

Early Morning Update:

The Jul17 natural gas contract is trading up \$0.02 at \$3.03. The Jul17 crude contract is down \$0.96 at \$47.40.

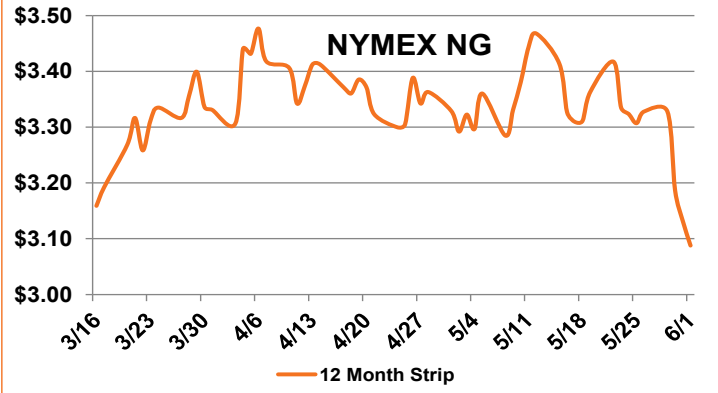
Summary: With improving production and cool weather for the beginning of June, all the natural gas market needed was a better-than-expected storage injection to push prompt month prices to their lowest level since St. Patrick's Day. The 81 Bcf build reported by the U.S. Energy Information yesterday for the week to May 26 helped push July deliveries for the NYMEX natural gas contract to \$3.008/MMBtu, down 6.3 cents day-over-day. The prompt month has dropped almost 23 cents just this week, and may have declined even further if \$3.00 wasn't such a strong technical and psychological barrier. The weekly storage injection would also have been slightly larger (85 Bcf) if the EIA had not reclassified four Bcf of gas in the Mountain region from working gas to base gas. The growth in storage inventories was in line with last year (80 Bcf), but still less than average (97 Bcf) for this time of year. If cooler temperatures persist into summer, there is a good chance that the pace of storage building could pick up and finish the season higher than currently projected (3.6-3.7 Bcf).

Bullish Factors

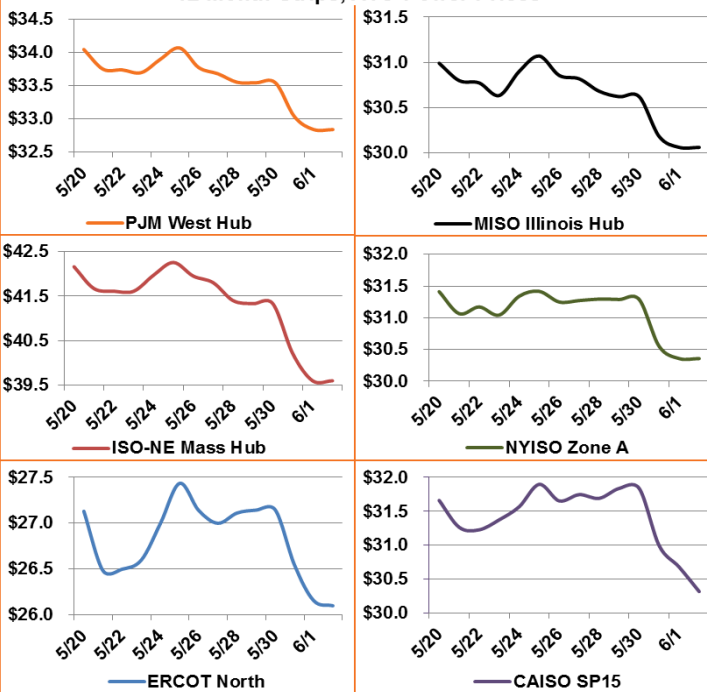
- Stagnant production
- Exports to Mexico at record high
- Growing LNG exports

Bearish Factors

- Power burn down year-over-year
- Producer hedging
- Less coal-to-gas switching



12 Month Strips, ATC Power Prices

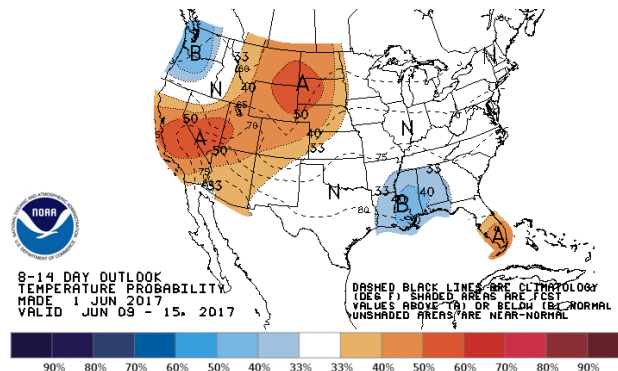
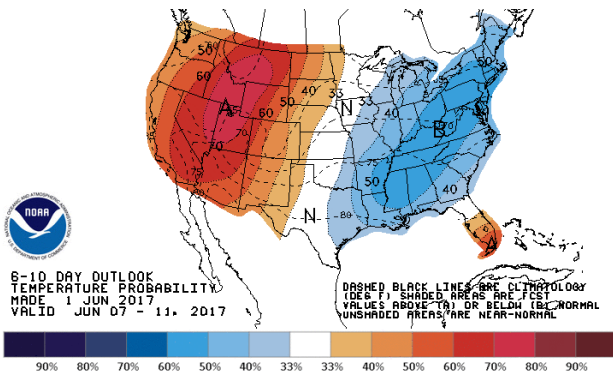


Next Day On-Peak Power (traded for 6/2/2017)

ISO-NE Mass Hub \$23.42	MISO Indiana Hub \$34.30	NYISO Zone G \$24.75
PJM West Hub \$27.83	ERCOT North \$25.80	CAISO SP15 \$30.46
NYMEX NG	Close	Change
Jul-17	3.008	-0.063
Aug-17	3.047	-0.062
12 Month	3.088	-0.044
Cal 18	3.012	-0.015
Cal 19	2.850	0.008

EIA Natural Gas Storage

EIA Reported Storage (Bcf)	This Week	Last Week	Last Year	5-Year Avg.
Total	2,525	2,444	2,895	2,300
Diff v. Current		81	-370	225
% Diff			-12.8%	9.8%



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