

### Market Summary

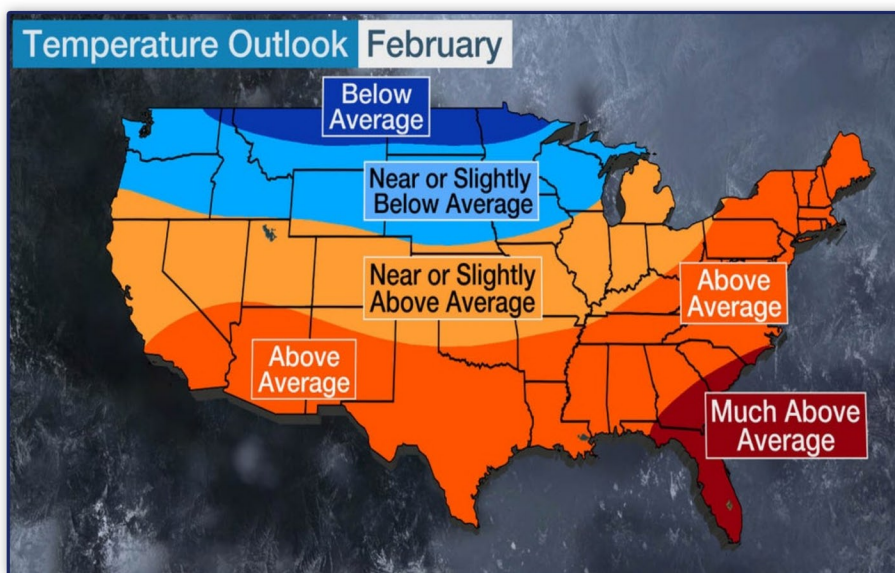
#### Biggest Factors: Weather

After the second warmest November on record, nine of the ten weeks ending November 23 to January 25 were all "warmer" than normal, as recorded by Heating Degree Days.

#### Procurement Takeaway

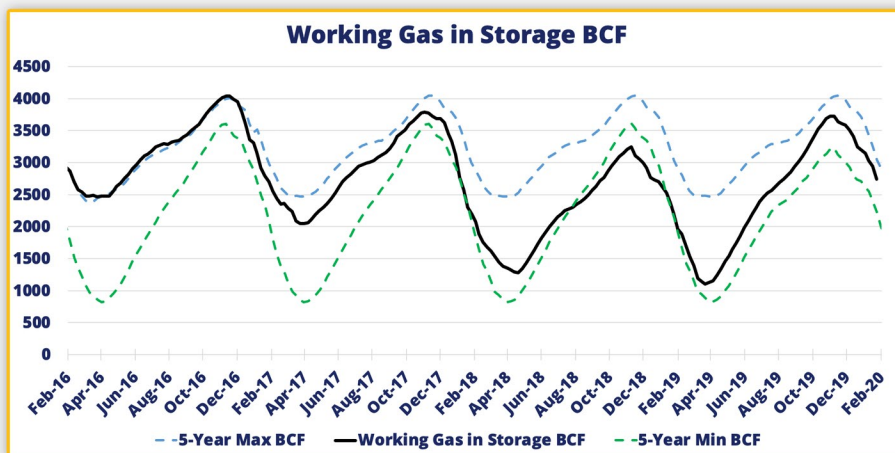
Now is the time to act capitalize on low prices - consider a +50% hedge before prices begin reacting to cold weather patterns.

