Weekly Storage Report: Week Ending December 16, 2016

209 Bcf withdrawal above estimates

Morningstar Commodities Research
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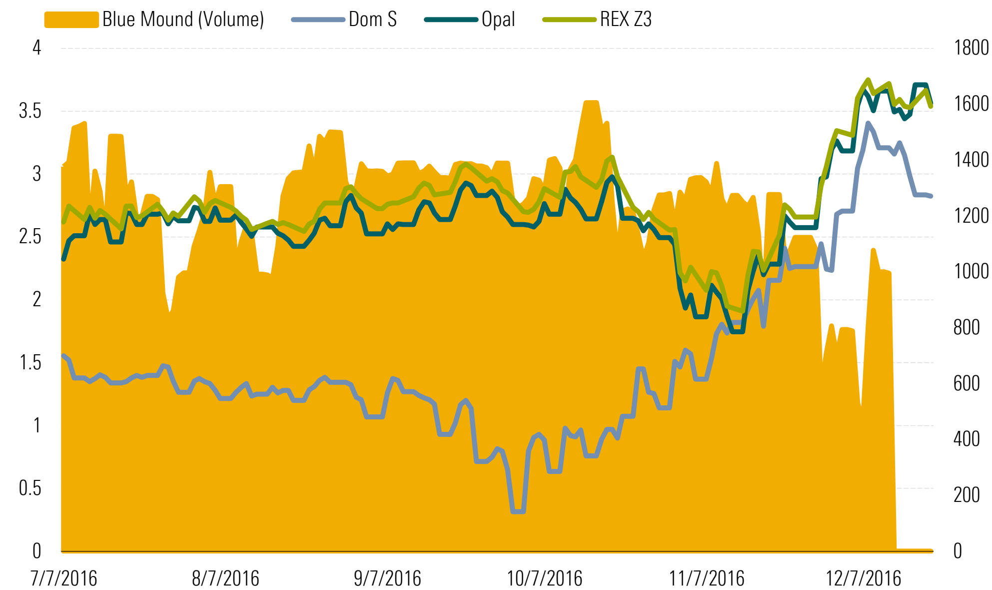
REX Expansion Operational

The Rockies Express recently finished an expansion project adding additional capacity. This expansion became available December 13th and we have seen it ramp up over the past week utilizing the new capacity.

Prior to the expansion, the Chandlerville compressor station was utilizing its full gas capacity of 1,800 MMcf/d. The capacity has ramped up to 2,240 MMcf/d by the end of last week. The majority of additional capacity has been filled by a supply response along the REX pipeline. Eureka Hunter, Rex Gunslinger, and the Ohio River System have contributed the most with the production facilities each adding close to 100 MMcf/d. Supply from Equitrans has also added 200 MMcf/d via the Ohio Valley Connector.

This increase in supply from Marcellus gas has been accompanied by a reduction in Rocky Mountain supply. Flows from White River hub have been reduced by 500 MMcf/d to compensate for the Appalachian gas. The recently adjusted sources were enough to reduce the flow of Blue Mound compressor station to 0 for the past several days. Blue Mound station is near the end of the bi-directional portion of REX flowing west. With the high gas demand and low temperatures recently, the enhancement appears to have added sufficient capacity to deliver Marcellus gas to meet demand to the West.

