



Northwest Pipeline Long-Term Planning, Interstate Gas Transmission

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NWGA/PNUCC Workshop
May 24, 2011

Agenda

- > Current Natural Gas Infrastructure in the PNW
- > Planning for New Interstate Natural Gas Infrastructure
 - When does it start?
 - What is the process?
 - How does it get approved?
 - Does the process work?

Pacific Northwest Regional Natural Gas Infrastructure



Pipelines

- Spectra BC Pipeline
- Williams NWP
- TransCanada GTN
- Terasen S. Crossing

Storage Facilities

- ★ Jackson Prairie
- ★ Mist

LNG Storage Facilities

- ▲ Nampa
- ▲ Newport
- ▲ Plymouth
- ▲ Portland
- ▲ Tilbury
- ▲ Mt. Hayes (under construction)

When Does New Infrastructure Get Built?



> The Market Decides

> Pipelines identify opportunities (market signals)

- High utilization of existing capacity
- Large price spreads
- New supply
- New demand
- Customers willing and able to commit

What is the Process for Building New Infrastructure?

- > Preliminary routing and hydraulic analysis
- > Negotiate contractual commitments
- > FERC pre-filing meeting
- > Open Season (may require reverse open season first)
- > NEPA pre-filing process
- > FERC certificate process
 - Environmental process
 - Easement acquisition
 - Finalize routing and design
- > Receive FERC certificate
- > Implementation plan
- > Notice to Proceed
- > Construct

What are the Requirements for FERC-Approval of New Infrastructure?



Certificate Policy Statement

- > Must prove there is a need for the proposed project and that the proposed project will serve the public interest.
- > Public benefits must outweigh potential adverse consequences.
- > The goal is to give appropriate consideration to:
 - competitive transportation alternatives,
 - the possibility of overbuilding,
 - subsidization by existing customers,
 - the applicant's responsibility for unsubscribed capacity,
 - the avoidance of unnecessary disruptions of the environment, and
 - the unneeded exercise of eminent domain in evaluating new pipeline construction.

What are the Requirements for FERC-Approval of New Infrastructure?

Certificate Policy Statement (continued)

- > The threshold requirement is that the pipeline must be prepared to financially support the project without relying on subsidization from its existing customers.
- > The next step is to determine whether the applicant has made efforts to eliminate or minimize any adverse effects the project might have on the applicant's existing customers, existing pipelines in the market and their captive customers, or landowners and communities affected by the route of the new pipeline. This is essentially an economic test. Only when the benefits outweigh the adverse effects on economic interests will we (FERC) proceed to complete the environmental analysis where other interests are considered.

Who Pays for New Infrastructure?



- > Expansion shippers generally must pay the higher of:
 - 1) the cost-based rate designed to cover the cost of the new facilities, or
 - 2) the generally applicable system-wide rate.
- > Rates are generally designed based on the engineering design capacity of the pipeline. This ensures that a pipeline constructing facilities is placed at risk for underutilization of the facilities if it does not contract with customers for the full capacity of the pipeline. The pipeline is given an opportunity to recover its full costs if it is fully subscribed.

Long-Term Planning for Future Infrastructure

- > Keep existing capacity fully contracted - to achieve the lowest per unit cost possible
- > Add attractive new supply and market options to maintain the value of shipper's capacity
- > Expand when the market is ready with fully subscribed projects
 - Rationalize excess capacity
 - Leverage available, unsubscribed capacity to create cost effective expansion service
- > Deliver promised construction costs

Williams Can Make the Process Work



Project	Contract Term (yrs)	Capacity (Mdt/d)	Cost (\$ in millions)	In-service date
85 North Expansion – Phase II	19	218.5	194.1	05/11
Mobile Bay South II	15	380	35	05/11
Gulfstream Phase V	25	35	44	04/11
Sundance Trail	12	150	50	11/10
85 North Expansion - Phase I	20	90	32.9	07/10
Mobile Bay South	15	253.5	32	05/10
Colorado Hub Connection	12	363	60	11/09
Sentinel II	18	102	189.6	11/09
Gulfstream Phase IV	23	155	190	01/09
WPZ Gas Pipeline - 2008		489	174	
WPZ Gas Pipeline - 2007		715	332	
WPZ Gas Pipeline - 2006		347	325	
WPZ Gas Pipeline - 2005		455	215.1	
WPZ Gas Pipeline - 2004		54	16	
WPZ Gas Pipeline - 2003		828	531.9	
Total		4,635	\$2,421.6	25 projects in service

In Summary

- > Natural gas infrastructure gets built when the market signals a need.
- > The process of permitting and building new natural gas infrastructure typically takes a minimum of three years.
- > Those that want/need the new natural gas infrastructure must pay for it.
- > The system works.