

Memo from Gas Pipeline President Phil Wright



Phil Wright

As you probably know by now, Williams announced earlier this year a financial restructuring that contributes substantially all of its premier interstate pipeline and midstream assets to Williams Partners – a master limited partnership.

This financial restructuring has increased Williams Partners' ability to grow and provides even more flexibility to meet customers' needs.

The gas pipeline assets that moved into Williams Partners included all of our interest in Transco. You can find out more about the details of the transaction on www.williams.com

I want to reiterate that you can continue to expect the same high quality service and reliable transportation that you have in the past. Williams' interstate gas pipeline assets continue to be operated by Williams employees and your contacts at the company have not changed as a result of this financial restructuring. Additionally, this transaction has no impact on your contractual relationship with the company or your day-to-day interaction with your Transportation Services Representative at Williams.

As always, our focus remains on providing safe, low-cost and highly reliable natural gas transportation services to all of our customers.

Phil Wright

Shale Gas and Power Generation Continue to Drive Expansions

Helping our customers gain access to the lowest sustainable delivered cost of gas has always been primary at Transco. It is clear that means we will have plenty of work to do over the next several years to connect our customers to the burgeoning new supplies of shale gas. Technology advancements that enabled these new and



Transco Station 85 construction nears completion

growing shale gas basins have caused experts to more than double their estimates of domestic gas supplies since 2003. And it couldn't have come at a better time as gas utilities and power generators are increasingly looking to clean-burning natural gas as a flexible, economical, and reliable alternative to re-investment in older coal fired plants. And with uncertainties over the cost of carbon emissions looming, the installation of efficient combined cycle generation capacity is an attractive solution for supply of incremental power to the growing markets along Transco. The impressive abundance of shale gas supply has already mitigated price volatility and is forecast to do so well into the future.

At Transco, we have a number of projects to make sure our customers' supply and demand needs are met as efficiently as possible. In total, we expect to add more than 1 MMDthd of mainline capacity and more than 2 MMDthd of lateral capacity to the Transco system within the next three years.

Several projects will be placed into service this year. We plan to place the Mobile Bay South expansion project into service by May, adding 253.5 MDthd of firm southbound capacity, and for the first time, making the Mobile Bay line bi-directional. The project will provide firm capacity for shale supply at Station 85 to access Alabama and Florida markets.

The first phase of our 85 North expansion project will be placed into service this summer. The project will provide 308.5 MDthd of firm capacity from Station 85 to power generation markets as far north as North Carolina. We plan to place the first 90 MDthd of capacity into service by July, with the remaining capacity to be available by May of 2011.

Also, a new market area lateral, the Delta Lateral, is scheduled to be placed

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Expansions

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into service this August, providing more than 200 MDthd of Firm Delivery Lateral Service (FDLS) to a new power plant in southeastern Pennsylvania.

Meanwhile, preparation is under way for construction of a number of other large projects in the 2011 – 2013 timeframe. The Mid-Atlantic Connector project is an expansion of our mainline from an interconnection with East Tennessee Natural Gas in North Carolina to markets as far downstream as Beaver Dam in Maryland. Two shippers have executed precedent agreements for 142 MDthd of firm capacity in the project that will be placed into service in November 2012.

Also in the southeast, Transco has initiated

the FERC pre-filing process for the Mid-South expansion that will likely be phased into service in September 2012 and June 2013. The project will provide up to 224 MDthd of capacity from Station 85 to markets as far north as Transco's interconnection with Cardinal Pipeline in North Carolina.

In the north, Transco has executed agreements with Hess and National Grid for the Northeast Connector project, a 100 MDthd expansion of the system from Station 195 in southeastern Pennsylvania, and the associated 647 MDthd Rockaway Delivery Lateral, 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. These projects will not only provide shipper access to Rockies and Marcellus supply at Station 195, but will also substantially increase delivery flexibility into National Grid's system by late 2013.

Most recently we completed an open season for our Northeast Supply Link project that will provide 420 MDthd of firm capacity from various supply points along the Leidy line in Pennsylvania to Station 210 and existing delivery points into New York City. The project involves looping and compression, including a new compressor station along our Caldwell loop in New Jersey and is planned to be phased into service in late 2012 and 2013. Not only will this project provide a market outlet for Marcellus producers attaching to our Leidy line, it also provides Transco customers access to Marcellus supply both at existing delivery points and at the Station 210 pooling point.

