

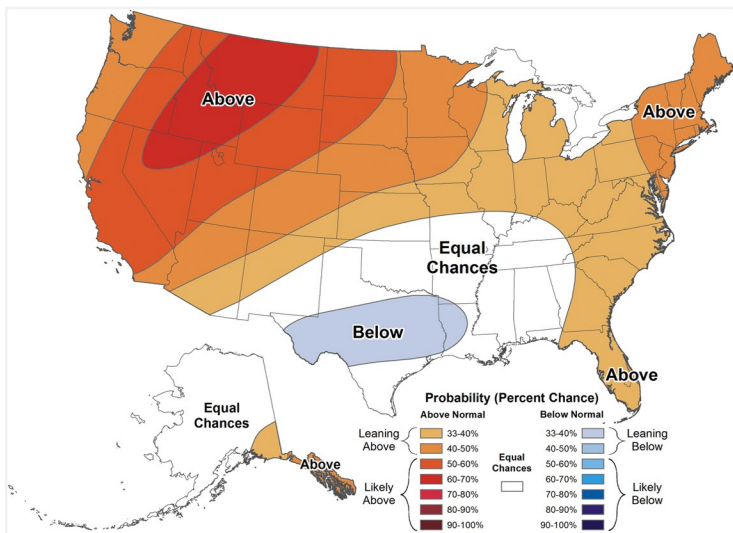
### MARKET SUMMARY

#### BIGGEST FACTORS: WEATHER, SUPPLY & DEMAND

Storage inventories remain near the five year low. Strong international LNG demand and forecasts of above normal temperatures for the latter part of September are unlikely to provide much price relief.

#### WEATHER (BULLISH)

**TAKEAWAY** - Extreme heat in California on Tuesday, September 6 forced an all-time record for power demand: 52,061 megawatts.



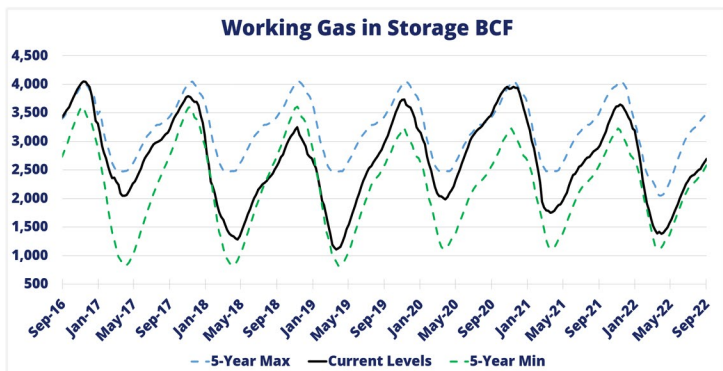
Source: National Oceanic & Atmospheric Administration (NOAA)

September's record temperatures are the latest sign that heat waves are becoming more intense, more frequent, and longer lasting. Sacramento hit an all-time high of 116°, breaking a 97 year old record.

With high heat comes high energy prices; the September 2022 SoCal Citygate posted at \$11.025/Btu - up 62% YoY.

#### STORAGE (BULLISH)

**TAKEAWAY** - The average rate of injections into storage is 5% lower than the five-year average so far in the refill season (April through October).



Source: EIA

As of September 2, natural gas stocks were 222 Bcf less than last year at

#### PROCUREMENT TAKEAWAY

California customers with index exposure should brace for high prices on their September invoices. Real time energy prices spent several hours above the \$1,000/MWh threshold in early September.

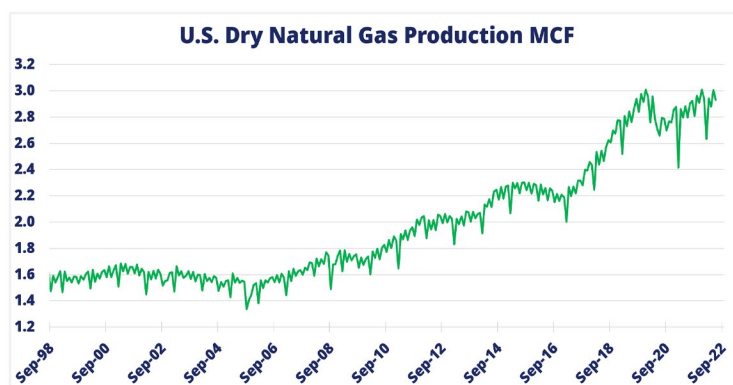
#### STORAGE (CONTINUED)

this time and 349 Bcf below the five-year average. At 2,694 Bcf, total working gas is within the five-year historical range.

