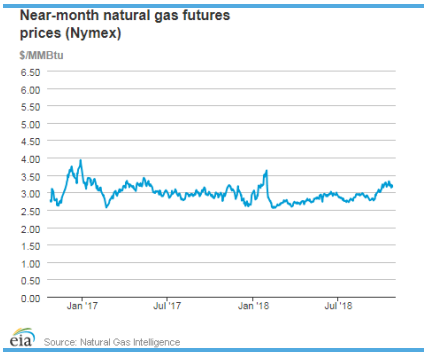
BROKER ONLINE EXCHANGE

Tuesday, October 30, 2018

GENERAL UPDATE



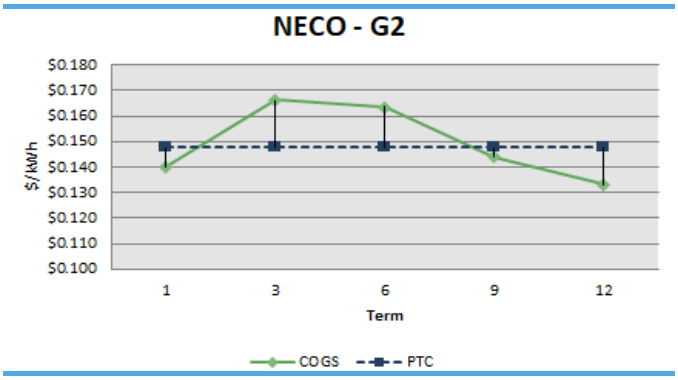
- Financial gas markets trade higher, with the contract for November 2018 dropping $0.15 (-4.8%) to $3.166/MMBtu. The 12-month strip averaging November 2018 through October 2019 futures contracts also declined $0.09 (2.9%) to finish the week at $2.904/MMBtu.
- Physical gas spot prices experienced price increases in most markets. Boston's Algonquin Citygate prices went up $0.29 (7.4%) to $4.21/MMBtu. Transco Zone 6 NYC increased $0.09 (2.6%) to $3.49/MMBtu.
- Prices at Marcellus also increased as cold temperatures took hold. Tennessee Zone 4 prices increased $0.13 (4.2%) to $3.21/MMBtu. Dominion South, serving southwest Pennsylvania, increased $0.10 (3.2%) to $3.17/MMBtu, yet dropped almost $0.20 on Thursday October 18 due to flow restrictions on the Rover Pipeline. Chicago Citygate prices increased $0.12/MMBtu (3.5%) to $3.53/MMBtu.
- SoCal Citygate prices fell $0.55 (-10.9%) to $4.48/MMBtu. Northern California PG&E Citygate rose $0.54 (14%) to $4.36/MMBtu.

POWER

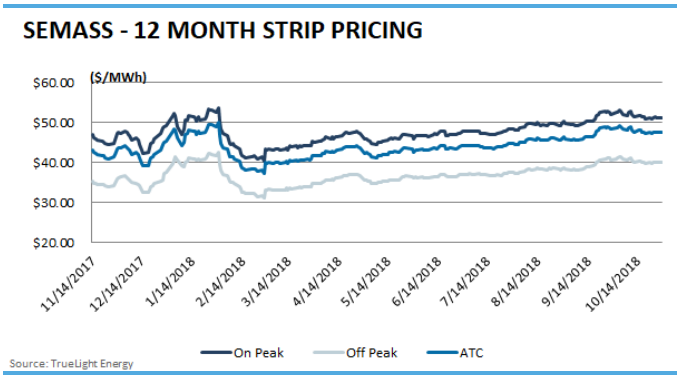
- After several weeks of notable price movement, forward prices for northeast ISOs remained relatively flat through most of the week. For NEMASSBOST in ISONE, the 12 Month ATC strip increased by $0.26 (0.5%) to $47.67. The 24 Month ATC strip increased by $0.21 (0.4%) to $46.90, while the Cal 2019 ATC strip increased $0.26 to $46.88/MWh.
- For Zone J in NYISO, the 12 Month ATC strip increased by $0.13 (0.3%) to $42.54. The 24 Month ATC strip dropped $0.01 (0.0%) to $41.75, while the Cal 2019 ATC strip increased $0.10 (0.2%) to $41.51/MWh.
- For the PEPCO zone in PJM, the 12 Month ATC strip dropped $0.05 (-0.1%) to $40.24. The 24 Month ATC strip moved up $0.01 (0.0%) to $39.06, while the Cal 2019 ATC strip decreased $0.08 (-0.2%) to $39.36/MWh.
- More price movement was observed in ERCOT as the curve trended upwards following weeks of quiet activity. For the Houston zone, the 12 Month ATC strip increased $0.83 (1.9%) to $44.25. The 24 Month ATC strip increased $0.52 (1.3%) to $41.10, while the Cal 2019 ATC strip increased $0.80 (1.9%) to $43.19/MWh.

UTILITY HIGHLIGHT

ISONE › MA › SEMASS



- The current Price to Compare (PTC) for Nantucket Electric Co (NECO), d/b/a National Grid, General Service Large Commercial SEMASS rate class (G2) is projected to increase 43% to $0.14761/kWh for the price period starting November 1, 2018.
- Headroom is likely for the 1, 9, and 12 month terms, and has shifted since last reported on 2 weeks ago. Headroom for the 1 month term has increased 17.9% to $0.00745/kWh, the 9 month term increased 90% to $0.00357/kWh, and the 12 month term increased 14% to $0.01448/kWh.



- Over the last week, the NECO ATC 12-month strip remained flat, falling just $0.02 (0.04%) to finish at $47.47/MWh.
- Since the beginning of the year, the ATC strip has reached a high of $49.92/MWh on Jan 30, 2018 and a low of $37.24/MWh on Feb 27, 2018. In the past month, the strip has traded between $47.18/MWh and $49.28/MWh, a high that was reached October 3, 2018.

