



Natural Gas Market Overview & Outlook

August 13, 2014



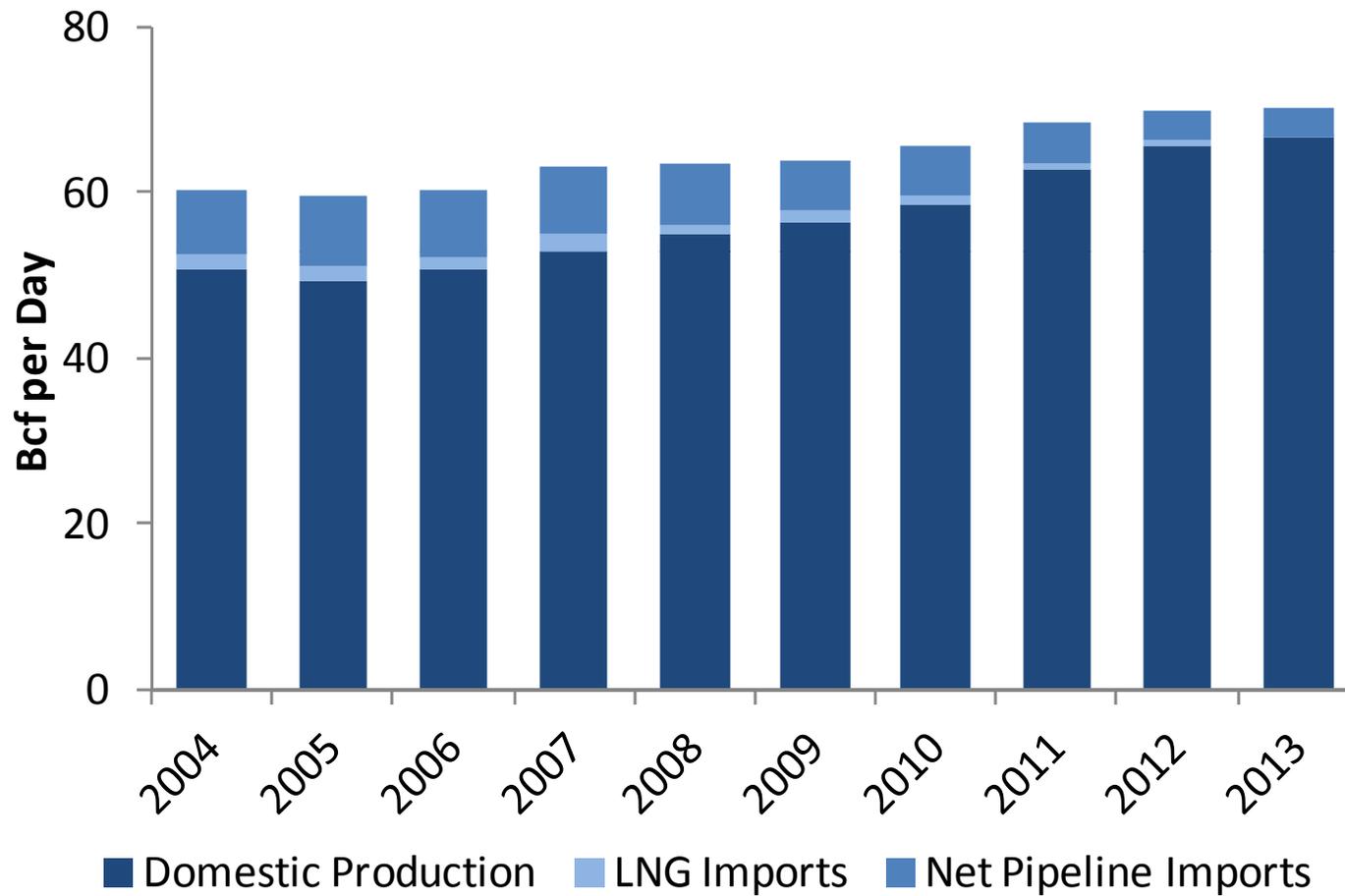
FellonMcCord™
Knowledge In Energy



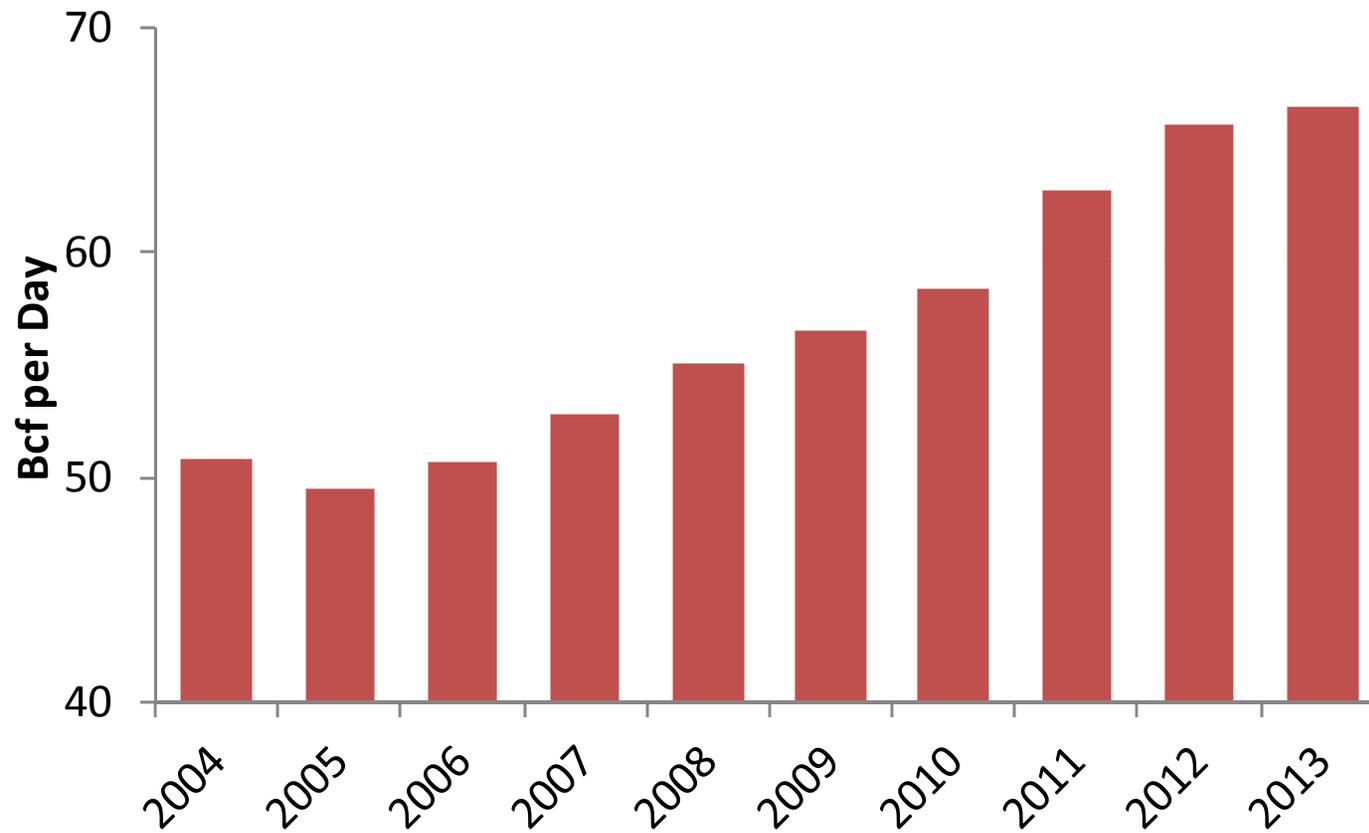
Market Overview

- ▶ The shale revolution in domestic production has been a game-changer for U.S. natural gas markets
- ▶ Robust supplies have been critical in exerting downward pressure on natural gas prices and reducing price volatility
- ▶ However, demand for natural gas has also been on the rise and the overall balance between supply and demand remains tight

