



GENERAL UPDATE

- Financial gas futures markets were sharply lower as short-term weather forecasts called for moderating temperatures. The January 2018 NYMEX Henry Hub contract dropped \$0.30/MMBtu, more than 9.5%, to close the week at \$2.78/MMBtu.
- Spot prices were mixed across the country as system constraints and weather related demand created significant price volatility. At the Chicago Citygate, prices dropped \$0.08 to \$2.91/MMBtu. California prices were mixed. Spot prices at the SoCal Citygate spiked \$0.76 to \$6.02/MMBtu. Several supply constraints, from pipeline outages to storage limitations, have propped up spot prices. Prices at the PG&E Citygate fell \$0.22 to \$2.97/MMBtu.
- Northeast prices were mixed. At the Algonquin Citygate prices jumped \$1.08 to \$4.15/MMBtu. At the Transco Zone 6 point prices rose \$0.22 to \$3.26/MMBtu. Algonquin Gas Transmission issued critical notices for capacity constraints on its system.

Near-month natural gas futures prices (Nymex)



Source: Natural Gas Intelligence

POWER

- Cooler-than-normal weather has been pushing East but temperatures in the East remain mostly higher than normal for this time of year.
- Northeast power prices traded sharply lower. The NEMASS 12-month ATC term dropped \$1.25/MWh; the 24-month curve lost \$0.95, and the calendar 2018 strip fell \$0.80/MWh. In New York's Zone J the 12-month ATC strip dropped \$1.20/MWh; the 24-month curve fell \$0.90, and the calendar 2018 term fell \$1.30/MWh.
- PJM 12-month ATC curves lost roughly \$0.60; 24-month curves fell \$0.50, and the calendar 2018 terms traded \$0.40/MWh lower.

UTILITY HIGHLIGHT

PJM

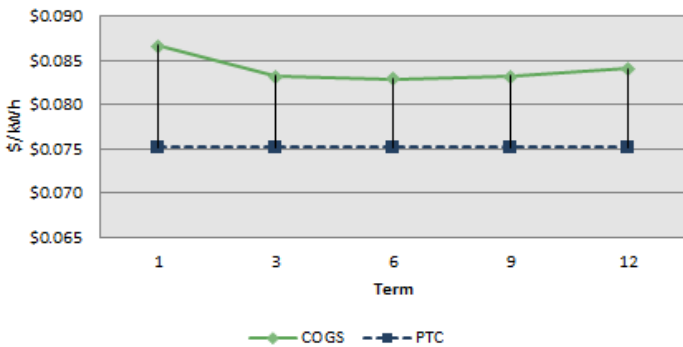


MD

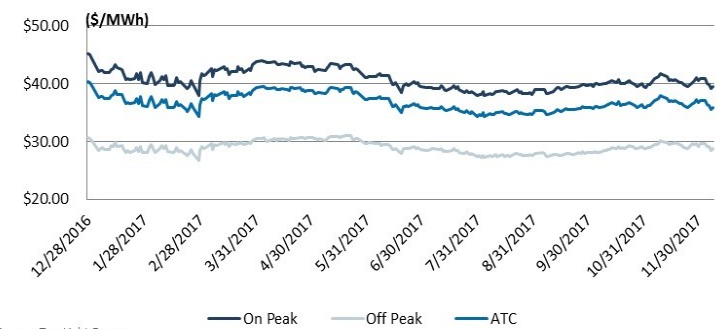


DPL

DPL - MD MDDRS



DPL - 12 MONTH STRIP PRICING



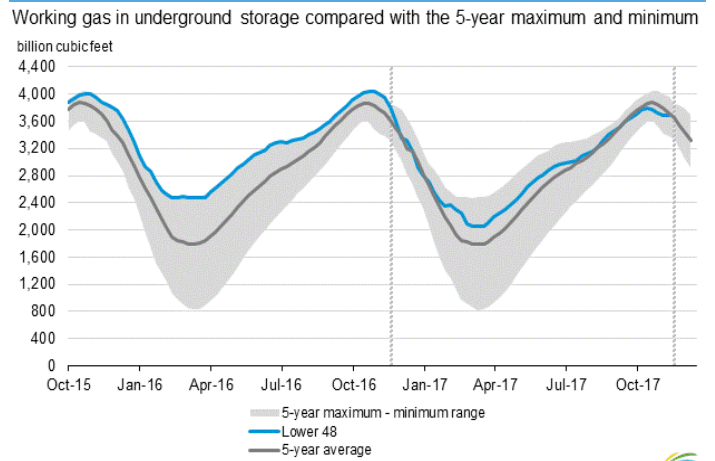
Source: TrueLight Energy

- The current Price to Compare (PTC) for Delmarva Power & Light Co (DPL) MD Residential Non-Heating Service rate class is \$0.07532/kWh for the current price period of December 1, 2017 through the end of the year. This is an approximate 0.02% increase from the previous PTC of \$0.07513/kWh for the month of November 2017.
- Headroom is unlikely at the 1, 3, 6, 9 and 12 month terms.