Despite the September heat and high gas sendouts, Southern California storage levels remain strong. Northern California's are slightly less so at about two-thirds full.

#### PRODUCTION (NEUTRAL/BEARISH)

**TAKEAWAY** - Increased supply due to higher rig counts and the potential for another mild winter could help loosen the market this winter.



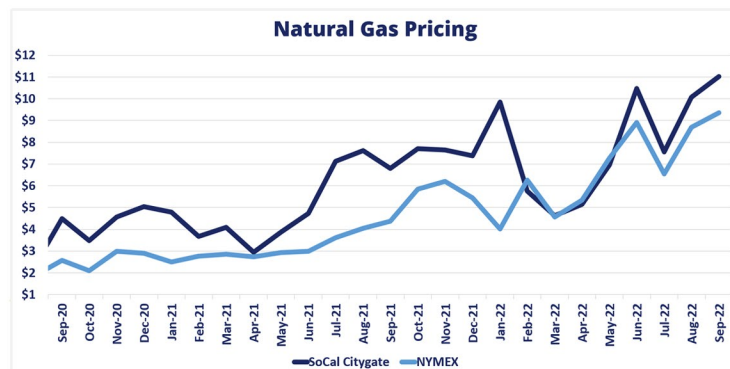
Source: EIA

The California legislature has approved SB 846, a bill that extends the life of the Diablo Canyon nuclear plant through the end of the decade.

Three major LNG export projects are underway. They will expand the U.S.' record export capacity well beyond its current level.

#### PRICING

**TAKEAWAY** - U.S. natural gas price volatility reached its highest level in 20 years, hitting record highs in the first quarter of 2022.



### IN THE NEWS

U.S. natural gas producers have been adding drilling rigs. Rig counts had generally been falling through 2019, and in March 2020 - around the start of the pandemic - 106 natural gas-directed rigs were active. The number of natural gas-directed rigs decreased throughout the first half of 2020 and fell to 68 rigs by late July 2020, the fewest since 1987. Since then, the rig count has been generally increasing and reached pre-COVID levels in January 2022.

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In the U.S. Lower 48 states, electric power generated by natural gas-fired power plants reached 6.37 million megawatthours on July 21, 2022. Despite relatively high natural gas prices, demand for natural gas for electricity generation was strong throughout July as a result of above-normal temperatures, reduced coal-fired electricity generation, and recent natural gas-fired capacity additions.

U.S. electricity demand usually peaks in the summer because of demand for air conditioning. This past July was especially hot, ranking as the third hottest on record in the U.S. Before this year, the previous daily peak for natural gas-fired electricity generation had occurred on July 27, 2020, when natural gas prices were historically low.

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The U.S. is working to halve greenhouse gas emissions by 2030 and develop a carbon-neutral power sector by 2035, but new data shows the country shifted in the wrong direction last year as global economies recovered from the COVID-19 pandemic.

Carbon dioxide emissions from the power sector were up 7% in 2021, relative to 2020, based on an analysis of the country's 100 largest power producers. That follows a 10% decline in 2020, as pandemic shutdowns ground the economy to a halt.

The overall trend remains positive, however: CO2 emissions from U.S. generators were still about 34% lower in 2021 than their peak in 2007.

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California lawmakers passed a series of climate-related bills in early September, including legislation that codifies the state's goal of achieving carbon neutrality economywide by 2045 and a bill that sets a goal of 90% clean electricity by 2035.

The proposals will add a multibillion-dollar boost to California's clean energy industry following federal investments from the recently passed Inflation Reduction Act and last year's Infrastructure Investment and Jobs Act.

The California legislature also approved SB 846, legislation that provides funding and authorization for the state to delay the retirement of its last nuclear plant, the 2.2 GW Diablo Canyon facility, by another five years.