If you have any questions about our expansion projects or need Transco's assistance in serving your capacity needs, please contact us.

| IN-SERVICE DATE | PROJECT | DESCRIPTION | VOLUME | STATUS |
|----------------------|---------------------------|--|-----------------|--|
| May 2010 | Mobile Bay South | Compression at Station 85 to provide firm southbound capacity | 253.5 MDthd | Under construction |
| July 2010/May 2011 | 85 North | Mainline expansion from Station 85 to North Carolina | 308.5 MDthd | Phase I under construction |
| August 2010 | Delta Lateral | 3-mile lateral from mainline in Zone 6 to Conectiv Delta power plant | 209 MDthd | FERC certificate received |
| May 2011 | Mobile Bay South II | Compression at Station 85 to provide firm southbound capacity | 380 MDthd | FERC certificate application filed |
| June 2011 | Bayonne Lateral | 6-mile lateral from mainline in Zone 6 to Bayonne Energy Center | 250 MDthd | FERC certificate received |
| Sept. 2011 | Pascagoula Lateral | New lateral jointly owned with FGT connecting Gulf LNG import terminal to the Mobile Bay line | 467 MDthd | FERC certificate application filed |
| Sept. 2012/June 2013 | Mid-South | Mainline expansion from Station 85 to markets as far downstream as Cardinal | Up to 224 MDthd | FERC pre-filing under way |
| Nov. 2012 | Mid-Atlantic Connector | Mainline expansion from East Tennessee interconnect to markets as far downstream as Beaver Dam | 142 MDthd | Executed precedent agreements |
| 2012/2013 | Northeast Supply Link | Expansion from various points along the Leidy line to existing New York City delivery points and Station 210 | 420 MDthd | Completed open season |
| Nov. 2013 | Northeast Connector | Expansion from Transco Station 195 to the Rockaway Delivery Lateral | 100 MDthd | Executed precedent agreements |
| Nov. 2013 | Rockaway Delivery Lateral | 3-mile lateral from the offshore Lower New York Bay line to the Rockaway Peninsula | 647 MDthd | Executed precedent agreements; FERC pre-filing initiated |
| Nov. 2013 | Keystone Connector | Greenfield pipeline from Clarington, Ohio, and Southwest Penn. to Transco Station 195 | 1,000 MDthd | Marketing under way |

Marcellus Shale Update

Transco is clearly very well positioned to provide our customers with access to the Marcellus Shale, one of the largest natural gas plays in the United States. The Marcellus Shale runs from the eastern half of Ohio, West Virginia and Pennsylvania up through the southern tip of New York. Transco's Leidy line runs through the heart of the production in northeast and central Pennsylvania.

Transco is negotiating Interconnect Agreements with several Marcellus Shale producers and expects to continue to connect Marcellus production throughout 2010 and 2011.

To accommodate Marcellus gas access, facilities at individual meter stations are being constructed to accommodate volumes ranging from 3 MDthd to 700 MDthd. Infrastructure to bring gas to Transco from both the north and south side of the Leidy line is being developed and drilling prospects are located as far west as Clinton County, Pennsylvania, located west of Station 520 and extend to Luzerne County, which is located near Station 515.

A Better Way for LDCs to Confirm with Transco

A recent endeavor to improve Atlanta Gas Light's process of confirming gas with Transco resulted in increased efficiencies for Atlanta Gas Light (AGL), a long-time Transco customer.

What once was a manual task that was extraordinarily time consuming has become automated and is now more efficient and accurate. Earlier this year, AGL completed the conversion of a manual-entry confirmation process to an Electronic Data Interchange (EDI) system, a process that took approximately six months to implement.

Today, Transco and AGL's gas confirmations and scheduling systems communicate and coordinate with one another via the automated exchange of files.

The current operator process of confirming nominations on Transco's 1Line system can be tedious, requiring a great deal of human interaction for information flow and manual processing. With potentially hundreds of transactions per cycle, and four confirmation cycles per day, that's numerous man-hours spent each month on managing nominations at the operator's city gate. By implementing EDI for daily confirmation and scheduling tasks, the operator's hours devoted to performing scheduling, confirmation and related work can be freed up, resulting in time and cost savings. Another advantage includes reduced errors due to the elimination of manual entries.

"Implementing EDI for our daily scheduling tasks has reduced the margin of error, reduced the redundancy, and it makes it easier to do business," says Brian DeBaun, Gas Operation Analyst at AGL. "It's a better, simpler way to perform our daily confirmation and scheduling processes."

