

TRANSCO connection



FALL
2009

Transco Celebrates 60

Approximately 2,200 people gathered one humid morning in Laurel, Miss., on May 23, 1949, to watch Claude Williams break ground on what would be the longest natural gas pipeline in the world.

Claude Williams was the founding president of the Transco pipeline. Sixty years ago, he turned the first shovel of dirt on what was labeled the longest single-project construction venture ever attempted.

Claude wasn't a pipeliner. He had long been employed as a Washington lobbyist, but in post-World War II America, he saw an opportunity to bring together the financing, engineering and vision to launch an entire industry.

For many years Claude had worked at Irving Trust Company in New York supervising large utility investments. That history, along with his Washington government contacts, gave him the knowledge to navigate the difficult regulatory waters ahead.

Thirty-five surveying parties worked at break-neck speed, crossing swamps, rivers and mountains. By the summer of 1950, 14 mainline construction spreads were running simultaneously.

Claude recognized the value of pipeline infrastructure in meeting America's growing energy needs. While in Washington, he pulled together a handful of investors to make a bid on the U.S. government's war emergency pipelines (Little Inch and Big Inch).



More than 540,000 tons of steel were used by Fish Constructors, Inc. to build the pipeline in 1949 and 1950.

The bid failed, but Claude didn't give up. He decided he would build his own pipeline: a 1,832-mile pipeline from Texas' Rio Grande Valley to 134th Street in New York City.

For the fledgling natural gas business, the period after the war was difficult. Gas producers were slow to commit reserves, potential customers and investors were skeptical, and steel plate for constructing the line was scarce.

The Federal Power Commission had to be satisfied as well. It took a lot of convincing, but a federal certificate was finally issued in May 1948 following nine months of hearings, 125 witnesses, 10,000 pages of testimony and more than 1,000 exhibits.

Once Claude finally arranged the financing for the mammoth \$240 million project, the course was set.

Thirty-five surveying parties worked at break-neck speed, crossing swamps, rivers and mountains. By the summer of 1950, 14 mainline construction spreads

were running simultaneously. Construction on the 19 compressor stations was also under way, with eight completed in 1949 and 11 more built in 1950.

More than 540,000 tons of steel were used by Fish Constructors, Inc. to build the pipeline in 1949 and 1950 – 1,800 miles of mainline and 600 miles of gathering lines.

Nineteen months later, on Dec. 5, 1950, gas began to flow. The first delivery was made to the Virginia tobacco and mill town of Danville. Some 42 days later, on Saturday, Jan. 16, 1951, gas was delivered to New York City and the Transco pipeline was finally in official operation.

Sixty years later, Williams' Transco pipeline remains one of the largest pipeline networks in North America, transporting more natural gas in 2008 than any other pipeline operator. Its size is second only to Columbia Gas

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New Projects On Track to Increase Access for Customers

Construction is under way on several projects to be placed into service this fall. Phase II of the Sentinel Expansion project will add 102 MDthd of firm capacity for the northeast markets. Although construction has been challenging due to numerous permitting issues, we expect to place the project into service by next month.

The Eminence Enhancement project which provides increased injection service for certain Eminence storage shippers was placed in service on Oct. 1. Also, work is now under way on Transco's Mobile Bay South expansion project which will create 253.5 MDthd of firm southbound capacity on the Mobile Bay line. Compression is being added at Station 85 in west central Alabama, and once complete, the Mobile Bay line will become bi-directional.

On Sept. 3, Transco received its FERC certificate for the 85 North Expansion

project and Phase I is now under construction. The project will provide 308.5 MDthd of firm capacity for four shippers from Transco's Station 85 to markets as far north as North Carolina. The project will be phased into service to meet market needs with the first 90 MDthd being placed into service by July 2010 and the remaining 218.5 MDthd targeted for a May 2011 in-service date.

Transco has recently completed a number of successful open seasons for additional firm capacity. An open season was held for the Northeast Connector project, which involves an expansion of the system from Station 195 in southeastern Pennsylvania, and the Rockaway Delivery Lateral, which includes a new 3-mile lateral from Transco's Lower New York Bay line to a new delivery point with National Grid on the Rockaway Peninsula. As a result of



Pipeline construction on the second phase of the Sentinel Expansion project.

the open season, Transco has executed precedent agreements with shippers for 100 MDthd of firm service from Station 195 to the new lateral and 647 MDthd of capacity on the new lateral. Transco plans to place the projects into service in late 2012.

Transco is negotiating precedent agreements with shippers interested in the Mobile Bay South II expansion project which will provide up to 550 MDthd of additional firm southbound capacity on the Mobile Bay line by mid 2011.