## Weather



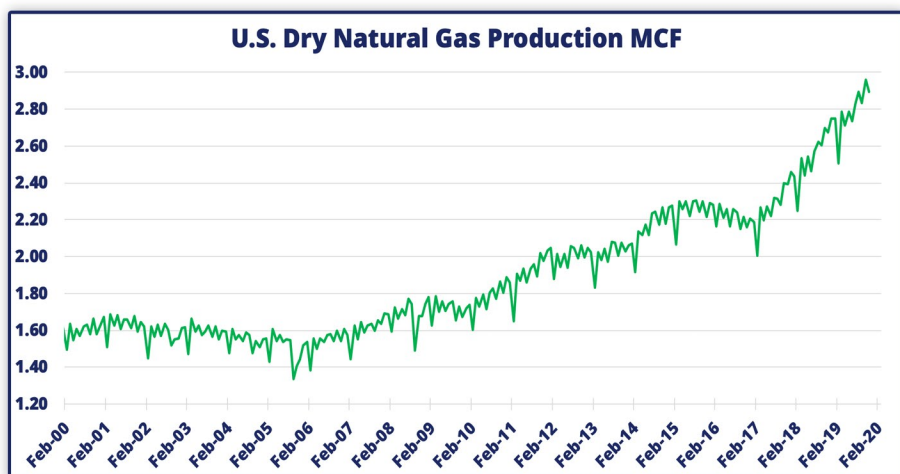
- **TAKEAWAY:** A warm winter and oversupply has allowed prices to decline dramatically, dropping under \$2/Dth for the first time in almost 4 years.
- The final month of winter is expected to be mild across the southern and eastern United States while cold air remains bottled up in the northern tier.
- There are some short-term cold weather patterns predicted, which has helped prices rebound minimally from the historic low.

## Storage



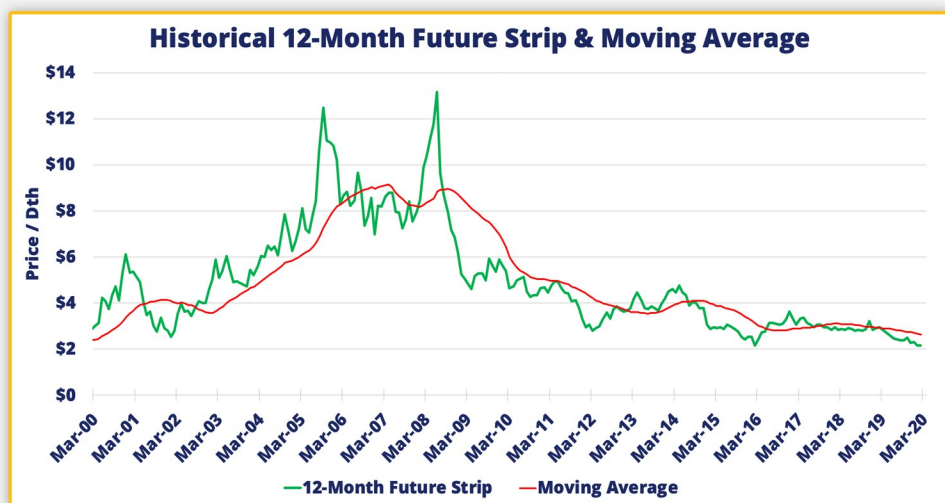
- **TAKEAWAY:** The average rate of withdrawal from storage is 14% lower than the five-year average so far in the withdrawal season (November through March).
- Working natural gas stocks totaled 2,746 Bcf, which is 193 Bcf more than the five-year average and 524 Bcf more than last year at this time.

# Production



- **TAKEAWAY:** Gas prices in 2019 averaged their lowest in the last 3 years – causing some to cut back on staff and drilling rigs.
- Producers prioritize valuable oil and natural gas liquids, which have many byproducts and often allow producers to be less sensitive to price volatility. This byproduct gas accounts for nearly half of U.S. production.
- With production to continue outpacing consumption in 2020 - the wholesale gas price forecast has dropped to \$2.33. Upward price pressures are expected to hit in 2021 due to falling production from 2020 prices.

## Pricing



## Bidweek

Month	12-Month Strip	NYMEX
Dec. '19	\$2.345	\$2.597
Jan. '20	\$2.324	\$2.158
Feb. '20	\$1.872	\$1.877

Wholesale Prices per Mmbtu

## Noteworthy

- Low natural gas prices kept electricity prices in check in 2019.
- Solar and wind will provide the majority of new electricity generation this year, leaving gas trailing as a new capacity fuel source.
- San Francisco has banned gas in new and renovated city buildings, furthering incentives for all-electric construction.
- Phase One trade deal with China commits China to increasing purchase of energy products, crude oil, refined products, LNG, and coal from 2017 levels.