

# The Midwest Is Cold Once Again

## U.S. Power and Gas Weekly

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**Data Sources Used in This Publication**  
NOAA  
EIA  
ICE

To discover more about the data sources used, [click here](#).

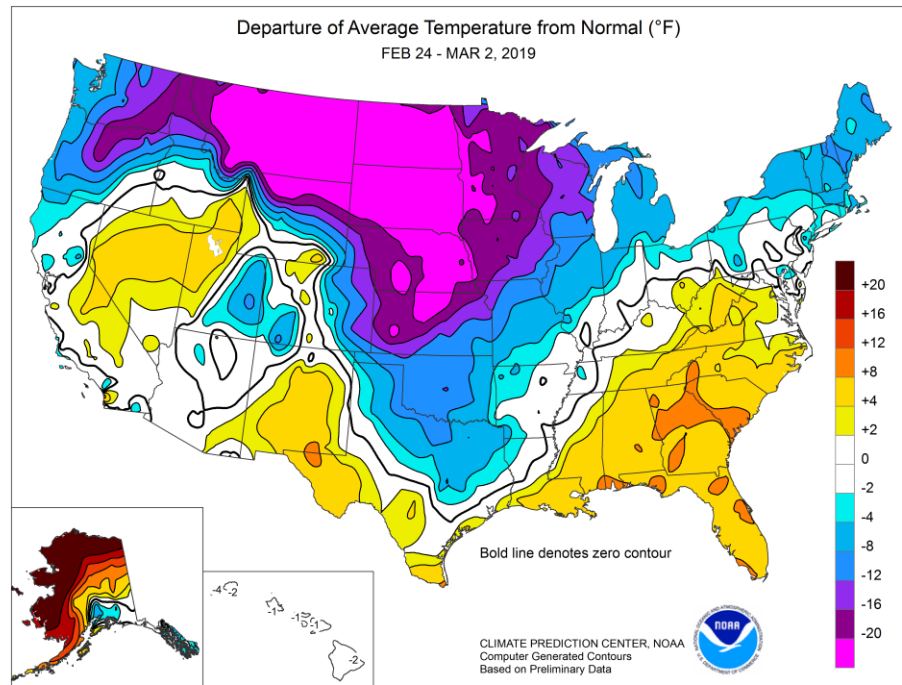
### Regional Disparities

Another cold front descended over the U.S. last weekend that centered over the heartland. While the middle of the country has taken the brunt of the cold this winter, in large part the Midwest has endured the cold well relative to the Northeast and Northwest, which again over the weekend and earlier this week saw considerably elevated prices. This piece reviews the impact of this winter's weather on the Midwest.

### Cold in the Middle

This winter has seen cold weather over much of North America, but its concentration has been in the Midwest with Minnesota breaking its all-time snow record in February and temperature maps like Exhibit 1 all too common. Yet, even with bullish winter temperatures, the Midwest has largely shrugged off winter's impact relative to previous freezes like the 2014 Polar Vortex or the 2018 Bomb Cyclone. Season to date, this winter from the beginning of November has averaged 35 Heating Degree Days in the EIA Midwest region. Last year, including the brief bomb cyclone, the season to date had averaged 34 HDDs and the 2013-14 Polar Vortex was a sizable 40 HDDs at this point in the season.

