

MARKET ALERT SUMMARY



ENERGY PROCUREMENT SOLUTIONS

Winter 2020

CBRE PERSPECTIVE

Electricity

Winter weather projections are for normal to warm for major energy consuming regions. As a result, prices have declined at the start of winter providing an opportunity to review contracts and look at extensions.

- Bearish regions (NE, NY PJM) For most of the deregulated electricity markets, prices have declined heading into winter. If weather projections are accurate, prices for this winter has room to fall but prices for the rest of 2021 and 2022 won't drop as much.
- Bullish regions (CA, NE, NY), California is dealing with energy infrastructure issues and more volatile weather which has affected prices. Northeast and New York regions will still be susceptible to isolated weather-related price spikes, but overall prices should be reasonable.
- Give us a call or visit our website cbre.us/eps and get a free supply analysis

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VALUE SUMMARY

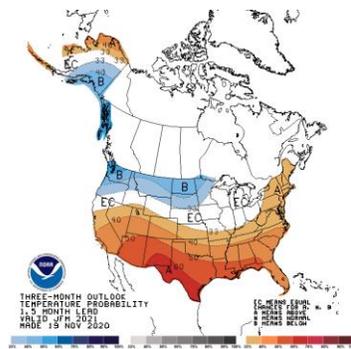
Summary of regional price assessments and market perspective

- Historical Percentile, Historical Average and Weighted Average provides indicators of where current prices are in terms of value, expected, high or extreme price position
 - Historical Average (7 years) and Weighted Average (40%, 30%, 20%, 10%)

Region	Perspective	Price Position	Historical Percentile	Historical Average	Weighted Average	Risk / Reward Ratio
ISO - NE	Neutral	Mixed	30th	Below	Above	2 to 1
NY City	Neutral	Mixed	40th	Below	Above	1.5 to 1
PJM East	Neutral to Bearish	Mixed	15th	Below	Above	8 to 1
PJM West	Neutral to Bearish	Mixed	15th	Below	Above	7 to 1
ERCOT	Neutral to Bullish	Mixed	60th	Below	Above	1 to 1
CA - ISO	Bullish	Above	65th	Above	Above	1 to 1

WEATHER

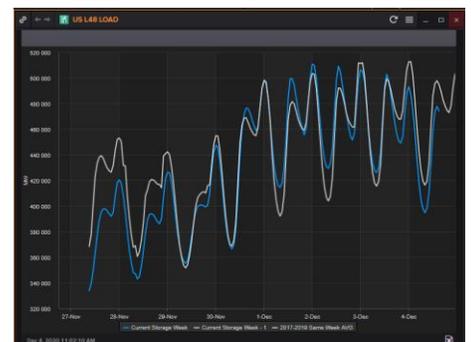
Winter - Bearish - for most of the country, NOAA and AccuWeather has a better chance of above normal temperatures for south and east and cooler northwest and north central plains.



Winter - Jan, Feb, Mar

DEMAND

COVID – power demand is down about 4% compared to last year



MARKET ALERT REGIONS



ENERGY PROCUREMENT SOLUTIONS

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ELECTRICITY

New England

- Forward prices in New England have improved since Fall as a warm start to the winter relaxed price fears. This has opened an opportunity to extend contracts and secure savings.

Value Parameters	
Current	\$31.82
Average	\$46.46 ✓
12M Roll Avg	\$24.02 ⊗
Wgt LR Avg	\$30.17 ⊗
Percentile	30% ✓



New York

- New York prices are mixed as forward prices are higher than recent monthly averages. Recent prices have been greatly influenced by the pandemic and are expected to increase once demand returns.

Value Parameters	
Current	\$31.30
Average	\$49.41 ✓
12M Roll Avg	\$22.09 ⊗
Wgt LR Avg	\$28.82 ⊗
Percentile	40% ✓



PJM East

- PJM (NJ, PA, MD) are a value. Forward prices are in a favorable risk to reward position. There is more room for prices to increase than decrease. Extending contracts would give up an opportunity for a possible 5% drop but avoid an equal likely 40% jump.

Value Parameters	
Current	\$25.94
Average	\$39.08 ✓
12M Roll Avg	\$21.03 ⊗
Wgt LR Avg	\$26.09 =
Percentile	15% ✓



PJM West

- PJM (ComEd and Ohio) are a value. Forward prices are in a favorable risk to reward position. There is more room for prices to increase than decrease. Extending contracts would give up an opportunity for a possible 5% drop but avoid an equal likely 35% jump.

Value Parameters	
Current	\$25.15
Average	\$31.35 ✓
12M Roll Avg	\$21.68 ⊗
Wgt LR Avg	\$25.27 =
Percentile	15% ✓



ERCOT

- Forward electricity prices in Texas have steadily declined since summer. This year didn't have the same severe price spikes like in 2019. Prices are lower year going out the next 8 years as there are numerous solar projects planned, filling the reserve margin gap.

North Hub

Value Parameters	
Current	\$ 33.20
Average	\$34.09 ☑
12M Roll Avg	\$25.63 ⊗
Wgt LR Avg	\$31.80 ⊗
Percentile	60% ⊗



California

- California prices are greatly influenced by weather and infrastructure issues. A warmer than normal start to winter has extended AC load and kept price elevated as other markets have declined.

Value Parameters	
Current	\$41.57
Average	\$40.43 ⊗
12M Roll Avg	\$37.50 ⊗
Wgt LR Avg	\$39.77 ⊗
Percentile	65% ⊗





CBRE PERSPECTIVE

Natural Gas

Natural gas continues to be a value as the pandemic related demand reductions and mild weather keep the market well supplied. Prices have declined making them a value compared to value and risk parameters.

- Bullish regions – Northeast and California are greatly influenced by weather and infrastructure limitations. While lower NYMEX prices help in these regions, it is muted by the infrastructure restrictions that limit supply to get to high consuming regions. Localized weather events can still cause a price spike.
- Neutral regions – Midwest region is projected to most likely have a normal weather winter. With normal weather, there will be enough demand to support storage withdrawals and should prevent prices from crashing or spiking.
- Storage – National storage is 9.5% over last year and 8% over 5-year average
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VALUE SUMMARY

Natural Gas is a Value

- Based on historical percentiles, averages and risk/reward ratio, natural gas pricing is a value. It is time to review your natural gas strategy and budget.
 - 12 month rolling average affected by pandemic lows and hopefully won't be repeated
 - There is an equal chance of prices increasing by 40% as decreasing by 10%

Value Parameters		
Current	\$2.52	
Average	\$3.18	✓
12M Roll Avg	\$2.08	⊗
Wgt LR Avg	\$2.50	=
Percentile	18%	✓

