

Market Summary

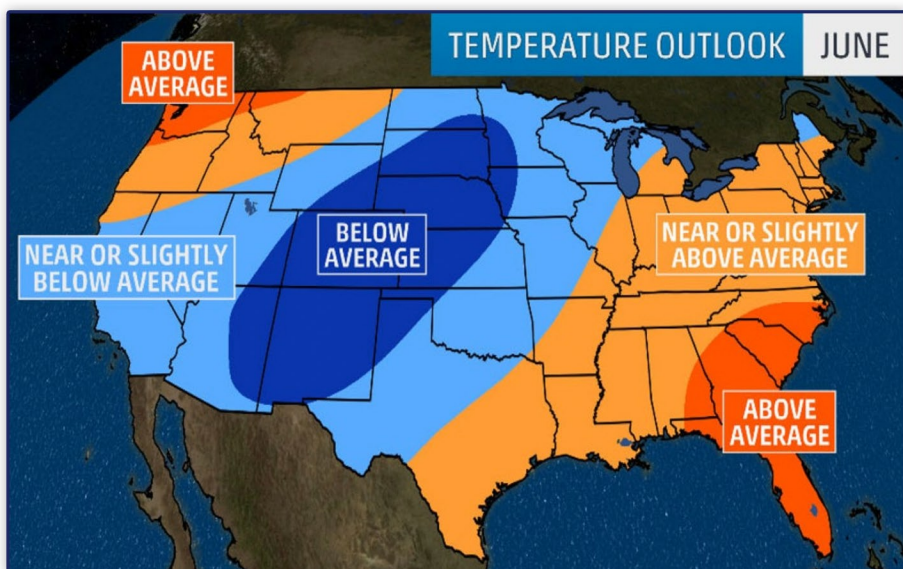
Biggest Factors: Production & Storage

National energy markets remain stable thanks to ample supply and peak production expected; CA remains the exception.

Procurement Takeaway

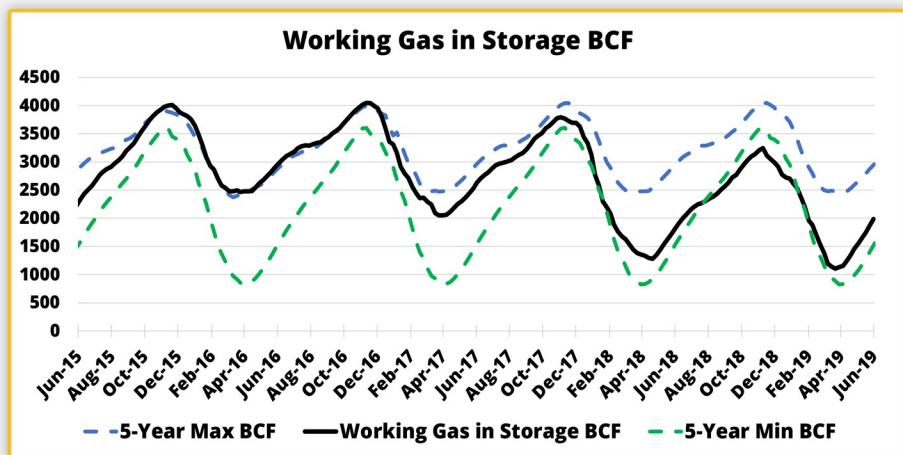
In California, consider hedging through summer and winter seasons. Otherwise, look for price stabilization and opportunities for mixed Index/fixed strategies.

