

Market Commentary

- » The Energy Reliability Council of Texas (ERCOT) [released on Monday](#) its latest Monthly Demand and Energy Report, noting that natural gas accounted for 50% of system generation in August. This marked the second consecutive month with at least half of ERCOT electricity coming from gas-fired units, after natural gas reached a two-year high of 50.6% of the generation mix in July. Gas has topped the fuel stack in ERCOT for six of the first eight months of 2017, second only to coal in January and April.
- » The Delaware Basin River Commission (DBRC) [voted on Wednesday](#) to move forward with a rulemaking that would prohibit the use of horizontal drilling and hydraulic fracturing (“fracking”) across New York, New Jersey, Delaware, and a large section of eastern Pennsylvania. A joint federal-state commission established in 1961, the DBRC includes representatives from the four member states and the U.S. Army Corps of Engineers. The river basin region has been under a fracking moratorium since 2010.
- » The latest [Weekly Petroleum Status Report](#) from the U.S. Energy Information Administration (EIA) highlighted the continued impacts of Hurricane Harvey on oil inventories and refinery operations. Data for the week ending September 8 demonstrated that total refinery utilization continued to decline, falling to 77.7% after sitting at 96.6% just two weeks prior. The downturn in refining resulted in another week of injections to U.S. crude oil stocks, while gasoline and distillate inventories declined.

| | October | November | December | January | February | March |
|--------------|---------|----------|----------|---------|----------|---------|
| Aggressive | 50% | 50% | 50% | 50% | 50% | 50% |
| Moderate | 100% | 100% | 100% | 100% | 100% | 100% |
| Conservative | 100% | 100% | 100% | 100% | 100% | 100% |
| 9/14 Close | \$3.070 | \$3.127 | \$3.271 | \$3.371 | \$3.370 | \$3.320 |
| 52-week low | \$2.800 | \$2.867 | \$3.042 | \$3.130 | \$3.128 | \$3.050 |

Hedging/Purchasing Strategy

Natural Gas 

After declining sharply last Friday, natural gas prices have been on the rise again this week, with prompt-month NYMEX futures trading to an eight-week high of \$3.106 per MMBtu. Prices were supported by expectations for increased weather-related demand in the second half of September. The October 2017 NYMEX natural gas futures contract closed on Thursday at \$3.070 per MMBtu, up \$0.089 per MMBtu from the previous week.

Electricity 

Taking direction from input natural gas costs, forward power prices across much of the U.S. were also higher this week. Power futures advanced steadily in most markets as higher gas prices imply an uptick in fueling costs. Meanwhile, cooling demand continues to be limited, as total U.S. population-weighted cooling degree days (CDDs) for the week ending September 8 were 18.9% below normal and 32.8% below the same period last year.

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