

Natural Gas Market Update

October 8, 2020

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**Business is Better
with Natural Gas**

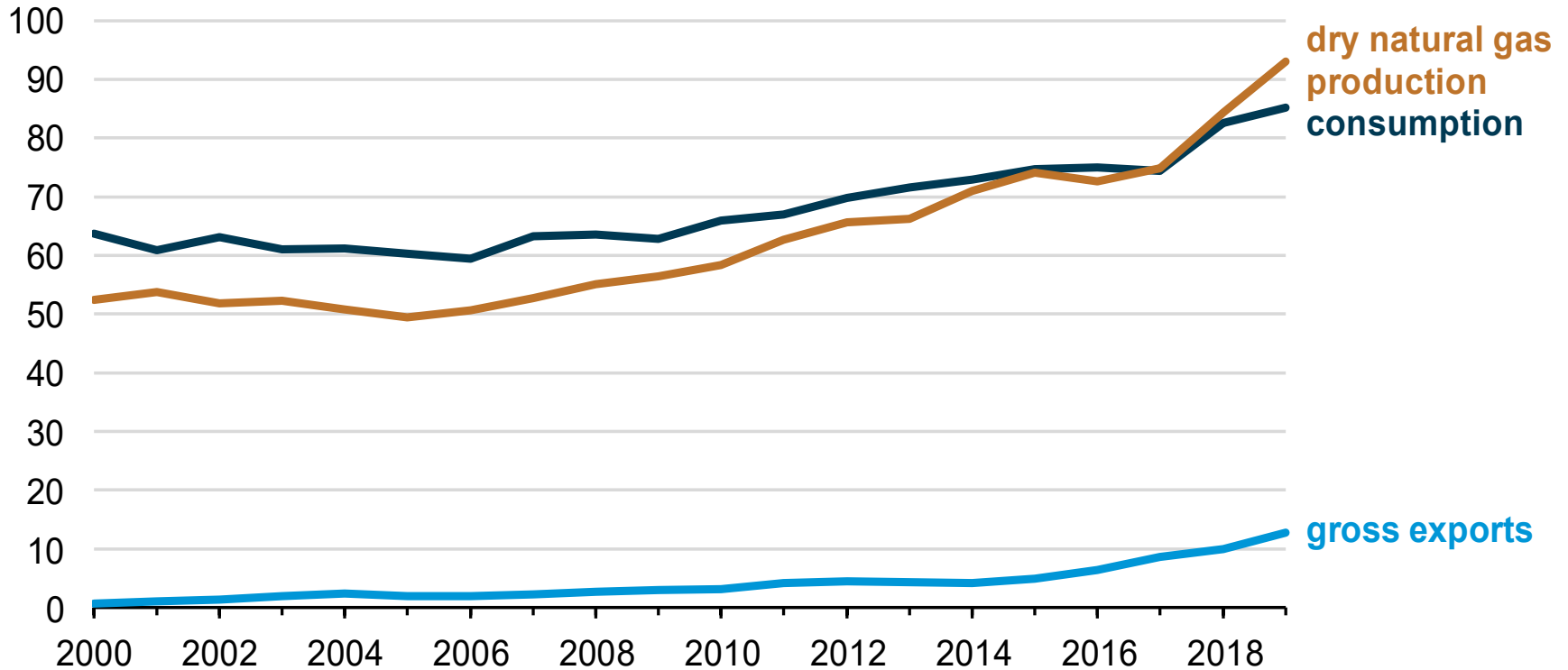


**ABUNDANT & AFFORDABLE
NATURAL GAS**



U.S. Natural Gas Market

U.S. natural gas dry production, consumption, and gross exports (2000–2019)
billion cubic feet per day

