



GENERAL UPDATE

- Financial gas markets ticked modestly higher, with the June 2018 NYMEX Henry Hub contract rising \$0.03, roughly 1%, to close the week at \$2.83/MMBtu.
- Physical gas spot prices were mixed. At the Chicago Citygate, prices rose \$0.07, about 3%, to \$2.48/MMBtu. Prices at PG&E Citygate, which serves customers in the Northern California area, added \$0.13, or 4.5%, to \$2.90/MMBtu largely due to pipeline maintenance work that will last through the end of the month.
- SoCal Citygate (Southern California) prices fell \$0.09, about 3%, to \$3.03/MMBtu yesterday. The SoCalGas system is also experiencing systemic capacity constraints, but overall demand fell last week due to moderating temperatures.
- At the Algonquin Citygate (greater Boston area) prices rose \$0.13, or almost 6%, to \$2.40/MMBtu. The Algonquin pipeline system is also undergoing maintenance, which is impairing capacity. Transco Zone 6 (New York City) prices dropped \$0.37, more than 13%, to close at \$2.32/MMBtu. In the Mid-Atlantic region, Tennessee Zone 4 Marcellus spot prices collapsed \$0.95, or 55%, to \$0.77/MMBtu, while Dominion South rose \$0.08, almost 4%, to \$2.19/MMBtu.

Near-month natural gas futures prices (Nymex)



Source: Natural Gas Intelligence

POWER

- Power curves were mixed in the Northeast, lower in PJM and higher in ERCOT.
- In ERCOT's Houston zone, the 12-month ATC strip rose \$2.10 (+4.5%) to close at \$49.82/MWh. The 24-month ATC curve rose \$1.00 (+2.2%) to finish at \$45.43/MWh. The calendar 2019 strip was unchanged at \$41.18/MWh.
- In the major PJM East load zones, the 12-month ATC term lost \$0.45 (-1%) to close at \$38.55/MWh. The 24-month curve fell \$0.30 (-0.8%) to end at \$37.45/MWh. The calendar 2019 curve dropped \$0.20 (-0.5%) to \$36.79/MWh.
- In the NEMASS load zone in New England, the 12-month ATC strip rose \$0.05 (<0.5%) to \$42.85/MWh. The 24-month strip added \$0.15 (<0.5%) to \$42.48, and the calendar 2019 term rose \$0.30 (+0.7%) to \$42.65/MWh.
- In New York's Zone J, the 12-month ATC term slipped \$0.15 to \$40.13/MWh; the 24-month curve lost \$0.05 to \$39.80/MWh, and the calendar 2019 strip ticked \$0.06 lower to \$39.81/MWh. In percentages terms, each of these drops was less than 0.5%.

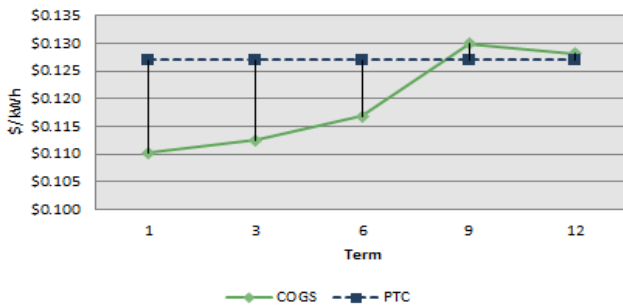
UTILITY HIGHLIGHT

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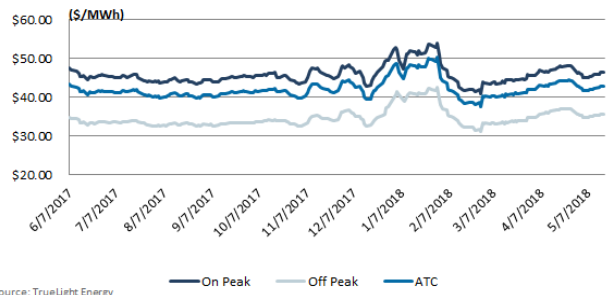
MA

