

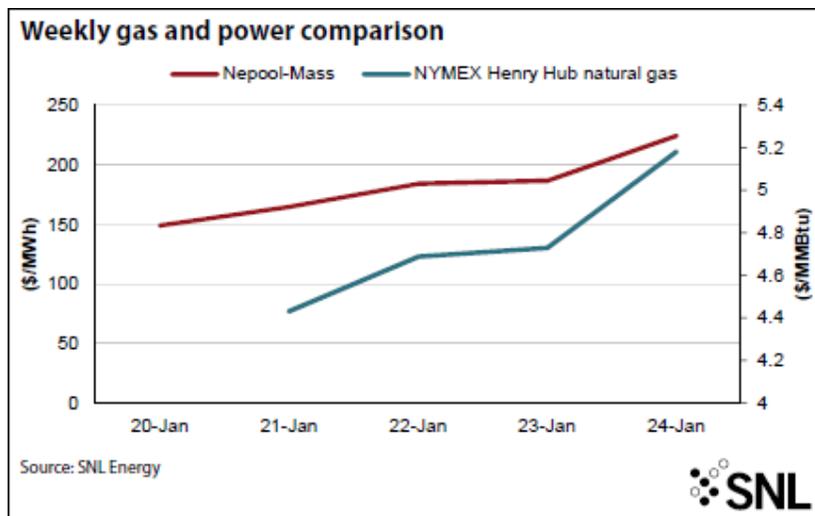
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## Forwards Recap: Excessive demand, soaring gas prices push term power significantly higher

By Emily Reynolds

Wholesale electric power prices across the U.S. for front-month February delivery made some strong upward moves during the week ended Jan. 24, driven by extreme cold, increased heating demand and record-high natural gas prices.

In the natural gas futures market, the NYMEX Henry Hub February contract opened the week a day late on Jan. 21 due to the Martin Luther King Jr. holiday with a settle at \$4.431/MMBtu, up 10.5 cents from the previous Friday, Jan. 17, with support from returning cold in the East. Prices surged to \$4.73/MMBtu by Jan. 23 and a settle of \$5.182/MMBtu on Jan. 24, a level not seen since 2010, as depleted gas inventory combined with frigid weather forecasts to bolster prices significantly higher to end the workweek. The bearish 107-Bcf storage withdrawal reported Jan. 23 put a limit on total price gains, but continued cold predicted in the short-term winter forecast kept market participants vigilant over the course of the week.



Power forwards at the major trading locations across the Midwest and West moved in tandem with natural gas prices as forecasts pointed to colder weather and increased demand. While levels were already fairly high early in the week, the spike in natural gas futures sent power forwards skyrocketing by the end of the week, especially in the cold-stricken Northeast. February power at the NEPOOL-Mass hub in New England began the week trading in the upper \$140s, but by Jan 22 prices were seen in the \$180s, with Friday's market seen in the mid-\$220s, up about \$75 over the course of the workweek. The New York markets also saw heightened value with an increase of close to \$97 seen from Jan. 21 to Jan. 24 at Zone G, ending the week just under \$200. At PJM, the Western hub posted a price of \$74 on Jan. 21, moving up to \$114.74 on Jan. 24, up about \$61.

The forward power curve in the Midwest moved in a similar fashion, but the increases were not quite as intense as those seen in the Northeast. The PJM AD hub posted a range from the mid-\$40s to the low \$70s, trading in a difference of around \$26.50. The PJM Northern Illinois hub moved in line with the AD hub, trading just a few dollars under AD each day. In MISO, the February power product was seen in the low \$50s on Jan. 21, moving about \$20 higher to end Jan. 24 trade in the mid-\$60s.

Unusually cold weather in Texas boosted heating demand across power markets in ERCOT and with the short-term forecasts calling for prolonged cold, prices increased about \$8 to \$9 during the week. Average prices for the front-month contract at the ERCOT-North hub were seen from the low \$40s to the high \$40s.

