

Weekly Storage Report: Week Ending January 13, 2017

243 Bcf withdrawal above estimates

Morningstar Commodities Research
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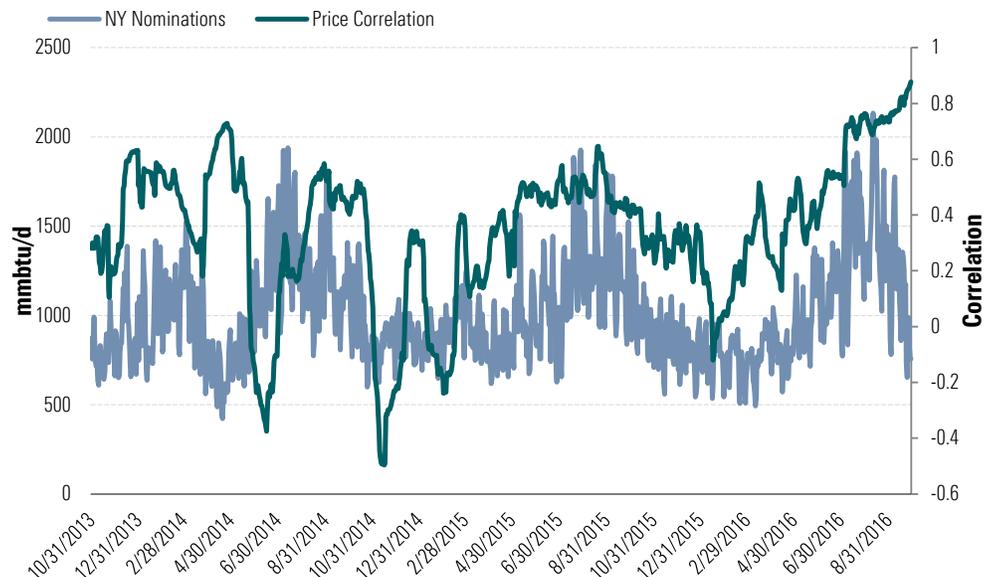
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Power Nominations Becoming Increasingly Important

Residential and commercial gas demand has long been the largest driver of gas price. These factors are associated with weather, more specifically heating degree days. Weather cools and people turn on their furnaces using larger quantities of gas and driving prices up. Recently, power generators are turning to gas causing power demand to become a more important factor.

As a larger share of power comes from gas, the demand has become more inelastic. In Transco New York Zone 6, the power generator nominations to the local gas price correlation has increased and become more persistent. During cold periods, residential and commercial demand is still the largest driver, but the power burn to price correlation has increased significantly, most recently reaching above a .8 correlation in September 2016. Within the last year, this relationship has held with the exception of a brief cold period during last winter.

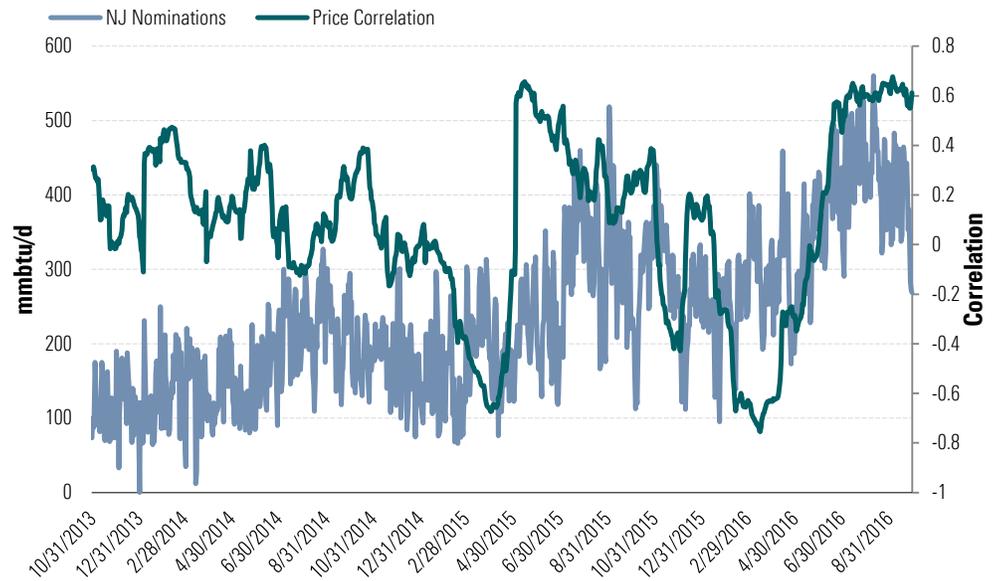
New York Zone J Nominations versus trailing 60 day price correlation