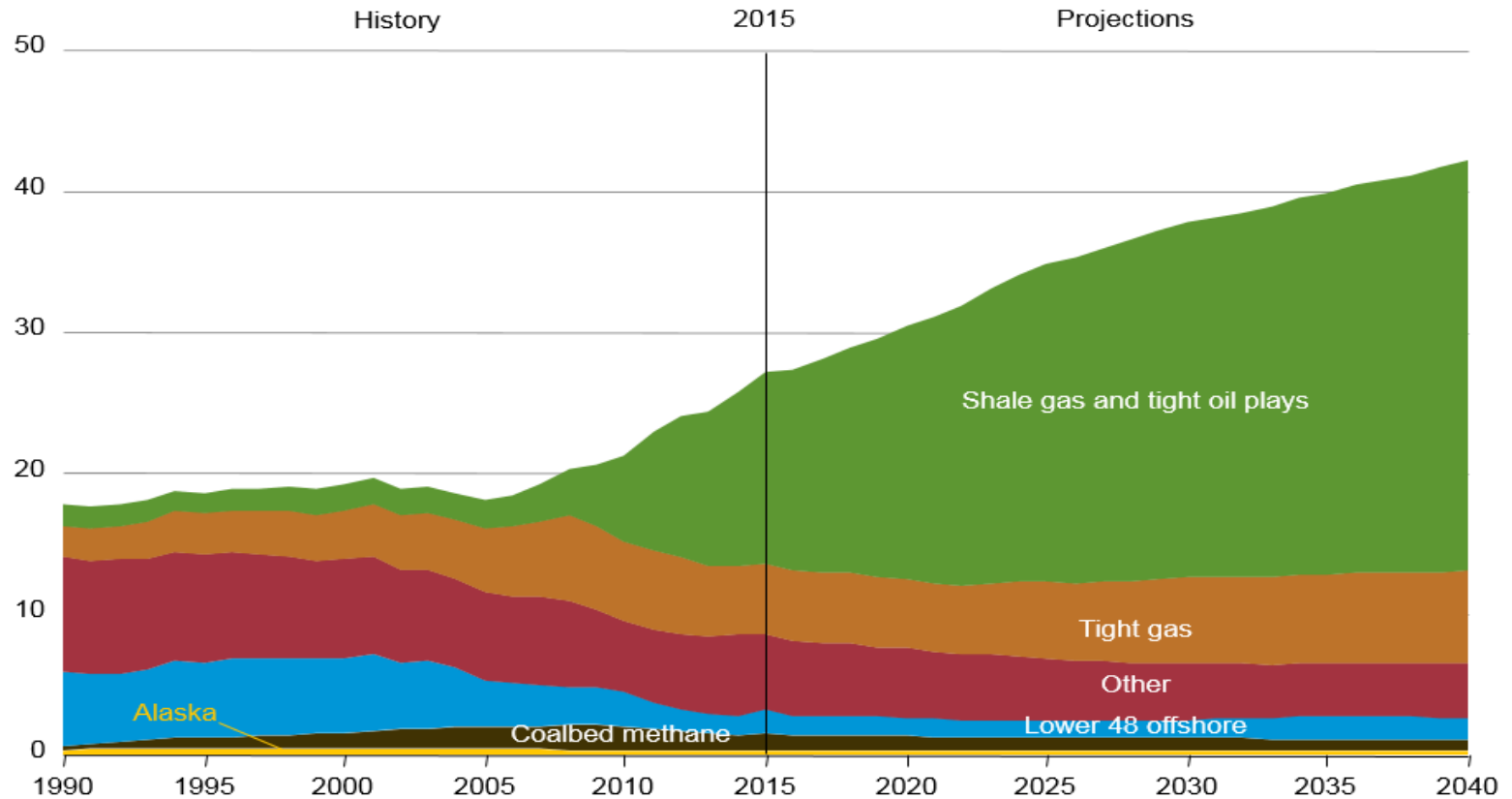


Source: Energy Information Administration

U.S. Natural Gas Sources

