



Energy Market Update

Bring on college football and pumpkin spice lattes, we're ready for Fall! After a sweltering summer, many are welcoming the cooler temperatures. The natural gas and electric markets continue to present pricing opportunities for many consumers, so if you have not reviewed your electric purchasing strategy recently, please reach out to your CES representative as winter weather can create market volatility!

Chamber Energy Solutions Representative: Trevor Kendrick 419-491-1011

Natural Gas:

August 2018 final NYMEX settlement = \$2.82/MMBtu

September 2018 final NYMEX settlement = \$2.90/MMBtu

Hurricane Florence and Tropical Storm Gordon have contrived unpleasant effects across the Southeast and East Coast. Historically, hurricane season has carried the potential for pricing upside in the NYMEX natural gas market along with regional basis prices. In recent years, however, hurricane season has actually introduced some slight downside to gas futures pricing.

In the early-2000's, offshore gas production from the Gulf of Mexico accounted for roughly 25% of total U.S. domestic supply levels. With this location being a hotspot for tropical storms, any such occurrences coincidentally led to production shutdowns (as they still do today) until the storm activity cleared. In today's industry, this dynamic has shifted as Gulf of Mexico production now only accounts for 3-5% of total domestic supplies due to the onshore shale gas boom over the past decade. Correspondingly, offshore drilling interruptions don't carry the same bullish punch. Rather, storm activity has temporarily eliminated some cooling demand throughout the South while having the aforementioned negligible effect on supply. As demand decreases at a more rapid pace than supply, a commodity's futures price will tend to have more downside (all other factors being equal).

Electric: As the summer comes to an end, it will go down as one of the hottest on record across much of the Country. According to the NOAA's National Center for Environmental Information, May through August 2018 ranked the warmest to date across the contiguous United States. Toledo alone recorded approximately 26 days above 90 degrees since the beginning of June to mid-September, up from the annual average of 16 days.

Hot weather created an increase in electricity demand and the use of natural-gas fired generation continued. PJM, the Regional Transmission Organization (RTO) responsible for ensuring grid reliability in Ohio and a number of other states, recorded hourly system peak demands above 150 MW, which could end up being in the top 10 peaks of all time. While the five peak hours of the summer are not officially announced until the fall, it appears that four out of the five days will likely fall in August and September.

The increase in electric demand coupled with natural gas storage deficits pointed towards a supply and demand shift where many were expecting to see an increase in pricing based upon market fundamentals. Aside from small shifts up and down, market pricing has stayed fairly consistent continuing to afford many customers favorable pricing. As has been the case recently, the market continues its trend of backwardation offering lower rates further into the future.