

US MONTHLY ENERGY REPORT AND FORECAST

Month of July – July 27th, 2022

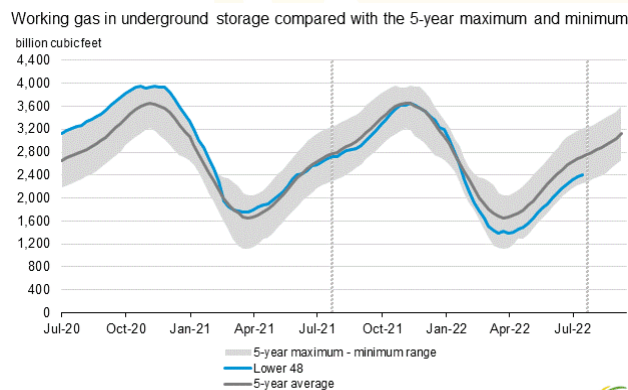
Natural Gas Fundamentals

Overall Outlook: Bullish - Neutral

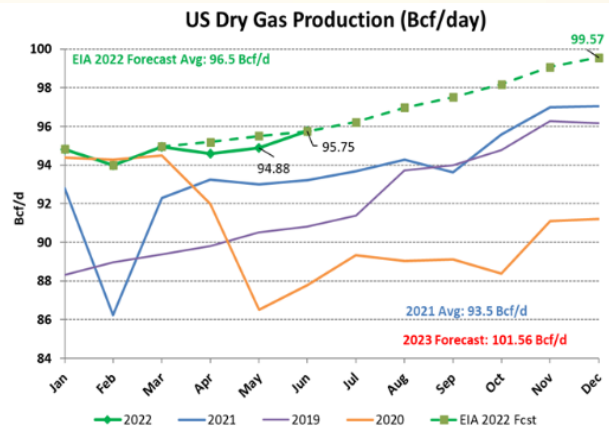
Despite the aggressive month-long climb, natural gas futures prices still tend to the bullish side. NYMEX prompt-month gas began the month at a relatively modest \$5.696/MMBtu, and even with a few sell-offs, the bears were quickly outpaced by factors of weather, production forecasts, and demand upticks. The overall trend resulted in an overall 45% increase to \$8.312/MMBtu. Production and meteorological forecasts continue to show no end in sight for this trend for the near future.



As of the most recent EIA natural gas storage report on July 21st, there is 2,401 Bcf of working natural gas in underground storage. This figure lags significantly behind both this time last year (270 Bcf, 10.1%) and the five-year average (328 Bcf, 12.0%). Production is currently at 95.5 Bcf/day, but strong power burns continue to eat into gradual increases. The EIA short-term energy outlook forecasts an end-of-year figure of ~100 Bcf/day, however, if the warm weather persists, market calls are for the storage deficit to actually increase heading into withdrawal season in Winter.



Source: U.S. Energy Information Administration



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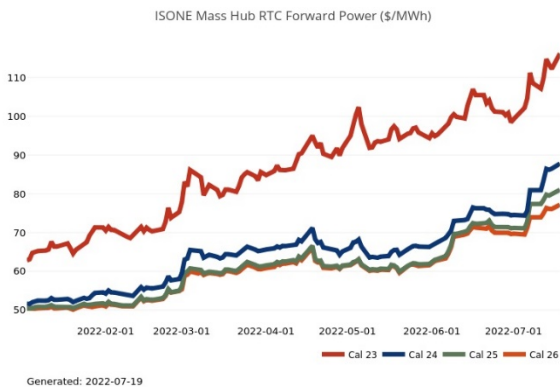
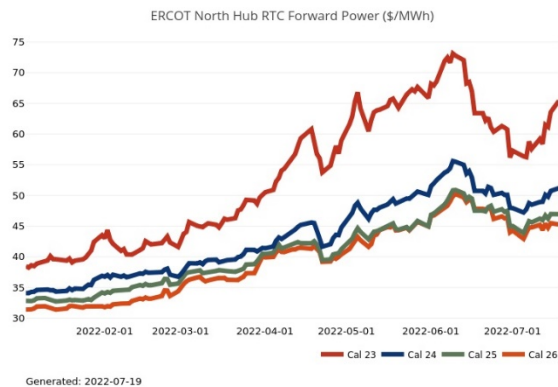
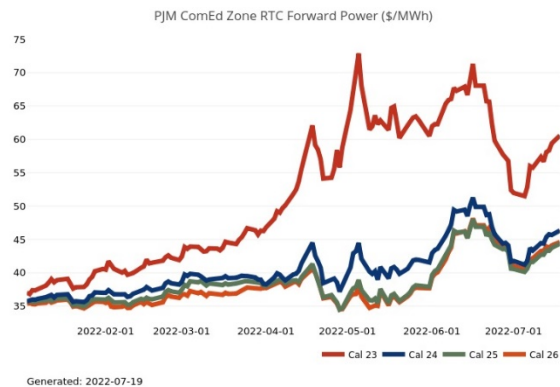
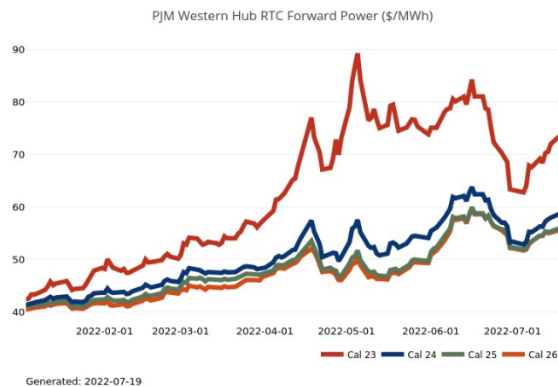
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Electricity Fundamentals

