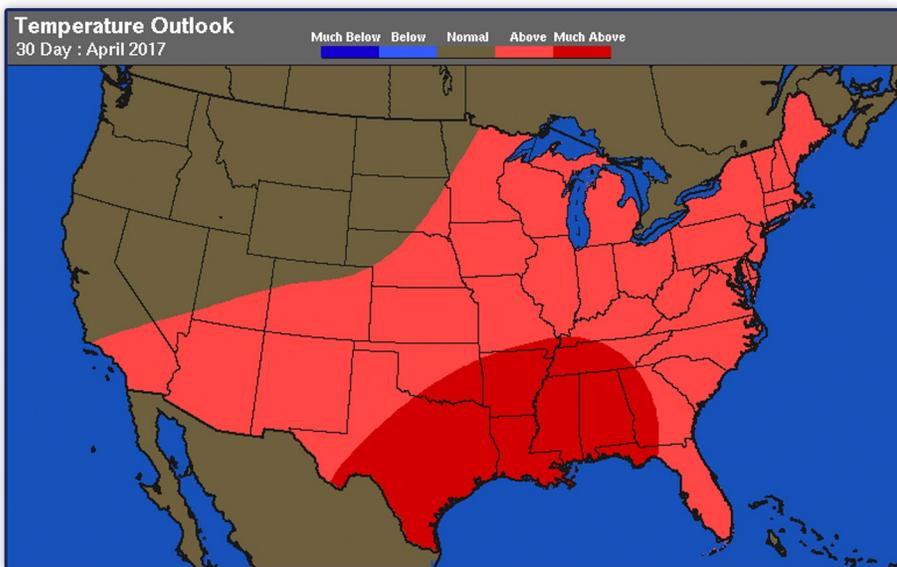


Market Summary

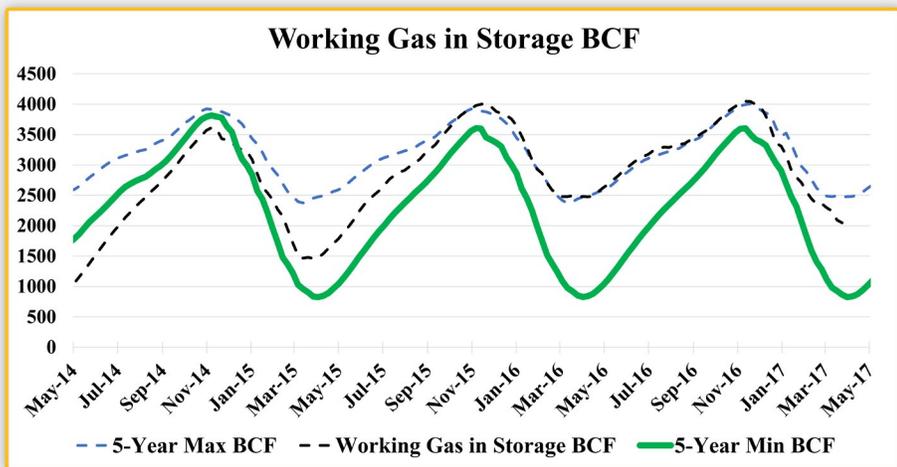
Late March rallies beg the question if supply can keep up with increasing demand as summer approaches.

