

### Market Summary

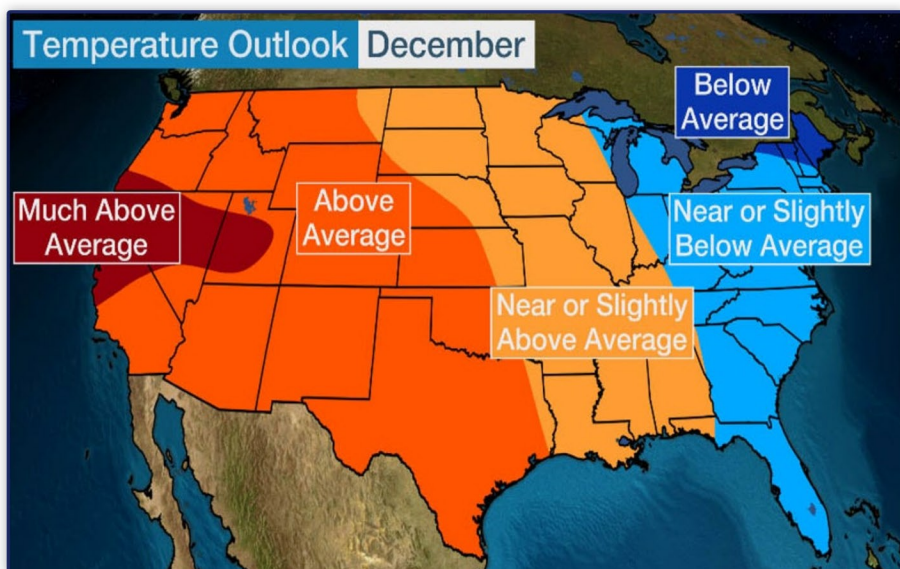
**Biggest Factors: Production**

EIA forecasts that annual U.S. dry natural gas production will average 92.1 Bcf/d in 2019, up 10% from 2018. Natural gas production is expected to grow less in 2020 due to the lag between changes in price and changes in future drilling activity.

**Procurement Takeaway**

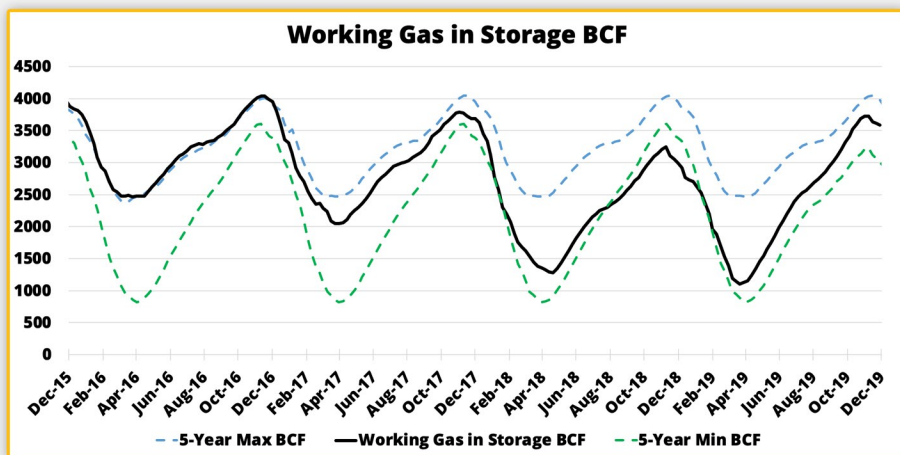
For Southern California customers especially, look to hedge through Q2 2020 to protect against winter volatility.

## Weather



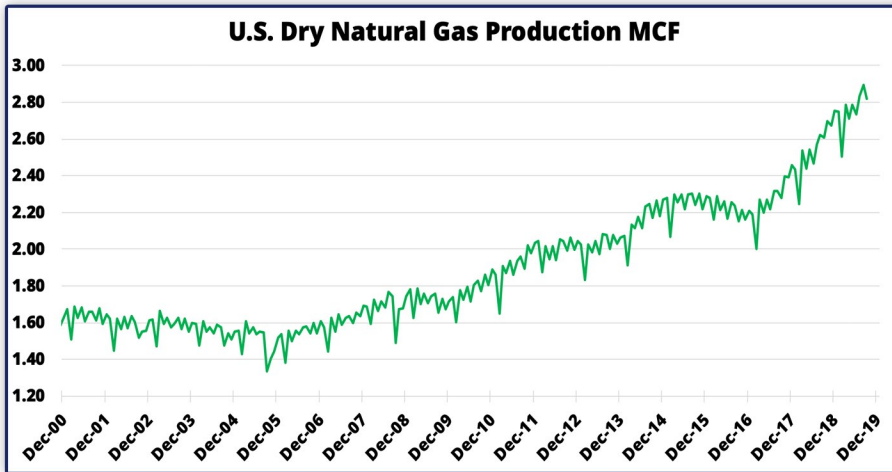
- **TAKEAWAY:** The eastern United States might be colder than average in December, but relatively mild temperatures are expected in the West and Plains.
- Weather, as usual, is causing fluctuations, with colder or warmer than normal weather pushing prices up and down.
- Pre-Thanksgiving prices soared in Southern California and Sumas as December weather patterns show colder trends.
- Late-November saw natural gas prices tumble as overall weather patterns showed increasing temperatures – capping the biggest November drop since 2001.