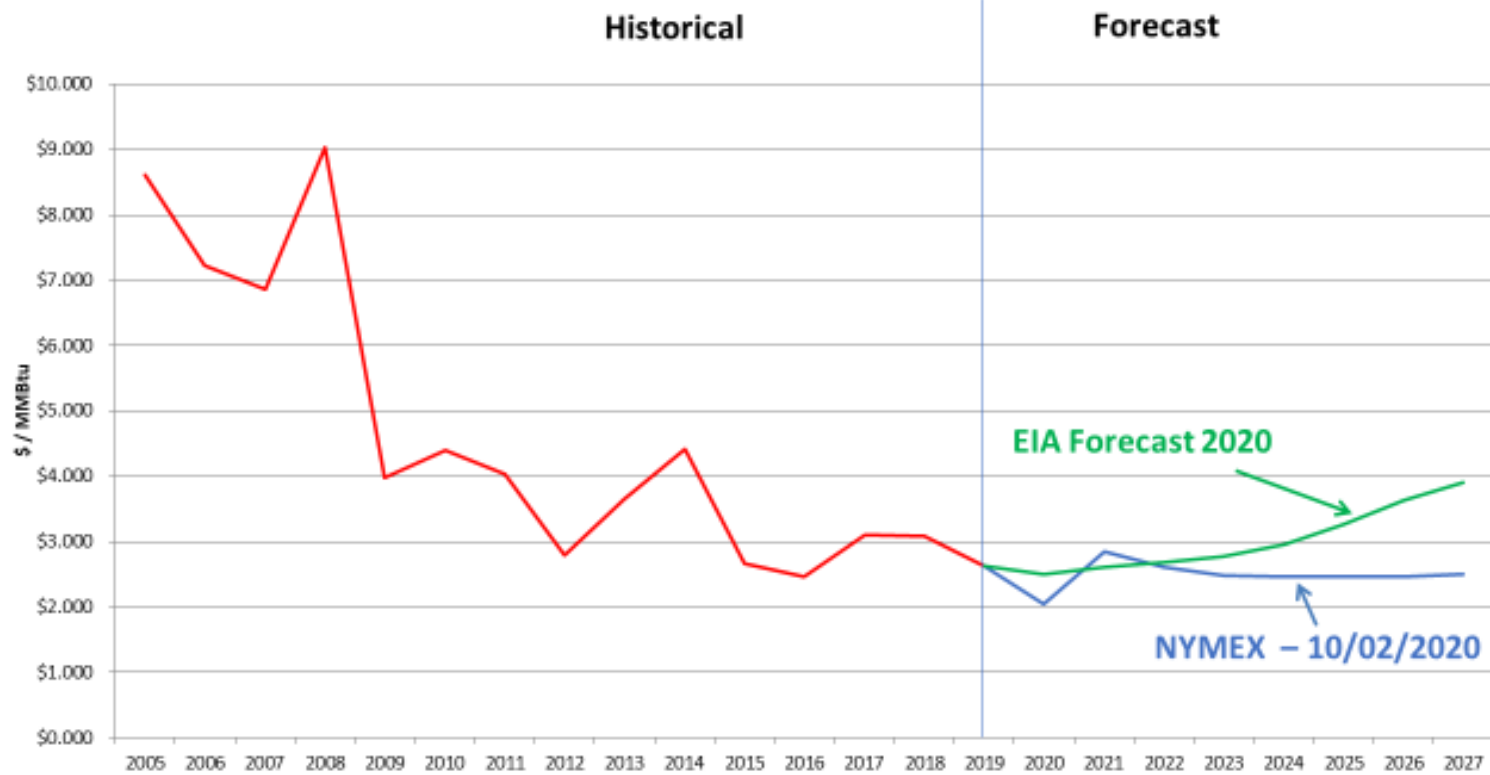
Figure MT-46. U.S. dry natural gas production by source in the Reference case, 1990–2040

