

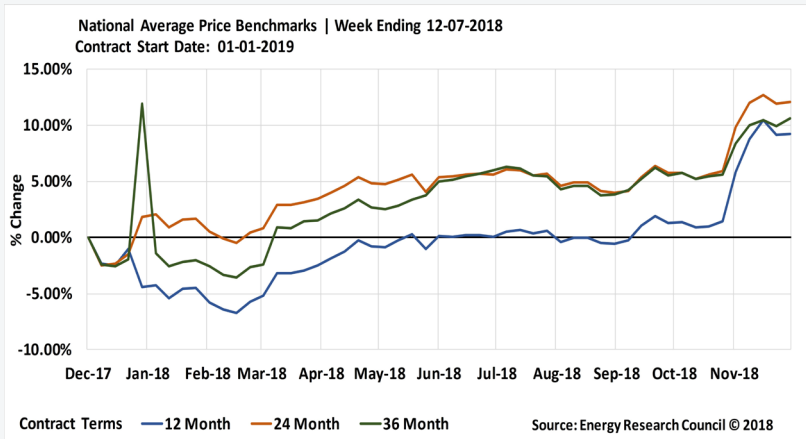
ELECTRICITY BENCHMARK PRICES & TRENDS

Energy Research Council's (ERC) national average benchmark price for electricity slightly declined week-over-week, ending 12/7 down only 0.1% at \$0.0800 per kilowatt hour. Prices in most states varied only a fraction of a percent, except in Texas where power prices rose 1.7% week-over-week. The national average benchmark price is now only 2% higher than this time last month.

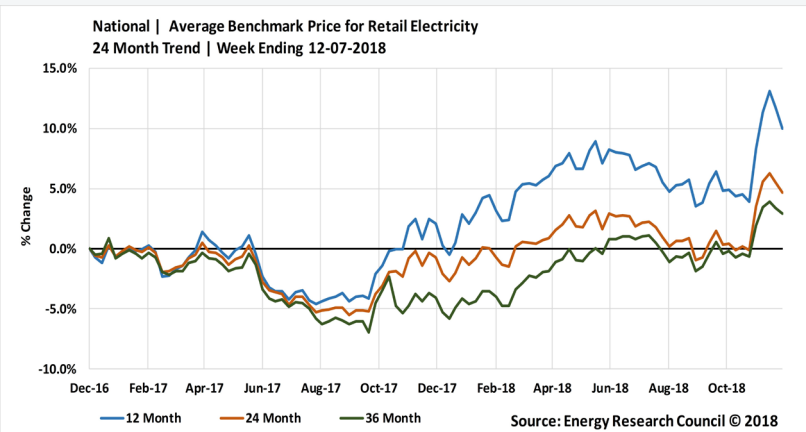
The January NYMEX futures contract closed 12/7 at \$4.48/MMBtu. Weather is still creating considerable volatility in the gas market. The initial cold spell in early December is now expected to keep trending warmer-than-normal at least until Dec 21.

The 6 to 10 and 11 to 15-day weather forecasts are predicting warmer-than-normal temperatures across a majority of the country, signaling lower heating demand for the major population centers of the East Coast through the end of December. However, given a storage level that is 19.5% below five-year average, there continues to be more upside price risk than downward potential. Working gas stocks ended November below 3,000 Bcf for the first time since 2002.

COMPETITIVE ELECTRICITY BENCHMARK TRENDS



Contract Start January 2019	Week Ending			Wk/Wk % Chg.	Mo/Mo % Chg.
	11/9/18	11/30/18	12/7/18		
Connecticut	0.0970	0.0986	0.0982	-0.44%	1.24%
Delaware	0.0713	0.0727	0.0726	-0.20%	1.82%
District of Columbia	0.0766	0.0782	0.0781	-0.17%	1.88%
Illinois	0.0555	0.0564	0.0567	0.58%	2.18%
Maine	0.0890	0.0911	0.0918	0.76%	3.18%
Maryland	0.0719	0.0731	0.0730	-0.17%	1.50%
Massachusetts	0.1163	0.1187	0.1180	-0.61%	1.40%
New Jersey	0.1023	0.1050	0.1040	-0.99%	1.63%
New York	0.0613	0.0633	0.0634	0.24%	3.51%
Ohio	0.0565	0.0574	0.0574	0.01%	1.64%
Pennsylvania	0.0662	0.0684	0.0688	0.59%	3.88%
Rhode Island	0.0996	0.1010	0.1000	-0.99%	0.35%
Texas	0.0559	0.0573	0.0582	1.66%	4.15%
Nat. Average	0.0784	0.0801	0.0800	-0.10%	2.03%