Additionally, Transco recently concluded open seasons for the Mid-South expansion and the Mid-Atlantic Connector projects, both targeted to be placed into service in the fall of 2012. The Mid-South project is an expansion of the mainline from Station 85 to markets as far north as Transco's interconnect with the Cardinal Pipeline in North Carolina. The Mid-Atlantic Connector project is an expansion of the mainline from an interconnect with East Tennessee in North Carolina to points as far downstream as Beaver Dam in Maryland.

Williams also recently announced its plans to partner with Dominion to develop the Keystone Connector project, a 1 Bcfd greenfield pipeline extending from an interconnect with the Rockies Express pipeline at Clarington, Ohio, and from various Marcellus and Appalachian supply sources in southwestern Pennsylvania, to Transco's Station 195. This project replaces Williams' previously announced Rockies Connector project. Marketing efforts are now under way, and if successful, the project could be placed into service by late 2013.

IN-SERVICE DATE	PROJECT	DESCRIPTION	VOLUME	STATUS
Dec. 2008/ Nov. 2009	Sentinel Expansion	Expansion from Leidy and Cove Point to Zone 6 markets	142 MDthd	Phase II under construction
October 2009	Eminence Enhancement	Compression at Eminence Storage to provide increased injection rights	46 MDthd	In service
May 2010	Mobile Bay South Expansion	Compression at Station 85 to provide firm southbound capacity	253.5 MDthd	Under construction
July 2010/ May 2011	85 North Expansion	Mainline expansion from Station 85 to North Carolina	308.5 MDthd	Phase I under construction
May 2011	Mobile Bay South II	Compression at Station 85 to provide firm southbound capacity	Up to 550 MDthd	Negotiating precedent agreements
Sept. 2011	Pascagoula Lateral	New lateral jointly owned with FGT connecting Gulf LNG import terminal to the Mobile Bay line	467 MDthd	FERC certificate filed
Nov. 2012	Northeast Connector	Expansion from Transco Station 195 to the Rockaway Delivery Lateral	100 MDthd	Executed precedent agreements
Nov. 2012	Rockaway Delivery Lateral	3-mile lateral from the offshore Lower NY Bay line to the Rockaway Peninsula	647 MDthd	Executed precedent agreements
Fall 2012	Mid-South Expansion	Mainline expansion from Station 85 to markets as far downstream as Cardinal	TBD	Negotiating precedent agreements
Fall 2012	Mid-Atlantic Connector	Mainline expansion from East Tennessee interconnect to markets as far downstream as Beaver Dam	TBD	Negotiating precedent agreements
2012/2013	Northeast Supply Link	Transco Zone 6 system expansion (includes a new lateral to lower Manhattan)	TBD	Negotiating precedent agreements
Nov. 2013	Keystone Connector	Greenfield pipeline from Clarington, Ohio, and Southwest Penn. to Transco Station 195	1,000 MDthd	Marketing under way

Customers Gain Access to New Supplies

Transco continues its efforts to connect additional supply sources in Texas and Louisiana. Most recently, Transco placed into service interconnections with Kinder Morgan Louisiana Pipeline and Cameron Interstate Pipeline.

The interconnection with Kinder Morgan Louisiana Pipeline is located downstream of Compressor Station 50 in Eunice, Louisiana and has the capacity of 600 million cubic feet per day. Kinder Morgan Louisiana Pipeline is connected to the Sabine Pass LNG terminal.

The interconnection with Cameron Interstate Pipeline is located at the Liberty Storage Field interconnection downstream of Compressor Station 45 in Ragley, Louisiana and has the capacity of 1 Bcf per day. Cameron Interstate Pipeline is connected to the Cameron LNG terminal.

Transco is working with Golden Pass LNG to place into service by mid 2010 interconnections totaling 1.7 Bcf per day, upstream of Compressor Station 45 and on the Southwest Lateral.

Transco will be receiving additional supply on its Central Texas Gathering System as a result of a significant deepwater discovery in the Alaminos Canyon area. Transco expects to receive up to 200 million cubic feet per day by mid 2010.



Completed interconnection with Kinder Morgan Louisiana Pipeline that is connected to Sabine Pass LNG Terminal.

