

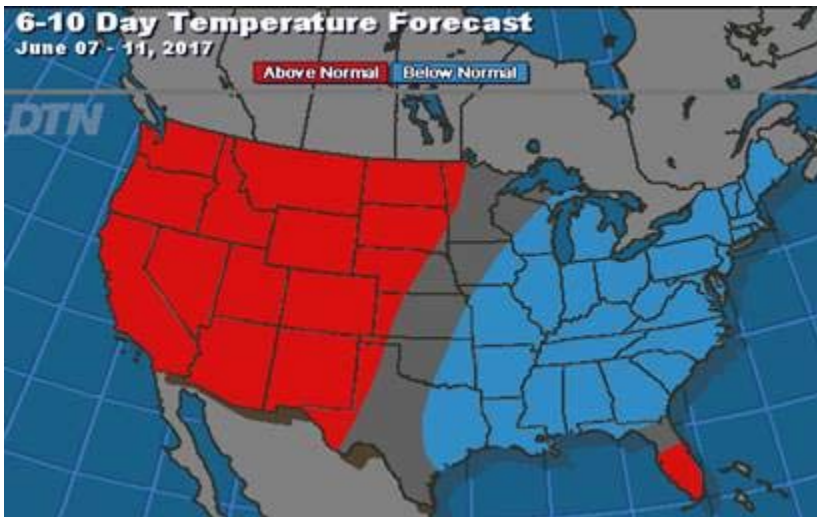
Blake Baxter

Subject: FW: MEP Weekly Gas Update 6-1-2017
Attachments: MEP Gas Storage Chart 2017 6 1.pdf; NG Price Curve 2017 6 1.pdf

Natural gas is currently trading at \$3.008 per Dth

I have to admit to be saddened by the decision out of Washington this afternoon. However, I am cheered by the fact that having worked for a number of large energy companies I know that most of them invest their billions based on actual facts and science. Thus the action this afternoon will not do things like restore American coal jobs. Those jobs were lost the minute that scientists and engineers figured out how to access the natural gas in shale rock through horizontal drilling. In fact the timing of the new technology was almost perfect in that it coincided with sky-rocketing O&M costs for those vintage 1950's coal plants. That is why the TVA began bailing on coal plants years before the MATS standards and Clean Power Plan were scheduled to take effect.

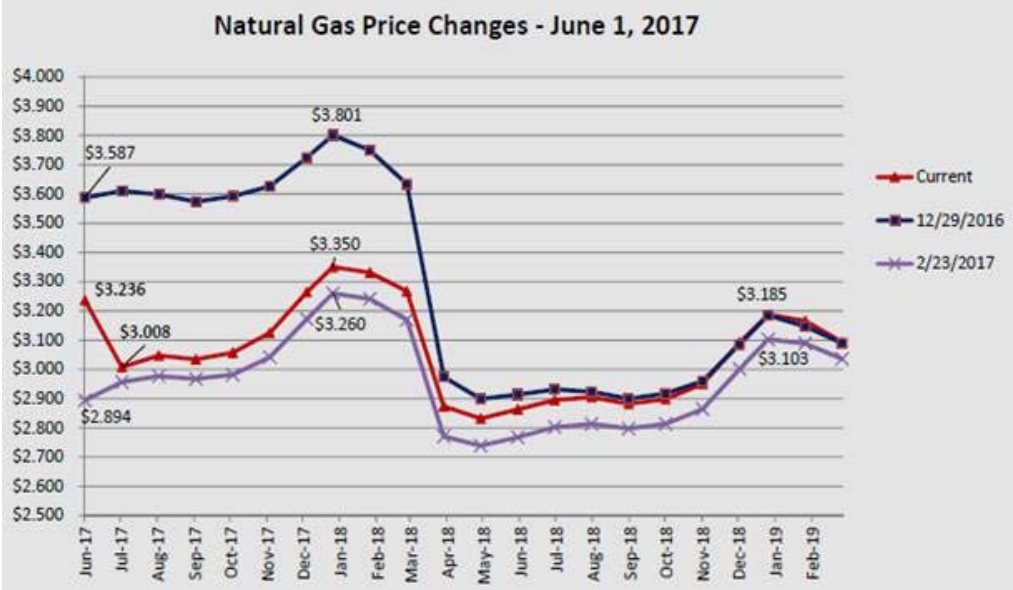
Everyone may not agree on climate change, but I think we can agree that we have had relatively beautiful weather over the past week here in Wisconsin. And according to NOAA we are in for much of the same – at least in terms of temperatures. (I know we have been having rain, but the farmers out in Barneveld were telling me at breakfast today that we only had 6 days without rain in May this year.) The current NOAA forecast continues to show the eastern US at below normal temperatures in coming days.



The continuation of the mild weather combined with today's EIA storage report of a +85 BCF build continued to push gas down for the week. Looking back, the June gas contract rolled off the charts at \$3.236 /Dth last Friday. The July contract, which closed on May 12th at \$3.498 /Dth, has now fallen \$0.49 /Dth in less than a month. The bears seem to be firmly in control, but be careful with that assumption.



First, the market is reacting to near term weather. I still have not found a weather forecaster that says that we are going to have a cool summer. There are those that say that we will be cooler than last year’s record summer heat, but none that have said we will have a cool summer. Second, while the expectation remains in the market that a wave of new shale gas will be showing up, the reality is that it is still a no show. While today’s storage report was a mild surprise to the upside it still only changed the year-on-year deficit by one (1) BCF. Another week is gone and we are still -370 BCF behind last year. So while the market may be in a downward move right now it could easily reverse on just one weather forecast.



The Price Changes chart shows you just how far we have fallen. The \$3.236 /Dth was the June close. Looking at the red line, you can now see how close we have come to the lows of late February. This downward cycle also shows in the strip pricing. The Summer 2017 strip was off 14.5 cents for the week to \$3.100 /Dth while the 2017-18 Winter strip fell 22.6 to \$3.267 /Dth. The 2018 Calendar strip was down 8.3 cents week-on-week to \$3.102 /Dth while the 2019 Calendar strip lost 1.6 cents to \$2.842 /Dth.

Have a great weekend.

Blake