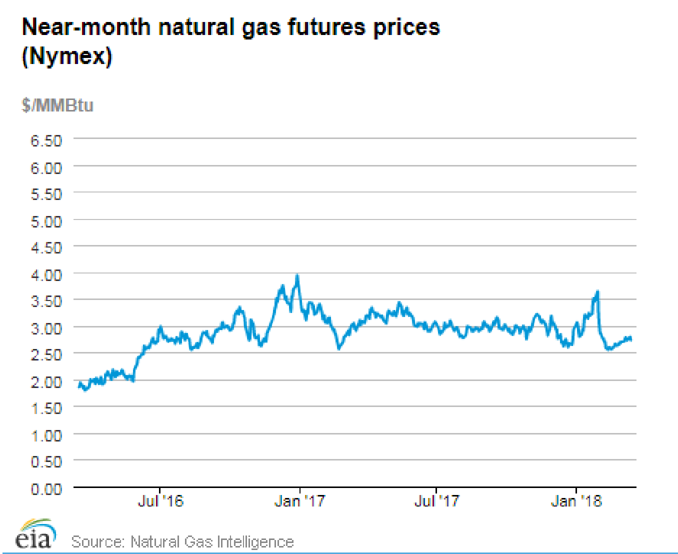
GENERAL UPDATE

- Financial gas markets edged lower, with the April 2018 futures contract falling $0.05/MMBtu, about 2%, to close the week at $2.68/MMBtu.
- Physical spot prices were mixed, depending on local temperatures and demand conditions. At the Chicago Citygate, prices fell $0.11 to $2.53/MMBtu.
- The price at SoCal Citygate jumped $0.45 to $3.42/MMBtu; Southern California Gas Company (SoCalGas) issued a critical notice that demand in Southern California was expected to increase with colder weather. Prices at PG&E Citygate slipped $0.03 to $2.83/MMBtu yesterday.
- At the Algonquin Citygate prices rose $1.65 to $5.85/MMBtu. Transco Zone 6 prices fell $0.26 to $2.83/MMBtu. Tennessee Zone 4 prices increased $0.13 to $2.39/MMBtu, while prices at Dominion South added $0.18 to $2.48/MMBtu.