**Exhibit 1** Departure From Average Temperature



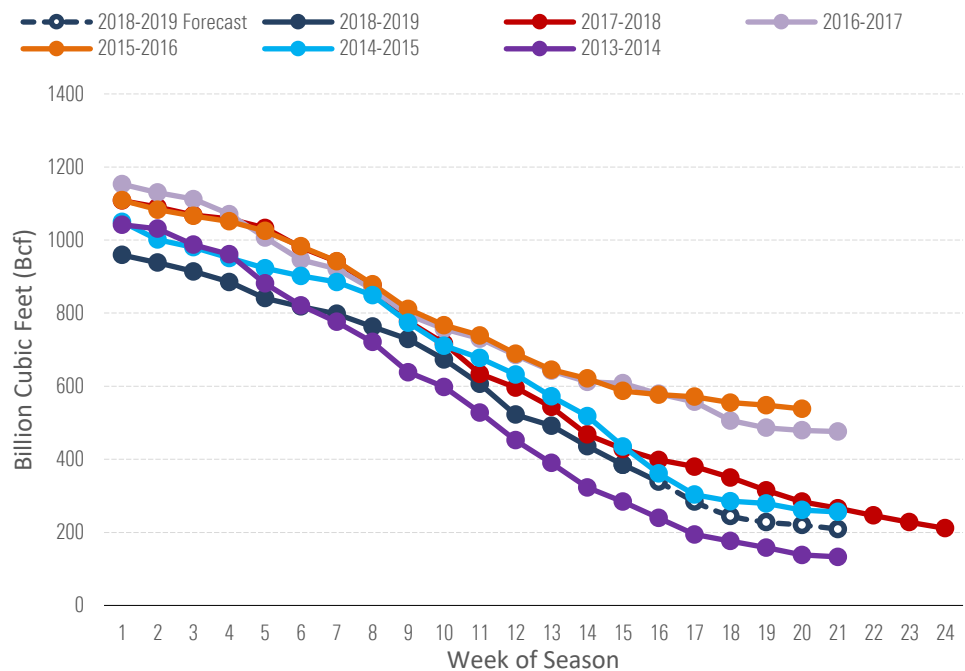
Source: NOAA

### Natural Gas Withdraw Season

This winter has not been mild by any means, but that does not necessarily imply a super strong supply/demand imbalance. The current Midwest gas storage position still has more to do with a low starting point at the beginning of the season than any subsequent event as can be seen in Exhibit 2. Last year was a long winter in the U.S. with a lengthy storage withdrawal period of 24 weeks and a total draw down of 862 Bcf by the end of the season. The 2013-14 winter saw a stronger demand season to this point and ended with a stock drawdown of 904 Bcf. This season is still leaning toward the middle of the pack at a current 574 Bcf draw.

Looking ahead toward the end of the season, we see a couple of stronger withdrawal weeks with this week and last being elevated by the recent cold. If these are the last couple of weeks of major cold and late March and early April do not have major lingering cold as last year, then we will end the season closer to the typical average of just over 20 weeks of withdrawal. In that case, the end of season storage number ends up close to last year's low point but will start with a few extra weeks in the spring to bolster the storage number for next winter. However, if an extended cold pattern appears and winter extends out like last year, then the consequent lower storage number may drive slight bullishness into the start of summer. Our current view is that the Midwest will likely clear over 700 Bcf draw down this winter, but it looks increasingly likely that we will not hit a major winter drawdown number like 2017-18 or 2013-14.