Firm Backhaul Transportation Service

While firm forward-haul transportation capacity on Transco is, for the most part, fully subscribed, Transco, to the extent operating conditions permit, does make firm backhaul service available. Under Rate Schedule FT, the Primary Path is defined as the transportation path established by the receipt and delivery points as set forth in the Buyer's executed Service Agreement. The primary path of firm backhaul transportation service is from a receipt point located downstream of an upstream delivery point. Reverse Path is defined as the transportation path that is in the opposite direction of the Primary Path. Reverse Path transportation is subject to the operating conditions of Transco's pipeline. For more information, please contact Suzie Heiser at 713-215-4626 or Laurie Catlett at 713-215-4356.

Pipeline Integrity

Transco's construction and maintenance continues throughout the fall season with significant pipeline integrity work being performed along the entire system. This work is being done in close coordination with Transco's customers to ensure continued service and minimal disruption.



In accordance with the Department of Transportation's Office of Pipeline Safety 2004 Integrity Management Program (IMP) rules, Transco is required to complete the following:

- > Implement comprehensive Integrity Management plans;
- > Conduct baseline assessments and periodic reassessments to identify and evaluate potential threats to its pipelines;
- > Remediate significant defects discovered during the assessment process; and
- > Continually monitor the effectiveness of the program and adjust as necessary.

Transco takes these rules seriously and works diligently to meet all of the requirements. By the end of the year, we will have assessed (through smart pigging and other means of inspection) approximately 62 percent of the required segments on our system. Transco is currently on schedule to complete all of the baseline assessments by 2012 as mandated by the rule. However, the Integrity Management Program does not end there as the rule requires periodic reassessments of previously inspected lines to ensure that threats due to corrosion continue to be addressed.

We appreciate your patience and collaboration with our Gas Control department to ensure continued service with minimal disruptions.

Transco Annual Winter Operations Meetings

Thurs., Nov. 5 – 1:30 p.m. CST
Williams Tower, Level 6 Theater
2800 Post Oak Blvd., Houston

Wed., Nov. 11 – 9:30 a.m. EST
Renaissance Charlotte South Park
5501 Carnegie; Charlotte, N.C.

Thurs., Nov. 12 – 9:30 a.m. EST
Hilton Newark Penn Station
1 Gateway CTR @ Raymond Blvd.
Newark, N.J.

Calm Storm Season

Transco and its customers have enjoyed a Tropical Storm season with minimal storm activity and no impact to the Gulf of Mexico that has affected production thus far.

Temperatures in a large portion of Transco's market areas have averaged below normal for most of the summer months.

Overall storage inventories are slightly above the five-year average. Transco will continue to manage inventories to ensure sufficient operating flexibility as we transition through the shoulder months and move into the winter heating season.

'Clean-Up' Tariff Filings

In response to recent FERC orders and policy pronouncements, Transco has undertaken a comprehensive review of its FERC Gas Tariff to ensure its existing tariff provisions reflect current business practices. As a result of this review, we determined that certain tariff provisions required modification and/or clarification and we also identified numerous minor ministerial errors (e.g. incorrect references and misspelled words). Consequently, Transco submitted four clean-up tariff filings during June - September, and we expect to make several additional filings over the next few months to capture the necessary tariff revisions.

Williams Enters Marcellus Shale

Williams announced on June 22 that it had signed a participation and exploration agreement to develop natural gas wells in the Marcellus Shale with Rex Energy Corporation. This is Williams' second transaction in the Marcellus Shale. In April, Williams announced its entry in the Marcellus Shale through a newly formed midstream joint venture with Atlas Pipeline Partners, L.P.

The new venture, known as Laurel Mountain Midstream LLC, will own Atlas Pipeline Partner's existing Appalachian Basin gathering system that includes approximately 1,800 miles of intrastate natural gas gathering lines servicing 6,900 wells.