Weather



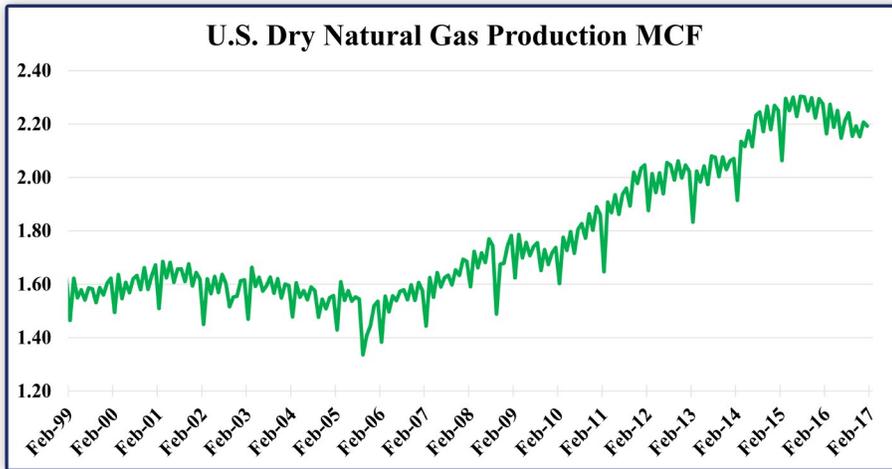
- Natural gas has been the worst performer among major commodities, with large losses in January and February. February was the second warmest on record which subdued typical winter demand.
- Mid-March saw prices rally with spells of lingering cold weather creating increased demand and increased storage withdrawals.
- Late March saw prices hit five-week highs as cooler weather continued to boost demand.

Storage



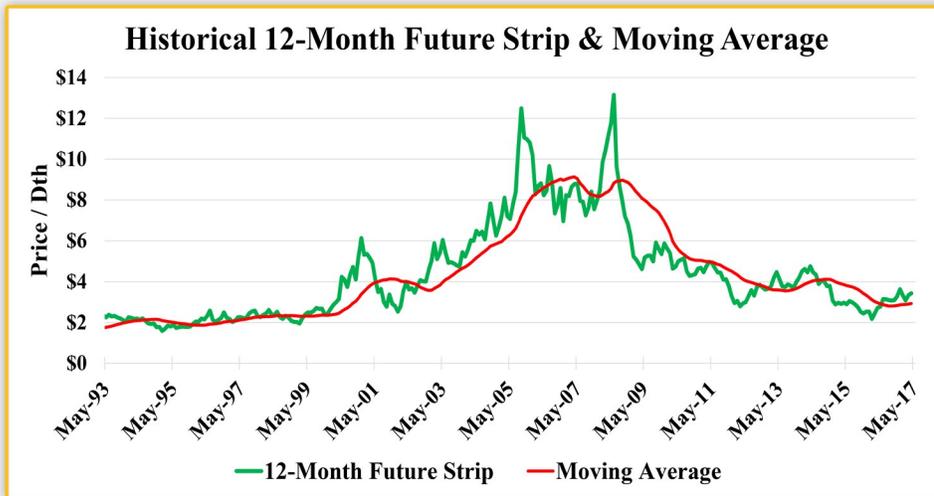
- Early March saw storage at 9.5% below year-ago levels but still above five-year average.
- The end of March saw highest prices in nearly two months as storage is uncertain to keep up with coming summer demand.
- Growing consumption from power producers and increasing exports are changing the supply-demand balance, tightening the gas market in recent weeks.
- Working gas stocks totaled 2,049 Bcf, which is 250 Bcf more than the five-year average and 423 Bcf less than last year at this time.

Production



- United States energy fell 4% in 2016, marking the first annual decline in energy production since 2009.
- For the first time on record, gross exports of natural gas from the United States exceeded those of coal in energy-equivalent terms. United States will become a net exporter of natural gas by 2018, as domestic production continues to grow and additional natural gas export capacity, particularly to Mexico, comes online.

Pricing



Bidweek

Month	SCG	NYMEX
Oct.	\$2.95	\$2.952
Nov.	\$2.88	\$2.764
Dec.	\$3.63	\$3.232

Jan.	\$3.92	\$3.930
Feb.	\$3.53	\$3.391
Mar.	\$2.70	\$2.627
Apr.	\$3.04	\$3.175

Prices per Mmbtu.

Noteworthy

- California has adopted the strictest rules in the country to reduce methane leaks, with sights set on continuing green trend amidst an administration set to roll back the Clean Power Plan.
- The “clean” breaking point for natural gas generation plants is 3% leakage – any more than that and coal is considered cleaner. A pilot study showed an average of 0.3% leakage.
- UPS continues the trend of large commercial users switching to natural gas vehicles, with six CNG fueling stations and 390 new tractors in development.