

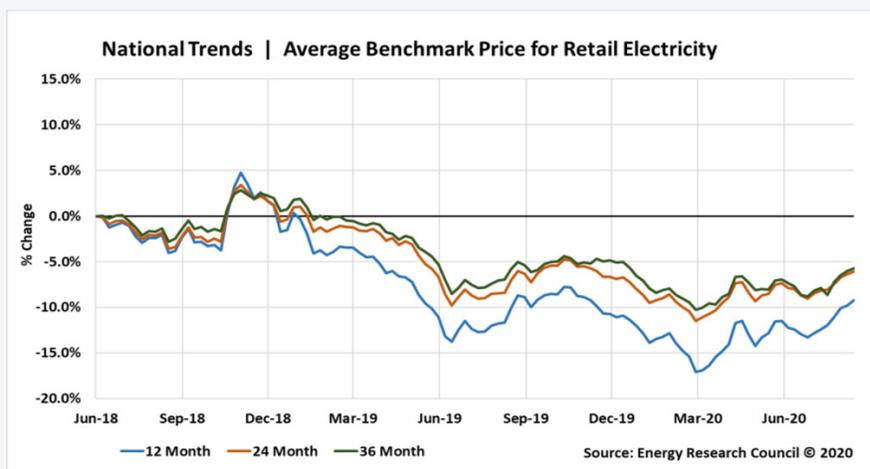
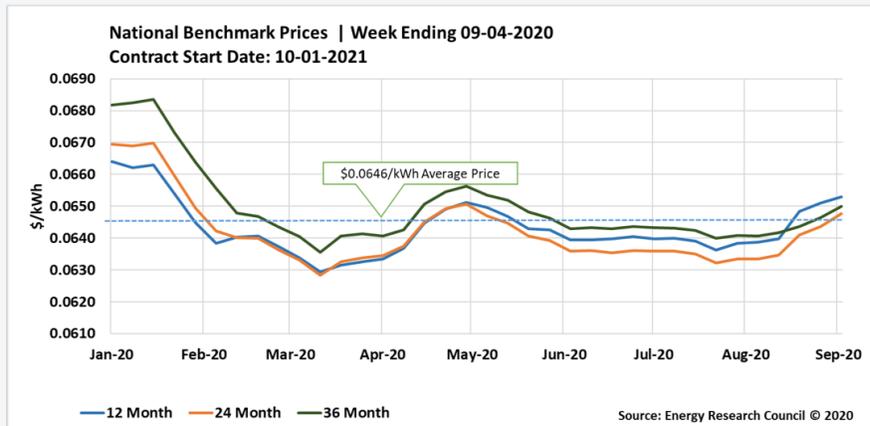
## ELECTRICITY BENCHMARK PRICES & TRENDS

Based on an October prompt month, Energy Research Council's (ERC) national average benchmark price for commercial/industrial electricity traded sideways last week, ending Friday, September 4, at \$0.0712/kWh. No state saw prices move more than a single percentage last week. The national benchmark power price is now one percent higher than where it was a month ago. Month-over-month, Texas prices increased 5.6%, Illinois moved up by 4%, and Pennsylvania prices were higher by 2.5%.

The October NYMEX natural gas price spiked by 10 cents last Friday, closing at \$2.588/MMBtu. The November 2020 contract price rose six cents last week ending at \$2.98. Calendar 2021 contracts ended last week at \$2.99 while Calendar 2022 contracts ended the week at \$2.64. The market remains backwardated (further-out contracts are trading lower than near-term contracts) through 2024.

Demand dropped last week, driven by declines in power generation and building use. Total domestic consumption of natural gas fell by 5.4% compared to the previous report week. Natural gas exports to Mexico decreased 1.4% last week while liquefied natural gas (LNG) export facilities averaged 2.8 Bcf/d, which is down by half following Hurricane Laura.

