



AOBA Alliance Market Update

April 2026

Spring Outlook

Weather – Neutral/Bearish

- We are in the low demand season with minimal heating and cooling for most of the country, but temps will lean warmer for Central/Eastern US with the pattern remaining variable as we have seen for the East in March.
- Our summer forecast comes in warm-ish with the West seeing most of the consistent heat while the North/East will still see hot days but likely cooler outnumbering the hotter ones. On a quantitative basis, 11th warmest since 1950.

Economy – Neutral/Bearish

- The above “bearish” lean weighs in potential future impacts from high oil prices stemming from the War in Iran; but March non-farm payrolls and February retail sales showed residual strength for the economy before the war began.

Supply and Demand – Bearish

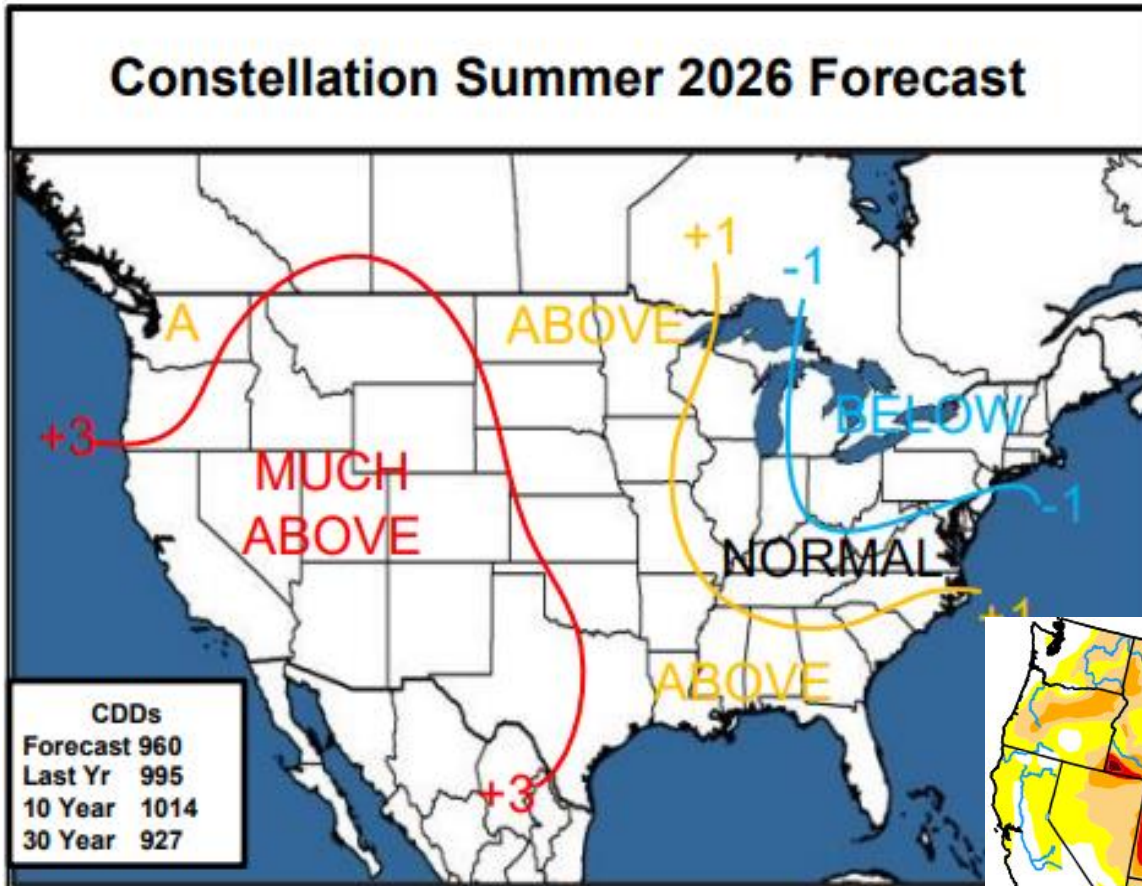
- The prompt month natural gas contract has traded below \$3/MMBtu since late-March as bearish fundamentals and low-demand temps outweigh daily geopolitical risks from the war in Iran; currently trading around \$2.87/MMBtu.
- A seasonably strong injection of 30 Bcf widened the surplus to last year to 5.4% as well as the 5-year comparison to +3% giving further confidence to the market that stocks before winter begins will be in the bearish 3.9 Bcf area.
- Year-to-date production comes in at a strong 109 Bcf/d with current levels around 110 and climbing. We’ve yet to see significant growth from high oil prices and may not, as producers stay the course and keep things disciplined for now.
- US LNG export terminals continue to liquify and ship at capacity (~20 Bcf) which has been the case for quite some time regardless of how much higher global prices are since the start of the war (increased to as high as 50%).

Customer Takeaway: A brewing global energy crisis and questions on how the war will end??? Not a problem for energy buyers in the US as the fundamentals point to a justifiably low pricing environment. Above-average storage inventories, strong production and bearish Spring weather forecasts all contributing factors.

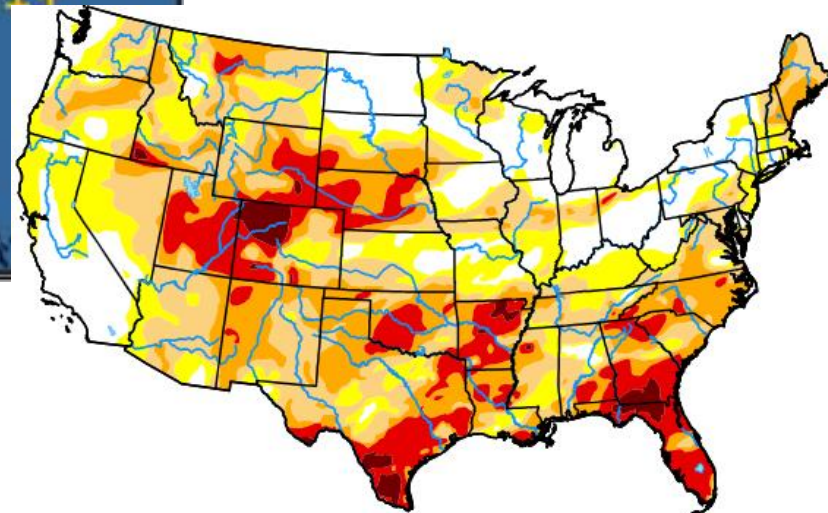
Sources: Constellation

Supply and Demand Highlights

Transitioning El Nino and Drought Shape Forecast



- Overall forecast confidence is lower than usual this summer, stemming from a combination of a transitioning ENSO signal, higher than normal drought levels and average matching analog years.
- The lowest confidence is in the East where some drier signals are present.



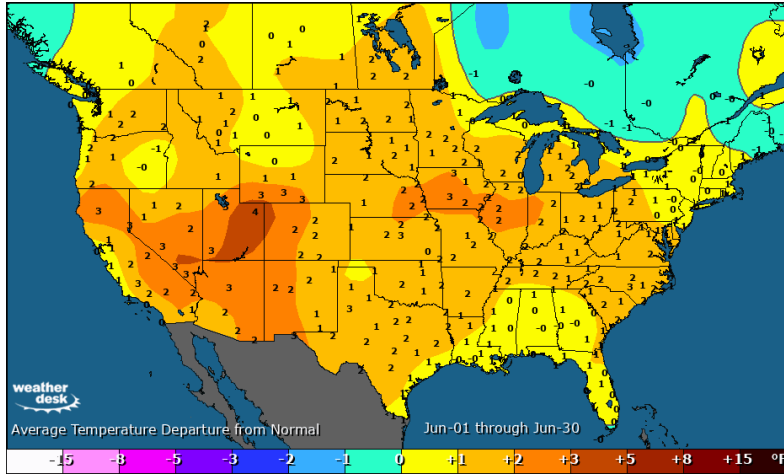
- Despite the drought, a cooler outcome is possible for the Plains and East
- Our national forecast of 965 PWCDD's is slightly cooler than the market (970-990), below the 10-year average and would rank as 11th warmest since 1950 (last year was 10th)

Sources: NOAA, Constellation

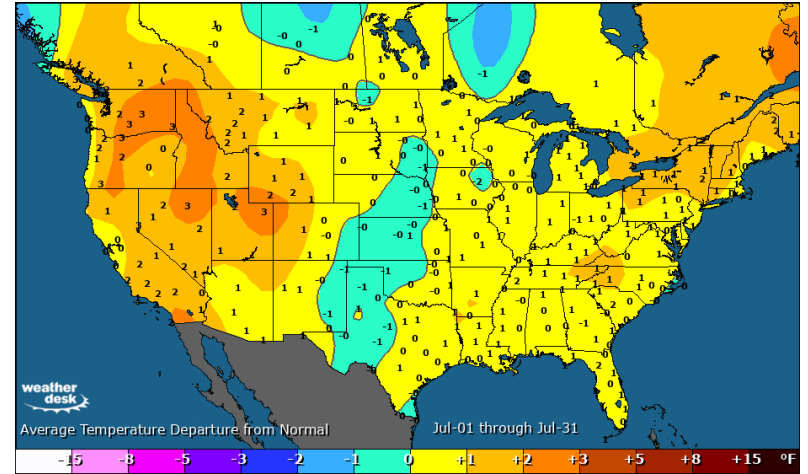
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Month-By-Month Based on Analog Years

