

### CBRE PERSPECTIVE – PJM

#### Electricity – Neutral to Bearish

Summer has historically offered opportunities to fix prices at value levels (see Figure C).

- Mild weather in Spring and low natural gas prices have kept long term prices low compared to recent price spikes
- Current price quotes are below average and at the 30<sup>th</sup> percentile – meaning about 70% of the time one would expect prices to be higher.
- Now is a good opportunity to purchase and/or review your 2018 contract status – call and we will put a strategy in place to take advantage of this opportunity

#### CONTACTS

Chris Thomas, Sr. Director  
815-600-4095  
chris.thomas@cbre.com

Brian May, Director  
630-303-3996  
brian.may2@cbre.com

#### PJM WEST HUB Price Distribution

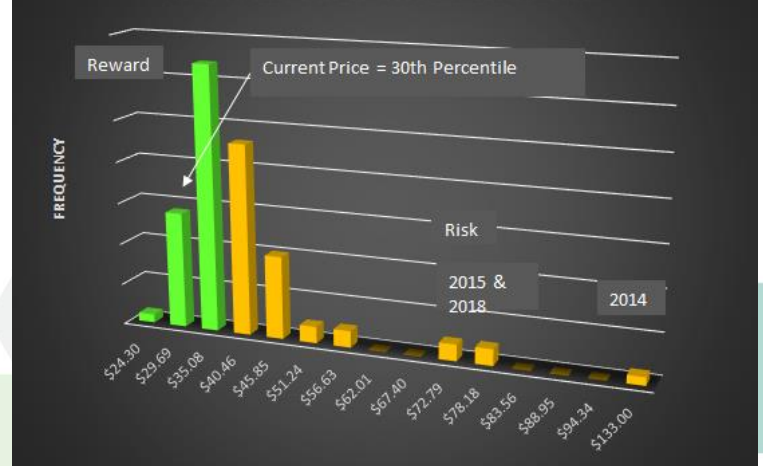


FIGURE A: Historic Price Distribution – Value Price in Green and Risk in Orange

### WEATHER

Spring – cooler than normal temperatures continued from Winter into Spring.

- Weather has started to break – cold weather is diminishing and mild (and even warm) is setting in
- Hot weather may provide some price volatility based on the price reaction to cold weather this past Winter
- NOAA forecast is projecting a higher probability for warmer than normal Summer – need to watch natural gas competition between injections and generation (Figure B)

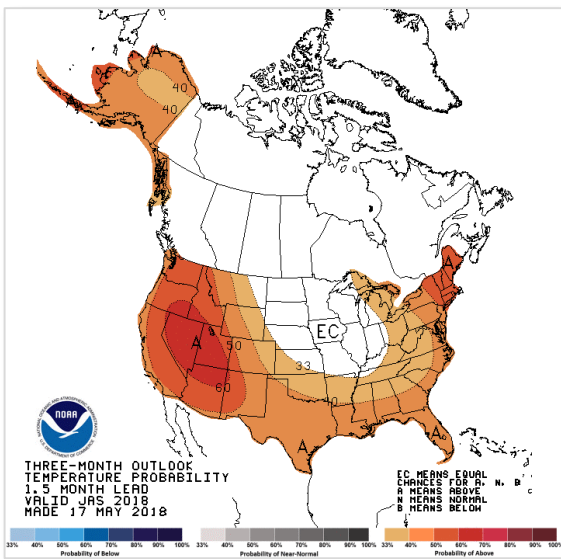


FIGURE B: Weather graph – deviation from normal

### ELECTRIC PRICE

This Winter saw electricity price volatility return after 2 years of stability but quickly returned to the mean. Summer can still provide value.

- 2 out of the past 3 Summers had prices below the rolling average indicating a value buy opportunity
- Rolling 12 month average shows strong mean reversion – price spikes are short lived
- Current price quotes are in line with the rolling average and a value from a historic perspective

#### PJM WEST HUB Prices Rolling 12 Month Average

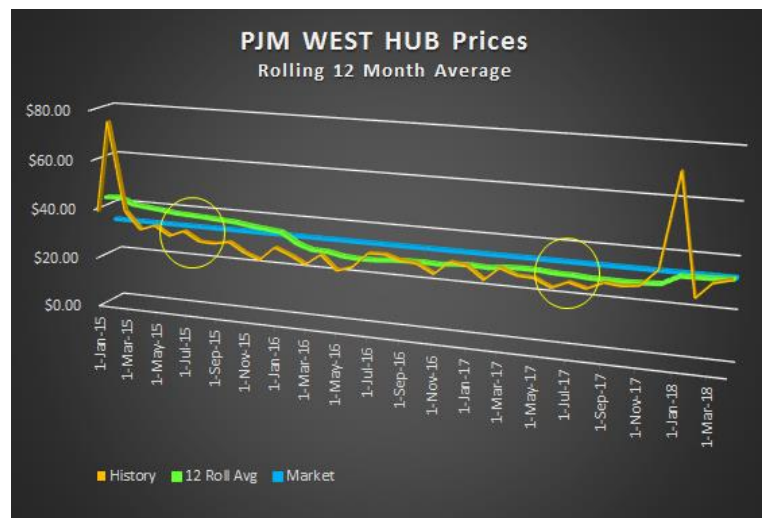


FIGURE C: Price History and Quote – comparison of monthly average, 12 month average and current quote