Source: Morningstar Commodity Data, Argus Media, EPA

The relationship can also be seen to a lesser extent in New Jersey gas nominations versus Transco Zone 6 Non NY price. New Jersey is associated with the PJM Interconnect ISO. A much smaller share of power is coming from gas within PJM when compared to New York. This relationship holds in summer months from May to October, but as cold weather sets in residential and commercial demand takes over. In PJM, more gas generators are being built and providing a larger share of power. This creates a stronger relationship for power demand as a price driver. As PJM becomes more dependent on gas for power, the relationship should shift more towards New York with a higher correlation of gas price to power burn.

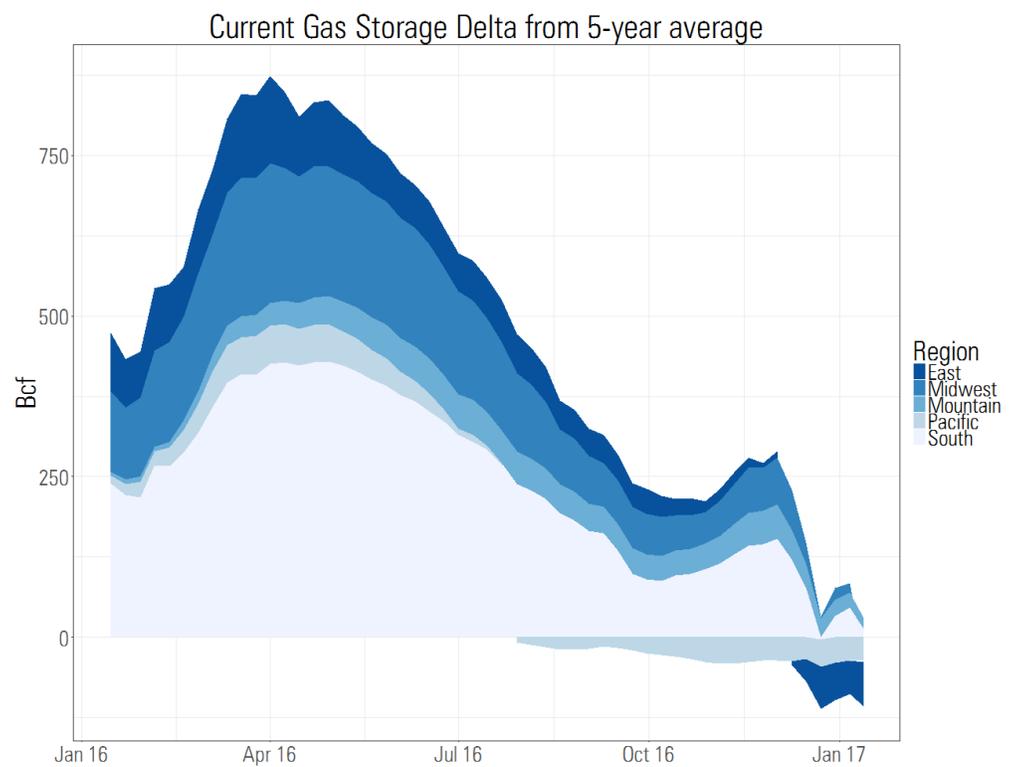
New Jersey Nominations versus trailing 60 day price correlation

