Market Update

Remarks at:

NGA’s Annual Sales & Marketing Conference

Tom Kiley
Northeast Gas Association
Outlook

- Macro level: U.S. & Marcellus gas production remains strong & secure, commodity price low.

- Gas utilities continue to see demand, albeit somewhat slower (witness this current mostly mild winter). Challenges: oil price position, supply constraints at key system points.

- Infrastructure actually is being added, esp. for gas utility market. But delays are more frequent, there are state vs. federal issues, consistent environmental challenges by some.

- Gas remains essential to enable desired increase in renewables.

- Time of opportunity but to some extent a holding pattern, especially for larger infrastructure projects.
NGA’S ANTITRUST COMPLIANCE PROCEDURES

Adopted by the NGA Board of Directors on June 4, 2003

Objective

The Northeast Gas Association (NGA) and its member companies are committed to full compliance with all laws and regulations, and to maintaining the highest ethical standards in the way we conduct our operations and activities. Our commitment includes strict compliance with federal and state antitrust laws, which are designed to protect this country’s free competitive economy.

Responsibility for Antitrust Compliance

Compliance with the antitrust laws is a serious business. Antitrust violations may result in heavy fines for corporations, and in fines and even imprisonment for individuals. While NGA’s attorneys provide guidance on antitrust matters, you bear the ultimate responsibility for assuring that your actions and the actions of any of those under your direction comply with the antitrust laws.

Antitrust Guidelines

In all NGA operations and activities, you must avoid any discussions or conduct that might violate the antitrust laws or even raise an appearance of impropriety. The following guidelines will help you do that:

- Do consult counsel about any documents that touch on sensitive antitrust subjects such as pricing, market allocations, refusals to deal with any company, and the like.

Continued on NGA web site...

http://www.northeastgas.org/about-nga/antitrust-guidelines
Room for Growth
Marcellus: Largest U.S. Gas Resource Base

Source: U.S. EIA, 4-15
Marcellus Production Remains Strong

Marcellus Shale currently producing about **19 Bcf/d** and is projected to continue to lead the nation in shale output in coming years. Pennsylvania is 2nd largest gas producing state in U.S.
Gas Customer Base in Region Continues to Grow

Natural Gas added over 1 million new household customers in last 8 years
No Utility Records This Winter – but Annual Growth Remains Steady


- Gas utilities experiencing rising design day demand.

- Annual gas utility growth continues in the 1 to 2% range.
Northeast States Lead U.S. in Gas Efficiency Investments

9 Northeast states = $544 million investment in 2015

Equal to 39% of U.S. total of $1.4 billion

Gas LDCs are committing to infrastructure investments

Gas utilities in the Northeast are investing in proposed pipeline projects – to meet gas utility demand. Regulatory and legislative support for gas system expansion exists in various states, but state policy focus in the Northeast is currently focusing almost entirely on “clean energy.”
Utility System Replacement Programs are Advancing

Gas utilities in the Northeast are advancing replacement of “leak-prone” systems – enhancing safety, reducing emissions, expanding for growth.
LNG Option for LDCs

- **South Jersey Gas** last year added liquefaction at its LNG plant
- **Gaz Métro** recently tripled its liquefaction capability at its E. Montreal plant from 3 to 9 Bcf/yr
- **National Grid** has proposal at FERC to add liquefaction at its Fields Point facility in Providence
- **Eversource** proposing to increase LNG storage capacity in southeastern MA to 6.8 Bcf, as part of the “Access Northeast” Project
- **Northeast Energy Center (NEC)** is a FERC regulated LNG liquefaction, storage and vaporization project proposed to be located in central MA and connected to Tennessee Gas Pipeline. The project sponsors are affiliates of Liberty Utilities and Northstar Industries.
Projected Power Sector Additions by Fuel Type

**GENERATOR PROPOSALS IN THE ISO NEW ENGLAND QUEUE**
Percentage, Jan. 2017

- Natural Gas, 48
- Wind, 44
- Other, 8

**NEW YORK ISO SYSTEM, 2016**
Proposed Power Projects by Fuel Type
Megawatts

- Gas = approx. 65%

**PJM, 2015**
Queued Capacity by Fuel Type,
Percentage

- Natural Gas
- Wind
- Solar
- Nuclear
Changing Price Environment: Gas vs. Oil

Regional Pipeline Projects: Projects Can Advance

In-Service, Late 2016/early 2017:

Spectra’s (now Enbridge’s) “AIM Project” & “Salem Lateral”

Projects approved by FERC, expected in-service 2017-18 (hopefully)

- Dominion, “New Market Project”
- Transco, “Garden State Expansion Project”
- Tennessee, “Connecticut Expansion”
- Tennessee, “Susquehanna West”
- Enbridge (Spectra), “Atlantic Bridge”
- Millennium, “Valley Lateral Project”
- PNGTS, “Continent to Coast (C2C) Project”
- Transco, “New York Bay Expansion”
- Millennium, “Eastern System Upgrade”
- National Fuel Gas/Empire, “Northern Access”
- Transco, “Atlantic Sunrise”
Federal approval process remains consistent, but region is seeing increasing delays at state level regarding final environmental permitting.

Projects are often being delayed one or more years – even with federal permits in hand, even with contract commitments.

Challenges remain acute for power generation-related projects – financing pathway to serve power sector still to be developed.
In Some Quarters, Broad Opposition to New Energy Infrastructure
NGA Undertaking “MA Gas Outreach Initiative” with LDCs

Undertaking public relations effort on communicating the benefits of natural gas in the Commonwealth.

Focus on consistent industry messaging on leaks, environmental improvements, economic contributions of gas system.

Extend beyond Mass.?
Workforce Development

Need in the gas industry for extensive training of new workers. Can we attract enough workers for needed system growth?

*Stages:*
- Awareness & Recruiting
- Training
- Placement
- Retention & Career Development
Summary

• Gas utilities in region continue to see growth on systems and to plan infrastructure investments to meet that growth.

• Natural gas continues to be essential part of region’s power system – and will balance / enable increasing renewable additions.

• Additional infrastructure still needed to meet demand; projects in development; siting challenges on the increase.