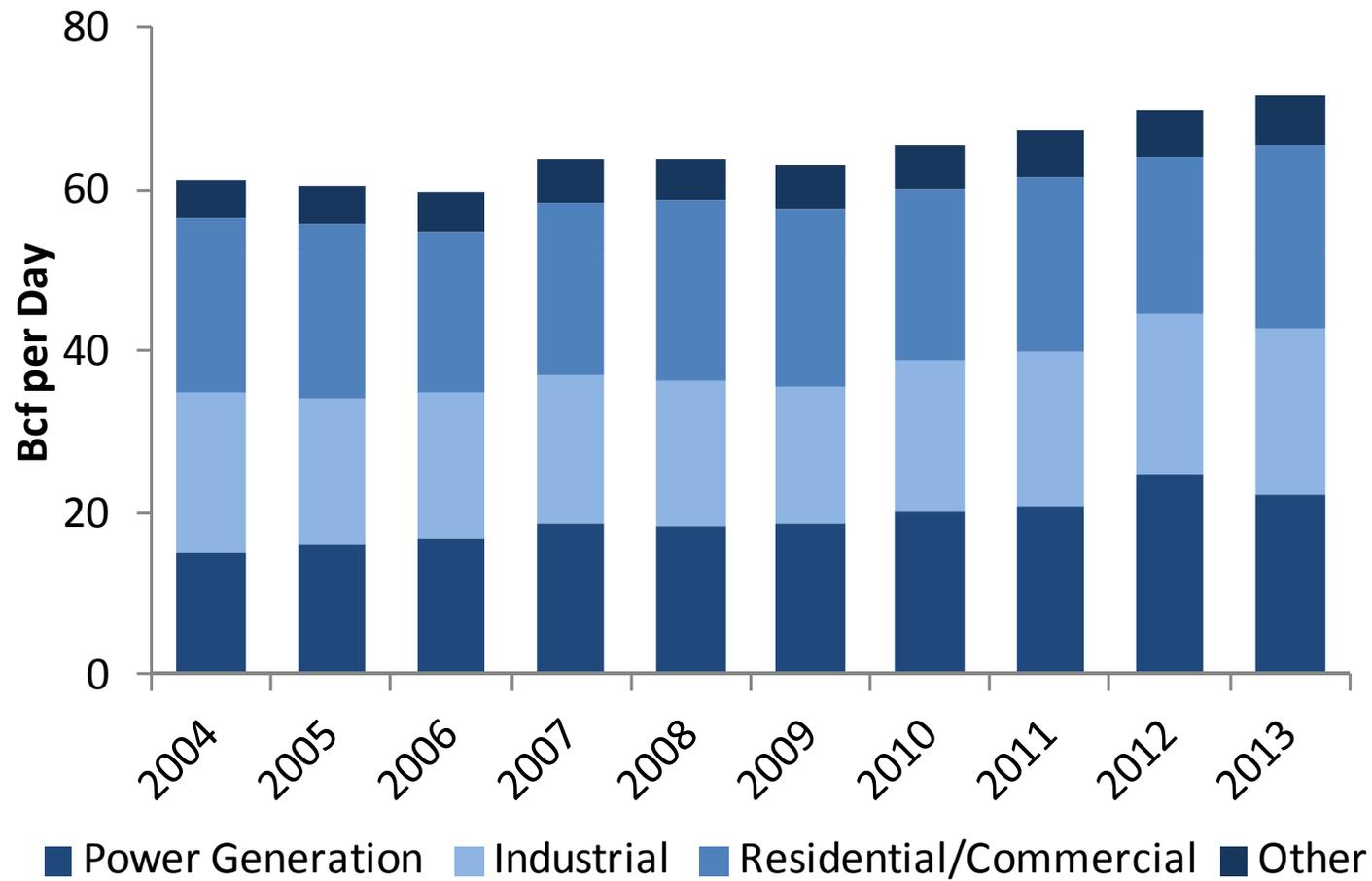
Natural Gas Supply



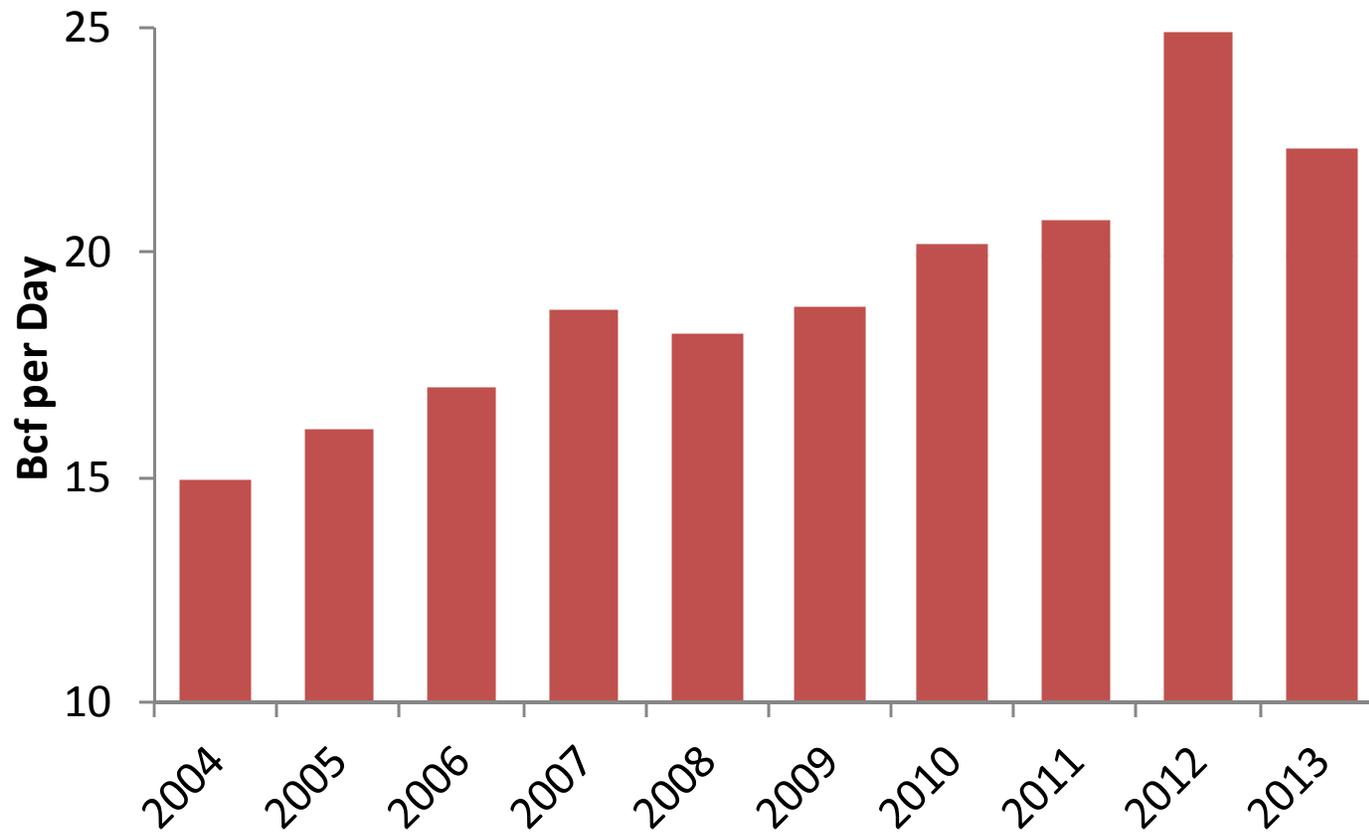
Domestic Production



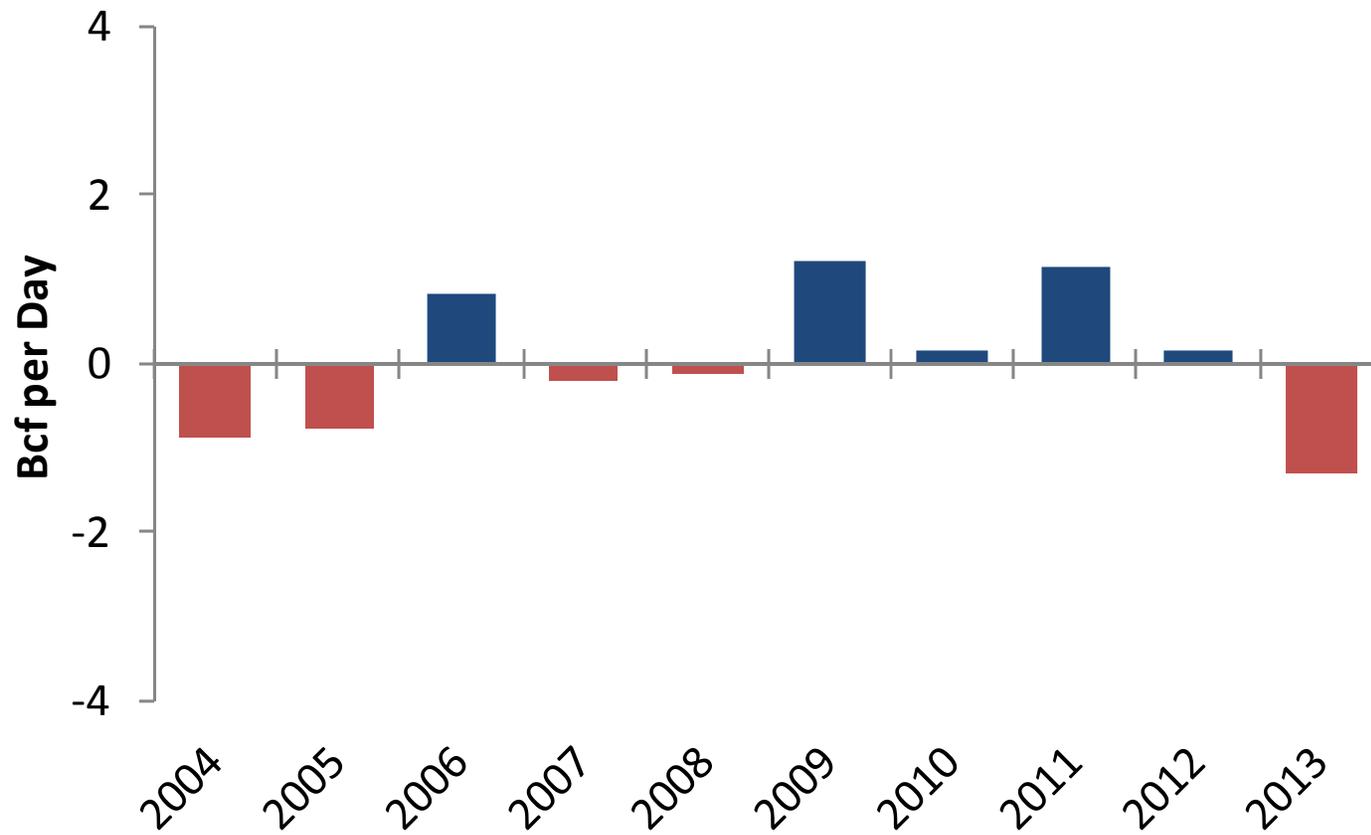
Natural Gas Demand