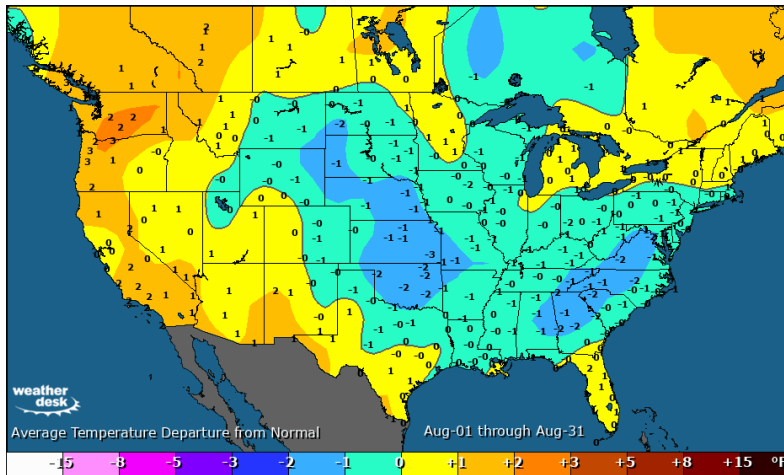
June



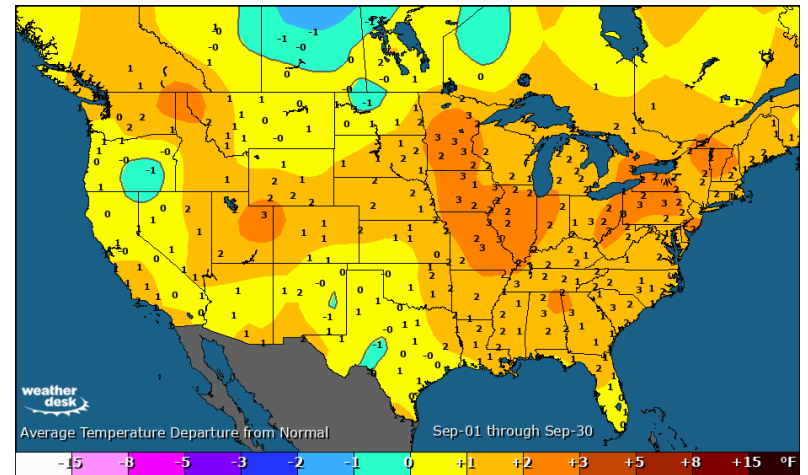
July



August

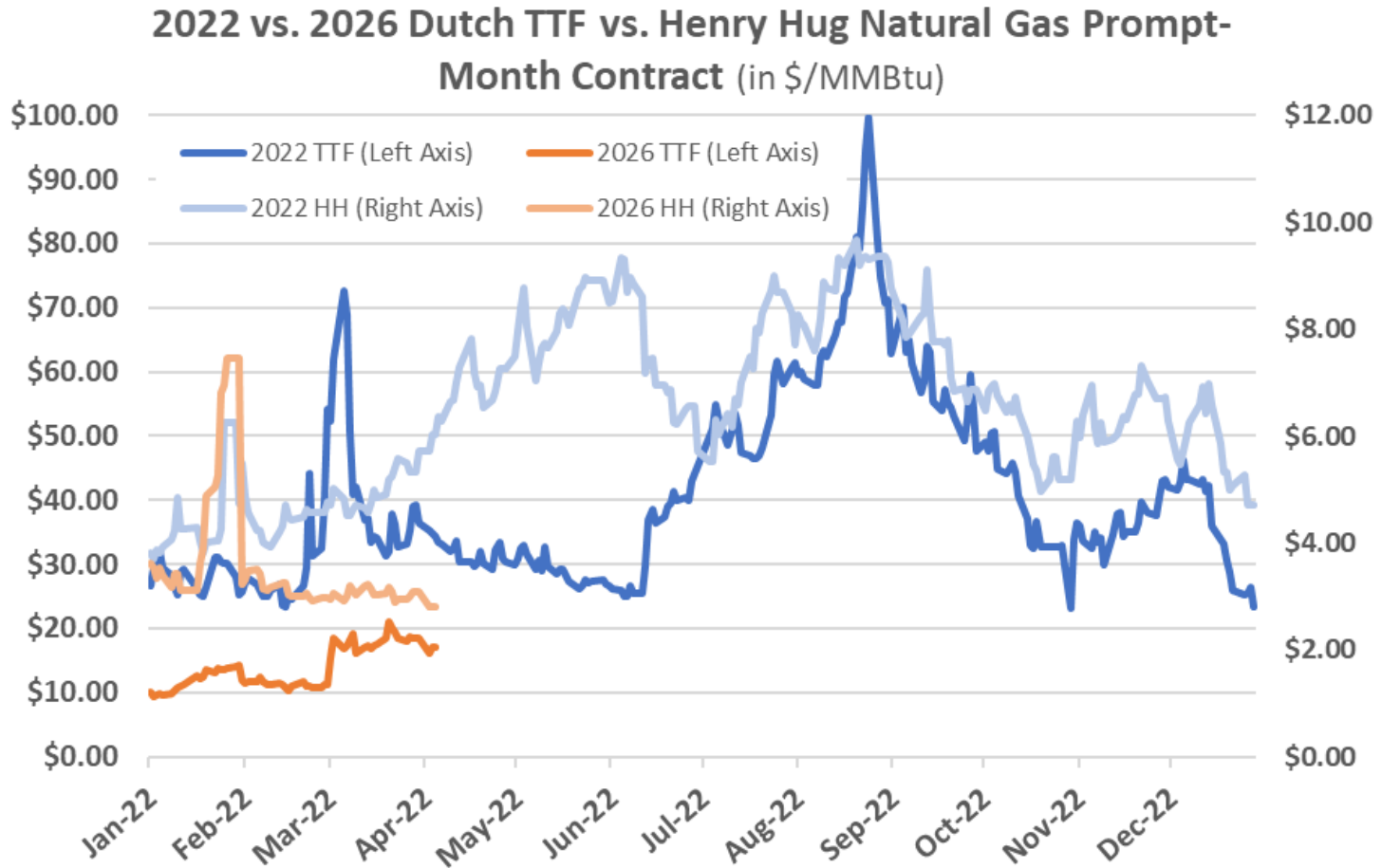


September



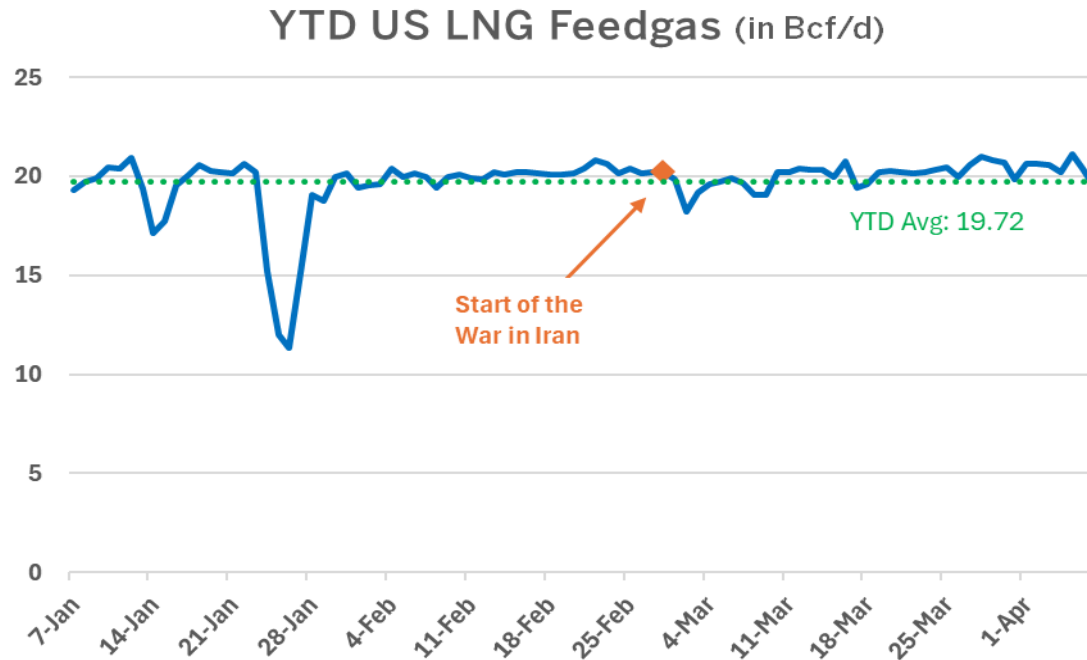
Sources: NOAA, Storm Vista, Vaisala

Will a Rising Global Tide Lift US Gas Prices?



Customer Takeaway: No one knows if global prices will rise as high as 2022 levels, but despite the fundamental decoupling, US natural gas prices did seem to gain, in sympathy with the European prices, to their highest prices in 14 years. We are in a more decidedly bearish market in the US, but the prospect of additional war premiums should not be taken lightly.

LNG Exports Continue to Max-Out




- All/most major US LNG export terminals are operating at/near maximum capacity as they have for the past several years, absent a few unplanned outages (see late January).
- Some terminals have suggested that they may defer scheduled spring maintenance to later in the year, as to capitalize on current elevated global prices (for spot cargoes).

Customer Takeaway: Maximum gas flows to LNG export facilities was the case before the war began, which is all the evidence you need that global price volatility stemming from energy supply disruptions (Strait of Hormuz “closure”) has not materially impacted the US natural gas market. Uncertainty remains as to how and when the conflict will be resolved which could still present some upside technical price risk.

