

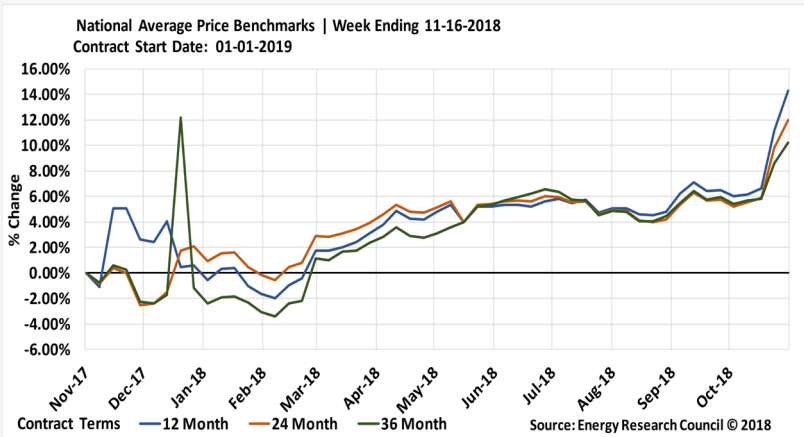
## ELECTRICITY BENCHMARK PRICES & TRENDS

After surging by 3.6% the previous week, Energy Research Council's (ERC) national average benchmark price for electricity rose another 1.5% last week ending 11/16 at \$0.0796 per kilowatt hour. Electricity prices increased the most in Pennsylvania (2.3%), Illinois (2.2%), Delaware (1.9%), and New York (1.8%). Month-over-month, the national average benchmark price is now up 5.4%.

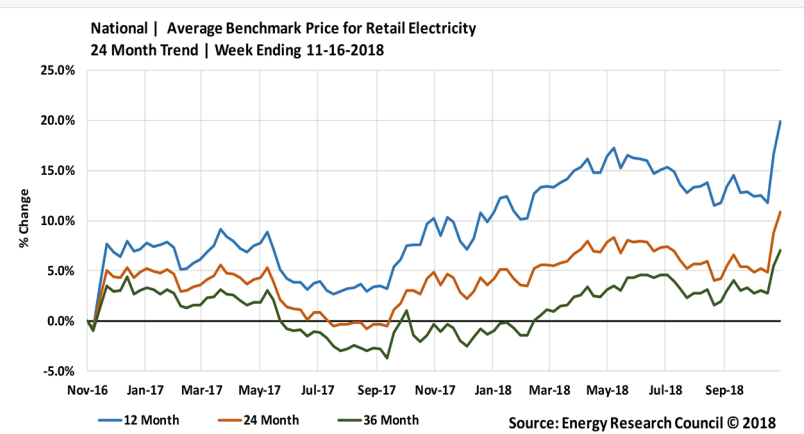
We started this month with the December NYMEX futures contract at \$3.32/MMBtu. As of 11/19, the price had jumped to \$4.475/MMBtu on weekend reports of more cold air, after closing 11/16 at \$4.27/MMBtu. To say the gas market is volatile is an understatement. With a storage deficit of 15.6% to the five-year average and winter just days away, the market is reacting violently to any indication of cold weather.

The ECMWF-EPS "king euro" weather model that all traders trade on appears to be biased to a colder-than-normal November finish. We also expect a withdrawal this week of 100 Bcf, compared with last year's 42 Bcf withdrawal and five-year average decline of 25 Bcf. This could expand the storage deficit, currently at 601 Bcf, by as much as 75 Bcf per the EIA storage report.

## COMPETITIVE ELECTRICITY BENCHMARK TRENDS



Contract Start January 2019	Week Ending			Wk/Wk % Chg.	Mo/Mo % Chg.
	10/19/18	11/9/18	11/16/18		
Connecticut	0.0919	0.0970	0.0982	1.23%	6.83%
Delaware	0.0705	0.0713	0.0726	1.87%	2.99%
District of Columbia	0.0745	0.0766	0.0779	1.68%	4.60%
Illinois	0.0542	0.0555	0.0567	2.19%	4.70%
Maine	0.0880	0.0890	0.0899	1.01%	2.13%
Maryland	0.0692	0.0719	0.0731	1.69%	5.64%
Massachusetts	0.1101	0.1163	0.1175	1.01%	6.74%
New Jersey	0.0992	0.1023	0.1039	1.51%	4.73%
New York	0.0584	0.0613	0.0624	1.83%	6.89%
Ohio	0.0548	0.0565	0.0575	1.75%	4.95%
Pennsylvania	0.0645	0.0662	0.0677	2.31%	5.03%
Rhode Island	0.0939	0.0996	0.1008	1.21%	7.41%
Texas	0.0529	0.0559	0.0566	1.33%	6.99%
<b>Nat. Average</b>	<b>0.0755</b>	<b>0.0784</b>	<b>0.0796</b>	<b>1.52%</b>	<b>5.39%</b>



