

Early Morning Update:

The Apr17 natural gas contract is trading down \$0.06 to \$2.84. The Apr17 crude contract is up \$0.40 at \$53.60.

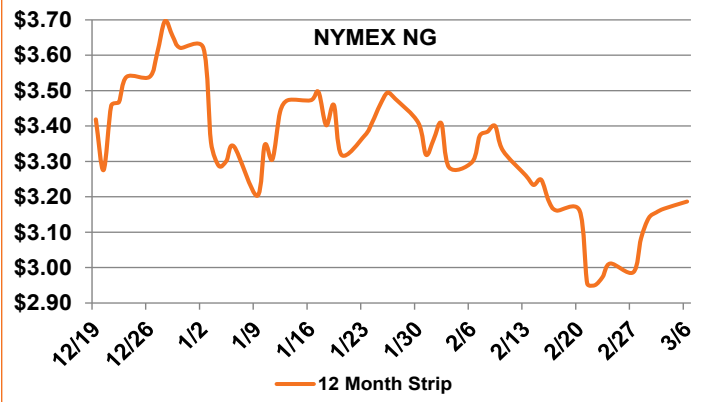
Summary: In a day of oscillating short-term weather forecasts, April 2017 settled up over seven cents to \$2.901/MMBtu yesterday, after trading as high as \$2.952 intraday. The 12-month strip gained two cents to \$3.186, but all future calendar years 2018-2023 moved down by a cent or less. Calendar strips 2019-2022 are all in a tight range from \$2.86-\$2.89. Weather maps issued yesterday morning showed much below-average temperatures for the Northeast and Midwest creeping into the 6-14 day forecasts, before slightly backing off in revised forecasts in the afternoon. Cooler weather could mean higher storage withdrawals for the next few weeks, but there is limited time left to dig into natural gas stores before the end of the traditional withdrawal season on March 31. Analysts are now expecting stockpiles to remain above 2.1 Tcf before injection season begins. Looking ahead to spring, nuclear generation outages are expected to be at their highest levels since 2011, which will necessitate an average of just over one Bcf/day of natural gas for replacement power. Another expected influence on future power burn is persistent low natural gas prices, which could make gas-fired power more attractive in the generation stack and lift power burn by up to three Bcf/day this summer.

Bullish Factors

- Stagnant production
- Exports to Mexico at record high
- Growing LNG exports

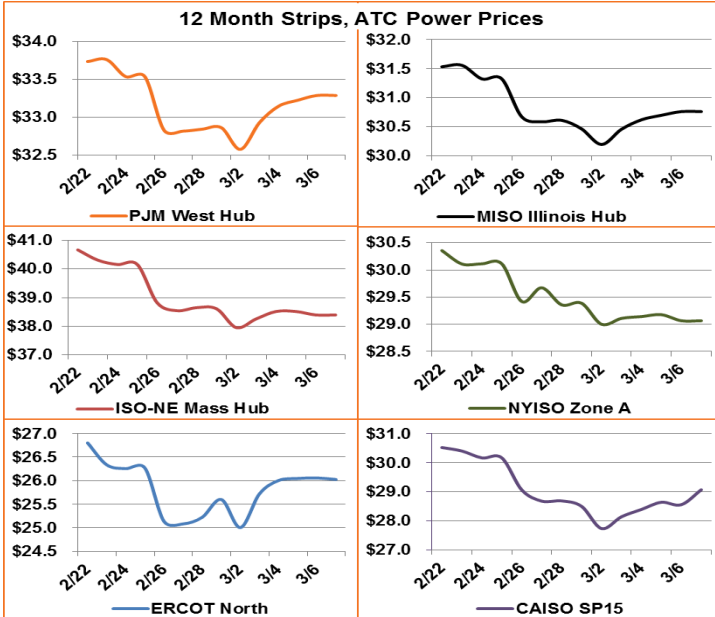
Bearish Factors

- Record warm weather
- Producer hedging
- Less coal-to-gas switching



Next Day On-Peak Power (traded for 3/7/2017)

| | | |
|-----------------------------------|------------------------------------|--------------------------------|
| ISO-NE Mass Hub \$23.56 | MISO Indiana Hub \$27.81 | NYISO Zone G \$25.90 |
| PJM West Hub \$27.37 | ERCOT North \$25.00 | CAISO SP15 \$23.83 |
| NYMEX NG | | Close |
| Apr-17 | | 2.901 |
| May-17 | | 2.984 |
| 12 Month | | 3.186 |
| Bal 17 | | 3.117 |
| Cal 18 | | 3.009 |
| | | Change |
| Apr-17 | | 0.074 |
| May-17 | | 0.045 |
| 12 Month | | 0.020 |
| Bal 17 | | 0.023 |
| Cal 18 | | -0.004 |



EIA Natural Gas Storage

| | | | | |
|-----------------------------------|------------------|------------------|------------------|--------------------|
| EIA Reported Storage (Bcf) | This Week | Last Week | Last Year | 5-Year Avg. |
| Total | 2,363 | 2,356 | 2,550 | 2,068 |
| Diff v. Current | | 7 | -187 | 295 |
| % Diff | | | -7.3% | 14.3% |