Sources: Celsius Energy

Natural Gas Pricing Charts

NYMEX NG Prompt Month

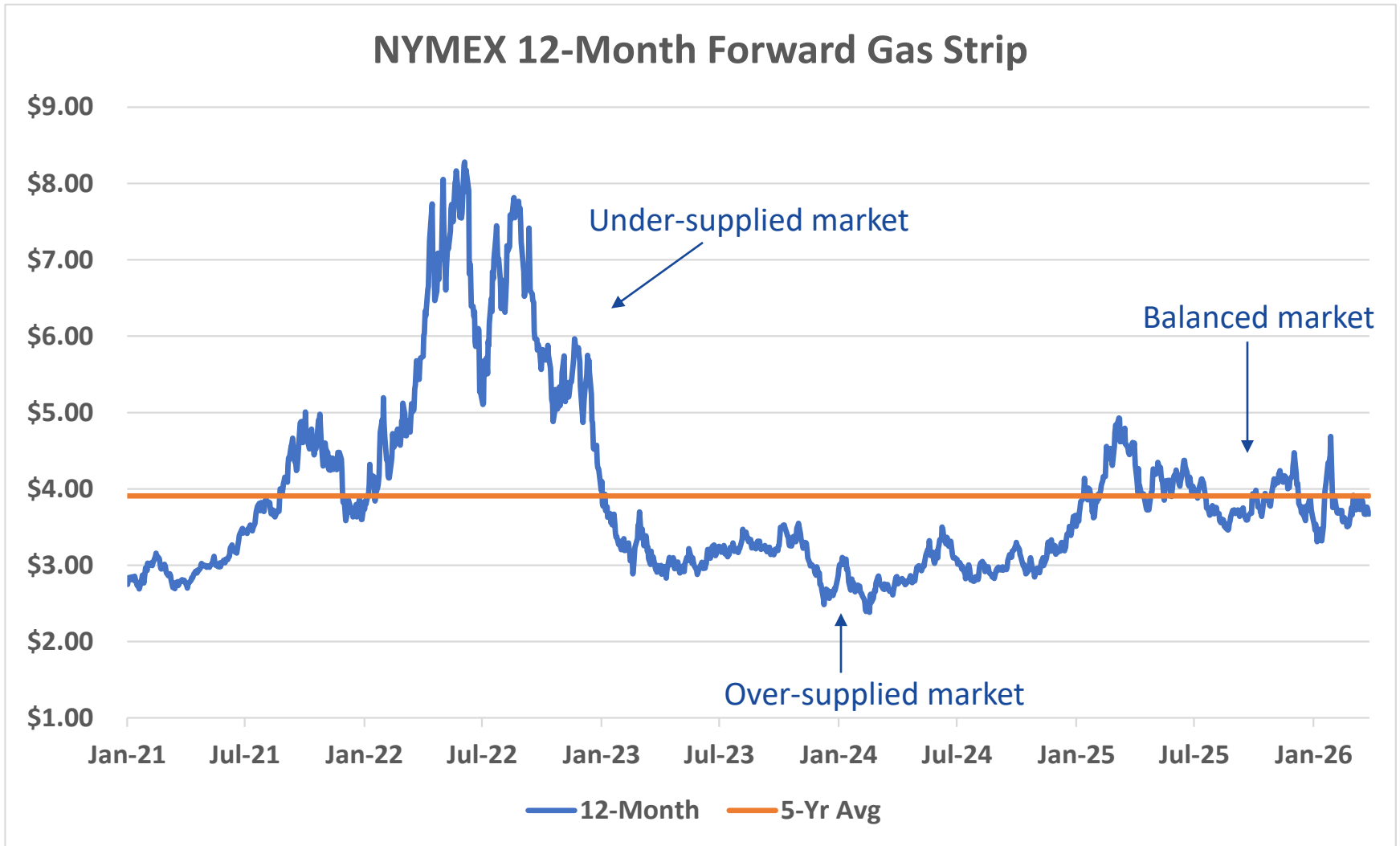
 **NG1!** 2.735^D USD / MMBTU -0.135 -4.70%



Customer Takeaway: US natural gas futures surge 124% over six days during the Arctic blast this past winter and jumped over 50c at the onset of the conflict with Iran, but since then has steadily retreated downward on seasonally bearish factors heading into the shoulder months.

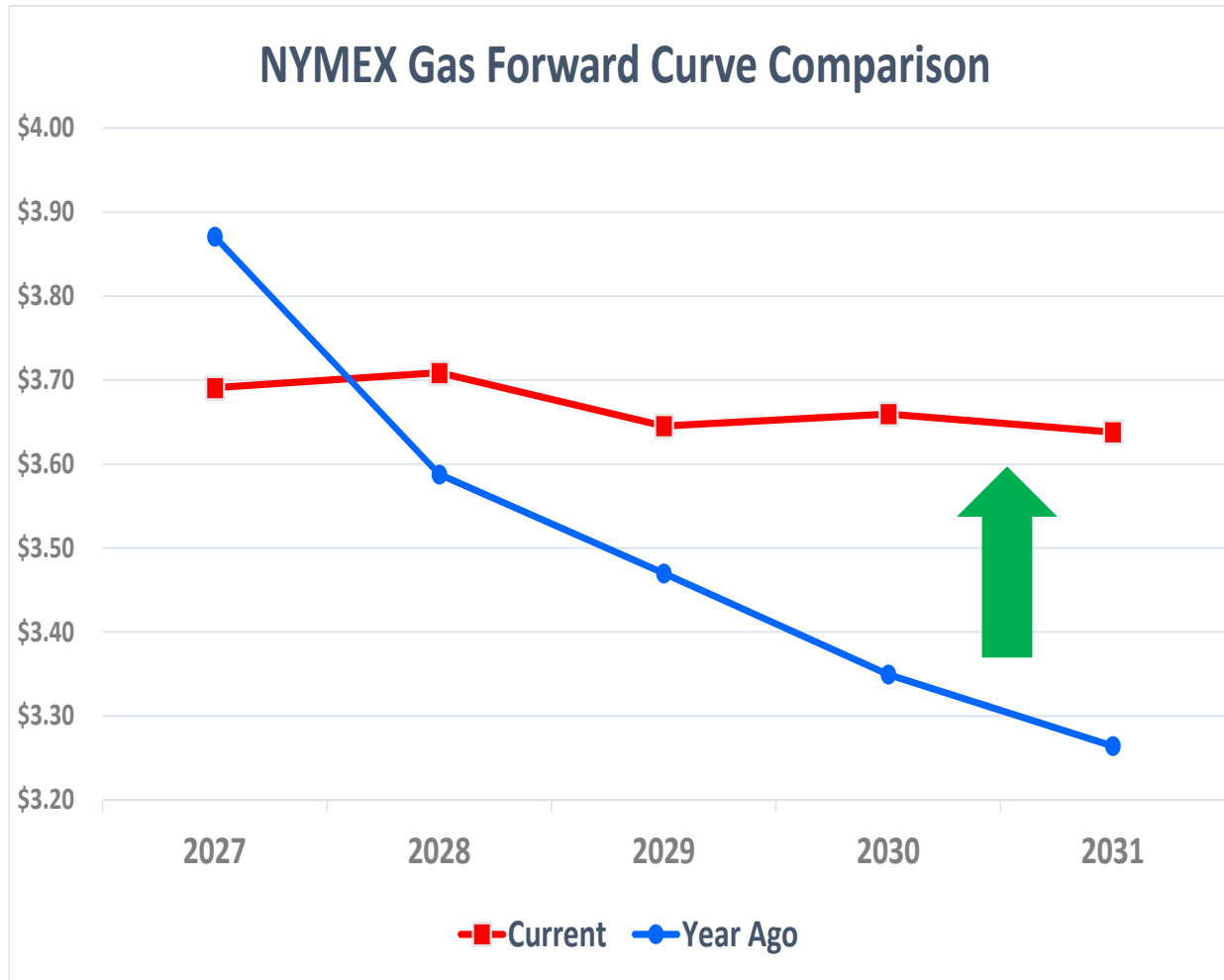
Sources: NYMEX, Trading View

Short-Term Futures Gas Price Y-Y



Sources: NYMEX, CME

NYMEX Forward Price Curve Comparison



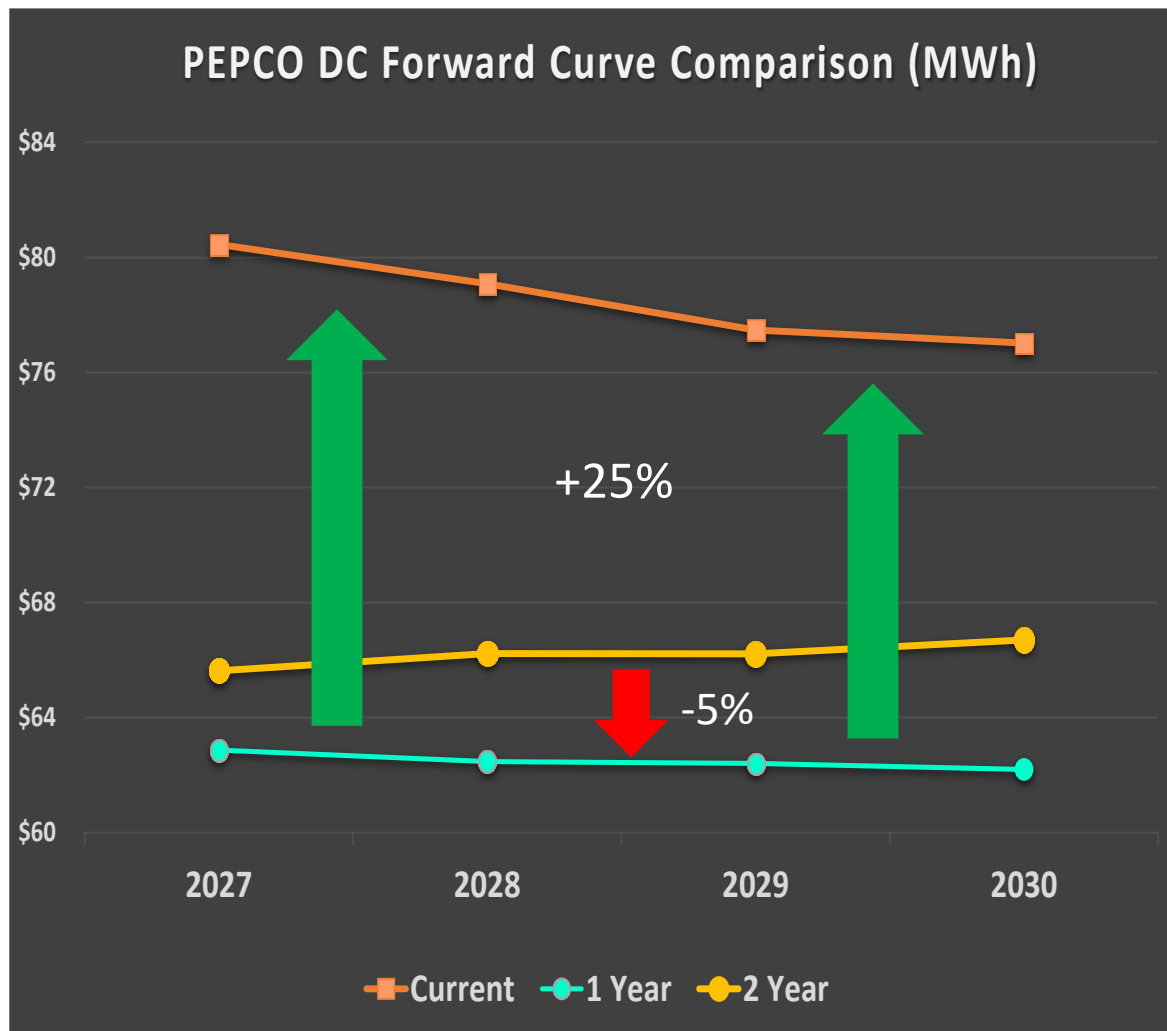
NYMEX	Current	Year Ago
2027	\$ 3.69	\$ 3.87
2028	\$ 3.71	\$ 3.59
2029	\$ 3.65	\$ 3.47
2030	\$ 3.66	\$ 3.35
2031	\$ 3.64	\$ 3.26
Average	\$ 3.67	\$ 3.51

