

Market Summary

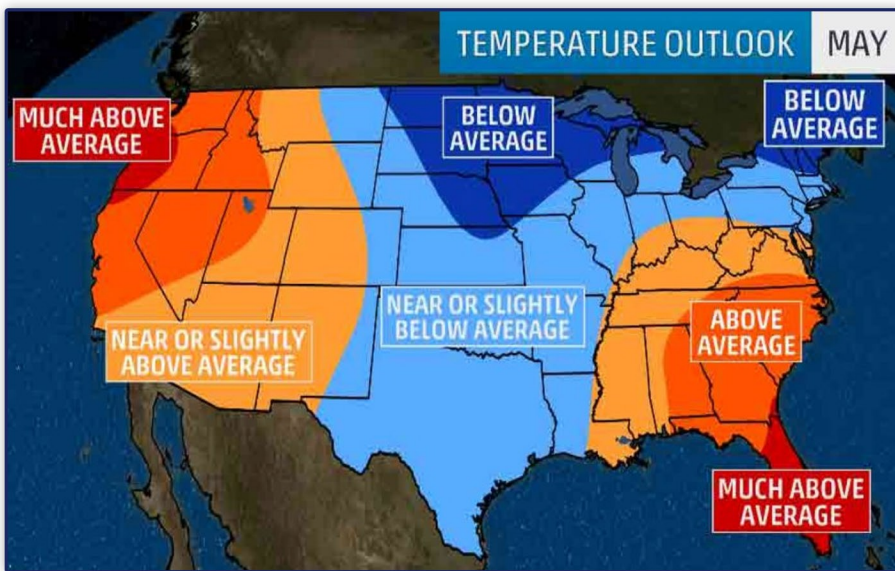
Biggest Factors: Production & Storage

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

Procurement Takeaway

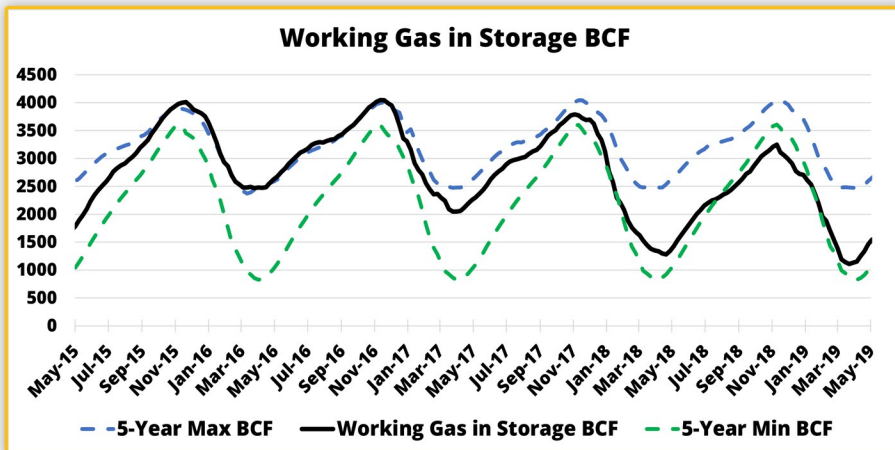
For capacity-hit regions, look to hedge through summer and winter seasons. Otherwise, look for production to continue stabilizing prices and create opportunity for mixed Index/fixed strategies.