Much smaller increases were seen in markets in the West with near-average conditions and stable demand keeping prices from moving too far. The front-month contract for the major trading locations in the Pacific Northwest were the biggest movers, with February power at the Mid-Columbia hub seen near \$40 on Jan. 21 and close to \$48 on Jan. 24, up about \$9. In the Southwest, Arizona's Palo Verde hub began the week with February in the low \$40s, climbing just more than \$6 to end Jan. 24 trade close to \$46.50. In California, the South Path-15 hub was the only location to actually see a slight decline during the report period, with February traded in a range from around \$50 on Jan. 21 to the upper \$40s on Jan. 24.

**Forward on-peak prices (\$/MWh)**

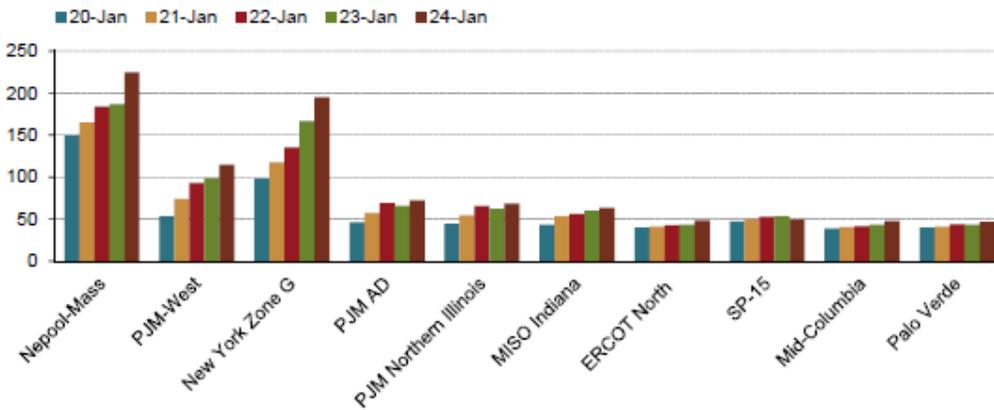
| Region/zone/hub          | Feb 2014 | Q2 2014 | Q3 2014 | Q4 2014 | Q1 2015 | 2015  | 2016  | 2017  |
|--------------------------|----------|---------|---------|---------|---------|-------|-------|-------|
| <b>California ISO</b>    |          |         |         |         |         |       |       |       |
| NP15                     | 54.48    | 46.20   | 52.23   | 48.38   | 46.55   | 44.57 | 43.77 | 44.96 |
| SP15                     | 55.65    | 47.99   | 54.65   | 49.11   | 47.56   | 45.99 | 45.04 | 45.75 |
| <b>ERCOT</b>             |          |         |         |         |         |       |       |       |
| <b>North Zone</b>        | 48.19    | 46.12   | 75.42   | 41.70   | 44.48   | 49.06 | 47.40 | 46.88 |
| West Zone                | 46.94    | 43.81   | 76.54   | 41.21   | 43.11   | 47.60 | 44.96 | 42.98 |
| <b>ISO New England</b>   |          |         |         |         |         |       |       |       |
| .H.Internal_hub          | 224.58   | 55.84   | 56.96   | 73.35   | 122.63  | 70.78 | 62.92 | 53.00 |
| <b>Midwest ISO</b>       |          |         |         |         |         |       |       |       |
| Indiana.Hub              | 63.21    | 40.45   | 49.55   | 38.19   | 46.98   | 40.59 | 40.31 | 39.98 |
| <b>Michigan.Hub</b>      | 64.94    | 43.87   | 49.82   | 40.43   | 48.65   | 43.00 | 42.06 | 41.76 |
| Minn.Hub                 | 55.40    | 40.01   | 46.42   | 38.51   | 43.53   | 38.85 | 38.57 | 38.35 |
| <b>NYISO</b>             |          |         |         |         |         |       |       |       |
| West - A                 | 113.39   | 45.08   | 51.44   | 44.58   | 56.41   | 44.40 | 42.40 | 44.57 |
| <b>Hudson Valley - G</b> | 195.00   | 53.67   | 61.83   | 56.52   | 83.12   | 58.60 | 52.90 | 57.47 |
| N.Y.C. - J               | 200.48   | 56.74   | 66.06   | 58.48   | 86.23   | 61.54 | 57.73 | 60.99 |
| <b>PJM</b>               |          |         |         |         |         |       |       |       |
| AEP-DAYTON HUB           | 72.6     | 45.6    | 46.2    | 36.5    | 47.2    | 40.6  | 39.7  | 39.7  |
| N ILLINOIS HUB           | 68.6     | 42.52   | 45.2    | 34.51   | 43.91   | 38.67 | 38.72 | 38.94 |
| WESTERN HUB              | 114.74   | 51.89   | 53.9    | 42      | 57.87   | 47.05 | 44.89 | 44.42 |
| <b>West</b>              |          |         |         |         |         |       |       |       |
| California-Oregon Border | 43.34    | 36.66   | 48.31   | 43.49   | 34.91   | 36.15 | 36.32 | 38.32 |
| Mid-Columbia             | 47.97    | 37.13   | 49.5    | 45.02   | 40.02   | 38.11 | 38.28 | 40.37 |
| Palo Verde               | 46.46    | 40.74   | 49.52   | 40.69   | 39.59   | 39.54 | 39.09 | 40.57 |