vs. Yr Ago		
Year	\$ Chng	% Chng
2027	(\$0.18)	-5%
2028	\$0.12	3%
2029	\$0.18	5%
2030	\$0.31	9%
2031	\$0.37	11%
Avg	\$0.16	5%

Sources: NYMEX, CME

Electricity Price Trends

PJM Forward Power Curve Over the Past Year



PEP DC	Current	1 Year	2 Year
2026	\$ 78.15	\$ 63.87	\$ 63.44
2027	\$ 80.45	\$ 62.87	\$ 65.63
2028	\$ 79.09	\$ 62.47	\$ 66.23
2029	\$ 77.48	\$ 62.41	\$ 66.22
2030	\$ 77.02	\$ 62.20	\$ 66.70
Avg	\$ 78.44	\$ 62.76	\$ 65.64

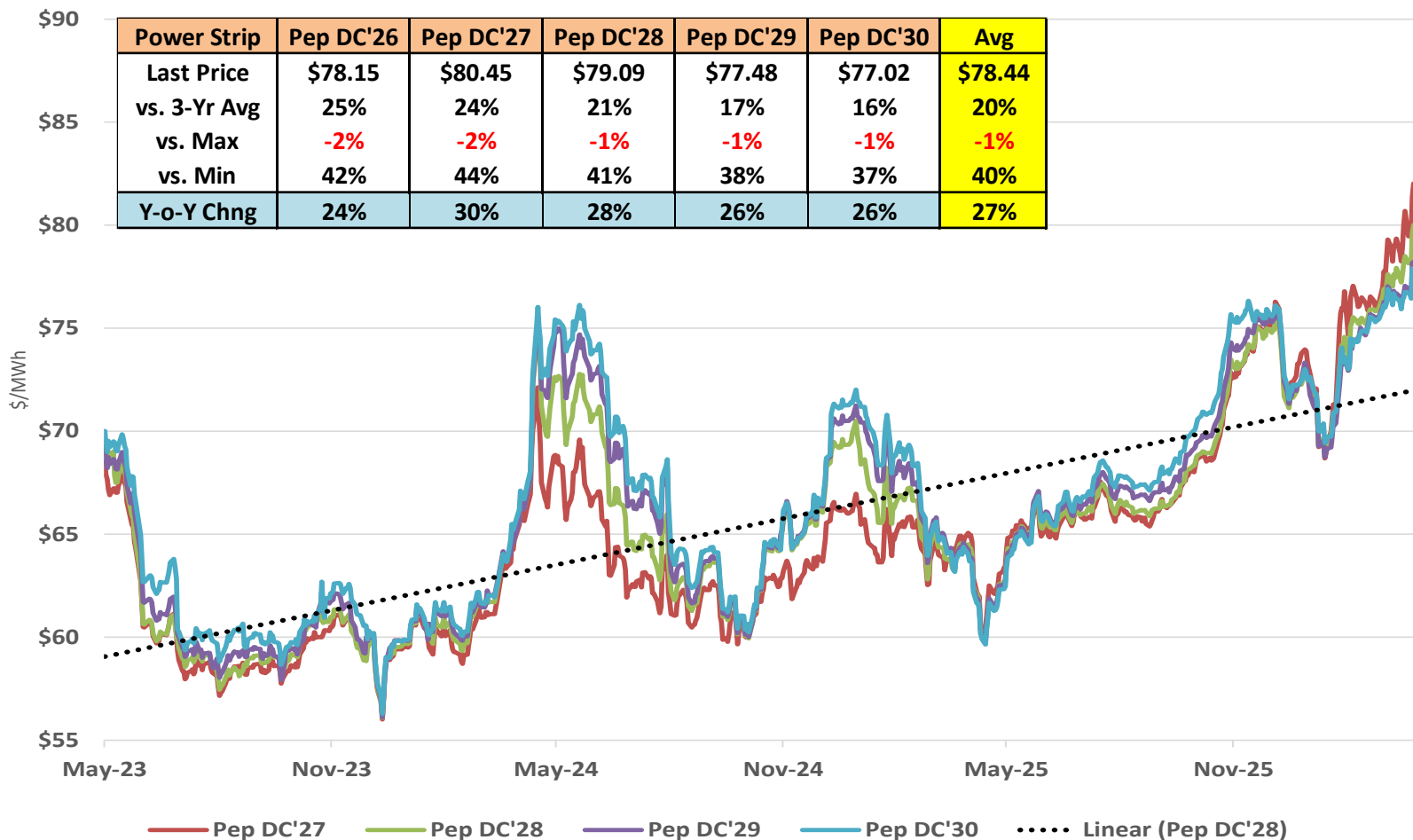
1 Year		
Strip	\$/Chng	% Chng
2026	\$14.29	22%
2027	\$17.58	28%
2028	\$16.61	27%
2029	\$15.07	24%
2030	\$14.82	24%
Avg	\$15.67	25%

2 Year		
Strip	\$/Chng	% Chng
2026	\$14.72	23%
2027	\$14.82	23%
2028	\$12.86	19%
2029	\$11.26	17%
2030	\$10.32	15%
Avg	\$12.80	20%

Sources: CME

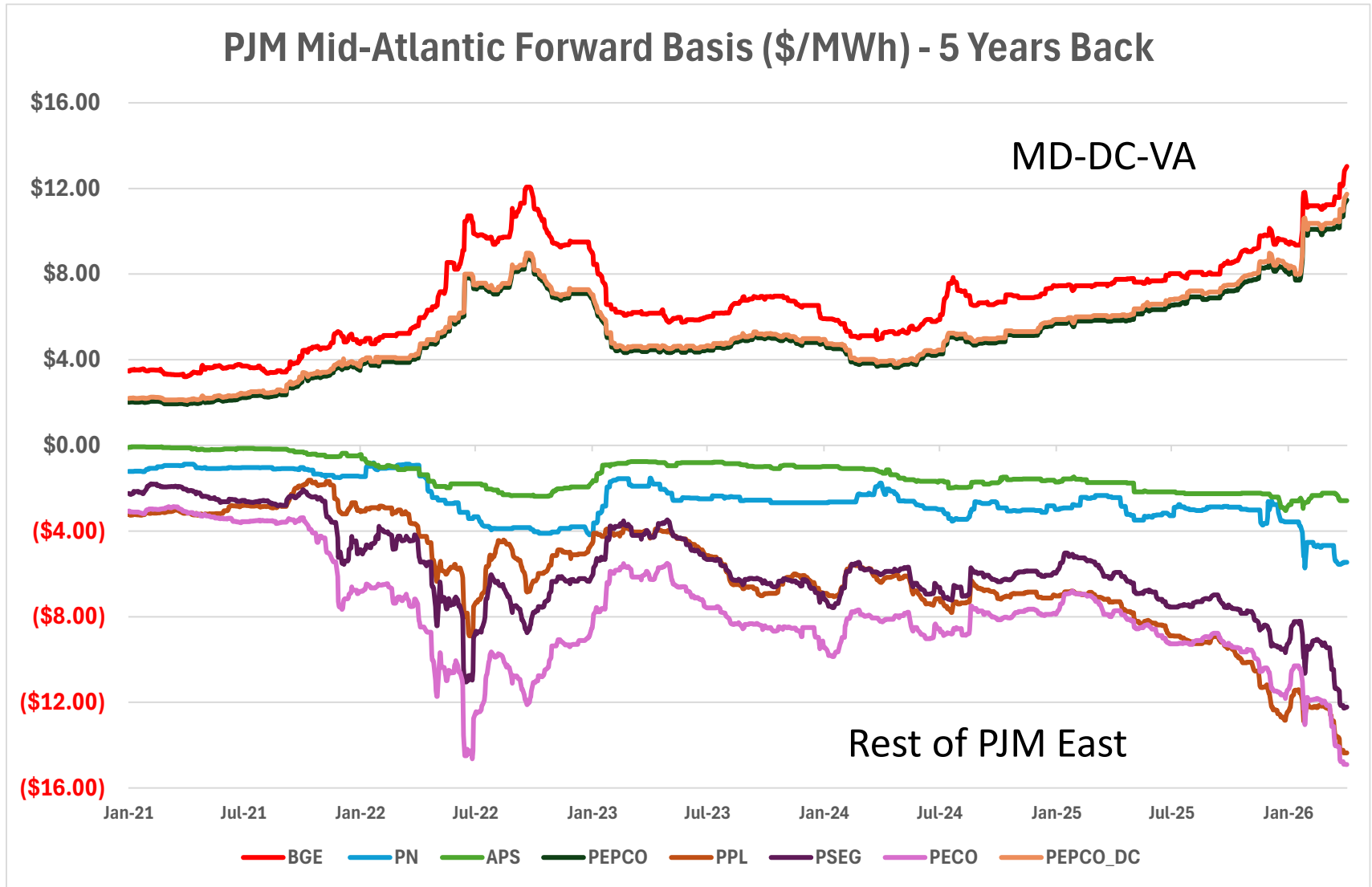
District of Columbia Forward Price Trends