Rocky Mountains Express Expansion Prices versus Flows

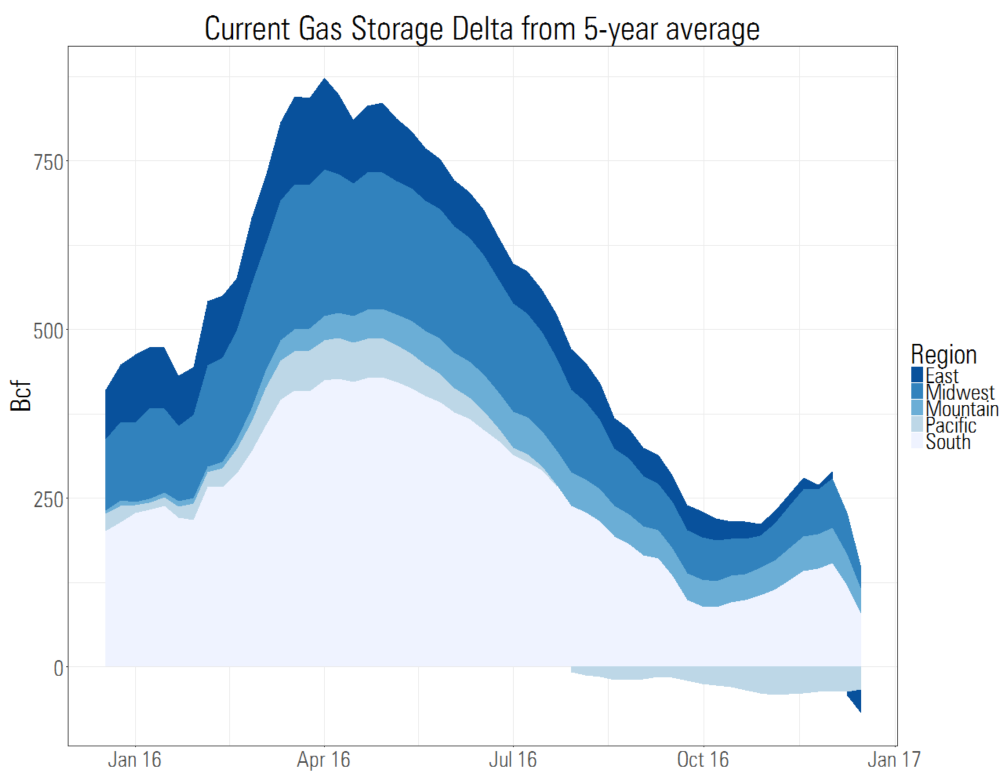


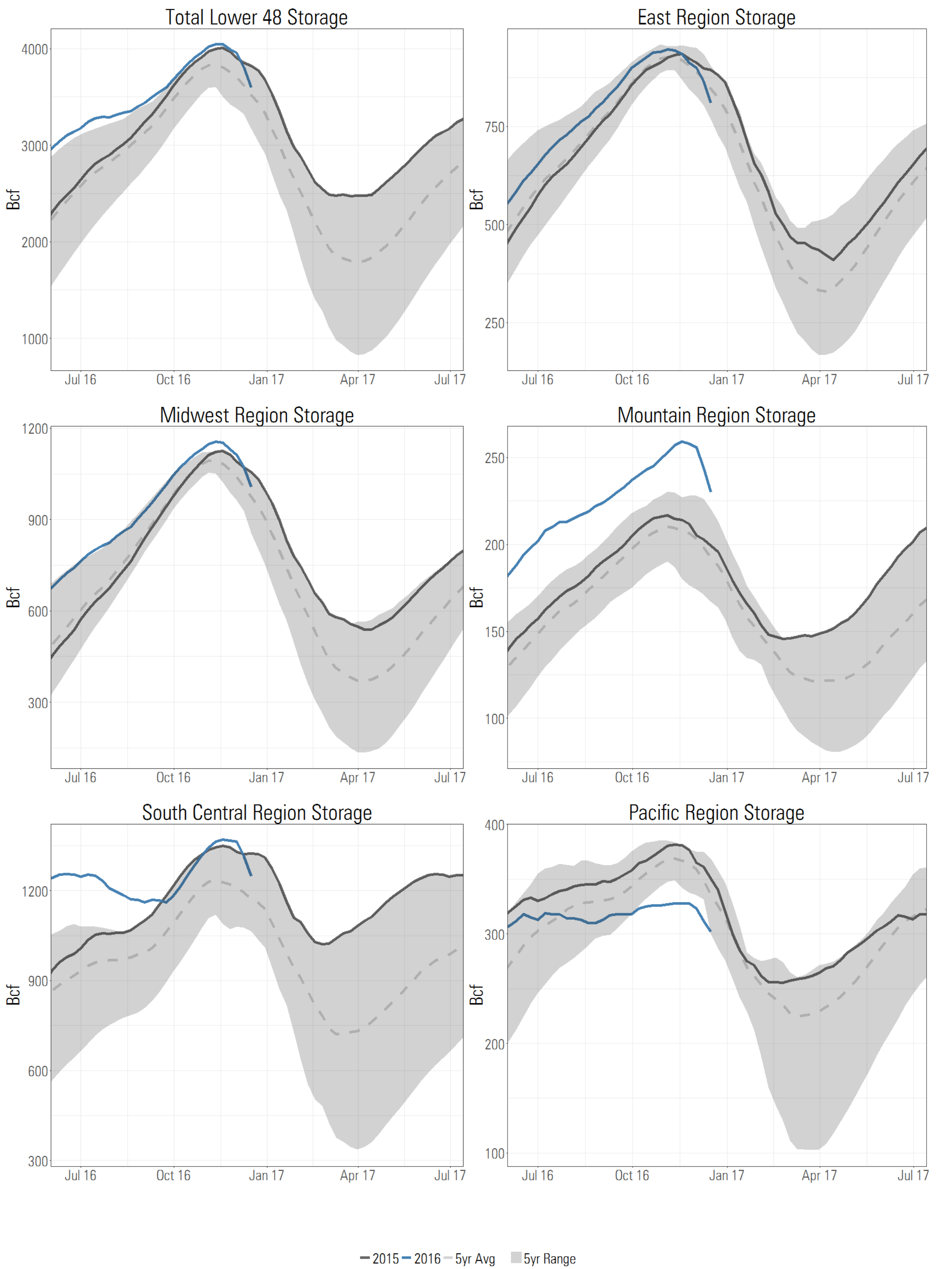
Source: Morningstar Commodity Data, Argus Media, Pointlogic Energy

Last year, Blue Mound also saw a period of no flows. This was during a period of low demand and flows quickly returned, but during this time, REX Zone 3 took on pricing properties of local Marcellus gas while Opal and REX Zone 3 spread reversed. We expect the expansion will have a similar effect on the Zone 3 price. The supply to Illinois from Marcellus should be more persistent as a result of the enhancement.

209 Bcf withdrawal for Week Ending December 16, 2016

The EIA reported a 209 Bcf storage withdrawal for the week ending December 16, above the 205 Bcf withdrawal market estimate. Front-month Henry Hub was up $0.02 after the number was released to $3.59/mmbtu and calendar 2018 Henry Hub was unchanged at $3.095/mmbtu. Working gas in storage now sits at 3,597 Bcf and is now 226 Bcf lower than last year at this time and 78 Bcf above the 5-year average. Use Markets symbol EIA.TOTAL.US for historic storage numbers.




Total Lower 48 Storage
Bcf
4000
3000
2000
1000
Jul 16
Oct 16
Jan 17
Apr 17
Jul 17
East Region Storage
Bcf
750
500
250
Midwest Region Storage
Bcf
1200
900
600
300
Mountain Region Storage
Bcf
250
200
150
100
South Central Region Storage
Bcf
1200
900
600
300
Pacific Region Storage
Bcf
400
300
200
100
2015
2016
5yr Avg
5yr Range

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