As of Jan. 24, 2014

Sources: SNL Energy, OTC Global Holdings

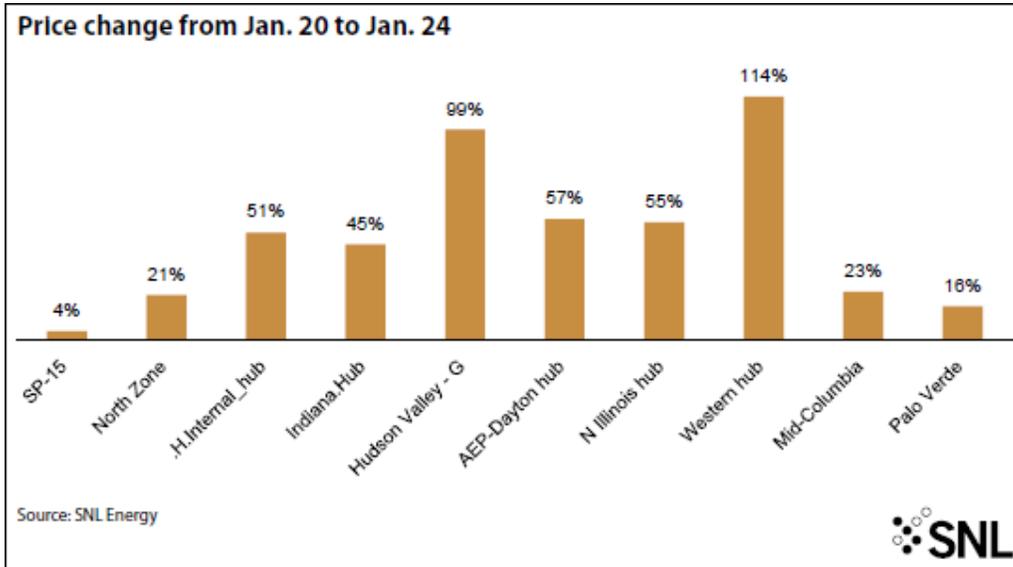


**Prompt-month power pricing for week ended Jan. 24 (\$)**



Source: SNL Energy





Market prices and included industry data are current as of the time of publication and are subject to change. For more detailed market data, including SNL power and natural gas index prices, visit our SNL Commodities pages. Forward prices are provided by OTC Global Holdings.