



GENERAL UPDATE

- Warming temperatures pushed power curves and financial gas futures higher. The NY-MEX Henry Hub contract for June 2018 delivery traded \$0.05/MMBtu higher, a gain of roughly 1.7%, to close the week at \$2.91/MMBtu.
- At the Chicago Citygate, prices rose \$0.26 (10.5%) to \$2.74/MMBtu. Prices at PG&E Citygate, serving Northern California customers, rose \$0.14 (5%) to \$3.04/MMBtu. SoCal Citygate (Southern California) prices fell \$0.57, almost 19%, to \$2.46/MMBtu.
- Northeast prices were generally higher due to pipeline maintenance. At the Algonquin Citygate (greater Boston area) prices rose just \$0.03, about 1%, to \$2.43/MMBtu. At the Transco Zone 6 (New York City) point prices rose \$0.55 to \$2.87/MMBtu.
- In the Mid-Atlantic Region, Tennessee Zone 4 prices rose \$0.40 (52%) to \$1.17/MMBtu and Dominion South prices added \$0.04 (2%) to \$2.23/MMBtu. Price increases resulted from maintenance-related flow constraints on the Millennium, Columbia Gas Transmission, and Texas Eastern Transmission pipeline systems.

Near-month natural gas futures prices (Nymex)



Source: Natural Gas Intelligence

POWER

- Power curves traded sharply higher as markets shifted their focus to rising temperatures for the summer of 2018. In ERCOT's Houston load zone, the 12-month ATC strip jumped \$7, more than 14%, to \$56.27/MWh. The 24-month curve rose \$4.75, about 11%, to \$49.50/MWh. The calendar 2019 term added \$2.55, roughly 6.5%, to \$43.05/MWh.
- Northeastern prices were also substantially higher. In the NEMASS load zone, the 12-month ATC curve rose \$1.10, or 2.6%, to \$43.87/MWh. The 24-month ATC term added \$0.90, about 2%, to \$43.61/MWh. The calendar 2019 strip traded \$0.95 higher, a gain of about 2.3%, to \$43.40/MWh.
- The price for the NYISO Zone J 12-month ATC strip added \$0.70, roughly 1.7%, to \$40.84/MWh. The 24-month ATC term rose \$0.60, or 2.1%, to \$43.61/MWh. The calendar 2019 term rose \$0.40, about 1%, to \$40.02/MWh.
- PJM curves also posted gains for the week. In the COMED load zone, the 12-month ATC curve added \$0.55, 1.9%, to \$29.57/MWh. The 24-month strip rose \$0.30, or 1%, to \$28.85/MWh. The calendar 2019 term was unchanged at \$28.34/MWh. In PJM's Pepco load zone, the 12-month ATC curve rose \$0.80, about 2.1%, to \$39.50/MWh. The 24-month strip added \$0.50, about 1.3%, to \$38.05/MWh. The calendar 2019 term moved \$0.30 higher to close at \$37.15/MWh, a gain of about 0.8%.

UTILITY HIGHLIGHT

ISONE

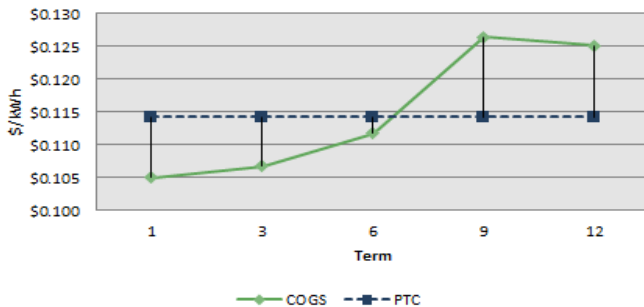


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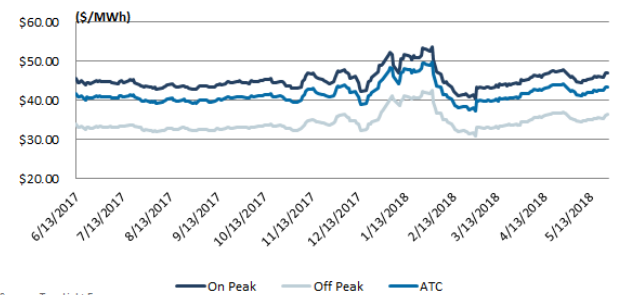


WCMASS

WMECO - GO



WCMASS - 12 MONTH STRIP PRICING



- The Price to Compare (PTC) for Western Massachusetts Electric Co (WMECO), now Eversource, General Service Small Commercial rate class (GO) is projected to decrease to \$0.10859/kWh for the July 1, 2018 to December 31, 2018 price period. This PTC is approximately 4.92% lower than the current PTC rate of \$0.11421/kWh for the February 1, 2018 to June 30, 2018 price period. Headroom is likely available at the 1, 3, and 6 month terms, however unlikely at the 9, or 12 month terms. Headroom for months 1 and 3 is projected to be approximately \$0.00920/kWh and \$0.00749/kWh, respectively.
- Over the last week the WCMASS ATC 12-Month Strip traded \$1.11/MWh higher, a gain of about 2.6%, to finish the week at \$43.50/MWh.
- The strip hit a 52-week high of \$49.89/MWh on January 30, 2018 and a low of \$37.23/MWh on February 27, 2018. Since March 1, 2018 the strip has traded between \$39/MWh and \$44/MWh.