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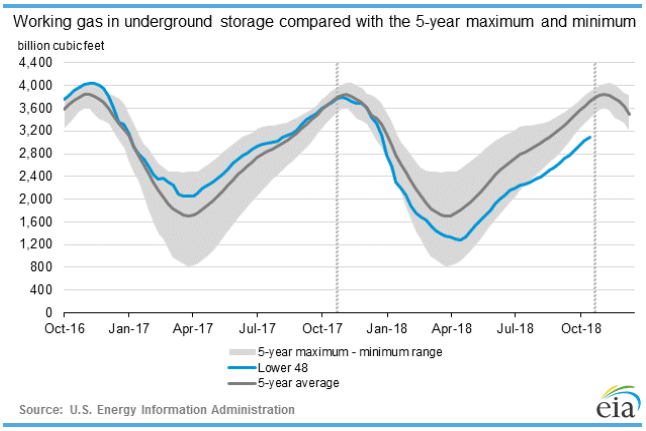
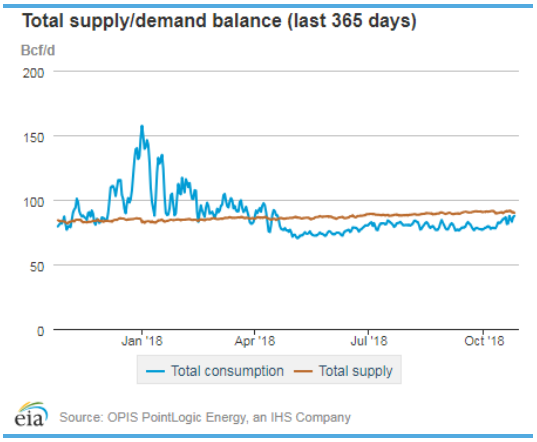
NATURAL GAS



- For the week ending October 19, the EIA reported net injections into storage of +58 Bcf, which is lower than last year's net injections of +63 Bcf for this week and the 2013-2017 average net injections of +77 Bcf.
- Working natural gas stocks totaled 3,095 Bcf, which is 606 Bcf (-16.4%) lower than last year's level and 624 Bcf (-16.8%) lower than the five year average of 3,719 Bcf.
- For the January 2019 futures contract, working gas stocks continue to trade at a lower premium, with NYMEX averaging at $3.37/MMBtu which is $0.10/MMBtu higher than the spot price. Last year at this time, the January 2019 contract was $0.34/MMBtu higher than the spot price.

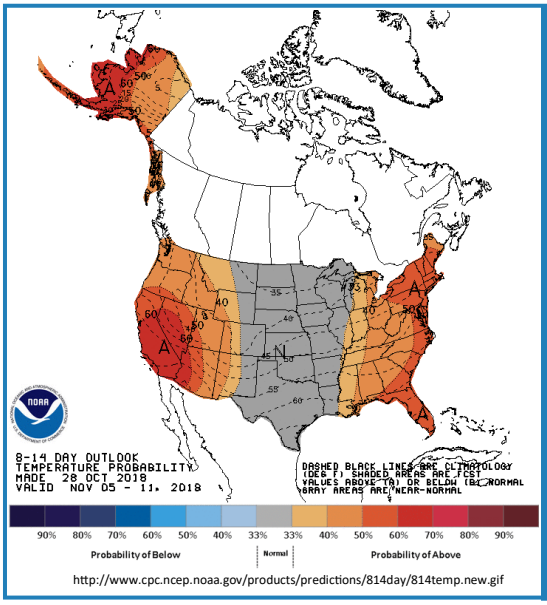
SUPPLY & DEMAND



- The EIA reported that the average total supply of natural gas increased by 1% week/week, chiefly driven by a 1% gain in dry gas production as net imports from Canada were unchanged.
- Total US consumption of natural gas increased by 6% week/week as cooler weather persisted across most of the country. Residential-Commercial sector demand rose by 10%, offsetting a 6% drop in consumption for power generation. Industrial sector demand increased by 2% and exports to Mexico increased by 6% week/week.
- LNG exports increased week/week with six LNG vessels, totaling 22 Bcf, departing US ports throughout the week. Commissioning continues at the new Corpus Christi liquefaction terminal, which is expected to load its first export by the end of the year.

MARKET INTELLIGENCE

- The EIA reported that US electric power CO2 emissions have declined 28% since 2005, compared to the rest of the energy industry which only decreased 5%. If demand growth had continued to increase at the 1996-2005 average (1.9% per year) and carbon intensity was unchanged, CO2 emissions in the power sector would have totaled 3,043 million metric tons (MMmt) in 2017. Instead, 2017 emissions were 1,744 MMmt. This drop in emissions is largely attributed to a lower electricity demand growth, which reduced emissions by approximately 654 MMmt. The movement towards a less carbon-intensive mix of fuels, such as natural gas-fired generation and renewables, has also contributed to lower emissions. Substituting fossil fuels for cleaner energy sources caused emissions to drop by another 645 MMmt. State policies and federal tax incentives have encouraged this shift.



WEATHER

- Above normal warmth sweeps across the entirety of the east coast in the 8-14 day window. Chances for above normal temperatures decreases further west towards the entirety of the central U.S. seeing neutral risk and seasonal conditions. West of the Rockies, particularly in the Southwest corner of the U.S., is expected to see above normal temperatures.
- Drier air consumes most of California, with neutral precipitation risks wrapping around the rest of the Pacific coast. The rest of the lower 48 is expecting to see above normal precipitation risks, with a bulk of the rain likely to occur in the Midwest and around the Great Lakes.