NEMASSBOST

CELCO - G1



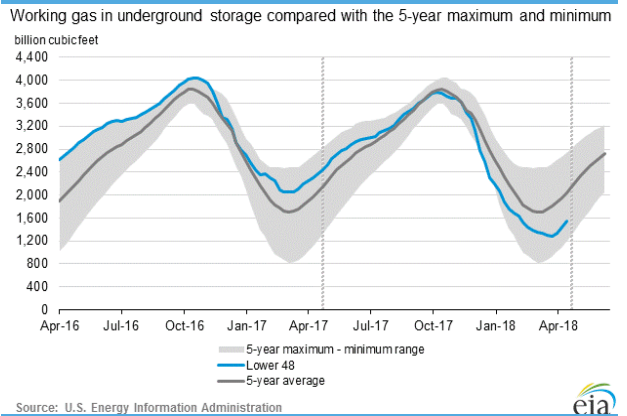
NEMASSBOST - 12 MONTH STRIP PRICING



- The Price to Compare (PTC) for Eversource Eastern MA, previously Cambridge Electric Co (CELCO), General Service (G1) commercial rate class proposed to increase to \$0.11403/kWh for the upcoming price period of July 1, 2018 to December 31, 2018. This PTC is expected to be an approximate 11.3% decrease from the current PTC of \$0.12692/kWh which went into effect February 1, 2018 and runs through June 30, 2018. Headroom is likely available at the 1, 3, and 6 month terms, however unlikely at the 9 or 12 month terms. Headroom for the 1 and 3 month terms is \$0.01665/kWh and \$0.01438/kWh, respectively.
- For CELCO in the Eversource NEMASS Boston Load Zone, over the last week the ATC 12-Month Strip traded \$0.71/MWh higher, a gain of about 1.67%, to finish the week at \$43.05.
- The strip hit a 52-week high of \$50.26/MWh on January 30, 2018, and then hit a low of \$37.58/MWh on February 27, 2018. The curve has been on a steady incline since early March 2018, with the exception of a price dip of approximately \$1.40/MWh in late April.

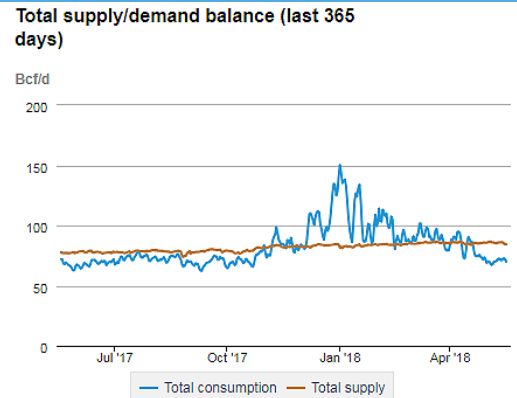
NATURAL GAS

- The EIA reported a net injection into storage of +106 Bcf last week, the first triple-digit fill of the season. The report paints a bearish picture compared to the 5-year average (+87), the prior week's report (+89) and last year's injection (+64), but was largely in line with market expectations. Estimates ranged from net injections of +99 to +110 Bcf, with a median estimate of +104 Bcf.
- This week's report shows the largest May injection since 2015, when net injections reached a record high of +132 Bcf for the week ending 5/29/15. Working gas stocks are now 1,538 Bcf, 501 Bcf lower than the 5-year average and 821 Bcf lower than last year at this time.



SUPPLY & DEMAND

- The EIA reported that the total supply of natural gas in the U.S. held steady at roughly 85.6 Bcf/day. Dry gas production slipped 1%, mostly due to pipeline capacity reductions in the Northeast. Canadian imports added 1% for the week.
- Total U.S. consumption of natural gas rose 4% for the week. Power burn demand increased 8% as rising temperatures in the Southeast and Texas drove incremental air conditioning usage to meet cooling demand.
- Industrial demand was unchanged at almost 20 Bcf/day, while residential and commercial consumption added 3%. Mexican exports held steady at about 4.5 Bcf/day.
- LNG exports rose for the week with a total of 25.8 Bcf shipping out from the Cove Point and Sabine Pass facilities.

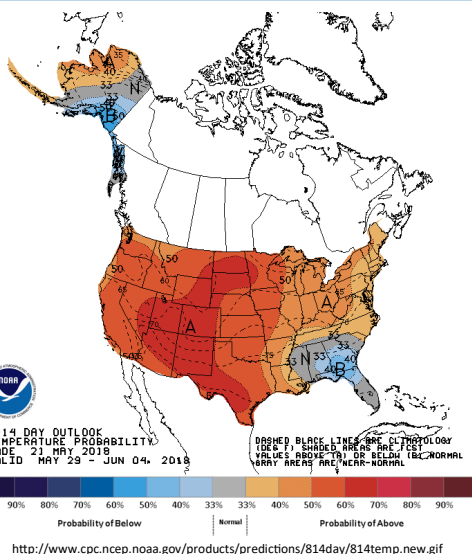


MARKET INTELLIGENCE

- PJM recently announced its next phase of the Grid Resiliency Initiative to study prevailing and potential risks to fuel supply and security. The analysis will test grid resiliency under multiple fuel disruption scenarios. The results of the study will likely improve reliability in the future by incorporating fuel supply constraints in the capacity market.
- ERCOT reiterated its expectation of record breaking demand this summer, forecasting a peak of 72,756 MW which is about 1,600 MW more than the standing record set in August 2016. While system conditions will be very tight under this level of demand, a crucial 500 MW of supply has been added to the stack in the last two months, primarily due to the return of units from mothball status as new gas generation expected to come online. This increases the reserve margin for the summer to about 11%, a notable increase from the previous 9%.

WEATHER

- May remains warmer and wetter than usual. Temperatures in the Lower 48 states averaged 64°F, 4° higher than normal and 6° higher than last year at this time. Temperatures were also 6° higher than last week.
- The impressive warm and wet pattern will likely continue into the last week of May. Moisture from the Gulf of Mexico will continue to push North, where it will meet summer temperatures, a potent combination that will bring above average rain. The South will remain under heavy rain threat for the near-term.
- We don't see any meaningful deviation from this pattern for the 8-14 day window. Look for wet conditions and highs approaching the 80s and 90s in the South, and the 70s and 80s in the North.



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