



GENERAL UPDATE

- Financial gas markets traded marginally higher. The NYMEX Henry Hub futures contract for September 2018 delivery rose \$0.05/MMBtu, roughly 2%, to close the week at \$2.78/MMBtu.
- Physical spot gas prices were generally higher. At the Chicago Citygate prices added \$0.03, about 1.13%, to \$2.69/MMBtu. Prices at SoCal Citygate are still on the rise, jumping another \$5.95, 65.6%, from \$9.07/MMBtu to \$15.02/MMBtu. Prices for the Southern California area topped out at \$39.24/MMBtu this past Monday July 23, 2018, which is the highest nominal price the EIA has reported since its beginnings in 2008. High temperatures and continued delivery restraints are to blame. Prices at PG&E Citygate, serving the Northern California area, only added \$0.21 (about 7.09%) to \$3.17/MMBtu.
- At the Algonquin Citygate, serving the greater Boston area, prices traded \$0.11 higher (4.06%) to \$2.82/MMBtu. Transco Zone 6, NYC, prices increased \$0.05 (1.76%) to \$2.88/MMBtu.
- Prices moved slightly higher in the Mid-Atlantic. Tennessee Zone 4 Marcellus prices ticked \$0.01 higher (>0.5%) to close at \$2.26/MMBtu. Prices at Dominion South, Pennsylvania, increased \$0.04 (1.69%) to \$2.41/MMBtu yesterday.
- While Texas has been experiencing record heat, gas prices were steady; prices at the Houston Ship Channel actually dipped \$0.04 (1.4%) to \$2.85/MMBtu yesterday. The Texas market is well supplied even during high demand scenarios.

Near-month natural gas futures prices (Nymex)



POWER

- Power forward prices traded sharply lower in ERCOT, but traded modestly higher in the other major ISOs.
- The 12-month ATC strip in ERCOT's Houston zone plunged \$12.35 (26%) to close the week at \$34.91. The 24-month strip dropped \$6.75 (16%) to \$35.62. The calendar 2019 term lost \$0.95 (2.5%) to \$36.45/MWh.
- In PJM's COMED zone, the 12-month ATC curve rose \$0.45 (1.5%) to \$29.33. The 24-month ATC strip added \$0.30 (1%) to \$28.46, and the calendar 2019 strip rose \$0.30 (1%) to \$28.22/MWh. The 12 and 24-month ATC strips in the PEPCO DC zone both rose \$0.40 (about 1%) to \$38.95 and \$37.8728.46, respectively. The calendar 2019 term rose \$0.45 (1.2%) to close at \$37.63/MWh.
- The 12-month ATC curve in the NEMASS load zone rose \$0.50 (1.1%) to \$45.01. The 24-month and calendar 2019 strips each added \$0.40 (about 1%) to close at \$44.40, and \$43.83, respectively. In New York's Zone J, the 12-month ATC strip rose \$0.50 (1.2%) to close at \$41.37. The 24-month and calendar 2019 curves traded \$0.40 (1%) higher to end the week at \$40.74 and \$40.17/MWh, respectively.

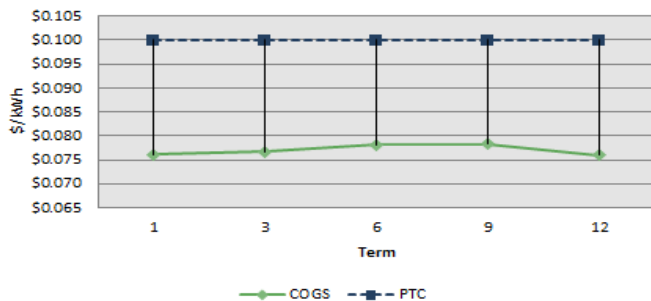
UTILITY HIGHLIGHT

PJM

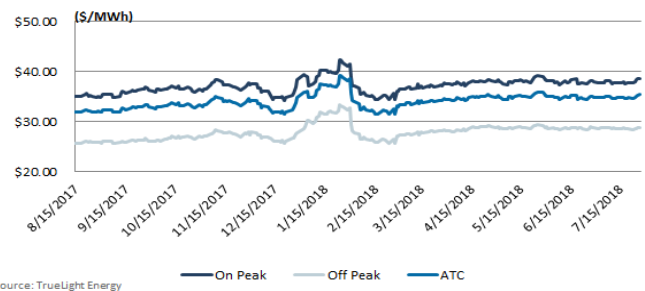
MD

POTED

POTED - GSCS



POTED - 12 MONTH STRIP PRICING



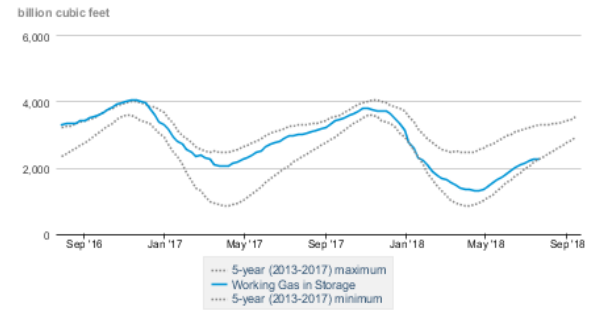
- The current Price to Compare (PTC) for Maryland's Potomac Edison (POTED), General Service Small Commercial Type I 0-700 kWh and >700 kWh calculated blend rate class (GSCS) is \$0.09997/kWh, which is effective starting August 1, 2018. This PTC is projected to increase 3.94% to \$0.10391/kWh starting on the 1st of September, 2018.
- Headroom has shifted since POTED PTC was last reported on July 10, 2018, with the 1 month term increasing 2.85% from \$0.02318/kWh to \$0.02384/kWh and the 3 month term falling 2.19% from \$0.02375/kWh to \$0.02323/kWh.
- Headroom is likely available at all the 1, 3, 6, 9, and 12 month terms.
- Over the last week, the POTED ATC 12-month strip experienced a slight increase of 2.08%, finishing at \$35.37/MWh.
- Since the beginning of the year, the ATC strip has reached a high of \$39.29/MWh on Jan 24, 2018 and a low of \$31.50/MWh on Feb 16, 2018. Since March 1, 2018, the strip has traded between \$33.04/MWh and \$35.89/MWh, which was hit May 25, 2018.



