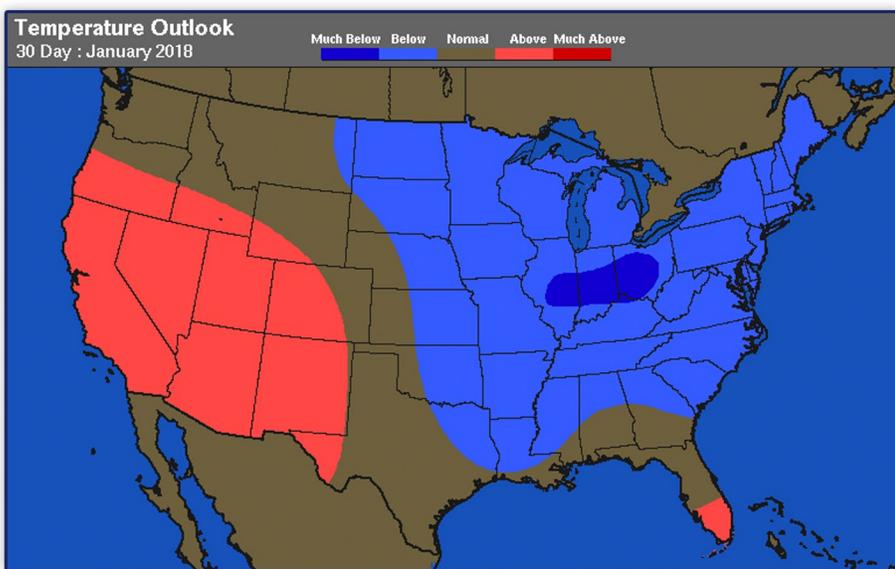


Market Summary

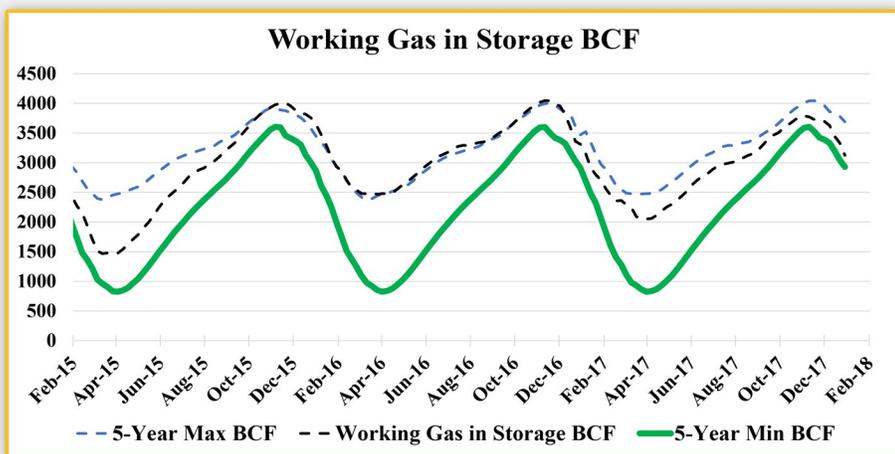
A cold snap that ravaged the Northeast caused natural gas prices to skyrocket in the New Year. Storage reserves are down as natural gas fired power plants struggle to keep up with demand. As 2018 progresses, ample production should balance the market while long-term prices push up.

Weather



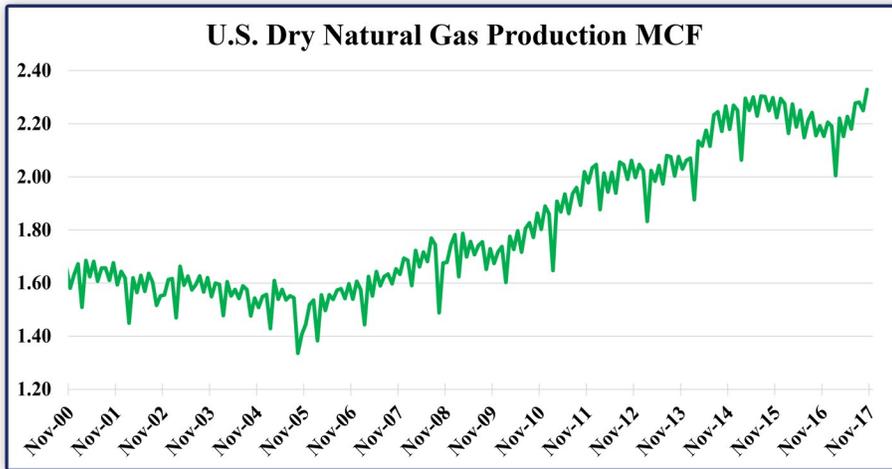
- Prices at the end of December flared up +13% in one week as a cold snap began across most of the United States – beginning the Polar Blast.
- The cold snap lingered, creating the world’s priciest market for power plants using natural gas in New England – with gas at \$35.5/Dth and power prices ~\$200/MWh.
- Early January saw prices surge 60x their normal rate as blizzard conditions increased demand with gas being used to heat homes and generate power, reaching a record \$175/Dth - up from the \$2.93 futures have been averaging on NYMEX. Other major trading hubs also exceeded \$100/Dth.

Storage



- Prices dropped 5% in early December to their lowest in 6 weeks with an increase in storage numbers.
- Early January saw the United States burn the most natural gas ever – breaking a record set by the similar Polar Vortex in 2014.
- With a prolonged cold snap, there is a potential to see some spot shortages or dipping into up to a quarter of stored natural gas in January alone.
- Working natural gas stocks are 3,126 Bcf, which is 6% less than the year-ago level and 6% lower than the five-year average.

Production



- United States LNG exports could find their way to Saudi Arabia and other mid-east territories, like Egypt/Jordan.
- Pennsylvania production during the 3rd quarter was up 4.8% from the same period in 2016, with an overall increase of 3.6% through the year compared to year before.
- Early December rig count at 9-week high as rigs have risen 44% year over year and 33.3% year to date.

Pricing



Bidweek

Month	SCG	NYMEX
Oct. '17	\$2.96	\$2.974
Nov. '17	\$3.61	\$2.752
Dec. '17	\$6.38	\$3.074
Jan. '18	\$3.880	\$2.738

Prices per Mmbtu.

Noteworthy

- Startup company working on running a power plant without releasing greenhouse gas emissions. Placed in Texas and uses CO₂ to run a turbine and generate electricity.
- California PUC issued proposal to implement emergency moratorium on new gas customer connections in areas relying on Aliso Canyon Storage facility – lasting from January 11 to March 31, 2018.
- California has canceled plans to build new natural gas fired power plants in favor of distributed energy, now proposing to replace existing gas plants with distributed energy.
- China on pace to top Japan as world's biggest gas importer.