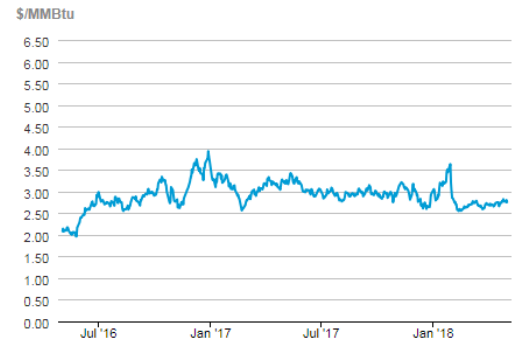




GENERAL UPDATE

- Financial gas markets traded higher through the week, hitting \$2.13/MMBtu mid-week, but gave back all gains with the June 2018 NYMEX Henry Hub forward contract closing the week at \$2.09/MMBtu.
- Physical gas spot prices continued to trend lower as moderate spring temperatures have settled in across the major load centers. Chicago Citygate pricing dropped \$0.20 (8%) settling at \$2.41/MMBtu. Algonquin Citygate, which serves the greater Boston area customers, also slid slightly lower to \$2.62/MMBtu, a 4% decrease for the week.
- Conversely Transco Zone 6 (New York City) prices jumped \$0.32 (11.5%) due to maintenance on the northeastern segments of the Transcontinental Pipeline.
- Prices in both Northern (PG&E Citygate) and Southern (SoCal Citygate) California rose, \$0.16 (5.5%) and \$0.68 (18%) respectively, on cooler temperatures and continued pipeline capacity constraints.
- In the Mid-Atlantic region, prices fell due to warmer temperatures with Tennessee Zone 4 Marcellus giving up \$0.29 (17%) and Dominion South falling \$0.12 (5%).

Near-month natural gas futures prices (Nymex)



Source: Natural Gas Intelligence

POWER

- With the exception of ERCOT, power curves all ticked lower. PJM West Hub 12 month ATC strip settled at \$30.32/MWh, about 1.7% lower than one week ago, while year over year the strip has given up \$4.29/MWh or 12.4%. The 24 and 36 month strips both gave up 1.4% settling at \$30.86/MWh and \$30.78/MWh respectively.
- Mass Hub, the major trading point in ISONE, saw modest declines of 1.4% for the 12 month ATC strip, 1.2% for the 24 month ATC strip and 1.2% for the 36 month strip, settling at \$37.10, \$38.74 and \$38.86/MWh respectively.
- In NYISO, Zone J (New York City) prices also decreased slightly, with most of the decrease occurring in the front of the curve. The 12 month strip is trading at \$34.48/MWh a 1.2% decrease week-over-week, while the 24 month strip is being priced at \$35.50/MWh, 0.7% lower and the 36 month strip held steady at \$36.09/MWh a 0.1% decrease.
- ERCOT prices continue to hold steady in the mid \$30's which represents an increase of greater than 10% than strip prices one year ago fueled by expectations of tight system conditions this summer. The Houston Zone 12 month ATC strip gained 0.5% to \$35.50/MWh, while the 24 month strip gained 0.8% to \$34.98/MWh and the 36 month strip gained 0.5%, settling at \$33.88/MWh.