Transco is ready to assist with the testing and implementation of EDI, a less time-intensive way to confirm. Other EDI services include nominations, accounting, and measurement data sets. Contact your Transco Transportation Services Representative if you are interested to learn how you can utilize EDI to manage your pipeline needs and improve the efficiencies.

Winter Wrap-up and Construction & Maintenance Plans for 2010

The 2010 Major Construction Projects schedule has been posted on 1Line. The schedule identifies the major pipeline construction jobs and provides an estimated date and duration. Approximately 22 major jobs are planned for this year with much of the work being done in compliance with Transco's Integrity Management Program.

The outages may influence Transco's ability to provide secondary and interruptible transportation services during the scheduled work. Transco will make every effort to minimize the impact to these services. Additionally, we continue to be sensitive to the scheduling and nominations process and will make every effort to communicate any impact to transportation services in ample time for you to manage your daily business.

Transco Customer Service Contacts



Your feedback is important to us, so please let us know what we can do to better assist you in your day-to-day business with Transco. We understand that a prompt response to your question is important, and so getting to the right person will help. If you should need to contact a representative within the Transco organization, please use the following summary as a guide to determine the best group to contact. In the following link you can find specific representatives within each group, phone numbers and e-mail addresses. Go to www.1line.williams.com to access this information, select Transco Informational Postings and then choose Marketing Services Contacts. Alternatively, select the Contact tab in the upper yellow tool bar and then select either Contacts Summary or Marketing Services Contacts.



Firm Backhaul Transportation Service

While firm forward-haul transportation capacity on Transco is, for the most part, fully subscribed, firm backhaul service on the Transco system is available when operating conditions permit. For more information, please contact Suzie Heiser at 713-215-4626 or Laurie Catlett at 713-215-4356.

Park & Loan Service

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.

ICTS – Interconnect Transfer Service

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. ICTS can be used, among other things, to help 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/Dthd and the minimum rate is \$0.001/Dthd. 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.

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.

Transco Sets Peak Day and Three-Day Peak Records

Transco established a new all time peak-day delivery record on January 3, 2010 with market area deliveries in excess of 9.25 MMDth or approximately 107 percent of firm contract demand. The new peak-day mark surpasses the previous high of 8.91 MMDth that was established on February 5, 2009. Transco also established a new three-day delivery record from January 2 – 4. For the three-day period, market area deliveries averaged in excess of 9 MMDth. As an indication of the growth experienced on the Transco system, four of the top five all-time market area delivery days have occurred in the past three years.



Snow covers Station 535 in Pennsylvania

Transco has experienced a colder than normal winter season across much of its service area when comparing heating-degree-days to historical averages. During this period of extremely high demand, Transco has been able to utilize storage inventories to assist in managing imbalances and providing operational flexibility.

“This was a tremendous team effort that allowed us to quickly respond to our customers’ needs,” said Phil Wright, president of Williams’ natural gas pipeline business. “The majority of our market area experienced colder than normal temperatures, and our employees did a great job of responding to significant increases in demand.”

Transco Continues Improvements to the 1Line System

Beginning April 1, 2010, Transco removed the restriction set forth in Section 50.2 of the General Terms and Conditions of its tariff that restricts buyers from nominating PTR replacement quantities simultaneously under more than one agreement. The change, which was approved by FERC on November 24, 2009, is designed to benefit buyers that elect to process gas by offering such buyers the flexibility to schedule PTR replacement quantities on multiple contract types and on multiple contracts. Transco will require buyers nominating PTR replacement quantities to use the NAESB Standard Transaction Type 5 (Plant Thermal Reduction). This will allow Transco to properly account for the PTR replacement quantities. Also this month, Transco will begin providing operators with e-mail notifications after each nomination cycle when the scheduled quantities change.

Later in 2010, Transco will provide customers with the ability within 1Line to request service under the recently approved Delivery Lateral Service (DLS) and Mobile Bay South expansion project. In addition, Transco will make modifications to its 1Line system in accordance with NAESB 1.9, including the implementation of index-based pricing for capacity release transactions. Operational Available Capacity (OAC) data will also be available later this year in a graphical format.

FERC Watch

If you are interested in keeping up with regulatory developments on the Transco system, visit FERC Watch, a customer service tool provided by Transco via our 1Line system. Access to this information can be obtained by going to www.1line.williams.com, selecting Transco Informational Postings, then the Regulatory tab in the middle of the top yellow banner.