Weather



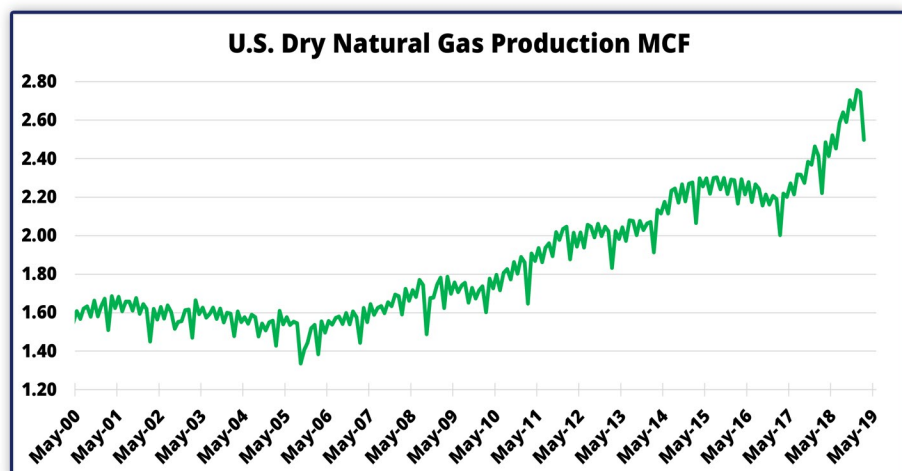
- Relatively timid weather has continued to temper prices as we begin the injection season with larger than expected injections.
- Mild to warm weather pattern in late-April saw demand decrease nationally and prices remain stable.
- Mild weather forecasted to continue the first half of May.
- **TAKEAWAY:** Look for moderate to average May weather to keep prices stable as the injection season continues to gain steam.

Storage



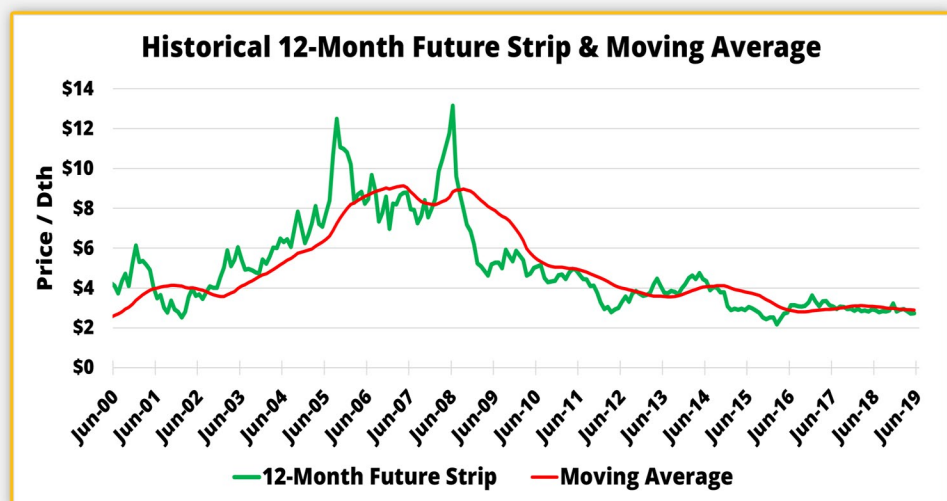
- With prices relatively stable, there is a big opportunity in the second half of 2019 for prices to increase dramatically; we currently sit 30% below the 5-year average - the largest deficit in over 4 years.
- In CA, regional volatility has subsided but is still prevalent, as maintenance issues persist and storage facilities are still inadequate for potential summer demand.
- **TAKEAWAY:** Nationally, complete elimination of the storage deficit is expected by the start of winter in November. California remains a wildcard, where the market is positioning itself for the same extreme volatility experienced in the summer of 2018.

Production



- Strong production has held prices stable, with NYMEX forecasted to average \$2.82 in 2019 and \$2.77 in 2020.
- Production at 86 Bcf/d versus 78 Bcf/d a year ago – compensating for higher demand but also alleviating price volatility with the lowest prices since mid-February.
- **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

Wholesale Prices per Mmbtu

Noteworthy

- LNG Exports are picking up, as Europe has purchased three times more natural gas than the amount purchased the preceding two years. The United States has been a net exporter of natural gas for over 12 consecutive months.
- Two executive orders have been signed to eliminate hurdles for new and existing natural gas pipeline construction across the United States.
- A bill is under review to strengthen pipeline safety in the U.S. in response to continued gas explosions across the nation.
- New York is in a tight spot as elected officials battle pipeline expansion with Con Ed & National Grid (New York utilities). They say disapproval would lead to a natural gas moratorium, following a January moratorium on new gas service in Westchester County due to lack of supplies.
- In 2018, natural gas demand reached a record high due to gas-fired generation and LNG growth coupled with record production. Demand outpaced production growth which led to lower storage levels.