trillion cubic feet



Annual Average Prices

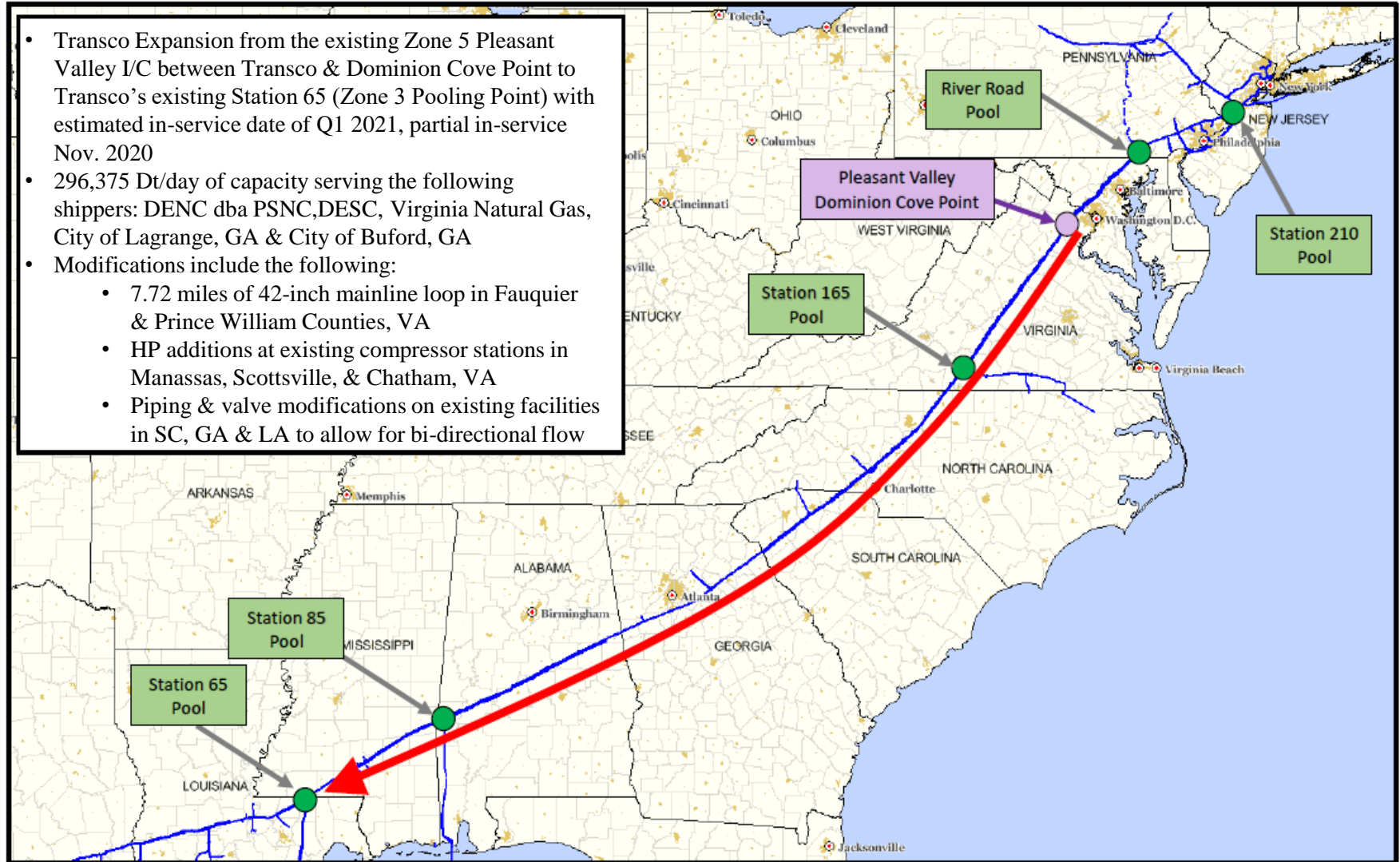
Henry Hub Annual Average Prices



Source: NYMEX & EIA

Southeastern Trail

- Transco Expansion from the existing Zone 5 Pleasant Valley I/C between Transco & Dominion Cove Point to Transco's existing Station 65 (Zone 3 Pooling Point) with estimated in-service date of Q1 2021, partial in-service Nov. 2020
- 296,375 Dt/day of capacity serving the following shippers: DENC dba PSNC, DESC, Virginia Natural Gas, City of Lagrange, GA & City of Buford, GA
- Modifications include the following:
 - 7.72 miles of 42-inch mainline loop in Fauquier & Prince William Counties, VA
 - HP additions at existing compressor stations in Manassas, Scottsville, & Chatham, VA
 - Piping & valve modifications on existing facilities in SC, GA & LA to allow for bi-directional flow



