

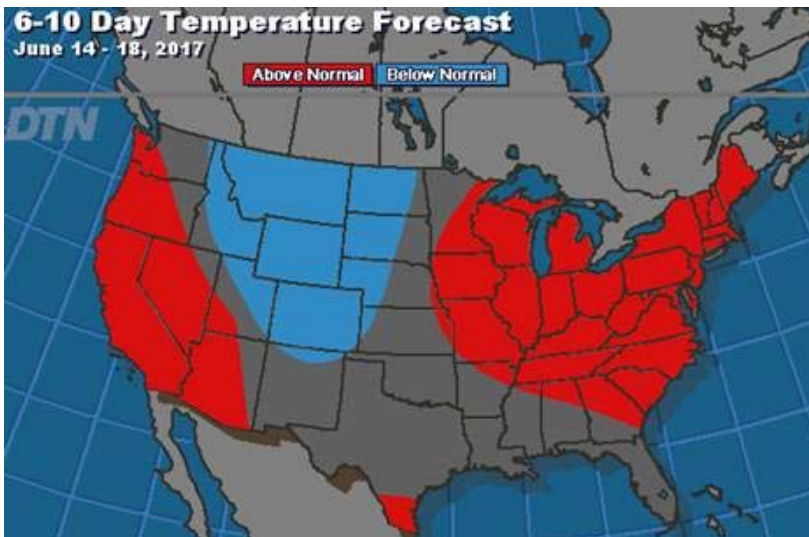
Blake Baxter

Subject: FW: MEP Weekly Gas Update 6-8-2017
Attachments: MEP Gas Storage Chart 2017 6 8.pdf; NG Price Curve 2017 6 8.pdf

Natural gas is currently trading at \$3.028 per Dth

It has been a beautiful week here in Blue Mounds. As we get ready for summer we stopped by Blue Mounds State Park this week and got our summer passes. The pool will not be opening until the weekend, but it was a beautiful sight to see about a dozen hawks riding the thermals around the mounds. The weather has been so clear that we could see the dome of the state Capitol over in Madison some 35 miles distant. I would be happy if the weather just stayed this way.

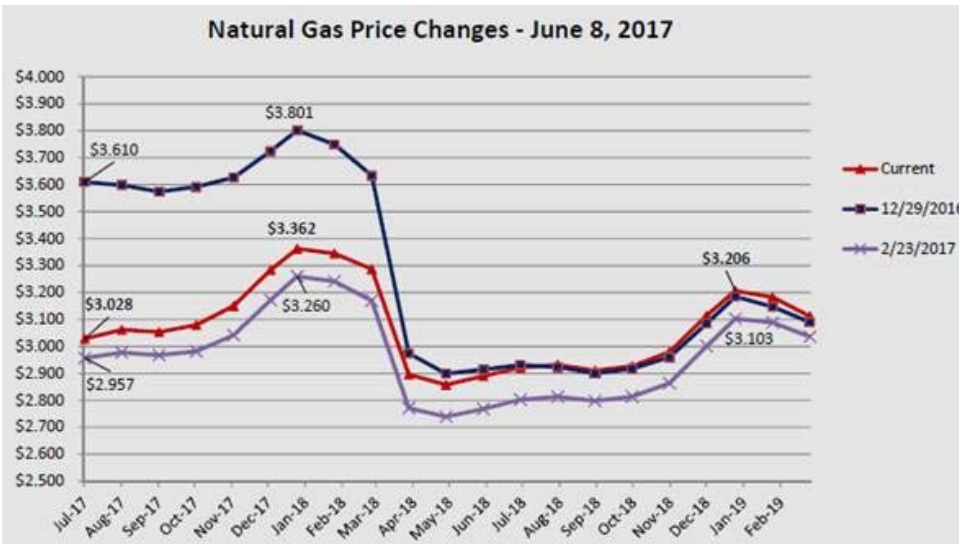
The mild and beautiful weather that much of the nation has been having translated into an announced gas storage build this week of +106 BCF. This was the first strong build that we have seen this season and it cut into the annual deficit by 38 BCF, thus reducing the year-on-year deficit to -332 BCF. Nevertheless, the expectation for the week was a build of +98 BCF which had already pushed prices down near the \$3.00 /Dth mark, so that expectation combined with a hint of heat on the horizon helped to maintain support for the gas price. Gas for the day was up 0.8 cents to \$3.028 /Dth.



However, June is going to be a critical month in determining where gas prices are going to go this year. Looking back at last year, the four weeks of June only produced a total gas injection of +207 BCF. And to refresh, we are just coming off of a +106 BCF weekly injection. In other words, if June heat fails to materialize, we will make a serious dent in the year-on-year storage deficit in just one month and will likely see some more downward pressure on gas prices.



There were two news items of interest this week. First the EIA has lowered its natural gas production growth for the rest of the year based on lowered expected gas prices. Second, the EIA is reporting increased power generation coming from coal. That latter should be no surprise as gas prices have basically doubled year on year so some coal generation that was out of the money is back in the money. However, we could be looking at the power generation ying and yang again as mild weather will likely push gas prices down which will then make it cheaper than coal again. The economics of power generation are very tight.



Again we had another week where a small move to the front of the curve translated into small moves along the back of the curve. The 2017 summer strip rose 1.1 cents this week to \$3.111 /Dth while the 2017-18 Winter strip gained 1.9 cents to \$3.286 /Dth. The 2018 calendar strip changed 2.3 cents week-on-week to \$3.035 /Dth while the 2019 calendar strip moved up 2.2 cents to \$2.864 /Dth.

Have a great weekend.

Blake

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