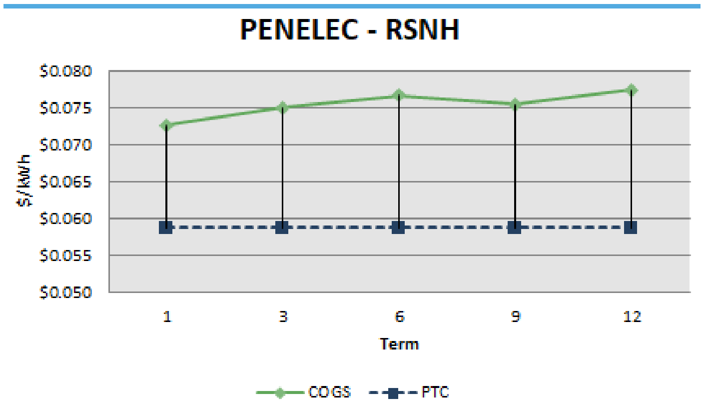


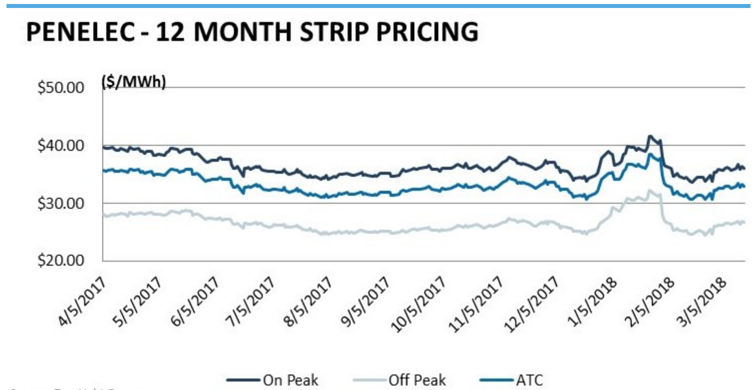
POWER

- In ERCOT's Houston load zone, the 12-month ATC strip fell $1.90/MWh; the 24-month curve dropped $1.30, and the calendar 2019 term fell $0.75/MWh.
- PJM curves were also lower. In the COMED load zone, the 12-month ATC strip lost $0.50/MWh; the 24-month term fell $0.30, while the calendar 2019 term dropped $0.05/MWh. In major PJM East zones, 12-month ATC curves fell $0.25, 24-month terms lost $0.10, and the calendar 2019 curves added $0.05/MWh.
- Northeast curves were mixed. In the NEMASS load zone the 12-month ATC term rose $0.30, the 24-month strip added $0.05 and the calendar 2019 curve fell $0.20/MWh. New York's Zone J prices dropped $0.20 for the 12-month strip. The 24-month curve gave up $0.15, and the calendar 2019 term slipped $0.05/MWh.

UTILITY HIGHLIGHT

PJM › PA › PENELEC

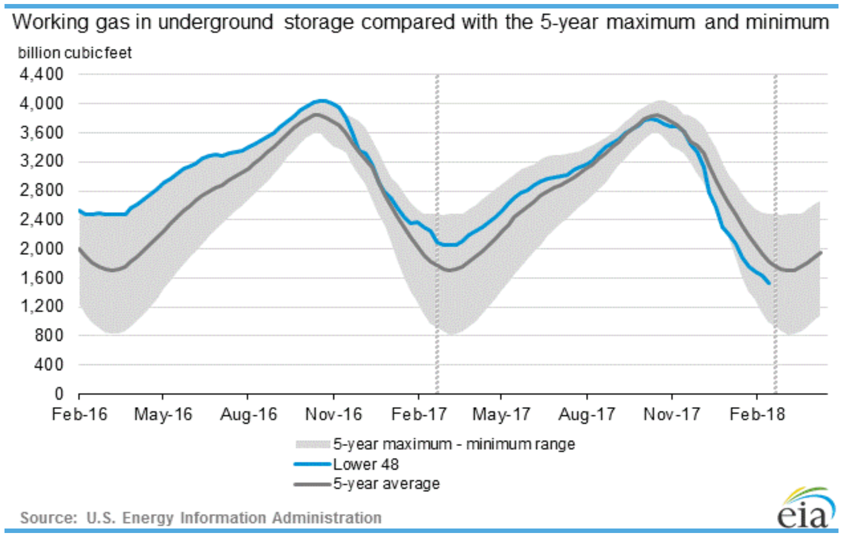




- The current Price to Compare (PTC) for Pennsylvania Electric Co (PENELEC) Residential Non-Heating Service rate class is $0.05878/kWh for the current price period of March 1st 2018 to May 31st, 2018. This is an approximate 12.8% decrease from the previous PTC of $0.06742/kWh for the previous December 1st 2017 to February 28th, 2018 price period. Headroom is unlikely at the 1, 3, 6, 9, and 12 month terms.

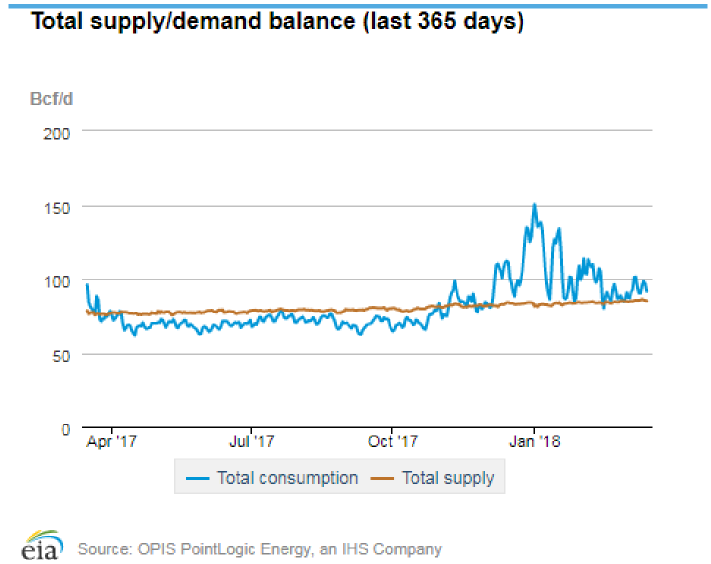
- The rolling 12-month ATC curve in PJM's PENELEC load zone traded $0.35/MWh for the week to close at $32.94, a gain of about 1%.
- Coming off a recent period of extra volatility, especially in late February, the curve is up roughly 7.5% in the last 30 days, but still down more than 3% for 2018. In fact, the forward strip set a new 52 week low in less than 30 days. The curve topped out at $38.39/MWh on January 25th, then sank more than $7.70/MWh (about 20%) to bottom out at $30.67/MWh on February 16th.