Weather



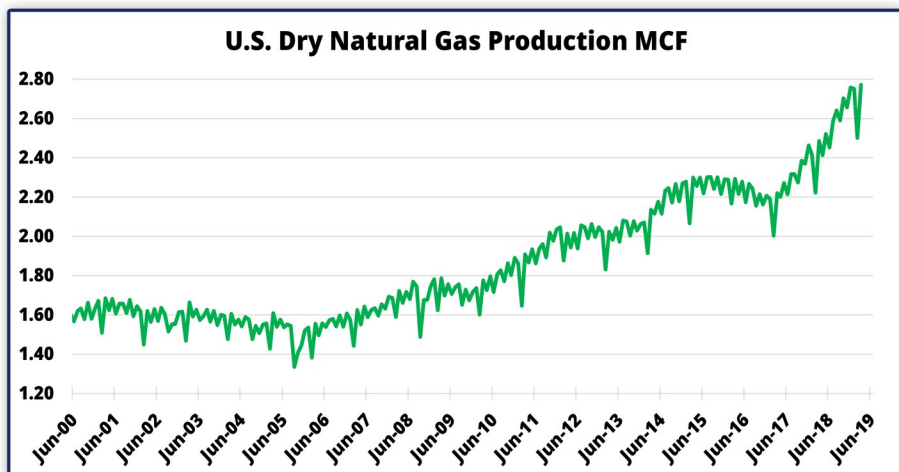
- Stable weather has allowed for national gas prices to remain relatively steady, varying only 10% since April.
- Mild weather continues and is forecasted to continue, limiting heating and AC demand.
- **TAKEAWAY:** Look for moderate to average June weather to keep prices stable as the injection season continues to gain steam.

Storage



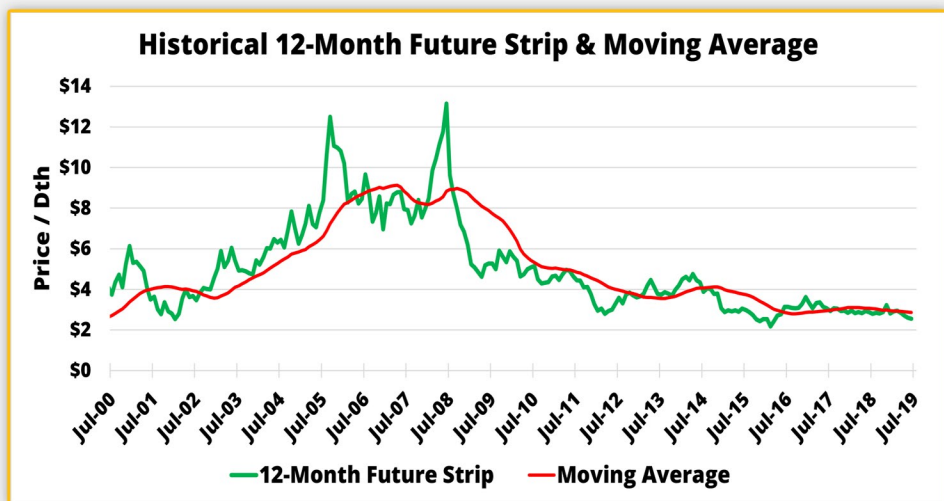
- Mid-May prices stabilized by above expected storage injections, exceeding year over year numbers and five-year averages.
- A whopping 40% of summer electric demand could be met solely by natural gas.
- Working gas stocks total 1,986 Bcf, which is 240 Bcf lower than the five-year average and 182 Bcf more than last year at this time.
- **TAKEAWAY:** The average rate of net injections into storage is 44% higher than the five-year average so far in the refill season.

Production



- Production reached its 30th consecutive month of increases.
- Although North Dakota hit a new record for natural gas output, flaring (gas that can't be used and is burned off) issues remain.
- **TAKEAWAY:** Production continues to soar, keeping long-term outlooks favorable.

Pricing



Bidweek

Month	12-Month Strip	NYMEX
Nov. '18	\$2.953	\$3.190
Dec. '18	\$3.240	\$4.714
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

Wholesale Prices per Mmbtu

Noteworthy

- China is proposing to raise tariffs on liquefied natural gas (LNG), which could affect LNG exports; China is the fastest growing importer of LNG. Only two LNG vessels have gone to China this year versus 14 that went out in early 2018 before the trade war began. China is proposing to boost tariffs to 25% as compared to 10% currently.
- High California natural gas prices led to a 24% increase in electric costs in 2018, showing the close ties - especially in the western U.S. - of natural gas to electricity.
- SoCalGas reportedly failed to investigate previous well failures at its Aliso Canyon storage site and didn't adequately assess aging wells for disaster potential before a well blew out and led to the largest known methane leak in United States history.