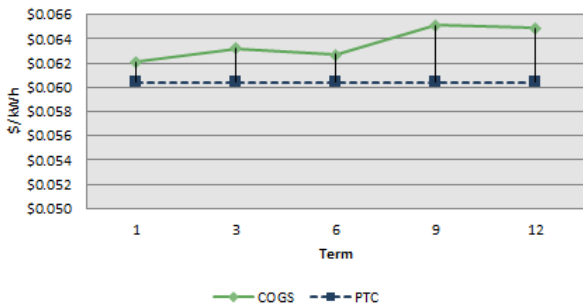
UTILITY HIGHLIGHT

PJM

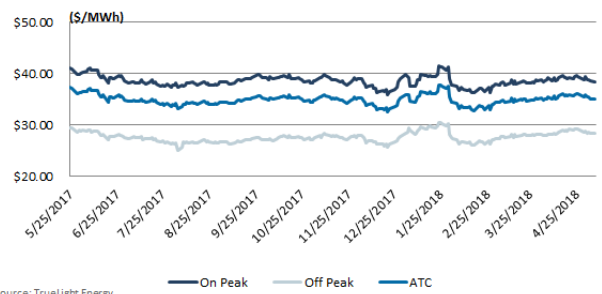
OH

CEI

CEI - GS



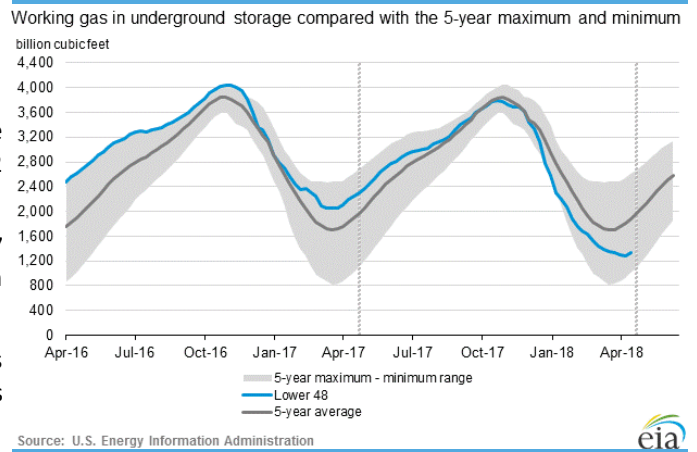
CEI - 12 MONTH STRIP PRICING



- The Price to Compare (PTC) for First Energy's Cleveland Illuminating's (CEI) Secondary General Service (GS) rate class proposed to increase to \$0.060433/kWh for the month of June 2018. This PTC is expected to be an approximately 14% increase from the current PTC of \$0.052517/kWh which went into effect April 1. Headroom is not likely available at the 1, 3, 6, 9, or 12 month terms, however the COGS is less than \$0.005/kWh above the PTC for all these terms.
- For CEI in the ATSI Load Zone, over the last week the ATC 12-Month Strip traded \$0.32/MWh lower, a loss of about -0.90%, to finish the week at \$35.12.
- The strip hit a 52-Week low of \$32.48/MWh on December 21, 2017 and then hit a high of \$37.77/MWh on January 24, 2018. Since March 1, 2018 the strip has been mostly stable within \$1/MWh up or down from \$35/MWh.

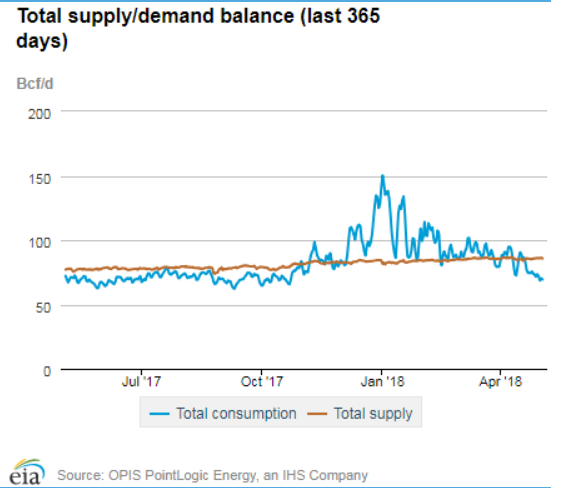
NATURAL GAS

- The Energy Information Administration reported the first net increase in storage of 2018, with working gas in storage increasing 4.6% or 62 Bcf to 1,343 Bcf.
- Working gas stocks continue to lag both the five-year average of 1,877 Bcf and last year's 2,246 Bcf. Despite this lag, working gas is still within the five-year historical range.
- Storage levels are providing some bullish support to prices as volumes are 28% and 40% lower than the five-year average and last year's levels respectively.



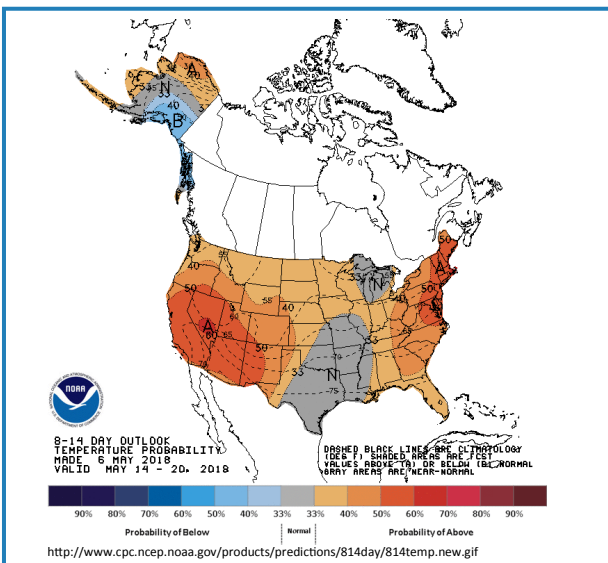
SUPPLY & DEMAND

- Natural Gas supply held relatively steady with small increases of 0.4 Bcf/d in dry gas production, 0.2 Bcf/d in Canadian imports increasing overall supply from 85.4 Bcf/d to 85.9 Bcf/d, less than a half percentage increase.
- According to PointLogic Energy, total U.S. consumption fell 9% with Residential and Commercial sectors accounting for the majority of the decrease as those sectors consumption fell 26% due to warming temperatures in major load centers.
- LNG exports decrease slightly, with five vessels with capacity of 17.8 Bcf departing Sabine Pass. An additional 10.6 Bcf are currently loading LNG at the Sabine Pass and Dominion Energy Cove Point terminals.
- As reported by Baker Hughes, while the US Natural Gas Rig Count has seen steady growth over the last six months, hitting a total count of 196 which was last surpassed in November 2015.



MARKET INTELLIGENCE

- As early summer heat crept into the northeast in the back half of last week, NYISO saw notable volatility in Zone A as the combination of hydro imports from Canada and high exports to the neighboring PJM drove expensive price spikes sporadically Thursday and Friday. This could be a hint of things to come later in the summer, particularly as PJM continues to depend on flows from NY on high demand days.
- ISONE announced that there is adequate supply to meet forecasted demand this summer. They note, however, that should extreme heat develop, tighter system conditions are likely to occur which leaves the door open for price volatility in the northeast during substantial heat waves.



WEATHER

- Temperatures across the country have entered spring to early summer patterns, with temperatures in the Lower 48 averaging 55°F, only 1° lower than normal and 3° lower than last year.
- Forecasts across the Lower 48 are for average to above average temperatures, with potential extreme heat in the Texas panhandle.
- Potential heavy precipitation is expected to make its way across the upper Midwest into the Mid-Atlantic and Northeast through the end of the week.

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