

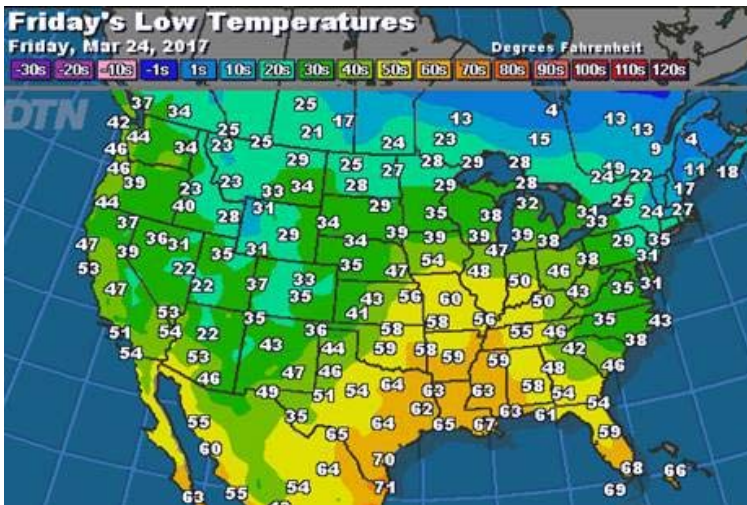
Blake Baxter

Subject: FW: MEP Weekly Gas Update 3-23-2017
Attachments: MEP Gas Storage Chart 2017 3 23.pdf; NG Price Curve 2017 3 23.pdf

Natural gas is currently trading at \$3.051 per Dth

This has been a wild, crazy, busy week this week. This is the time of year when delivery capacity on the interstate gas pipelines for next winter is normally the cheapest. As with any finite resource gas pipeline capacity gets more expensive as the available capacity shrinks. Thus if you wait until October or November to buy your pipeline capacity for winter you are buying the last loaves on the shelf. Consequently we are currently very active in the capacity markets now with bids on 17 client RFPs covering close to 50 facilities coming in just this week. Here is the big news – these bids are confirming what we saw in earlier RFPs – pipeline capacity, a/k/a basis, for next winter and after is collapsing in Wisconsin. Our clients are seeing anywhere from a 35% to an 80% reduction in basis cost depending on their specific location and the upstream pipeline serving their area. If there is a time to consider putting your gas requirement out to competitive bid now is that time.

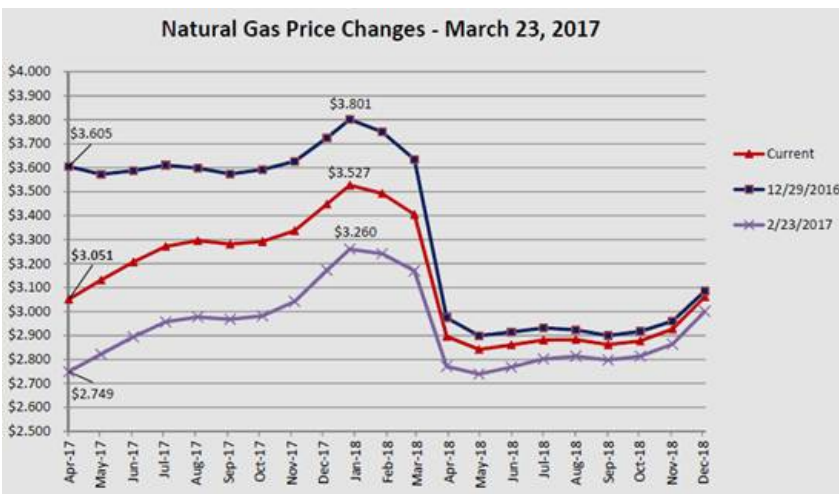
While future capacity prices are collapsing, the cost of gas continues to rebound as winter sticks around. Today the EIA reported a staggering March weekly withdrawal from storage of -150 BCF. This pushed the April contract up another 4 cents to \$3.051 /Dth on the day. The impact of the storage number was made greater by the fact that last year this week saw an injection into storage so we are now trailing last year's inventory by -399 BCF. This number will likely increase again next week as most of the nation is still seeing chilly overnight numbers.



Another item to consider is that many of the southern utilities are already taking down their nuclear units for their spring outage work. While the nuclear outages are very public news, I can assure you that outage season has already started for the big coal plants that remain out there. Everyone wants their plants in the best possible condition when that summer air conditioning load kicks in in a few months. The upshot is that the power industry is going to more dependent on natural gas to pick up any swings for the next few months.



With front gas continuing to edge higher we also saw increases on the back of the price curve. The summer 2017 strip increased 16.3 cents this week to \$3.218 /Dth. The winter 2017/18 strip moved up 13.8 cents to \$3.442 /Dth. Farther out the 2018 calendar strip was up 6.2 cents this week to \$3.043 /Dth while the 2019 calendar strip gained 1.8 cents to \$2.854 /Dth.



Have a great weekend.

Past copies are available on our website at <http://mepsolutions.org/monthly-market-updates/>

We are also available on **Twitter** at **@MEPNatGas** with updates on natural gas prices as well as national & Wisconsin gas industry news.

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