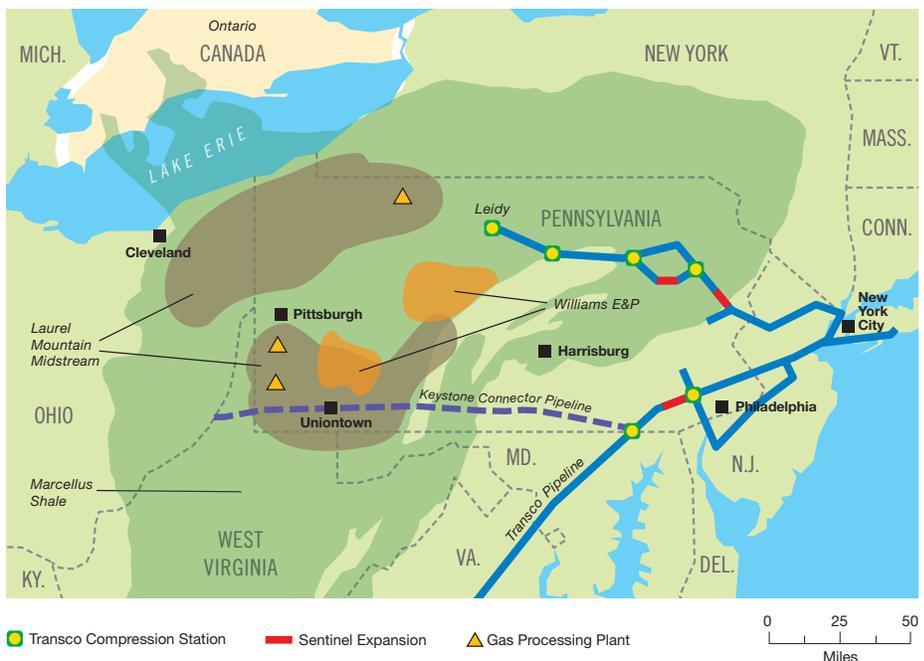
Williams owns 51 percent interest in the joint venture and Atlas Pipeline Partners ownership interest is 49 percent. In addition, Williams will operate the existing Appalachian Basin gathering system. The joint venture name comes from Pennsylvania's state flower, mountain laurel, which grows throughout the Marcellus Shale area.

The gathering system is currently connected to numerous interstate natural gas pipelines, and expansions are under way by several pipelines that will offer additional takeaway capacity to eastern markets in the future.

Williams recently announced Transco's plans to partner with Dominion to develop the Keystone Connector project, a 1 Bcfd greenfield pipeline extending from an Clarington, Ohio, and from various Marcellus and Appalachian supply sources to Transco's Station 195. This expansion of the Transco system is designed to connect natural gas supplies originating

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from the Appalachian and Rockies supply regions to growing markets on the East Coast. Transco recently expanded its Leidy Line in northeastern Pennsylvania to transport Marcellus production. Transco has received numerous requests from Marcellus producers to connect to the pipeline.



1Line Tips & Tools

Using pipeline electronic bulletin boards (EBB) can sometimes be complicated or frustrating. We hope you'll find these tips and tools useful and make activities on 1Line more straightforward.

1. How do I reset my own password?

Customers can reset their own password if a security question has been previously established, is answered correctly, and the e-mail address on file is correct.

A Reset Password button is displayed on the 1Line login page. 1Line users who have forgotten their passwords may select the Reset Password button. From the Reset Password page, the customer is asked to enter his or her user ID and to answer a security question. When the reset password information is submitted, an e-mail with a temporary password is sent to the e-mail address on file in 1Line.

The password reset option will not work if a customer is locked out. A warning message will be displayed on the login page after two unsuccessful attempts to login. The customer ID is locked out after the third attempt and the user will have to contact his or her Transportation Services Representative.

2. How do I establish or update a security question?

- From the Customer Activities page, select Customer Information >

Business Associate Contacts; select Refresh to update the page.

- Select the radio button next to your user ID information, and select Edit from the Action Menu.
- Select a security question from the options provided in the middle of the page, and provide the answer (must be 20 characters or less).
- Select Save from the Action Menu.
- The security question will be asked the next time you reset your password.

3. Is there someone in my shop that can reset my password?

Yes, each company doing business via 1Line designates a System Security Administrator (SSA) who has the power to reset passwords, grant or remove permissions, and add or delete users.

4. How do I find my System Security Administrator (SSA)?

- From the Customer Activities page, select Customer Information > Business Associate Contacts.
- Select the Role Lookup button.
- On the Function/Role Lookup page, select the radio button next to Customer Information – System Security Administrator.
- Select the OK button from the Action Menu.
- Select Refresh button.
- The SSA contact information (name, e-mail address and phone number) will be displayed.

Transco Continues Improvements to the 1Line System

Recent changes were made this summer to 1Line that provide a number of new e-mails to help customers manage their business in a timely manner. The e-mails focus on areas where contract expirations are approaching or customer activity is possibly in penalty. New functionality was also introduced to notify the user when his or her session is about to time out.

During the summer, 1Line experienced slow performance issues, but we have diligently worked to regain the stability and reliability you have come to expect from 1Line. We appreciated your patience as we worked through these issues and should you still experience any performance issues, please contact your Transportation Services Representative.