- The rolling 12-month ATC curve in PJM's DPL MD load zone slipped roughly \$1.25/MWh, a drop of 3.5%, to close the week at \$35.87/MWh. The slip puts the curve down more than 4% for the last 30 days, and down almost 10% for 2017.
- A combination of strong natural gas supply and weak demand has placed most PJM load zone curves under considerable pressure this year, even in generation and transmission constrained zones like DPL.

NATURAL GAS

- The EIA reported net injections into storage of +2 Bcf, compared with the 5-year average draw of -69 Bcf and last year's pull of -43 Bcf for the same week. Estimates ranged from net withdrawals of -17 Bcf to net injections of +7 Bcf, with a median withdrawal of -3 Bcf.
- This report marks the first time since 2012 that inventories showed a net increase on a national level in December. As was the case in 2012, this week's report showed that injections in the South Central region more than offset withdrawals in the East and Midwest regions. Relatively weak temperatures were the primary driver of the smaller-than-average withdrawals and decreased natural gas demand (mostly observed in the residential/commercial sector).
- Working gas stocks now total 3,695 Bcf, 36 Bcf less than the 5-year average and 264 Bcf less than last year at this time. Most of the deficit to the 5-year average occurred in the Pacific region, where inventories were 40 Bcf lower than their 5-year average. Storage in the East and Midwest regions were 13 Bcf lower than and 13 Bcf higher than the 5-year average, respectively.



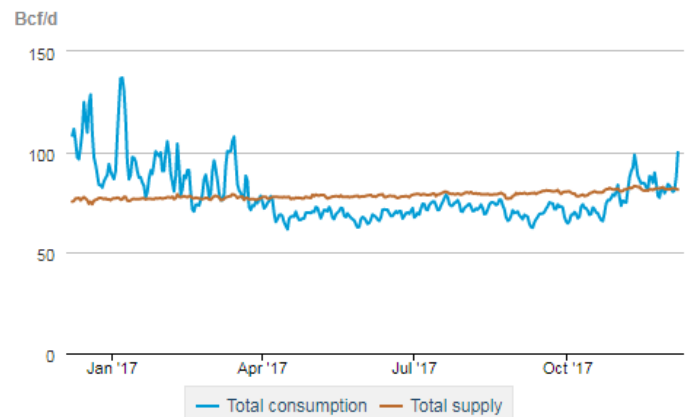
Source: U.S. Energy Information Administration



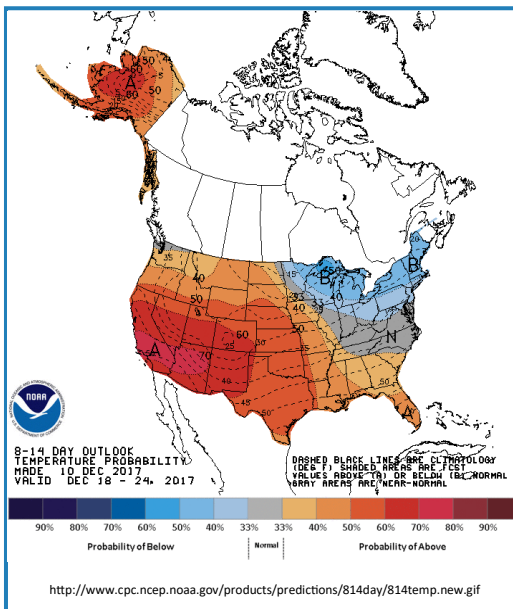
SUPPLY & DEMAND

- The EIA reported that the average total supply of natural gas held steady for the week at roughly 81.7 Bcf/day. Production declined 1%, while average net imports from Canada rose 4% compared with the prior week.
- Total U.S. demand for natural gas was sharply higher, rising 8% week over week. Power burn demand (natural gas consumed for power generation) jumped 12%. Industrial sector demand rose 1%, while residential and commercial consumption increased by 10%. Exports to Mexico declined 7%.
- U.S. LNG exports were unchanged week over week. Four vessels (14 Bcf in capacity) left Sabine Pass last week. Dominion Energy's Cove Point LNG terminal (at Lusby, Maryland on the Chesapeake Bay) has continued its commissioning activities and should be fully operational by the end of this year. Cove Point will be the second liquefaction terminal in the Lower 48 states and the only LNG terminal on America's East coast.

Total supply/demand balance (last 365 days)



Source: OPIS PointLogic Energy, an IHS Company



WEATHER

- Temperatures in the Lower 48 states averaged 48°F, 6° higher than normal and 3° higher than last year at this time. Temperatures in the Midcontinent region, including the North Central and Mountain areas were significantly above normal, with temperatures ranging from 43° to 49°, or 8° to 14° above normal.
- With the Eastern cold snap and snow event moving out, conditions will remain cold for the short-term. The upper low system shifts East, and the Lakes region could see some more lake-effect snow. Most of the country East of the Mississippi River will remain below normal. The West will continue to see widespread above normal conditions.
- Looking into the 6-15 day term, the Great Lakes upper low system loses strength and drifts Northeast; that will allow warmer air to come out of the West and Rocky Mountains. The models call for most of the country to trend above normal, but forecasts are less confident for the Christmas week. We may see a return to below normal temperatures for the Midwest and East by the holiday.

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