**Exhibit 2** Midwest Region Weekly Natural Gas Storage Level

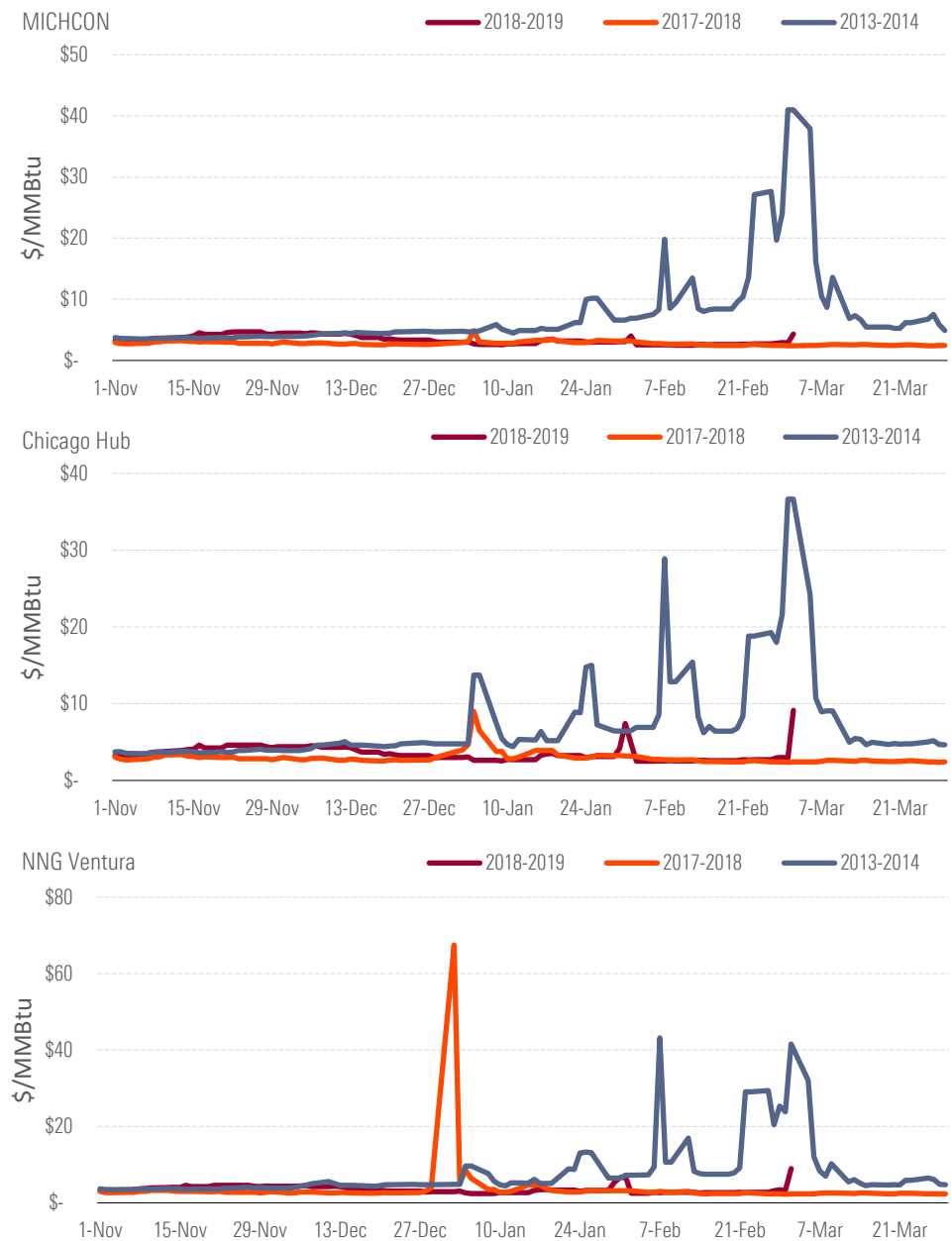


Source: EIA, Morningstar

### Midwest Natural Gas Price Snapshot

In the end, supply is still a strong factor keeping bullish price pressure down so far this year. With a couple of small spikes during the extreme cold snaps there has been something to watch out for, but, on the whole, volatility hasn't approached levels seen in 2013-14. Additional pipeline takeaway out of Marcellus from the addition of Rover is helping MICHCON Hub stay subdued. Other Midwest pricing points have also seen less price action this winter despite the strength of demand (Exhibit 3).

**Exhibit 3** ICE Daily Gas Futures (as of 3/4/19)



Source: ICE, Morningstar

**Bearish Future**

Overall, Midwest natural gas now has access to plenty of supply and despite a low storage starting point and a considerably colder winter driving high demand, access to supply is outmatching the cold spikes by and large with only extreme daily events driving prices out of single digits and even then, only just. With a slightly longer injection season on the way, this region remains structurally bearish for the near and midterm future. ■■

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