Overall Outlook: Bullish - Neutral

As the prominent generation fuel, natural gas prices continue to dictate power markets. Following in lockstep with the upward natural gas trend, power futures rebounded strongly to the tune of just under 16% nationally for calendar year 2023. Strong backwardation for years 2024 and beyond continue, with prices averaging over 24% lower.

Texas and the ERCOT grid continue to make headlines, with real-time prices hitting the \$5,000/MWh (\$5/kWh) cap on multiple occasions and setting a new record load of 79.7 GW; the ninth time this summer. Though the largest generator of wind energy, this remains a major variable in the normal 4.5 GW reserves. Market calls are for this to be tested many more times through an even hotter August. The Mid-Atlantic and Northeast saw comparatively tame spikes of \$140/MWh and \$171/MWh, respectively. All was relatively calm in the Midwest, with the real-time average coming to \$73.20/MWh.



*Above graphs include wholesale energy, and exclude all applicable capacity, transmission, or other non-energy ancillary cost components.



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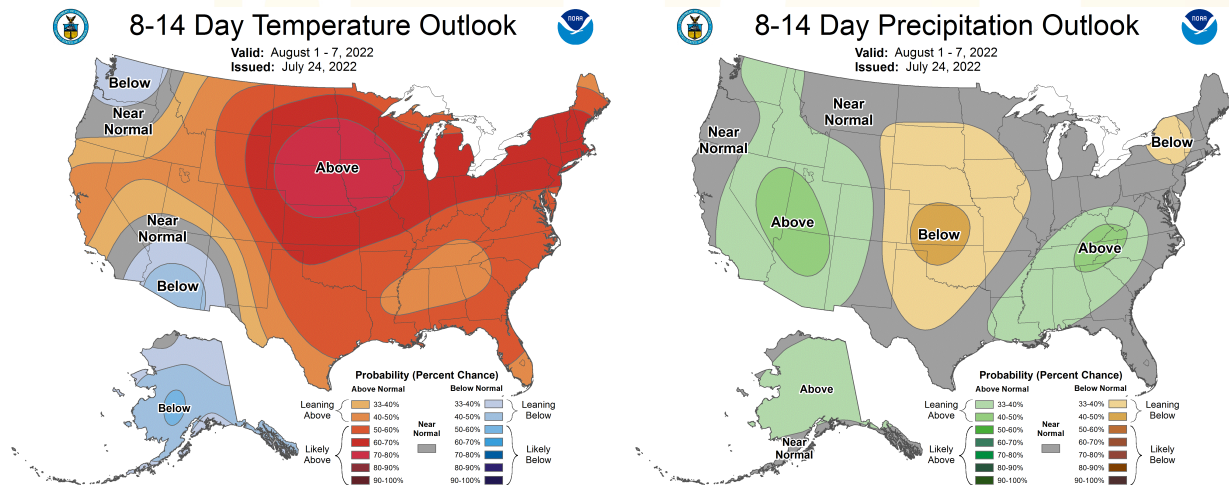
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Weather Fundamentals

Overall Outlook: Bullish

With near-stagnant production, weather continues to be the main driving force on energy prices through Summer. The heat wave currently canvassing most of the contiguous 48 shows no signs of stopping. This was mostly magnified in the major population centers of the Southeast and Texas. However, the NOAA is predicting more extreme temperatures to prevail in the Northwest and I-95 Corridor over the course of the next two weeks. This shift will only provide upward support for energy prices, as power burns in ERCOT are expected to stabilize, but with increases being seen all through the Mid-Atlantic. Precipitation and associated cloud coverage will only help throughout the Midwest and Southwest.

Nationally, we are on pace for the hottest Summer on record since 1950, with analog forecasts showing upwards of 1040 population-weighted cooling degree days. Meanwhile, Texas is on pace to steal the show, for the state's hottest Summer ever, eclipsing the previous record in 2011. Though there should be a plateau in the shoulder months of October and November, all signs point to fuel costs continuing to rise until the heat subsides in September.



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