PEPCO DC Forward Calendar Strips (3-Years Back)



Sources: CEG

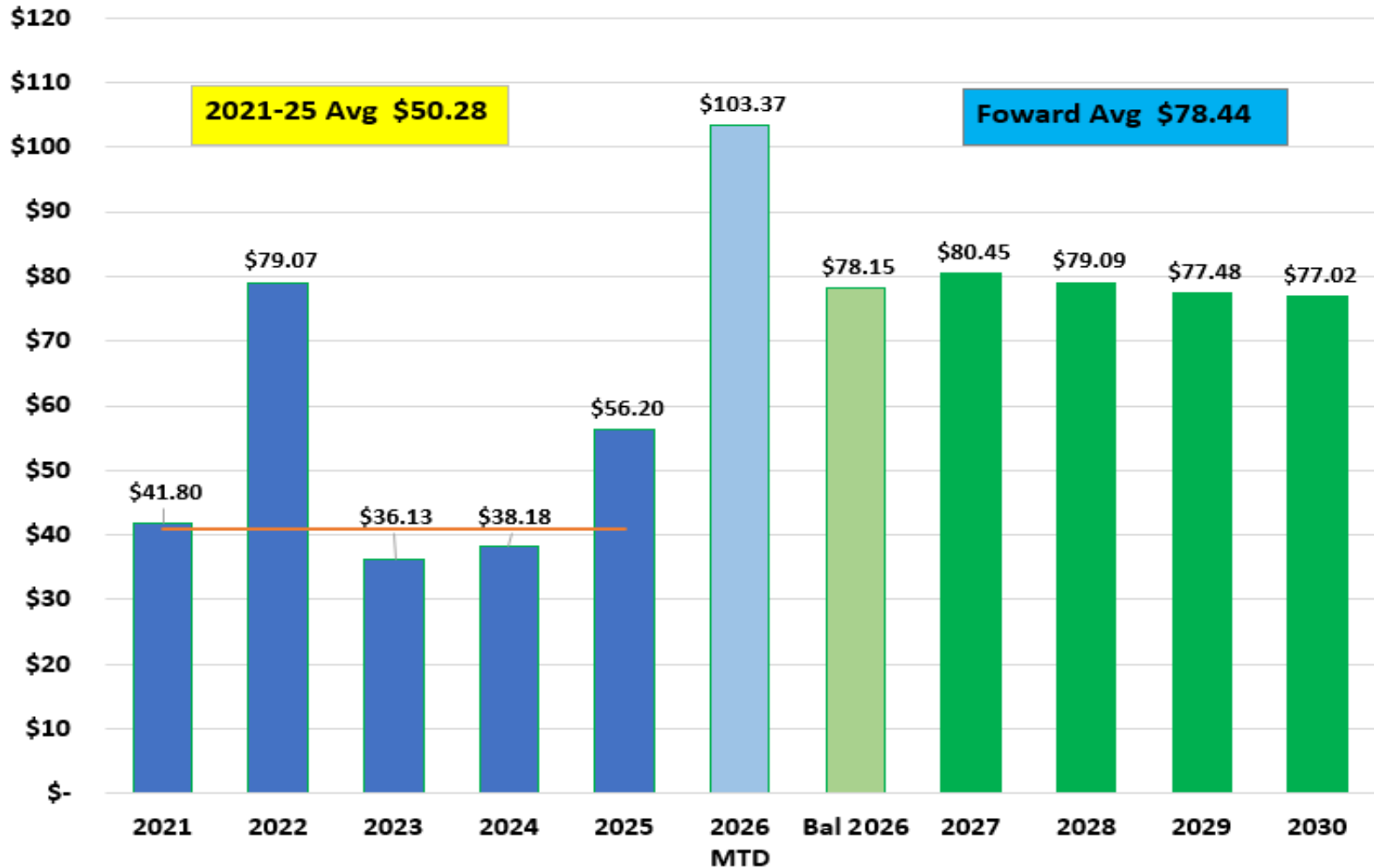
PJM Forward Price Differential from West Hub (Basis)



