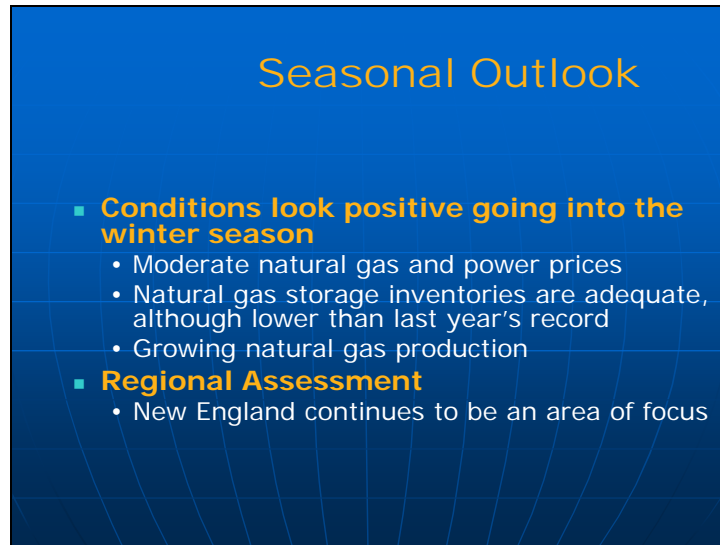


Slide 1



**Winter 2013-14
Energy Market Assessment**

Item No. A-5
October 17, 2013



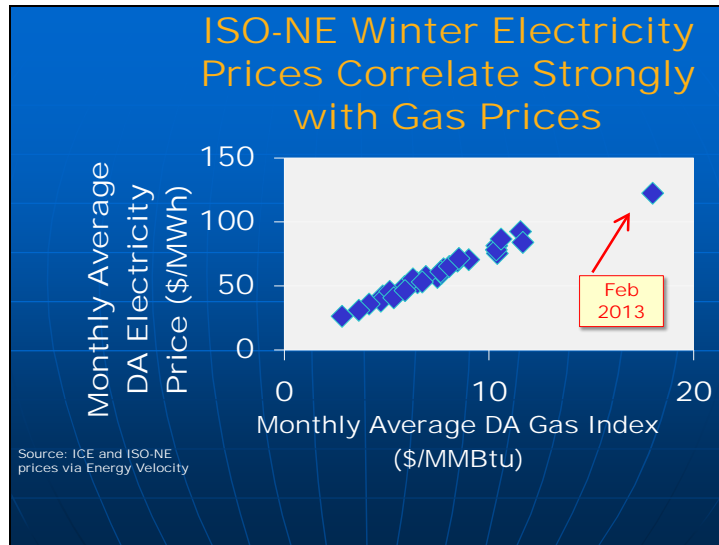
Seasonal Outlook

- **Conditions look positive going into the winter season**
 - Moderate natural gas and power prices
 - Natural gas storage inventories are adequate, although lower than last year's record
 - Growing natural gas production
- **Regional Assessment**
 - New England continues to be an area of focus

Good morning. Today, I will highlight key findings from the Winter 2013-2014 Energy Market Assessment. The full presentation is posted on the Commission's website.

The outlook is generally positive. Nationally, natural gas prices are up 40-50% from last year, but remain below historic highs. Natural gas and power futures prices for the winter are comparable to last year, except in New England.

Natural gas storage is more than adequate for a normal winter, and gas production continues to grow, particularly in the Northeast. We anticipate localized price spikes in New England during periods of high demand, due to ongoing constraints.



Last winter, restrictions at key compressor stations on Algonquin pipeline increased, limiting the interruptible transportation capacity available. On high demand days, curtailments to interruptible customers were especially likely.

Such constraints result in natural gas price spikes in New England, and because natural gas is the marginal price-setting fuel during most hours for generating electricity, this led to power price spikes. Last winter, New England's average power prices for February were higher than any prior month in ISO-NE history. The graph shows the strong correlation between monthly average electricity and natural gas prices during the last 5 winters.

Looking forward to this winter, a customer in New England can purchase natural gas for delivery in January and February at almost \$12/MMBtu, almost double the price at this time last year. Winter electricity peak futures prices are \$100/MWh, 52% higher than last winter.

This concludes the Winter Assessment highlights.