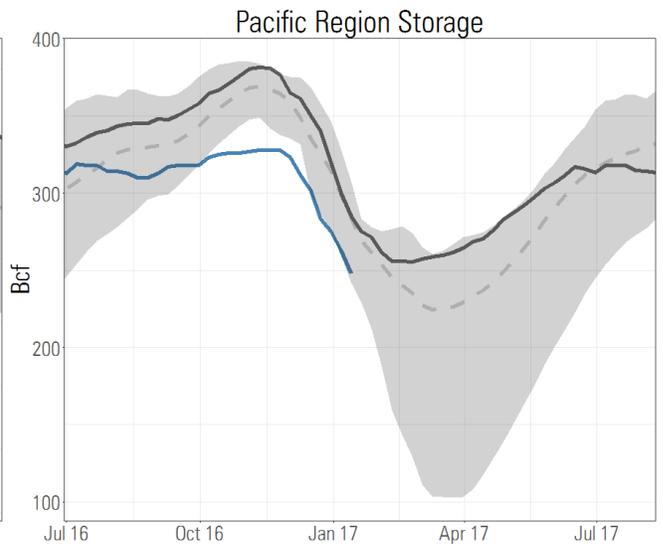
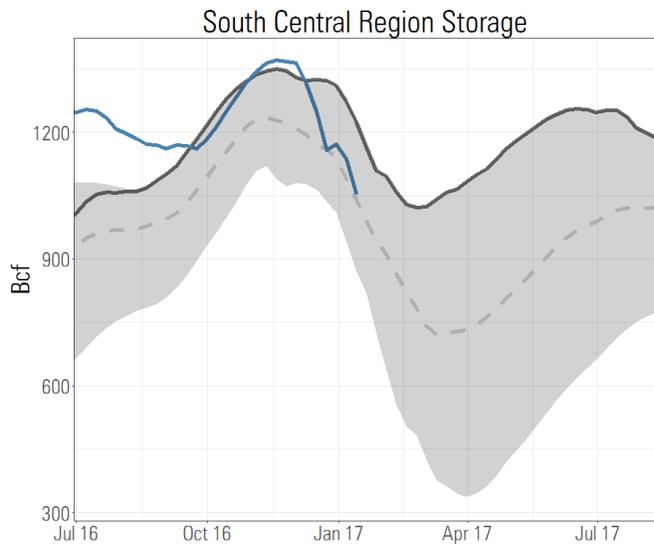
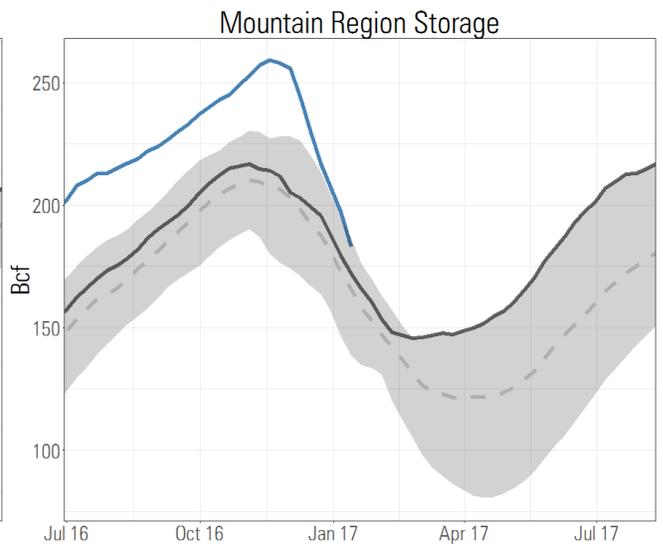
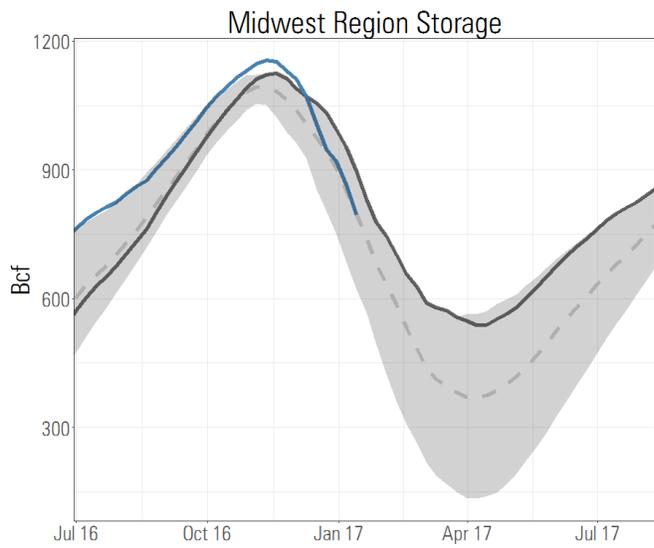
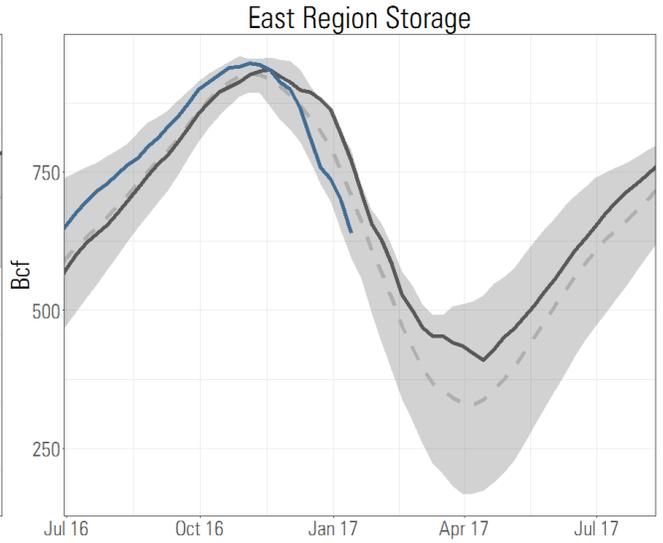
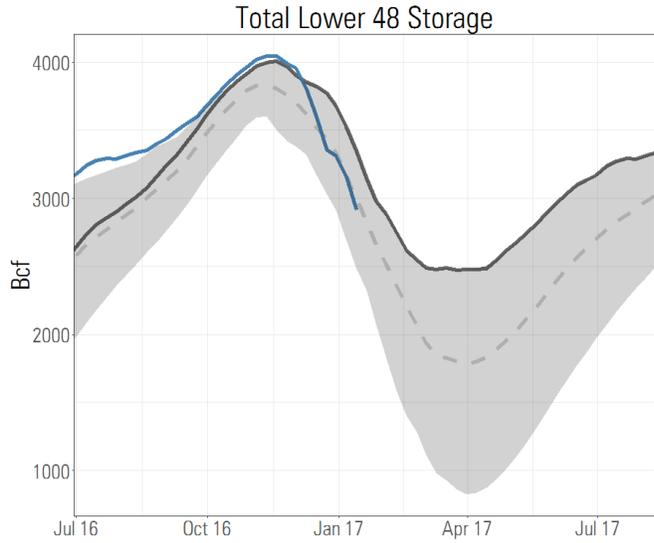


Source: Morningstar Commodity Data, Argus Media, EPA

243 Bcf withdrawal for Week Ending January 13, 2017

The EIA reported a 243 Bcf storage withdrawal for the week ending January 13, above the 234 Bcf withdrawal market estimate. Front-month Henry Hub was up \$0.03 after the number was released to \$3.32/mmbtu and calendar 2018 Henry Hub was down \$0.01 at \$3.10/mmbtu. Working gas in storage now sits at 2,917 Bcf and is now 431 Bcf lower than last year at this time and 77 Bcf below the 5-year average. Use Markets symbol EIA.TOTAL.US for historic storage numbers.





— 2015 — 2016 — 5yr Avg ■ 5yr Range

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