

Early Morning Update:

The Oct18 natural gas contract is trading down \$0.01 at \$2.79. The Oct18 crude contract is up \$0.21 at \$67.75.

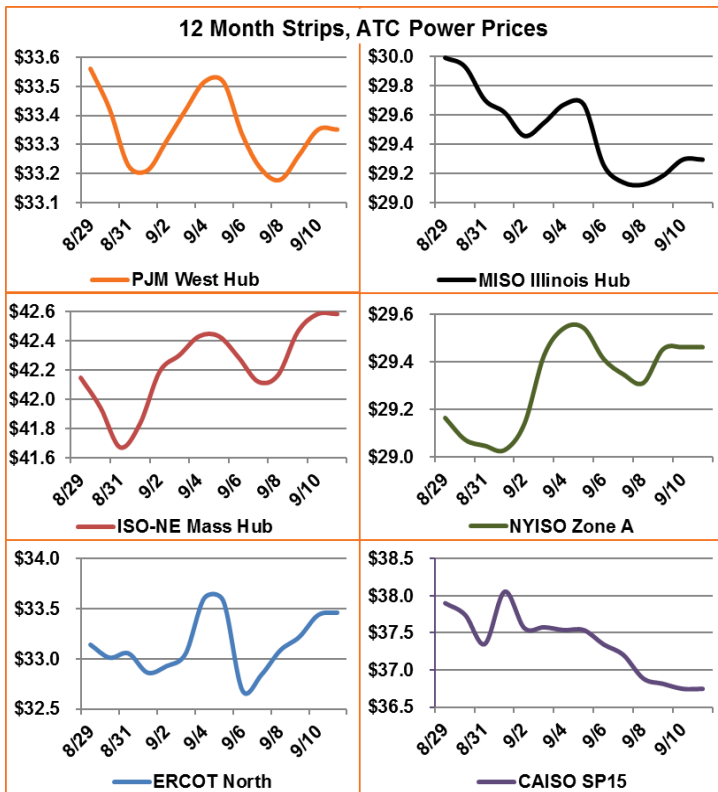
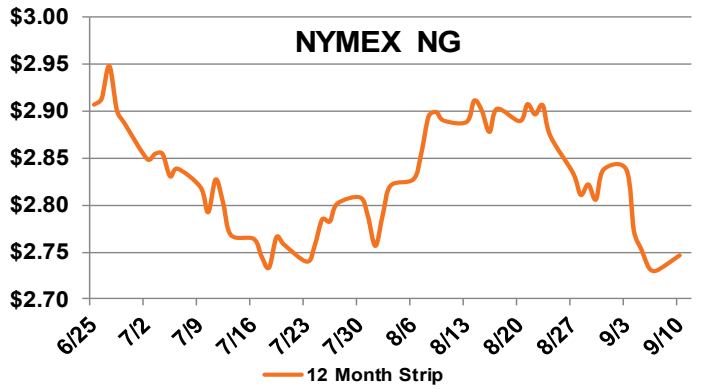
Summary: Despite record production and a bearish October weather outlook, natural gas prices ticked higher yesterday, with the prompt month settling at \$2.804/MMBtu, up 2.8 cents on the day. U.S. dry natural gas production reached an all-time high of 83.7 Bcf/d, boosted by Northeast production, which also set a record on Monday of 29.9 Bcf/d. The National Weather Service is forecasting above-average temperatures in October, which should stave off any early heating demand. Power burn is up 1.1 Bcf/d today from yesterday, while demand in the ResComm sector declined 1.7 Bcf/d. Early yesterday morning, Energy Partner's Revolution gathering pipeline exploded in Beaver Valley, PA. There were no injuries, and the only property damage was the pipeline itself. It is believed that this will have little to no impact on Northeast production.

Bullish Factors

- High power burns
- LNG exports ramping up
- Warmer-than-normal weather

Bearish Factors

- Record NG production
- Growing renewable energy generation
- Higher associated gas production



Next Day On-Peak Power (traded for 9/11/2018)

| ISO-NE Mass Hub \$36.20 | MISO Indiana Hub \$30.78 | NYISO Zone G \$39.00 |
|----------------------------|-----------------------------|-------------------------|
| PJM West Hub \$36.41 | ERCOT North \$27.50 | CAISO SP15 \$34.48 |
| NYMEX NG | | Change |
| Oct-18 | 2.804 | 0.028 |
| Nov-18 | 2.808 | 0.018 |
| 12 Month | 2.746 | 0.016 |
| Cal 19 | 2.713 | 0.013 |
| Cal 20 | 2.608 | 0.009 |

EIA Natural Gas Storage

| EIA Reported Storage (Bcf) | This Week | Last Week | Last Year | 5-Year Avg. |
|----------------------------|-----------|-----------|-----------|-------------|
| Total | 2,568 | 2,505 | 3,211 | 3,158 |
| Diff v. Current | | 63 | -643 | -590 |
| % Diff | | | -20.0% | -18.7% |