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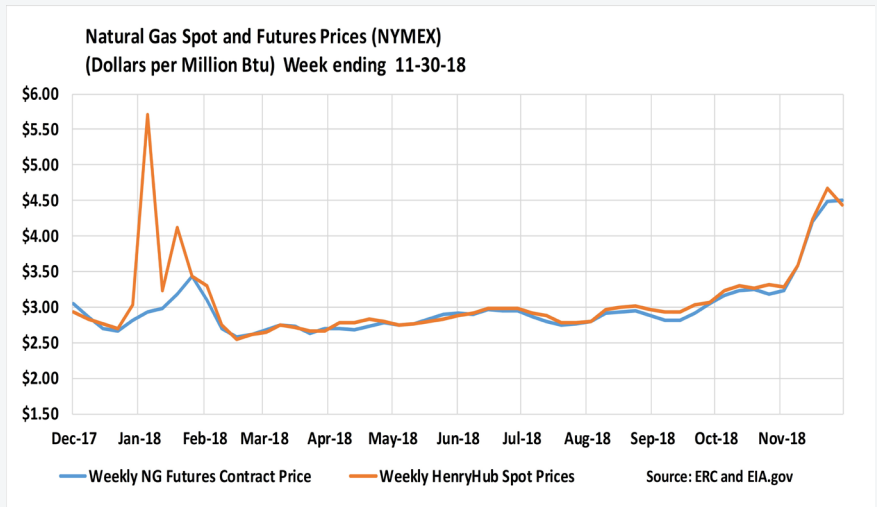
MARKET DRIVERS

At the end of the first week in December, total domestic demand was 99.3 Bcf/d while total supply was only 92.7 Bcf/d. Total U.S. demand for natural gas has risen 21 Bcf/d compared to this time last year. Total U.S. dry production, on the other hand, has fallen from its record highs to just below 86 Bcf/d. Moreover, the WTI price for oil has dropped from \$76/bbl to just \$53/bbl over the past 2 months. As a result, the number of active U.S. drilling rigs fell by 14 last week. There is also growing worry that with the increase in oil price volatility U.S. shale companies will be very conservative on their capital expenditure planning for 2019. This could limit any resurgence in production as we move into next year.

U.S. LNG exports remain very strong, averaging above ~4.5 Bcf/d. Over the next 12 months, we should see additional capacity increases of ~4.5 to ~5 Bcf/d. This will likely counter much of the increase in production we have seen this year and dampen the bearish impact of higher production in 2019. In 2017, China became the world's second largest LNG importer. In 2018, China was the fourth largest destination for U.S. LNG cargoes, with exports averaging 0.3 Bcf/d from January through September. Since China imposed 10% tariff on U.S. LNG imports on September 24, only two LNG shipments from the United States have gone to China. Continued growth of U.S. LNG exports could be negatively impacted if the U.S./China trade dispute escalates.

HH SPOT PRICE & NG FUTURES CONTRACTS

Week Ending 12-7-18		HH Spot Price		NG Futures Contract	
		\$/MMBUT	% Chg.	\$/MMBUT	%Chg.
6 months	6/8/18	\$2.92	-35.54%	\$2.91	-34.08%
Last Quarter	9/7/18	\$2.94	-35.10%	\$2.82	-36.15%
Last Month	11/2/18	\$3.28	-27.59%	\$3.23	-26.73%
Prev. Week	11/30/18	\$3.26	-28.04%	\$3.24	-26.53%
Last Week	12/7/18	\$4.53		\$4.41	



NATURAL GAS INJECTION & STORAGE LEVELS

Week Ending 12-7-18	Net Injections		Storage	
	Bcf	% Chg.	Bcf	%Chg.
12/6/2018	-63		2,991	
Previous Week	-59	6.8%	3,054	-2.06%
Last year	-3	2000.0%	3,733	-19.9%
5 Yr Avg	-58	8.6%	3,823	-21.8%

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.
- Delays in new power generation projects have lead to higher prices in some ISOs, namely ERCOT.
- Historically low storage going into winter has caused massive market volatility and upward pressure on pricing.

BEARS: Moving prices downward

- 2018's natural gas production is forecast to be 4.9 Bcf/d higher than 2017's levels.
- 20 GW of natural-gas fired electricity generation is scheduled to come online in 2018.
- Initially cold winter temperatures are expected to give way to warmer-than-normal temperatures across most of the country through late December.