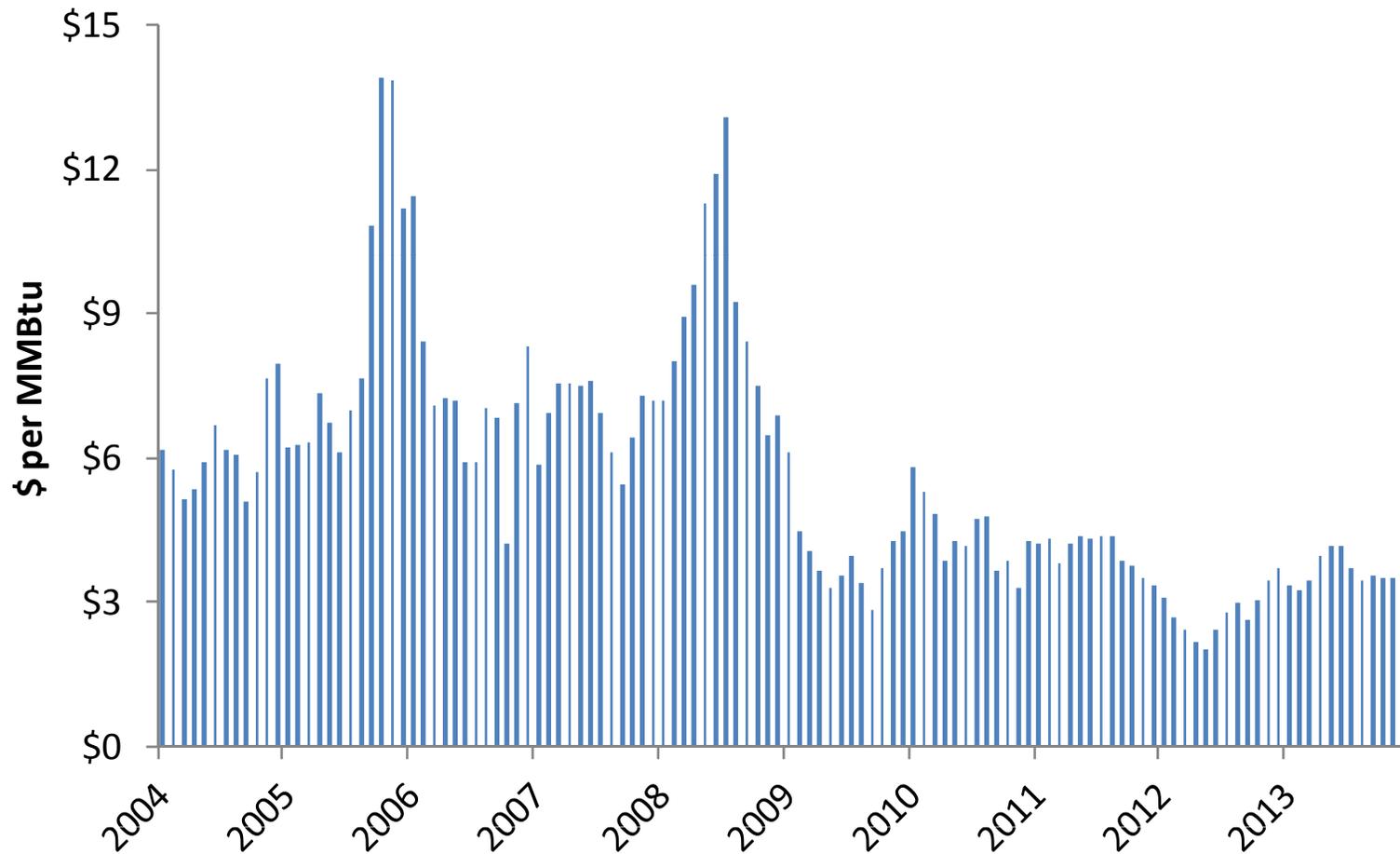
Power Generation Sector



Supply/Demand Balance



NYMEX Settlement Pricing





Market Outlook

- ▶ After bottoming in 2012, average natural gas commodity prices have been on the rise over the last two years
- ▶ Fellow-McCord expects prices to continue to trend higher but remain below the elevated levels of 2004 through 2008
- ▶ Primary considerations in the coming years include coal retirements, LNG exports, possible regulation of hydraulic fracturing, and demand growth from the manufacturing segment

