

Early Morning Update:

The Mar18 natural gas contract is trading up \$0.02 at \$2.87. The Mar18 crude contract is down \$0.03 at \$65.77.

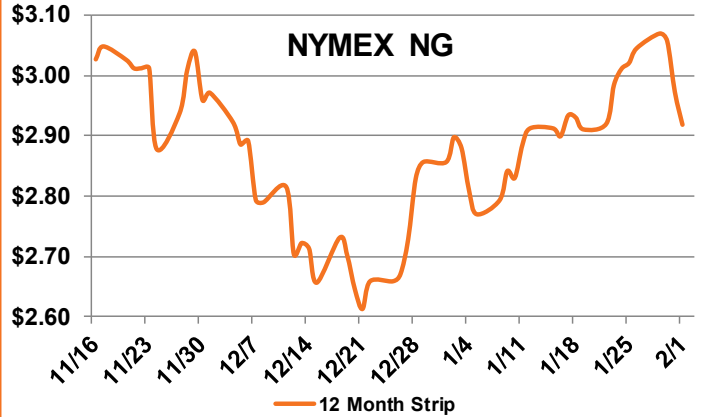
Summary: The prompt NG contract saw the second straight day of sharp declines as the price fell \$.139 to close at \$2.856. Updated weather forecasts showing less cold temperatures seemed to be the primary driver of the move. The revised weather forecasts also caused the end-of-winter storage forecast to move up slightly, now at 1.33 Tcf. Speaking of storage, the EIA did report a draw from storage of 99 Bcf, in-line with expectations. News of the draw however seemed to pressure the market lower. As has been the case, the move in prices was limited to the front of the curve as Cal '19 and '20 were essentially flat on the day. Prompt NG prices have been very volatile lately with the range over the last 6 weeks being from \$2.598 to a high of \$3.631 to it's most recent settle of \$2.856. I wouldn't be surprised to see more volatility as we still have several more weeks of potential cold temperatures.

Bullish Factors

- Low expected storage levels
- LNG exports ramping up
- Exports to Mexico at all-time high

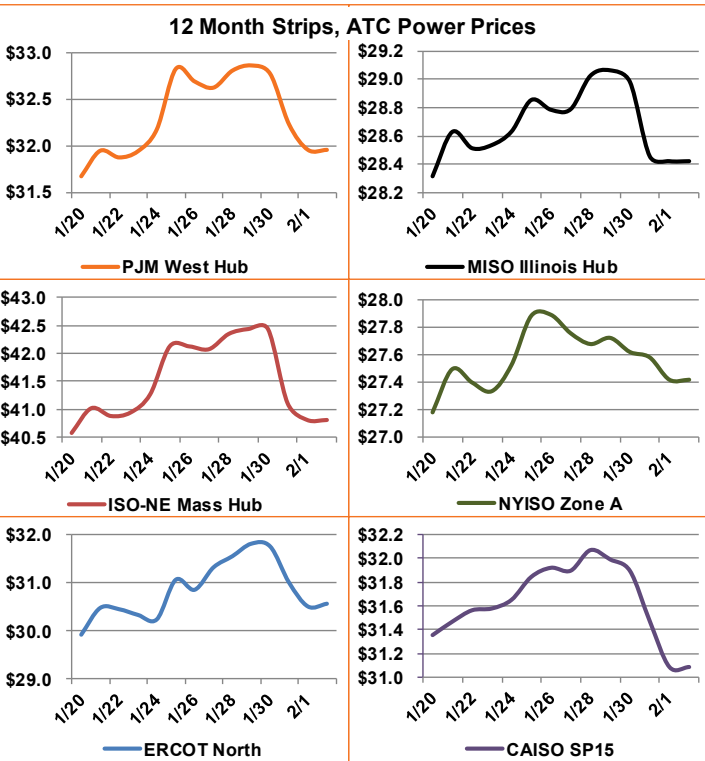
Bearish Factors

- NG production at record levels
- Growing renewable energy generation
- Increased NG pipeline capacity



Next Day On-Peak Power (traded for 2/2/2018)

| | | |
|-----------------------------------|------------------------------------|--------------------------------|
| ISO-NE Mass Hub \$94.29 | MISO Indiana Hub \$37.76 | NYISO Zone G \$56.55 |
| PJM West Hub \$54.60 | ERCOT North \$25.25 | CAISO SP15 \$28.92 |
| NYMEX NG | Close | Change |
| Feb-18 | 2.856 | -0.139 |
| Mar-18 | 2.793 | -0.067 |
| 12 Month | 2.918 | -0.054 |
| Cal 19 | 2.831 | -0.002 |
| Cal 20 | 2.807 | 0.007 |



EIA Natural Gas Storage

| EIA Reported Storage (Bcf) | This Week | Last Week | Last Year | 5-Year Avg. |
|----------------------------|-----------|-----------|-----------|-------------|
| Total | 2,197 | 2,296 | 2,723 | 2,622 |
| Diff v. Current | | -99 | -526 | -425 |
| % Diff | | | -19.3% | -16.2% |

