NEWSLETTER

OUR ENERGY MANAGER

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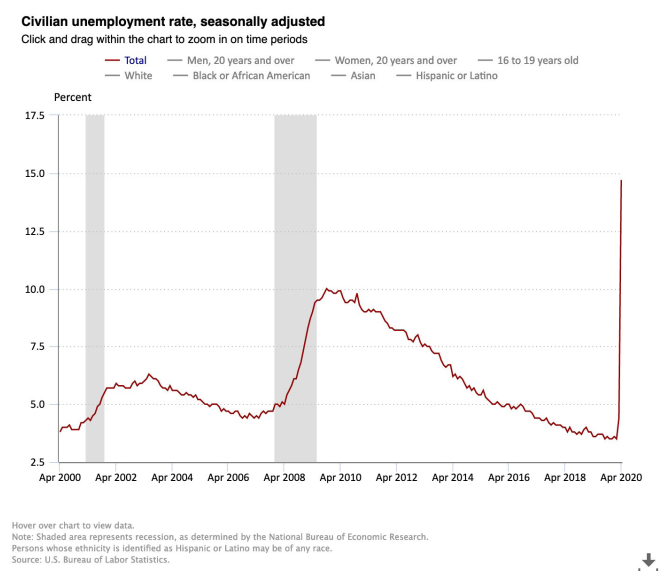
Economy

The COVID-19 shutdown continues to impact the economy. In April, the unemployment rate spiked to 14.7% and unemployment claims reached 30 million out of an estimated 160 million people in the workforce before the shutdown for a total unemployment rate of 18.75%. Some analysts believe this number is understated by as much as 5%, which would put the true unemployment rate close to the 25% levels reached during the Great Depression.

There are some positive signs for the economy. All 50 states have started to reopen, albeit at different paces. Restaurant transactions are up 45% since March 22nd. Apple mobility data shows an increase in driving, which is reflected in higher gasoline prices. All of this indicates pent-up demand, which will be important in restarting the economy, provided that businesses are able reopen.

After the disastrous close of the May WTI contract, the June contract rebounded and settled at $32.50/bbl. Support continues for the contract rebound, as states begin the reopening process. In the Permian basin, drillers are restarting wells that were shut-in because of the collapse, indicating that the bottom may have been



reached. Despite this news, production cuts continue. Baker Huges oil rig count is currently at 339, down 35 from last week and 648 from a year ago, as companies announce more cuts in capex budgets and project deferrals.

Natural Gas

After the May contract settled at $1.749, prompt-month natural gas traded above $2 for the first time since mid-March, driven by late-season cooler-than-normal temperatures, a pipeline-related supply disruption and an anticipated increase in demand from the phased-in economic restart. Prices have come off the highs of last week, and the June contract is currently trading at $1.72.

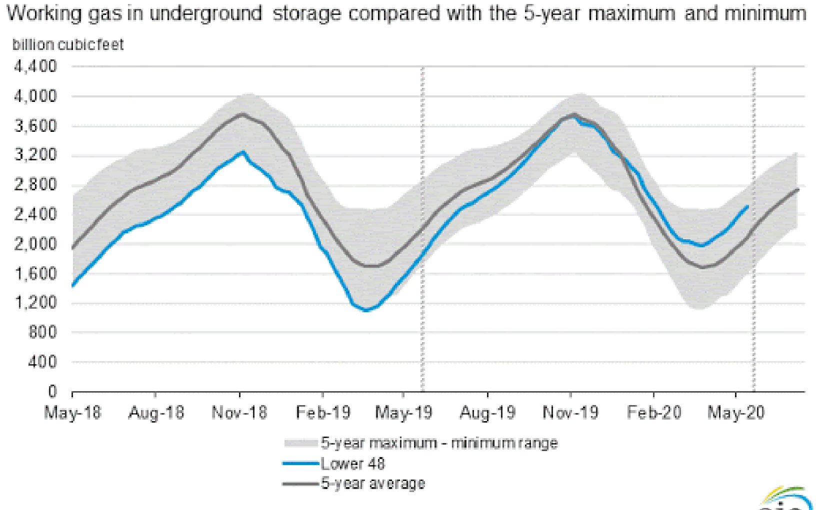
Natural gas production continues to decline, primarily driven by the decrease in crude production. Gas directed rig counts fell by 1 to 79 last week, which is a new record low. These factors continue to impact future prices. While no longer trading in the $3 range, the prices for 2021-2025 are still significantly higher than March lows.

NYMEX Futures Pricing ($/MMBtu)	Week Ending 5/15/20	Week Ending 5/8/20	W-o-W
NYMEX Prompt	$1.65	$1.75	($0.10)
NYMEX 12-Month Strip	$2.39	$2.48	($0.09)
Balance 2021	$2.49	$2.50	($0.01)
Winter (Nov 20-Mar 21)	$2.89	$2.96	($0.07)
Summer 2021 (Apr-Oct)	$2.10	$2.26	($0.16)
Calendar 2022	$2.57	$2.60	($0.03)
Calendar 2023	$2.66	$2.70	($0.04)

Natural Gas Storage

The week of May 15th ended with 2,503 BCF of natural gas in storage, which is 779 BCF higher than last year, and 407 BCF higher than the five-year average. Inventories are still within the five-year range but are now 19% higher than the five-year range. Natural gas storage could reach 4.1 TCF at the start of the 2020-2021 winter heating season. If this occurs, it will set a new record.