Long-Term Considerations

Coal
Retirements

LNG
Exports

Regulation of
Hydraulic
Fracturing

Manufacturing
Renaissance

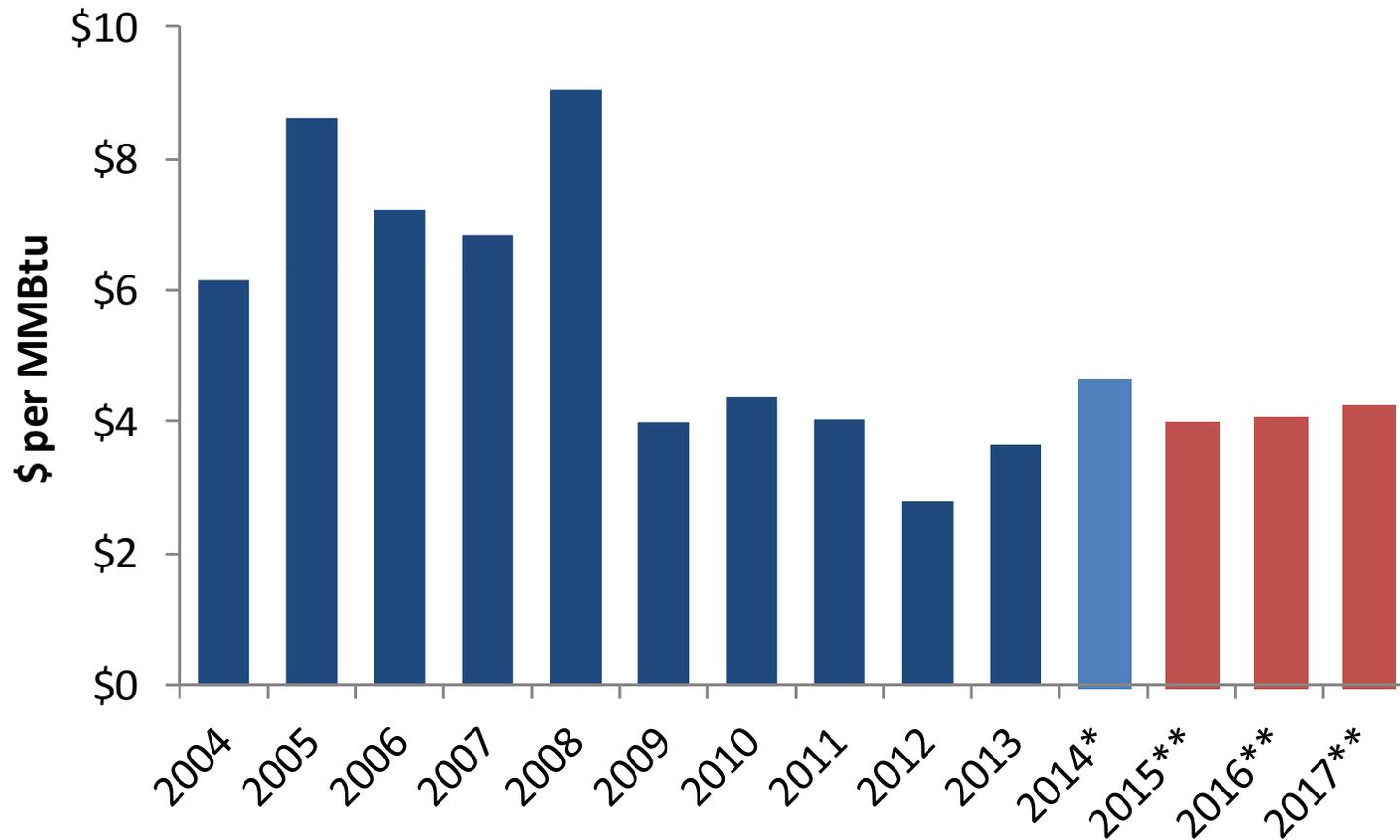




Hedge Strategies

- ▶ Even with nearby natural gas futures trending higher, the shape of the forward curve allows consumers to lock in a relatively-steady cost of gas at historically-favorable pricing
- ▶ Available risk management tools include fixed-forwards, swaps, options, and other derivatives
- ▶ The most common hedge strategies include opportunistic buying, rolling hedge programs, and systematic programs

NYMEX History & Futures



* settlements to date
** forward price curve



Questions

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