Sources: CEG

Procurement Option Comparison

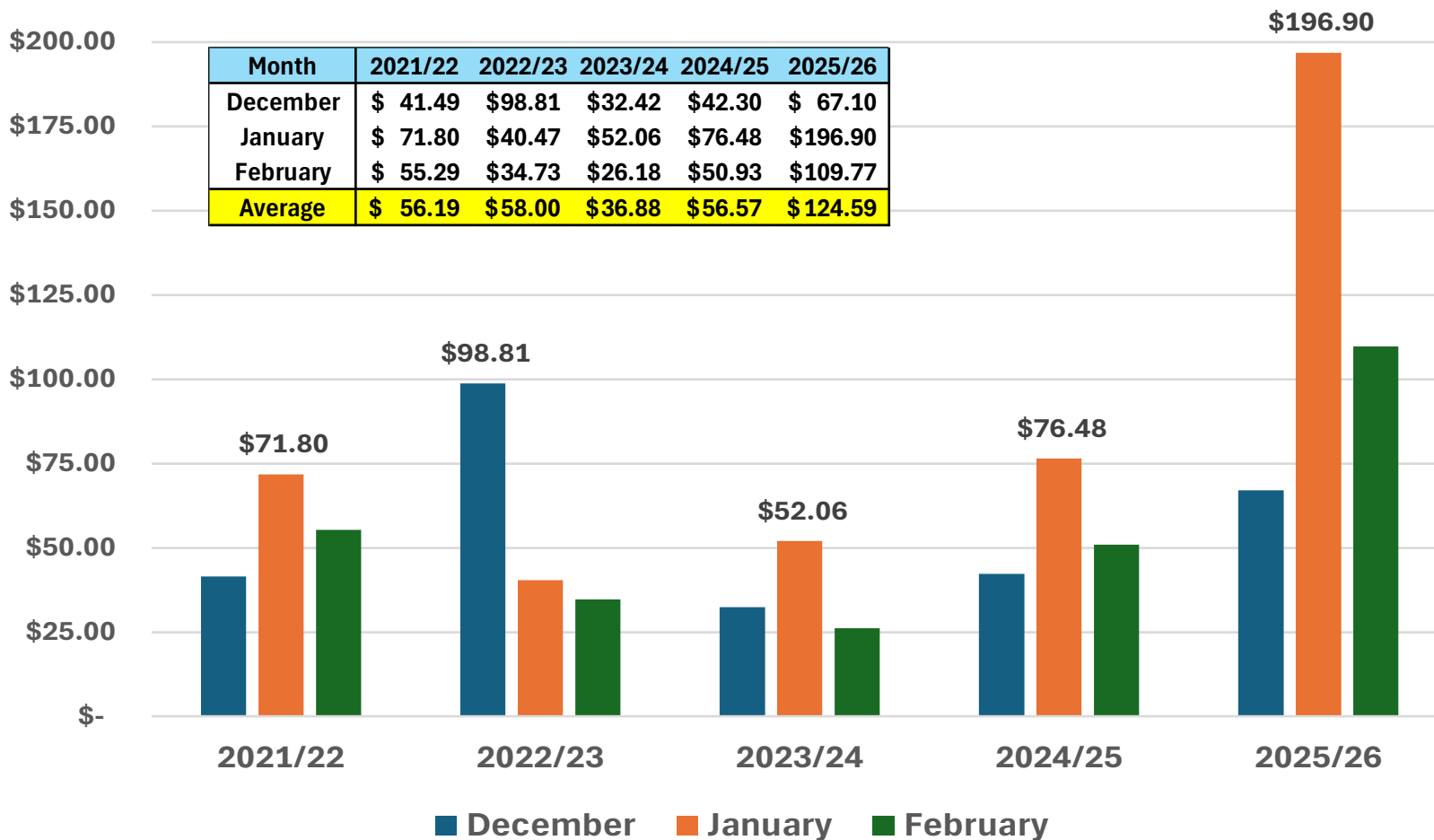
PEPCO DC Index vs Forward



Sources: CEG

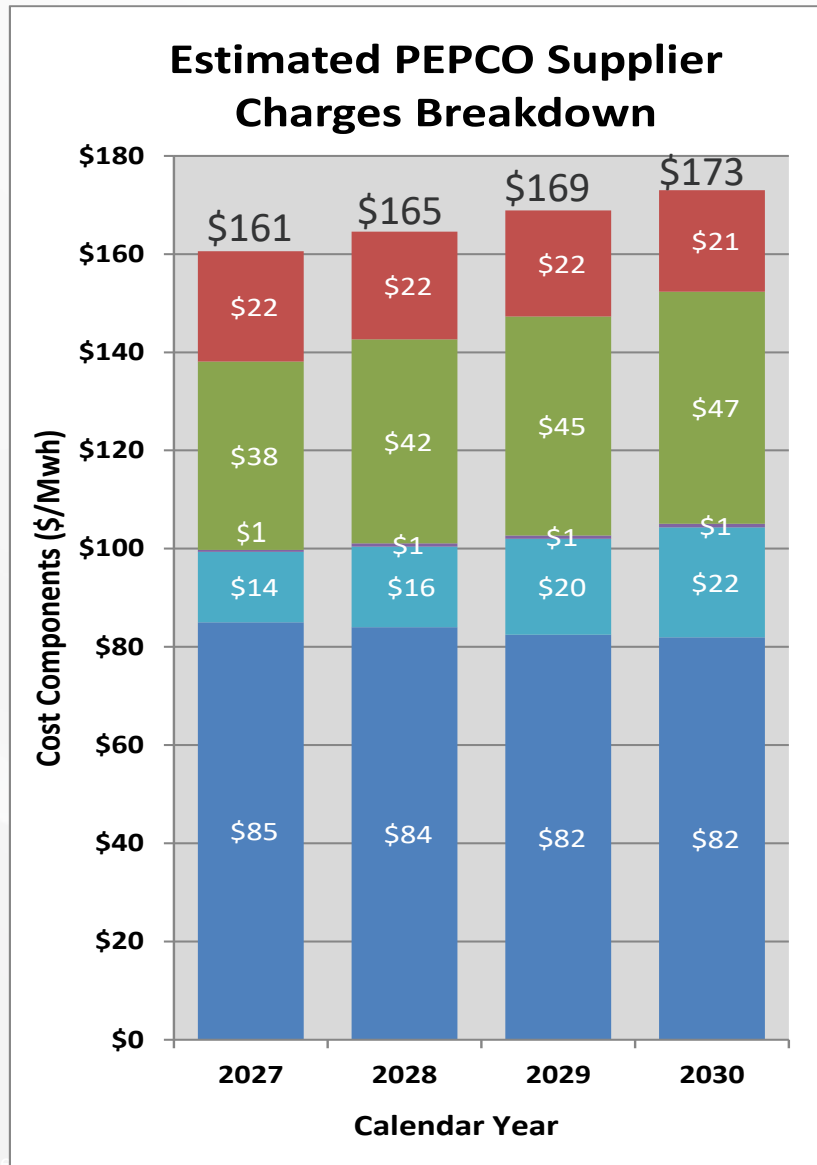
PEPCO Index Prices of Winter's Past

PJM PEPCO Winter Index Dec-Feb



Sources: CEG

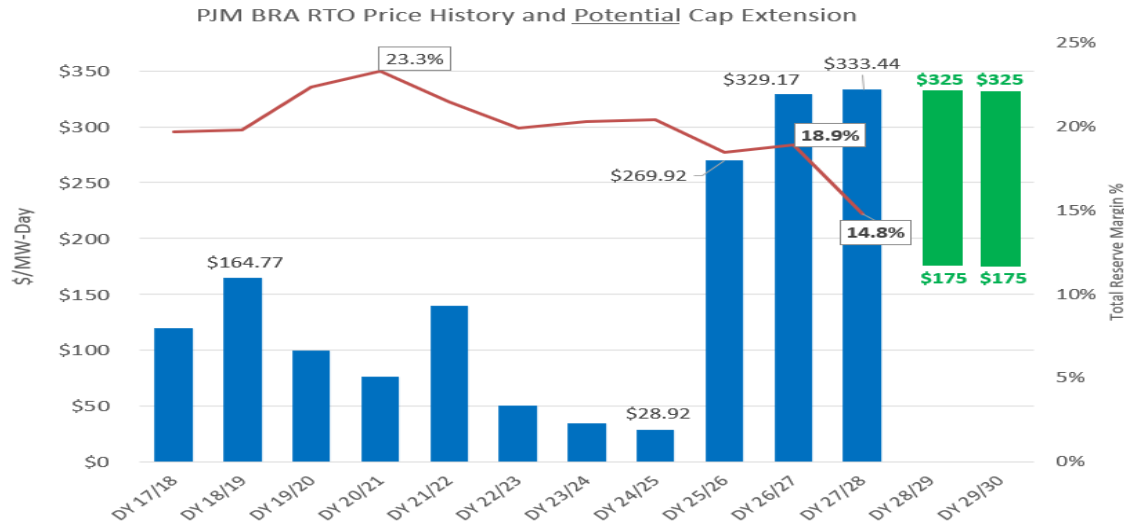
PEPCO - What's in Your Electric Supplier's Price?



- **Commodity** – The cost of procuring the actual electrons transmitted through the T&D lines. Largely determined by cost of natural gas for the Mid-Atlantic region.
- **Capacity** - Charge for fulfilling capacity requirements imposed by the ISO or otherwise. Generally, these costs are associated with ensuring there is enough generating capacity available now and in the future to meet customer requirements.
- **Transmission** – Costs associated with the regular operation, maintenance and enhancement of transmission lines across a system that are typically set through the utility commission.
- **Renewable Portfolio Standards (RPS)** State mandated %'s for load-serving entities (supplier) to purchase a certain amount of their supply from renewable energy sources. Rates determined by markets for renewable energy certificates (RECs).
- **Ancillaries** – Small administrative charges billed to load-serving entities by the ISO to operate grid safely and reliably.

PJM Capacity

PJM Requests Extension on Capacity Auctions



- On 2/27, PJM submitted a FERC filing to extend the existing capacity market price collar. While PJM is still waiting on final approval from FERC for this filing, they have recently put forth other initiatives that was a part of the letter that the Board submitted back in January.
- PJM Resource Adequacy Initiatives and CIPF for Reliability Backstop** - At the 3/25 Members Committee meeting, PJM reviewed major initiatives underway and identified its highest priorities for the remainder of 2026 and beyond. PJM presented a timeline organized around six main workstreams

Customer Takeaway: PJM is looking to extend the collar to the next two capacity auctions to continue to mitigate consumer capacity cost but still provide enough incentive for investment in new generation to meet the growing demand in their system.

Source: PJM

PJM Resource Adequacy Initiatives

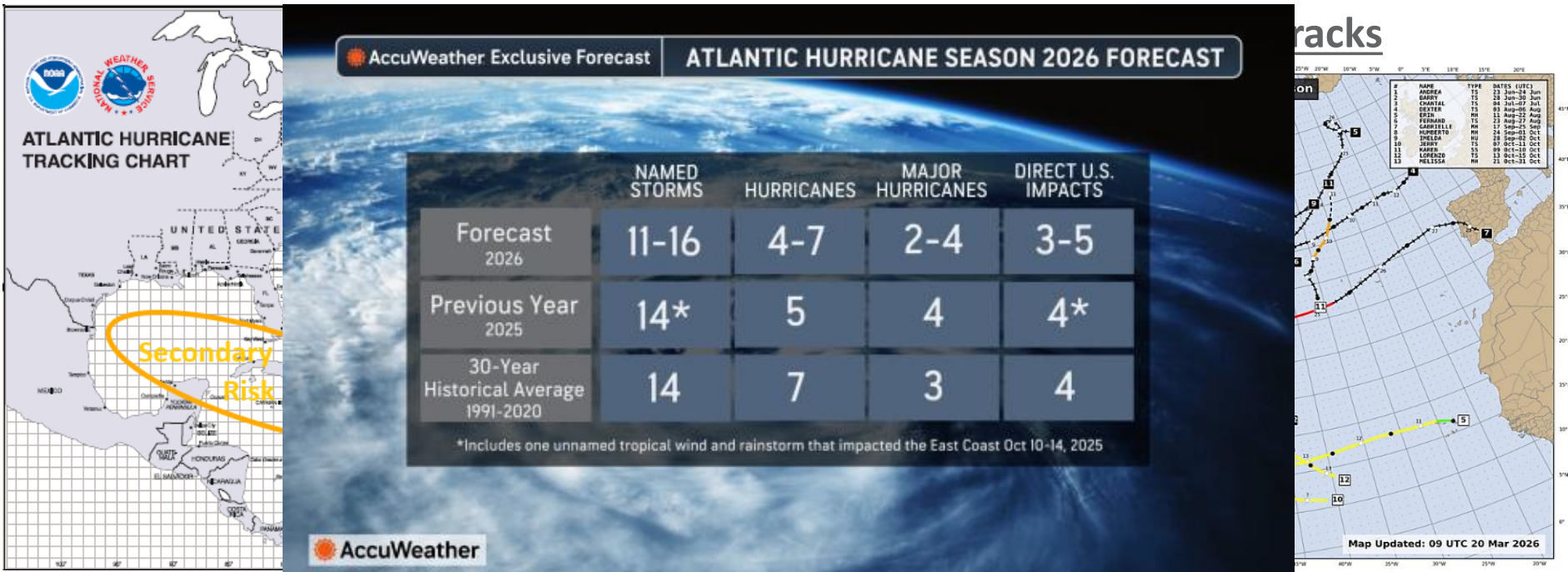
- (1) Reliability Backstop Procurement:** PJM will initiate an expedited Critical Issue Fast Path (CIFP) process upon release of its reliability backstop proposal on 4/10. The CIFP process will proceed through May, with a FERC filing expected in June. PJM plans to commence the procurement process by 9/30.
- (2) Connect and Manage:** Task force will begin working on this topic on 3/31. PJM plans for work to conclude over the summer with a possible FERC filing by late September, and implementation targeted for late 2026.
- (3) Large Load Additions - Load Forecasting:** Methodology revisions are expected to be finalized in May with implementation in June for the 2027 load forecast. PJM also plans to engage a vendor in April for parallel development of an independent load forecast.
- (4) Expedited Interconnection Track:** PJM filed its expedited interconnection proposal with FERC on 2/27. Assuming FERC approval, the goal of initiating the new interconnection option by late summer.
- (5) Co-located Load Order:** PJM has made its required compliance filings and a paper hearing on service terms and conditions will occur at FERC this spring. PJM is considering additional stakeholder workshops and implementation work could continue into 2027 and beyond.
- (6) Market Review:** PJM is preparing a paper on broader market reforms expected in mid-April, after which a more formal stakeholder process would begin around June and continue through the end of the year.

Customer Takeaway: PJM continues to pursue the multiple initiatives that arose from the Critical Issue Fast Path on Large Load Additions last year. The extension of the capacity price collar was the priority one, but other workstreams were critically needed to help find a long-term solution for adding large loads to their system, reliably.