Working gas in underground storage compared with the 5-year maximum and minimum



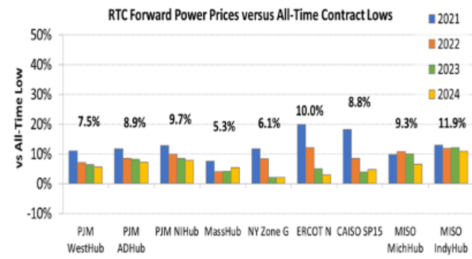
Source: U.S. Energy Information Administration

Natural Gas Liquids

The decrease in oil production has also had an impact on the natural gas liquids (NGLs) market, specifically propane. The decline in NGL production as part of crude oil production, combined with the curtailment of refinery operations needed to extract the propane, have caused prices to increase by up to 400%. As propane demand is seasonal, we expect to see an increase in propane prices going forward.

Power

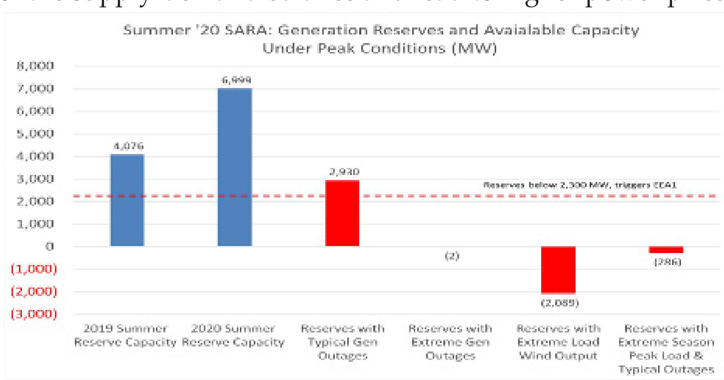
Concerns over decreased natural gas supply and higher gas prices led to a rise in power prices over the last month. Power prices have leveled off throughout much of the country, driven by a drop in demand ranging from 3-10% and a decrease in natural gas prices from recent highs.

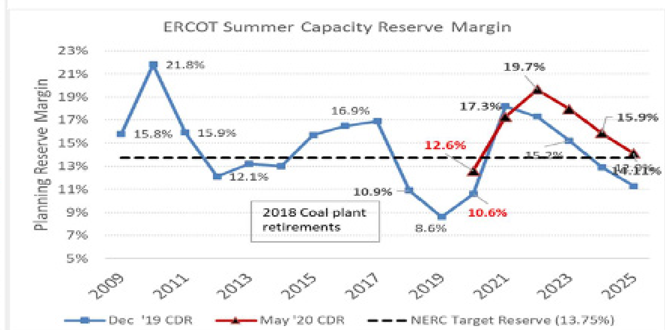


In response to the new capacity rules in the PJM region, member states including Maryland, New Jersey and Illinois are considering leaving the region to avoid having to purchase excess capacity at higher prices. While some analysts believe that these states, which have significant nuclear and renewable power generation, could benefit from the exit, it will likely result in higher prices for end-users.

In Virginia, Dominion is in the process of filing its 2020 plan resource plan with the state. In response to the state's clean energy mandate of 100% clean power by 2045, the anticipated plan does not include any new natural gas generation capacity, which may put upward pressure on future prices.

In Texas, ERCOT released its final resource assessment for Summer 2020, reducing peak usage by 1,500 MW to account for decreased demand due to COVID-19. While the drop in the demand has increased the reserve margin by 2%, a hot summer and low wind generation could lead to greater demand and higher prices. In addition, while the reserve margin increases through 2022, only 88 MW of new generation capacity is gas-fired. This may cause further tightening of the supply-demand balance and lead to higher power prices.





In California, the next lottery for Direct Access, the ability to purchase power from a third party supplier, will take place June 8-12, 2020. There is currently unassigned space in PG&E and SoCal Edison service territories. Entering the lottery is the only way a customer can be considered for Direct Access. If selected, service will begin in 2022.

We can assist you in determining whether Direct Access makes sense for your company and navigating through the direct access process.
Contact us for more information.

Weather

April 2020 is the 2nd hottest April worldwide. A notable exception to this is North America, where the majority experienced cooler-than-normal temperatures.

Colorado State University has released its 2020 hurricane forecast, predicting there will be 16 named storms, 8 hurricanes and 4 major hurricanes. This is about 25% above the 30-year average. Tropical Storm Arthur, which formed off the coast of the Bahamas earlier this month, is the first named storm and occurred outside the official hurricane season, which runs from June 1st through October 31st.