## COMPETITIVE ELECTRICITY BENCHMARK TRENDS



## MARKET DRIVERS

Cooler than normal temperatures are pushing into the eastern U.S. this week as the west swelters with highs over 100 in most locations. By the middle of next week, well below normal temperatures will prevail in the plains and Midwest. Above normal temperatures are likely to extend into the East and South. This forecast should begin to move us into the shoulder months with lower heating or cooling demand.

Working gas in storage remains historically strong with inventories 18.4% higher than a year ago and 13.4% higher than the five-year average. Natural gas reserves continue to keep pressuring price downward while concerns with production pressure prices upward. Dry natural gas production generated 88.5 Bcf/d last week, down from 92.5 Bcf/d this time last year. We only have 72 operating natural gas rigs, down 55% from a year ago. Oil rigs are down 75% year-over-year.

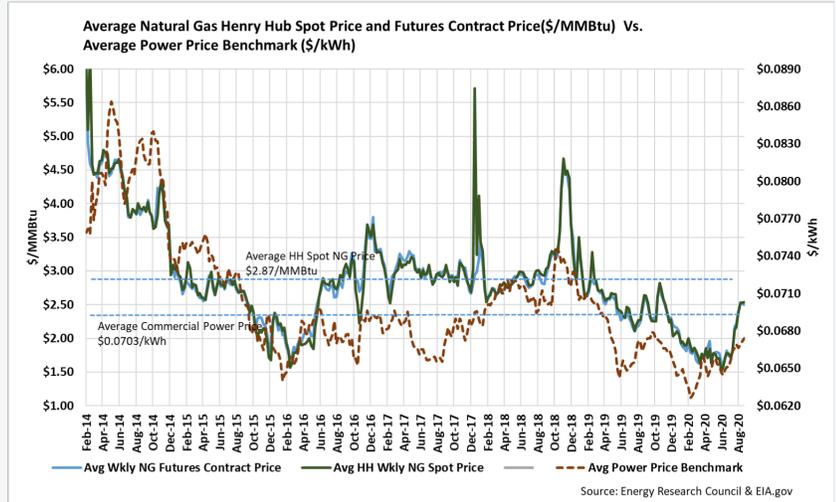
Going forward, it will likely take some time for investment capital, required to drill new wells, to flow back into the energy sector. Natural gas inventories will need to drop significantly, demand will need to bounce back from the economic recession caused by the COVID-19 pandemic, and prices will need to punch past \$3/MMBtu before investors re-energize natural gas production.

### HH SPOT PRICE & NG FUTURES CONTRACTS

Week Ending 9-4-20		HH Spot Price		NG Futures Contract	
		\$/MMBtu	% Chg. WoW	\$/MMBtu	%Chg. WoW
6 months	4/9/20	\$ 1.74	16.0%	\$ 1.73	6.8%
Last Quarter	6/5/20	\$ 1.80	5.9%	\$ 1.78	2.9%
Last Month	7/22/20	\$ 1.69	-5.6%	\$ 1.68	-1.8%
Prev. Week	8/21/20	\$ 2.39	7.2%	\$ 2.44	3.8%
Last Week	8/28/20	\$ 2.46	2.9%	\$ 2.65	8.6%

### NATURAL GAS STORAGE LEVELS

Week Ending 9/4/20	Storage	
	Bcf	%Chg.
9/4/2020	3,455	1.0%
Last Week	3,420	1.3%
Last Year	2,917	2.7%
5 year average	3,048	2.2%



## BULLS & BEARS

### BULLS: Moving prices upward

- The price of oil and natural gas are still below break-even costs of production.
- Drilled-but-uncompleted (DUCs) well inventory has declined 10% year-over-year.
- New well permits are evaporating nationwide.
- Natural gas rigs have declined 45% year-over-year.

### BEARS: Moving prices downward

- A recession due to COVID-19 is depressing energy demand.
- Storage maintains a surplus over the 5-year average.
- Mild temperatures minimize power burn.

## Contact APPI Energy

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