Sources: PJM, CEG

Appendix - Supply & Demand Fundamentals

Normal Storm Activity Expected



- Our current summer forecast features a trough near the East Coast and the main heat ridge out West. This could act to keep many storms away from the East Coast; a majority of storms recurve into the open Atlantic waters.
- There will be a secondary risk area into the Gulf from storms developing closer to home.
- Neutral ENSO conditions and weakly positive SST anomalies are favorable for at least a normal number of storms (12).
- A quicker onset of El Nino could reduce storm activity as wind shear may increase across the main development regions during Autumn.

Sources: NOAA, AccuWeather, Constellation

National Weather Service Summer Forecast

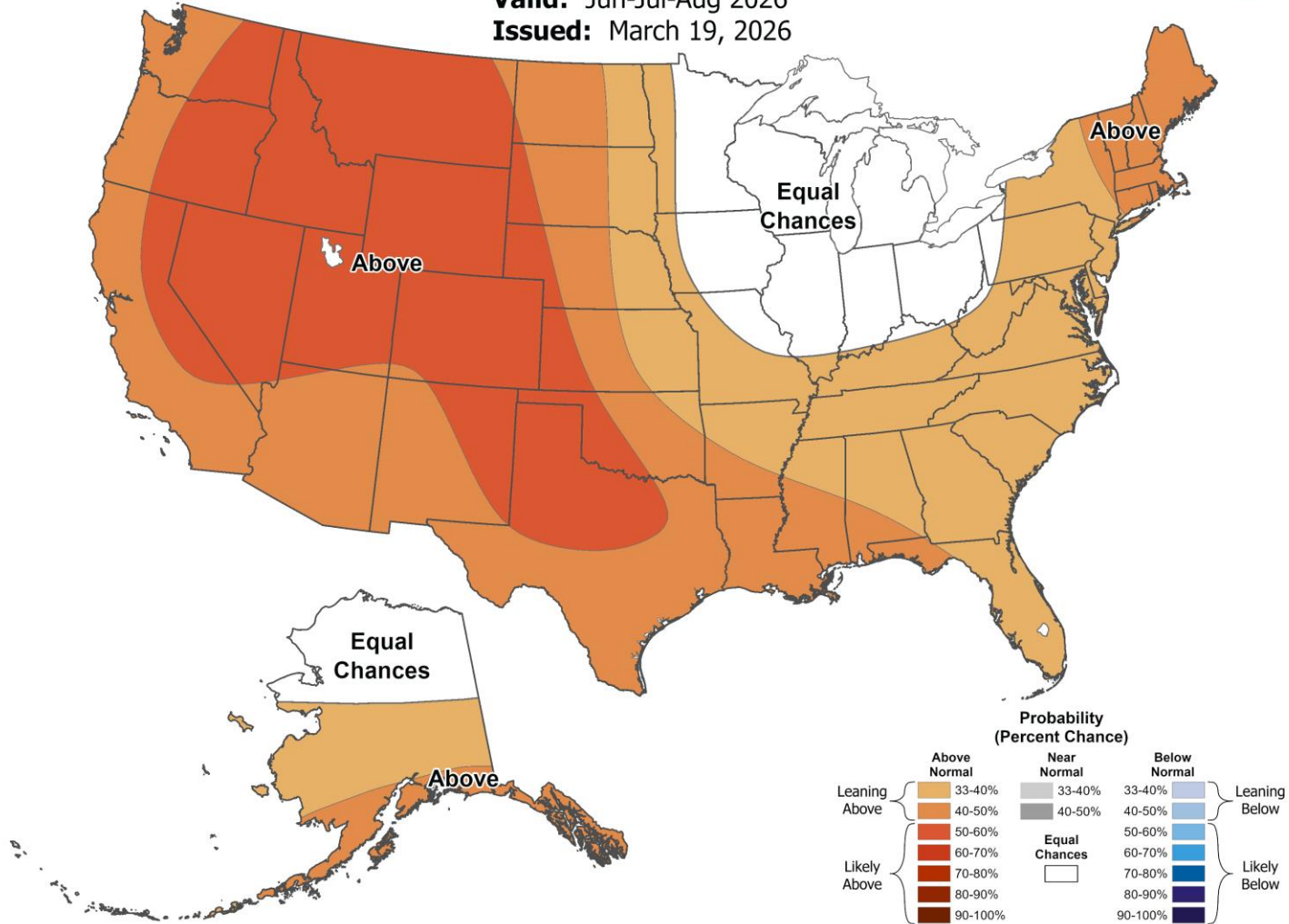


Seasonal Temperature Outlook



Valid: Jun-Jul-Aug 2026

Issued: March 19, 2026

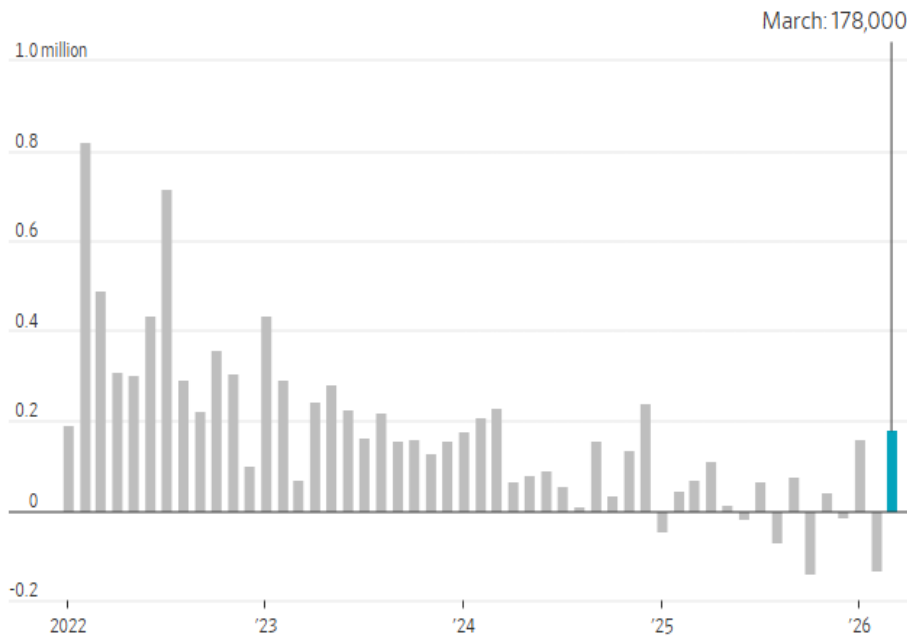


Sources: NWS

Economy/Global Energy

Economic Growth Strong Enough to Absorb War Impacts?

Nonfarm payrolls, change from a month earlier

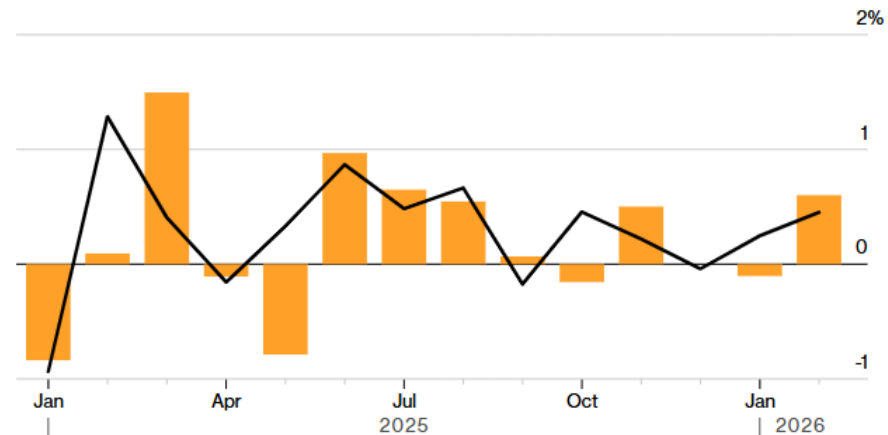


- Job numbers saw a jolt of hiring in March as the 178k adds beat the street estimate of 59k and February's 133k loss of non-farm payrolls (originally -92k)
- Though the headline unemployment figure shrank from 4.4% to 4.3%, the labor force lost 400k jobs, meaning those counted dropped from the calculation (making it seem rosier than it is).

US Retail Sales Rebound by More Than Forecast

Receipts rose in February in broad advance that included more car sales

Change in retail sales control group (MoM) Change in US retail sales (MoM)



- Retail sales release on Wednesday with solid numbers as well, posting a month-over-month change of +0.6% for February.
- Sales, excluding auto and gas sales, grew 0.4%, it's highest since August of last year.

Customer Takeaway: Though the elephant in the (economic) room is and will be the war in Iran, these two key economic indicators show some growth momentum before war impacts will start to trickle down to indicators going forward. The markets will look to how rising energy prices will impact the global & US economies as well as energy demand.