Transco also plans to provide customers with the ability within 1Line to submit, confirm and monitor prior gas day nomination and PDA changes. This capability is scheduled for late 2009 or early 2010. Also, in late fall or early 2010, Transco will offer a new page that will allow LDC operators to view their existing PDAs for a future gas day in an easy to use table. Users will be able to edit the rank and limit values on the new page and submit new PDAs instead of having to search through multiple transactions on the current PDA page. A new report to show the PDAs for a future gas day will also accompany the new view. Customers will also have the ability to designate a future cycle, either online or through EDI, for nomination submissions.

Transco continues to update the 1Line system to comply with the latest regulatory requirements. NAESB 1.8 requirements were completed in August and the ability for shippers to redirect their scheduled quantities to other receipt/delivery points in subsequent cycles once scheduled through a constraint point is expected to be completed by the end of the year.

Further details will be provided closer to the implementation of these efforts.

ICTS – Interconnect Transfer Service

What's this? Transco offers another service for use in your daily business operations. Rate Schedule ICTS (Interconnect Transfer Service) is an interruptible service used to transfer gas between two pipeline interconnects that are within 50 pipeline miles of one another, which may help to correct imbalances or supply off-system markets. Eligible transactions also require that the operators of both the receipt interconnect and the delivery interconnect have balancing agreements in place with Transco. The current maximum rate for ICTS service is \$0.05/dt/d and the minimum rate is \$0.001/dt/d. Surcharges and fuel do not apply to this service, and these transactions are not subject to cash-out. For more information, please contact Suzie Heiser at 713-215-4626 or Laurie Catlett at 713-215-4356.

Gas Scheduling Solution Finally Receives Patent

Since the inception of the 1Line system in 2003, Transco and its customers have been reaping the benefits of the programming genius of Rafail Glatman, a Williams systems analyst.

Glatman created a computer program six years ago that improves gas scheduling, making gas more available to customers when they need it. The programming logic makes the 1Line system more efficient for customers to use the Internet to schedule gas deliveries and track how much gas is placed into the pipeline system by suppliers and removed by receivers.

In fact, it's a programming solution so innovative and complex that it was recently patented by the United States Patent and Trademark Office, an agency of the Department of Commerce.

"Rafail Glatman's solution is accurate and fast. It takes a process which used to take hours and performs it in just seconds, with greater accuracy and results than before," said Transco Transportation Services Director Melissa Casey, who oversees 1Line. Casey added she was thrilled to hear that Glatman had finally received his patent.

"We worked with many consultants who told us there were flaws in the gas scheduling balancing process, but they were unable to develop a solution," said Glatman, who decided to write his own algorithm when the consultants said they could not help.

Newsletter E-mail Notification

If you would like to be removed, added, or want to update your contact information for this distribution, please notify us by sending an e-mail to wgphou.customernotices@williams.com.

Park & Loan Service

Just a reminder about a service that may help in your day-to-day business...Transco offers Rate Schedule PAL (Park & Loan), an interruptible service that may be used for daily market and/or supply fluctuations. In response to a shipper request, and subject to operating conditions, Transco may loan gas to cover supply losses or market needs and park gas to offset demand decreases. There are six Park & Loan locations – one in each zone. Park or Loan balances must be taken away or paid back at the same location in which the balance was incurred. Transportation to and from the Park & Loan locations is not performed under this rate schedule. Updates on the availability of this service may be found on the Transco Information Postings Page under "Pipeline Conditions." For more information, including rates, please contact Suzie Heiser at 713-215-4626 or Laurie Catlett at 713-215-4356.

FERC Watch

Want to keep abreast of recent Transco regulatory events? Look no further than FERC Watch, a customer service tool provided by Transco via our 1Line system. Read FERC Watch for all the latest regulatory information.

Access to this information, along with periodic updates on NAESB, can be obtained by going to <http://www.1line.williams.com>, selecting Transco Informational Postings, then the Regulatory tab in the middle of the top yellow banner.

Transco Turns 60

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Transmission, with a system design capacity of 8.2 billion cubic feet.

That is a long way from where the pipeline started, delivering just 350 million cubic feet per day back in 1951.

Just a few months after the first gas delivery was made to New York City on Jan. 16, 1951, Claude Williams was already looking ahead to the future, telling employees:

"...so the little celebration of turning on the gas in New York City was but a moment of gaiety similar to Cinderella's night out, only to return to our day to day task of operating the line along with preparations for the future expansion of the system. Your company has a great future ahead of it..."

Williams' Transco pipeline continues to fulfill the dream of its founders, providing reliable natural gas service while one eye continues to look ahead to the future.



Claude Williams turns the first shovel of dirt on May 23, 1949, for the groundbreaking.



Williams, left, and Fish, the man who transferred Williams' idea into actual construction.