NATURAL GAS

- Net injections into storage were +91 Bcf for the week ending May 18, a bearish report compared with the 5-year average (+89) and the prior year fill (+74), but mostly in line with market expectations. Estimates ranged from net injections of +83 to +100 Bcf, with a median estimate of +92 Bcf.
- Working gas stocks totaled 1,629 Bcf, 499 Bcf lower than the 5-year average and 804 Bcf lower than last year. The deficit to the 5-year average peaked at 534 Bcf during the week ending April 20.

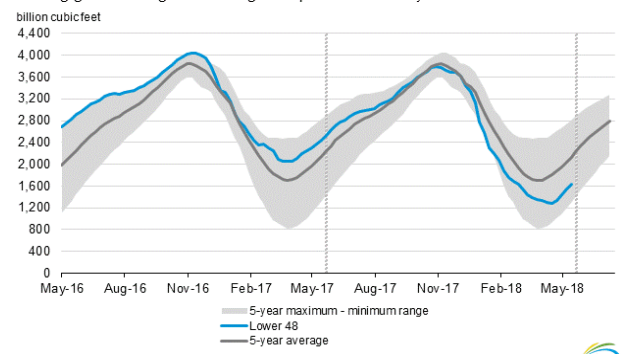
SUPPLY & DEMAND

- The EIA reported that average total supply of natural gas rose by 1% for the week. Dry gas production was unchanged, while average net imports from Canada were 3% higher.
- Total demand for natural gas fell 1% compared with last week. Power burn demand fell 3%. Industrial sector use was steady at about 20 Bcf/day, while residential/commercial consumption dropped 1%. Exports to Mexico fell 1%.
- LNG exports fell from last week. Five vessels carrying roughly 18.8 Bcf left the Sabine Pass and Cove Point facilities last week.

MARKET INTELLIGENCE

- After receiving a Notification of Suspension of Operations (NSO) for the City of Garland, Gibbons Creek Generating Station (GIBCRK_GIB_CRG1) on April 30, 2018, ERCOT has filed a determination that this generation resource is “not needed to support transmission system reliability.” Generation is scheduled to enter into mothball status starting October 1, 2018 and expected to last at least 7 months, meaning the unit will be staying on for the summer.
- According to the EIA, the US Northeast region is projected to experience a significant growth of natural gas production, with an expected 23 Bcf of capacity by the end of 2018 if all projects come online as expected. This marks an approximate 37.7% increase from the 16.7 Bcf reported at the end of 2017. The Midwest has historically dominated in the nation’s natural gas supply; however, growth has been stunted due to limited takeaway pipeline capacity preventing the spread of production into new markets. New pipeline development in the Northeast should ease these constraints and boost US natural gas consumption, which will become increasingly crucial as old nuclear and coal plants continue to retire.

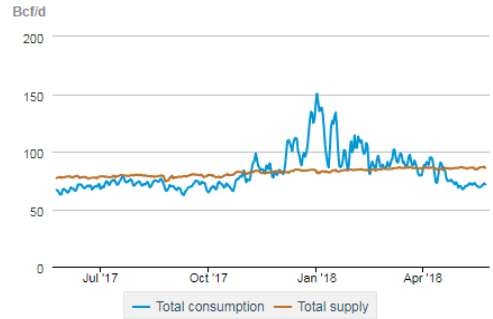
Working gas in underground storage compared with the 5-year maximum and minimum



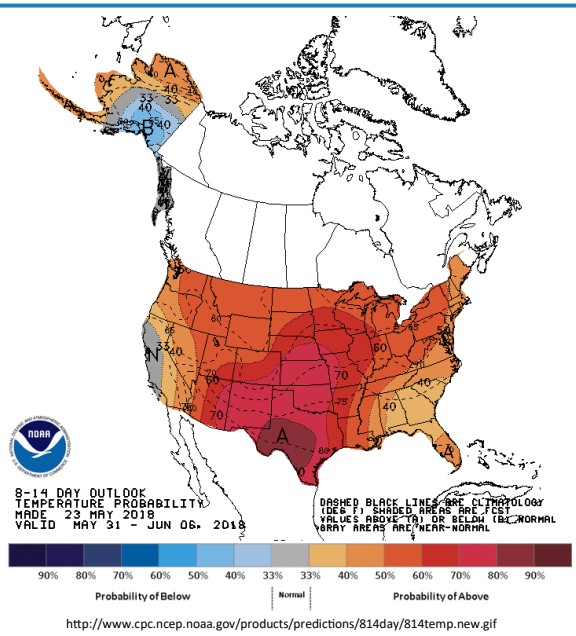
Source: U.S. Energy Information Administration



Total supply/demand balance (last 365 days)



Source: OPIS PointLogic Energy, an IHS Company



WEATHER

- Temperatures in the Lower 48 states averaged 63°F, 1° higher than normal and about the same as last year.
- The warm and wet pattern will continue to dominate the weather this week, especially in the Southeast, which will feel the affects of an active tropical front coming out of the Gulf of Mexico. Some forecasters believe the tropical low has the potential to develop into the first named storm of the 2018 hurricane season, which officially kicks off on June 1. The rest of the country will also see widespread above normal temperatures, with the more extreme highs in the Upper Plains. Conditions should also be wetter than normal, but the Southeast will definitely lead in the rainfall department.
- The heat anomalies grow and move further South from the Plains into Texas in the 8-14 day window. Conditions should trend well above normal in ERCOT with highs approaching 100 in the Dallas-Fort Worth area. On the fringes of the front, we will see above average rainfall where the heat meets cooler air in the Midwest, the Great Lakes and Mid-Atlantic.

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