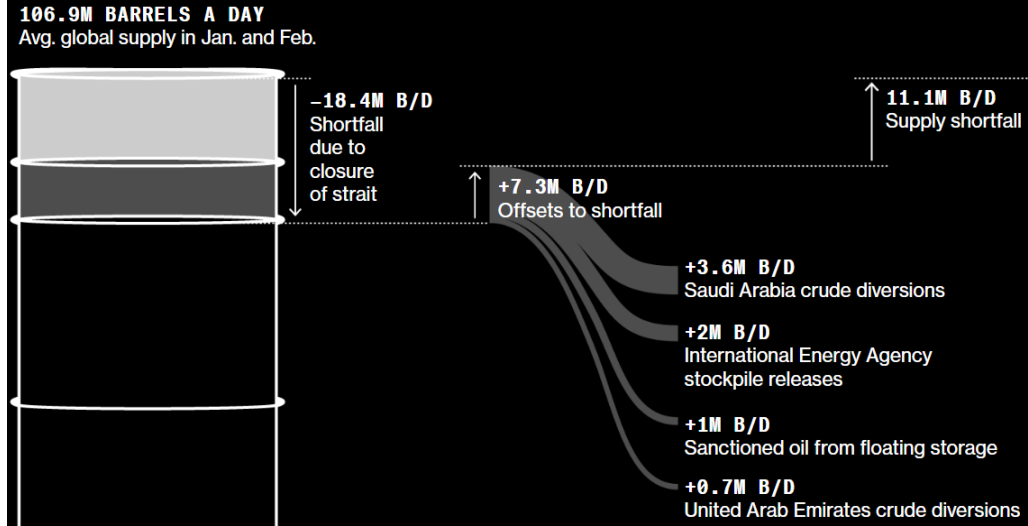
Source: WSJ, Bloomberg

Oil Prices Remain Buoyant Despite Best Efforts

Brent Crude Oil Prompt Month (\$/bbl)



Disruptions in Oil Flow Since Strait of Hormuz Closure



May 2026 Required Production Table (kbd)

Country	Production Increments (kbd)	Required Production (kbd)
Algeria	6	983
Iraq	26	4,326
Kuwait	16	2,612
Saudi Arabia	62	10,228
UAE	18	3,447
Kazakhstan	10	1,589
Oman	5	821
Russia	62	9,699
Total	206	

- Cargoes through the Strait of Hormuz continue to be few and far between with reports of another tanker struck by the Iran's Revolutionary Guard on March 30.
- The ship wasn't even passing through the Strait and was anchored off the coast of Dubai, widening the scope of danger to cargoes.
- On April 5, OPEC+ announced further production hikes, of 206 thousand bbl/d, from the original 1.65 million it agreed to, beginning in May, that was announced back in April 2023.

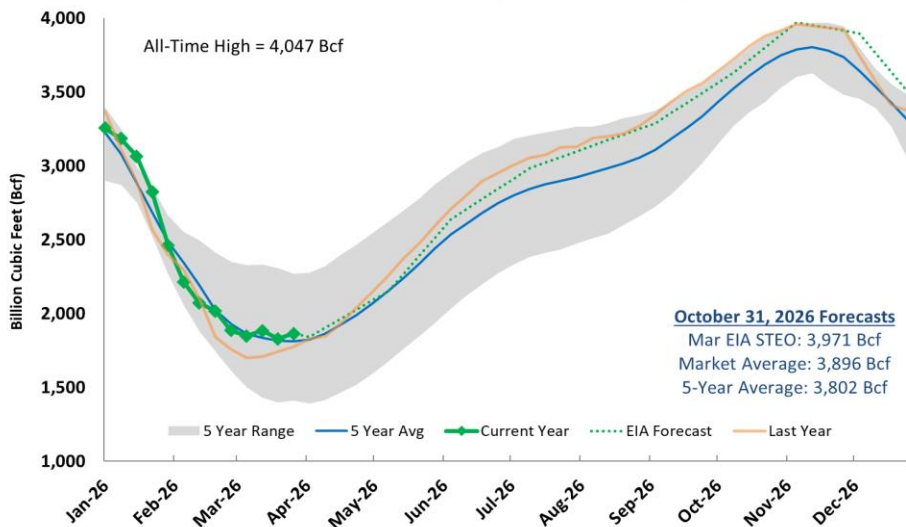
Customer Takeaway: Further mitigation measures across the globe are being considered but until some kind of firm resolution emerges, expect more oil price volatility.

Sources: Bloomberg

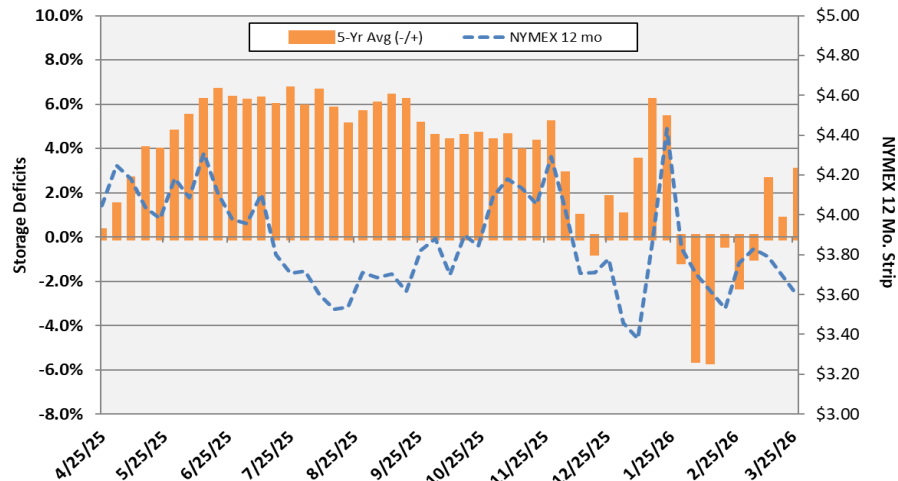
Supply & Demand Fundamentals

Natural Gas Storage Leans Bearish

Natural Gas Underground Storage



Underground Storage Inventory Surplus/Deficit vs. NYMEX 12 Month Strip



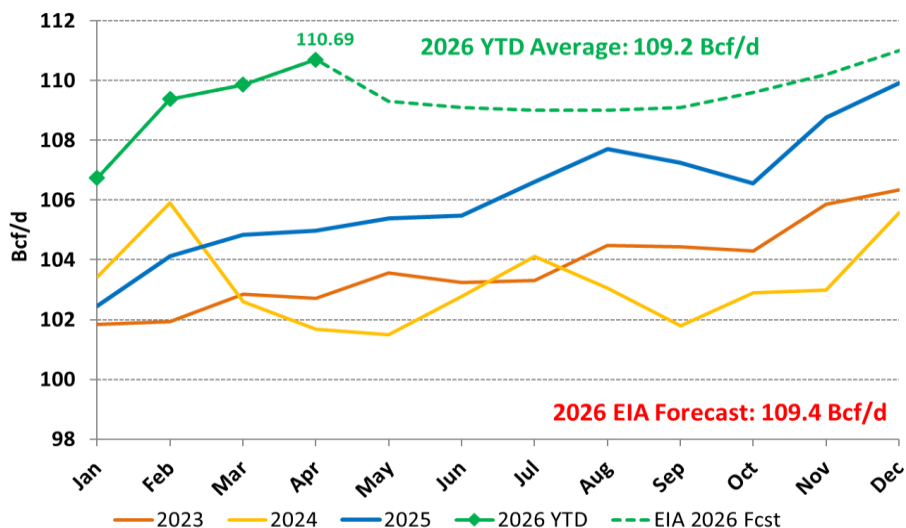
- The EIA reported an injection of 36 Bcf for the week ending March 27, a few Bcf higher than market expectations, while surpassing last year's 30 and the 5-year average which is a 4 Bcf *pull*.
- The surplus, to both last year and the 5-year average, widened from 5.2% to 5.4% and 0.8% and 3%, respectively.
- Attention now turns to EIA's end-of-October estimate at 3,971 Bcf while the market is looking for a 3,896 Bcf in stock, both would be above the five-year average of 3,802 Bcf.
- After last week's 54 Bcf draw, this week marks the official start of this season's injection season as all reports from here on out, until late October, should build upon underground inventories.

Customer Takeaway: Despite persistent global energy market turmoil, mild weather and robust U.S. production should keep inventories rebuilding at or above historical averages, reinforcing the fundamental decoupling of the U.S. energy market from global conditions.

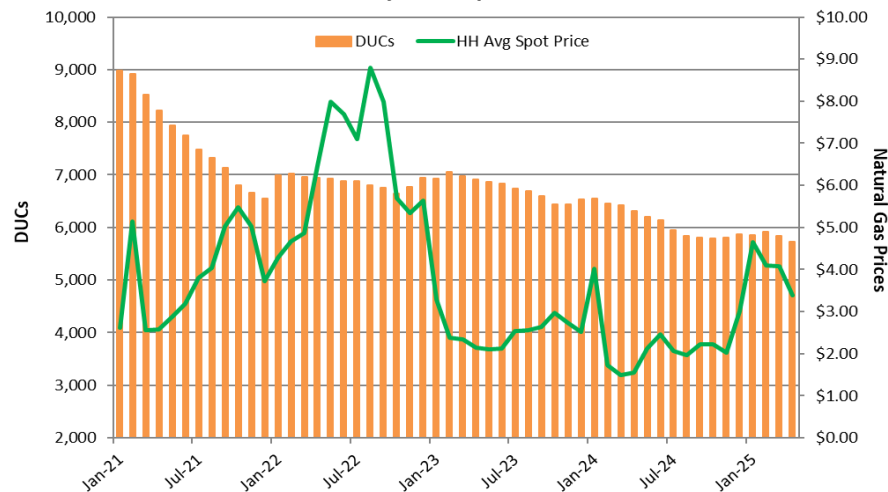
Sources: EIA

Natural Gas Production: Steady Growth

US Dry Gas Production (Bcf/day)



Total US Drilled But Uncompleted (DUCs) vs. Henry Hub Spot Gas Prices



- Year-to-date production averaging 109.2 Bcf/d, up almost 6 Bcf/d Y-o-Y, as continued demand from power generation and LNG exports incentivize more supply extraction.
- Temperature-driven price lulls, along with Spring maintenance, could mean a slight dip in output could be forthcoming.
- We've yet to see any producer commit to higher growth rates despite an unhinged oil market, as drilled but uncompleted wells have been historically tight. Continued producer discipline has led to a more limited amount of fast-acting infrastructure that E&Ps can turn to, in more volatile markets.

Customer Takeaway: Near-term production continues to be bearish for prices as slow and steady wins the race for shareholder value. Though oil prices should incentivize more drilling and, in turn more associated natural gas, the uncertainty of the whole war timeline has executives hesitant to outlay significantly more capital for production growth.

Sources: EIA

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