Mountain Valley Pipeline



Atlantic Coast Pipeline



Legal delays for ACP & MVP

- ▶ Legal battles have plagued both ACP & MVP causing delays in construction and increased costs
- ▶ Work has been suspended on both the ACP & MVP projects
- ▶ Supreme Court ruled in favor of ACP on June 15, 2020 allowing it to cross underneath the Appalachian Trail
- ▶ U.S. District Court for Montana overturned the long-standing Nationwide Permit (NWP) 12 for all activities (including pipelines, broadband, electric, water & sewer) on April 15, 2020
- ▶ U.S. District Court for Montana on May 12, 2020 amended and narrowed its April order to the construction of new oil & gas pipelines

Atlantic Coast Pipeline

- ▶ Pipeline joint venture formed by Dominion, Duke Energy, Piedmont Natural Gas & Southern Co.
- ▶ Projected capacity of 1.5 Bcf/day
- ▶ Approximately 550 miles of new pipe (42-inch-diameter in W. VA & VA; 36-inch-diameter in NC); 3 compressor stations
- ▶ Estimated in-service date delayed from Nov. 2018 to early 2022; project was proposed in 2014
- ▶ Estimated project costs increased from original estimate of \$4.5-\$5 billion to nearly \$8 billion
- ▶ ACP announced the cancellation of the project on July 5, 2020 due to ongoing delays & increasing cost uncertainty
- ▶ Project as planned did not provide service to SC

Mountain Valley Pipeline

- ▶ Pipeline joint venture formed by EQT Midstream Partners, NextEra US Gas Assets, LLC, Con Edison Transmission, Inc., WGL Midstream & RGC Midstream
- ▶ Operated by EQT Midstream Partners, LP
- ▶ Projected capacity of 2 Bcf/day
- ▶ Approximately 303 miles of new pipe from northwestern VA to Transco Station 165 in Chatham, VA
- ▶ Estimated project costs have increased from \$3.7 billion to \$5.4 – 5.7 billion due to delays
- ▶ Estimated in-service date delayed from 4th quarter 2018 to early 2021

Dominion Energy Asset Sale

- ▶ July 5, 2020 – Dominion Energy announces sell of substantially all of its Gas Transmission & Storage assets to an affiliate of Berkshire Hathaway Inc. in a transaction valued at \$9.7 billion
- ▶ Assets included in the sale include Dominion Energy Transmission, Questar Pipeline, Carolina Gas Transmission, Iroquois Gas Transmission System (50 % interest), legacy gathering & processing operations 25% operating interest in Cove Point
- ▶ Dominion Energy’s interest in ACP is not included
- ▶ DECGT has stated that day-to-day operations will remain the same and does not anticipate any changes related to its change in ownership

Natural Gas Market Summary

- ▶ Shale production drives need for new pipeline capacity
- ▶ Continuing shifts in pipeline flows
- ▶ New greenfield pipeline capacity is required to ensure delivery of new shale supply
- ▶ Longer FERC timeline (5-7 years)
 - Social media provides platform for more public comment
 - Longer timeline for local permits
 - Environmental opposition at all levels delays construction & drives up costs
- ▶ Firm transport cost will increase dramatically

Curtailments

- ▶ Firm Transportation has highest priority of service on interstate pipelines & DESC
- ▶ Interruptible Customers are curtailed by category
- ▶ Summary of 2019-2020 Winter Curtailments
 - Nov. 2019 – Gas days 12-16
 - Dec. 2019 – Gas days 2-4; 18-20
 - Jan. 2020 – Gas days 20-24
 - Feb. 2020 – Gas days 20-23; 27-29
- ▶ Colder weather increases amount of gas needed for firm customers which requires curtailments of interruptible customers
- ▶ All upstream pipelines are fully subscribed



Questions?