## Storage



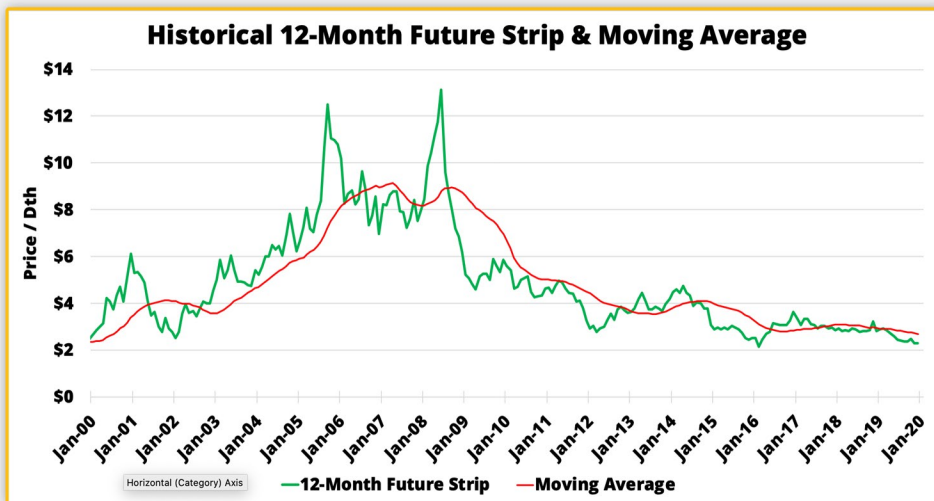
- **TAKEAWAY:** SoCalGas began December with similar natural gas stock levels but more flexibility compared with last winter.
- Early December saw a record low at the Henry Hub as a robust supply outlook for this season applies downward pricing pressure.
- Working natural gas stocks total 3,591 Bcf, which is 9 Bcf lower than the five-year average and 591 Bcf more than last year at this time.

# Production



- **TAKEAWAY:** This year's production will rise to an all-time high of 92 Bcf/day, a 10% increase from 2018. The anticipated 2020 increase will be less, as prices and drilling activity changes play catch up and start to take effect.
- A total of 28 pipeline projects are in process, pending, or were completed in Louisiana this year. Many are to provide infrastructure to LNG export facilities.
- Overall pipeline capacity is set to increase 16-17 Bcf/day – most of it for infrastructure to take capacity out of supply basins.

# Pricing



# Bidweek

Month	12-Month Strip	NYMEX
Jan. '19	\$2.806	\$3.642
Feb. '19	\$2.818	\$2.950
Mar. '19	\$3.008	\$2.860
Apr. '19	\$2.847	\$2.713
May 19	\$2.671	\$2.566
Jun' 19	\$2.548	\$2.633
Jul' 19	\$2.516	\$2.291
Aug' 19	\$2.317	\$2.141
Sept. '19	\$2.481	\$2.251
Oct. '19	\$2.410	\$2.291
Nov. '19	\$2.592	\$2.597
<b>Dec. '19</b>	<b>\$2.345</b>	<b>\$2.597</b>

Wholesale Prices per Mmbtu

# Noteworthy

- U.S. cities continue to ban natural gas to combat climate change – San Jose, Santa Monica, San Luis Obispo, Palo Alto, Mountainview, Marin County, and, now, Brookline, Massachusetts. Encinitas is weighing similar actions.
- California's governor is pushing for the Aliso Canyon storage facility to be closed as the CPUC identifies viable alternatives to the facility and looks for a "shorter path to closure." The storage facility is one of the largest in the state and serves a key region in Southern California.
- Russia and China have joined forces, as Russia begins to send natural gas to China through a newly opened Russia-China pipeline.