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## MARKET DRIVERS

Not only are we seeing heating demand move materially higher year-over-year, industrial demand and LNG exports also are surprising to the upside. LNG exports hit a record ~4.7 Bcf/d Friday based on preliminary figures. Over the coming 12 months, U.S. LNG exports are set to keep moving higher as new export capacity comes online. LNG exports could reach more than 9+ Bcf/d by this time next year.

On the supply side, we expect domestic production to remain flat for the rest of this year at around ~87 Bcf/d. The big growth in production is behind us for this year and we won't see production perk up until Q2 2019. This means that if the weather outlook remains bullish, natural gas storage could have more downside, leading to even higher price volatility moving forward.

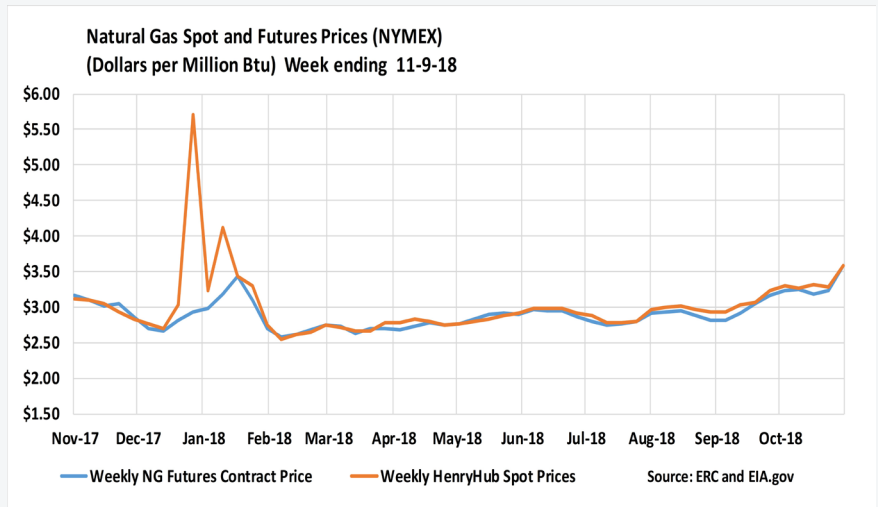
Looking forward, we expect gas and electricity prices to be highly sensitive to weather and the storage deficit. Although we could potentially see a brief pull-back in gas prices below the \$4 mark, most indicators point toward a volatile upward trend that will be driven by this winter's weather.

## HH SPOT PRICE & NG FUTURES CONTRACTS

Week Ending 11-16-18		HH Spot Price		NG Futures Contract	
		\$/MMBUT	% Chg.	\$/MMBUT	%Chg.
6 months	5/18/18	\$2.80	-41.05%	\$2.84	-37.17%
Last Quarter	8/17/18	\$3.00	-36.84%	\$2.94	-35.02%
Last Month	10/12/18	\$3.30	-30.53%	\$3.24	-28.32%
Prev. Week	11/9/18	\$3.26	-31.37%	\$3.24	-28.32%
Last Week	11/16/18	\$4.75		\$4.52	

## NATURAL GAS INJECTION & STORAGE LEVELS

Week Ending 11-16-18	Net Injections		Storage	
	Bcf	% Chg.	Bcf	%Chg.
11/15/2018	39		3,247	
Previous Week	65	-40.0%	3,208	1.22%
Last year	13	200.0%	3,775	-14.0%
5 Yr Avg	19	105.3%	3,848	-15.6%



## BULLS & BEARS

### BULLS: Moving prices upward

- LNG exports are expected to increase from 3.6 Bcf/d to 9.6 Bcf/d by the end of 2019.
- Pipeline capacity into Mexico is expected to increase to 14.4 Bcf/d by the end of 2018, and with it, exports are expected to rise accordingly.
- Low temperatures and natural gas storage are causing immense volatility and upward pricing risk in the market.

### BEARS: Moving prices downward

- 2018's natural gas production is forecast to be 4.9 Bcf/d higher than 2017's levels.
- Natural gas production remains high, lead by record production levels out of the Marcellus and Utica shale basins, as well as gas produced through oil drilling.
- 20 GW of natural-gas fired electricity generation is scheduled to come online in 2018.