NATURAL GAS

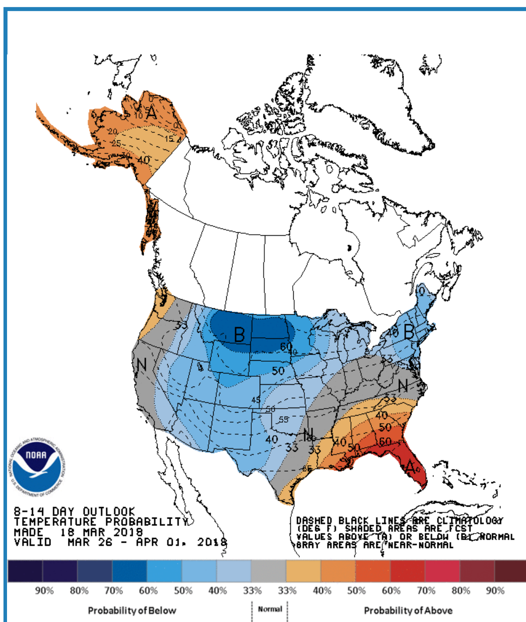


- The EIA reported that net withdrawals from storage reached -93 Bcf for the week ending March 9, which failed to match both the 5-year average (-97) and the consensus estimate (-99), but comfortably surpassed both last week's withdrawal (-57) and the report for the prior year (-55). Working gas stocks hit 1,532 Bcf, 296 Bcf (16%) below the 5-year average and 718 Bcf (32%) lower than last year.
- At their current pace, it appears that working gas storage will end the 2017-2018 season at the second-lowest level since 2010. The 2010 heating season was the lowest on record, followed by the winter of 2013-2014, which introduced the public to the Polar Vortex; 2017-2018 looks ready to take 3rd place.
- If withdrawals track the 5-year average pace, gas stocks will reach 1,406 Bcf by March 31, 2018, which is about 17% under the 5-year average.

SUPPLY & DEMAND



- Natural gas supply rose week over week on the strength of higher Canadian imports. Average total supply of natural gas rose 1%. Dry gas production was unchanged while net imports from Canada rose 13%.
- With colder temperatures in many parts of the country, total consumption of natural gas rose 5%. Power burn demand increased 4%, industrial use rose 2% and residential/commercial consumption jumped 9%. Mexican exports fell 1%.
- LNG exports fell slightly for the week. Four vessels carrying roughly 14.8 Bcf left the Sabine Pass terminal last week. The new Dominion Energy Cove Point facility (in the Chesapeake Bay) loaded its first cargo on March 1. It is on its way to the Dragon import terminal in the United Kingdom.



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

WEATHER

- Temperatures in the Lower 48 states averaged 43°F, 1° above normal, 1° lower than last year and 2° lower than last week.
- The calendar says spring starts this week, but some of the country may not get the message just yet. We will see heavy precipitation in the Northeast and Mid-Atlantic with below normal air for more than half of the country; only the South is trending above normal for the 6-15 day timeframe. The anomalies to normal patterns will be weak, but are definitely on the colder side of the equation. Rain and snow patterns are busy, well-formed and moving slowly.
- As we get into the end of March and beginning of April, the below normal pattern lingers, but the seasonal norms continue to edge higher bringing more comfortable temperatures. As they rise, the strength of existing and potential storm systems will follow suit. Look for above average rain in the Southeast and Texas, with a follow-on track that takes them into the Great Lakes and the Northeast. Don't rule-out more spring snow for the Northern latitudes.