes on the back end of November 2018. Henry Hub natural gas spot prices peaked on November 23 at \$4.70/MMBtu, which is the highest price since a brief run-up in January 2018, and prior to that, since June 2014. This surge in prices is due mainly to the record-breaking cold temperatures, with the National Oceanic and Atmospheric Administration reporting that heating degree days (HDD) in November totaled 14% higher than the 10-year (2008–2017) average. Although prices have since fallen for December, they continue to remain above average for the past four years.
- The Texas Senate Committee On Business & Commerce has published an Interim Report to the 86th Legislature, encouraging that "to advance the accountability and transparency of Texas' largest municipal utilities who operate under the direct control of their city governments, a competitive threshold should be established in PURA for those municipal utilities reaching a service threshold of 200,000 customers or more. These customers should have a mechanism for appeal to the PUC for review of their bundled (fuel cost, transmission and distribution, and retail) rates." The Committee also stated in the report that "city governments owning large scale utilities have a discernable incentive to pass as much utility revenue through to city coffers as possible. These revenues can be used to fund policy initiatives completely outside the scope of the efficient operation of the utility or the affordability of the electricity they supply." The report resolves that these and other conflicts of interest can be avoided with the dismantling on the State Power Program and introduction of a competitive threshold for large Munis and Co-ops.



WEATHER

- Widespread warmth is expected across the entirety of the lower-48 as the "Blue Alaska", referring to the low-pressure centered on Alaska and western Canada, has arrived in full picture. This setup allows ridging to take place across the mainland, bringing above normal temperatures which are expected to linger on the east coast until at least Christmas when the Alaskan ridge begins to rebuild.
- Precipitation is expected to be above normal across most of the lower-48 with the southwest corner of the country being the lone exception. All of California, Nevada, and Arizona are expecting normal-to-below normal precipitation levels throughout the 8-14 day window, which is generally a continuance of the drier conditions persisting in the region for the 6-10 day window.

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