NATURAL GAS

- For the week ending July 20, EIA reported net injections into storage of +24 Bcf which is well below the five-year average injection for this week (+46 Bcf), though slightly above last year's +19 Bcf injection for the this week.
- This injection continues the trend of a weak injection season with working natural gas stocks, totaling 2,273 Bcf, being 705 Bcf, or 24%, below the year-ago level and 557 Bcf, or 20%, lower than the five-year average for this week.
- Working gas stocks remain on pace to end refill season (October 31, 2018) lower than the five-year range. Despite the weak storage conditions, Natural Gas futures are trading at a lower premium to the average spot price than last year at this time.

Working natural gas in underground storage

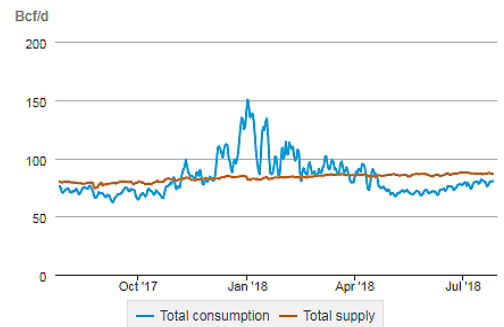


Source: Form EIA-912, "Weekly Underground Natural Gas Storage Report"

SUPPLY & DEMAND

- The EIA reported that total supply of natural gas remained unchanged week-over-week despite gains in dry production, which grew by 1% compared to last week. Average net imports from Canada fell by 5%, balancing the gain in production.
- Overall demand for natural gas fell by 2%, primarily fueled by cooler temperatures in the northern half of the Lower 48, which drove a 6% drop in natural gas consumption for power burn. Industrial sector consumption increased 1% while residential and commercial demand increased by 15%. Exports to Mexico decreased 1%.
- US LNG exports remained unchanged week-over-week with six vessels totaling 21.4 Bcf departing the US, four from Sabine Pass and two from Cove Point.

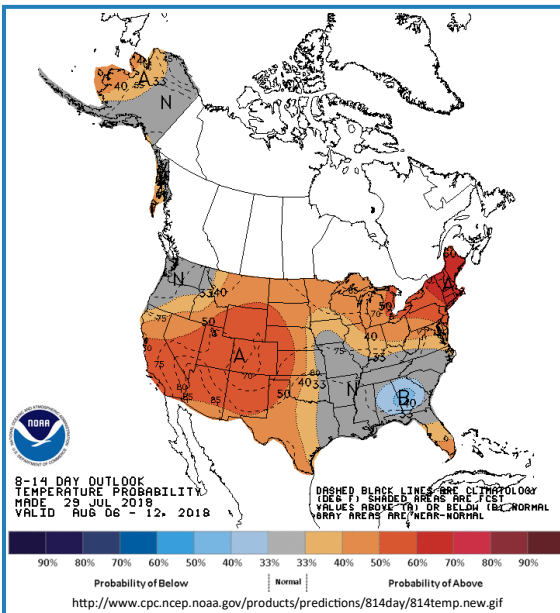
Total supply/demand balance (last 365 days)



Source: OPIS PointLogic Energy, an IHS Company

MARKET INTELLIGENCE

- Penn Power has released new price-to-compare rates for the upcoming 3 month price period starting September 1, 2018. Residential PTC default rate will fall 0.198¢ to 6.626¢/kWh, and the commercial PTC will also decrease 0.077¢ to 7.548¢/kWh. Other PA FirstEnergy EDC's have also released new rates.
- The New Jersey Board of Public Utilities (NJBPUB) has proposed a new rule calling for an Offshore Wind Energy Certificate (OREC) to fund offshore wind capacity. This effort will allow the state to reach its 1,100MW short term goal, as well as boost Governor Murphy's 3,500MW long term goal. The BPU stated that this rule requires electric companies to "designate funds based on the Board approved number of megawatt hours and the OREC price. Companies would then make a monthly payment to OREC developers based upon the number of megawatts generated by the project. After the developers receive payment, they would transfer ORECs to suppliers and then the developers would refund all revenues to ratepayers through the electric companies."



WEATHER

- Temperatures in the Lower 48 states averaged 78°F, 3° above normal and 1° higher than last year.
- The extreme heat continues to dissipate in the West, with only a few advisories left in the interior Northwest. While the bias in the West remains above normal, the conditions are much less intense. East of the Rocky Mountains, conditions will trend cooler. In the Central plains, an upper low keeps a cool bias in place, while warm and humid conditions will continue on the East coast, bringing above average rain as well.
- The steady Western ridge fades in the 8-14 day window, allowing the heat to dominate the Midwest and push out any below normal air. We can expect normal August conditions in the Southeast, with things trending more to the above normal side as we look to the Mid-Atlantic and Northeast. The East and Central parts of the country will also likely see above normal precipitation.

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