

Significant Expansion of Transco Would Create Southern Market Connection for Growing Marcellus Supplies

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[Read the full story on page 2.](#)

- Significant Expansion of Transco Would Create Southern Market Connection for Growing Marcellus Supplies2
- Pipeline Delivers Record Volumes ...2
- As Winter Temps Fall, Awareness of Need for Pipeline Infrastructure Goes Up3
- Taking a Closer Look at One Call Tickets4
- Transco Pipeline Scores Well in Customer Surveys5
- Market Area / Leidy Update5
- Regulatory Update5
- Operations Update5
- Welcome Aboard: New Reps6
- People on the Move6



Pipeline Delivers Record Volumes

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[Read the full story on page 2.](#)



As Winter Temps Fall, Awareness of Need for Pipeline Infrastructure Goes Up

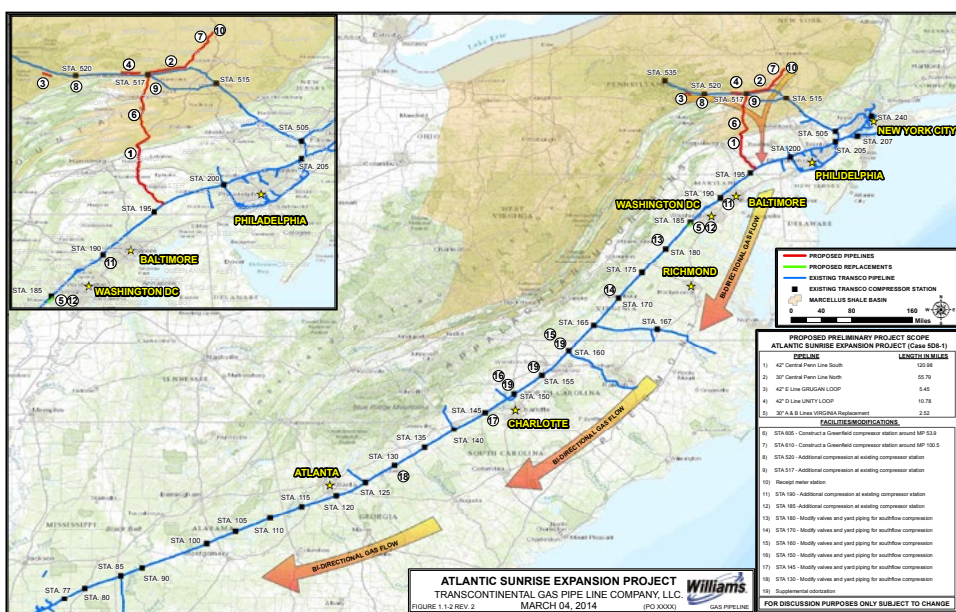
I'd like to take a moment to thank all of our customers whose cooperation and careful planning made it possible for us to deliver another record amount of natural gas on our Transco interstate gas pipeline earlier this year.

[Read the full story on page 3.](#)

TRANSCO CUSTOMER Connection



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The new peak-day mark surpasses the previous high of 10.83 million dekatherms set a few weeks prior to those same markets. Transco also set a three-day market area delivery record Jan. 6-8, averaging 11.10 million dekatherms per day.

The increased utilization was not isolated to the coldest days, as market area deliveries averaged 9.98 million dekatherms per day for the entire month of January.

Williams announced in February that its Transco pipeline system received binding commitments from nine shippers for 100 percent of the 1.7 million dekatherms of firm transportation capacity under its proposed Atlantic Sunrise expansion project. The project includes 15-year shipper commitments from producers, local distribution companies and power generators.

The project represents vital energy infrastructure that would connect surging, new supplies of natural gas in the Marcellus producing region in northeastern Pennsylvania with growing demand centers along the Atlantic Seaboard.

Williams expects to bring Atlantic Sunrise into service in the second half of 2017, assuming all necessary regulatory approvals are received in a timely manner.

The Atlantic Sunrise project adds to the list of vital Transco mainline expansions, including Leidy Southeast and Virginia Southside. Transco is pursuing expansions that between 2013 and year-end 2017 are expected to add more than 50 percent to its system capacity.

The Atlantic Sunrise project will consist of compression and looping of the Transco Leidy line in Pennsylvania along with a greenfield pipeline segment, referred to as the Central Penn Line, connecting the northeastern Marcellus producing region to the Transco mainline near Station 195 in southeastern Pennsylvania. The greenfield segment will be jointly owned by Transco and a third party. Williams expects its net investment in the Atlantic Sunrise project to be approximately \$2.1 billion. [w](#)

"This recent record was primarily driven by increased natural gas demand for home heating by local distribution companies, along with power generation," said Frank Ferazzi, vice president & general manager of Williams' Transco pipeline. "As intended, the timely completions this year of two recent Transco expansion projects are helping meet growing demand in some of the fastest growing markets in the country."


On Nov. 1, Williams placed into full-service its Northeast Supply Link, after bringing half the capacity into service three months ahead of schedule in response to customer demands. The project marks the first major expansion of the Transco natural gas pipeline designed specifically to connect Marcellus natural gas supply with Northeastern markets. The expansion provides 250,000

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Continued from page 2.

dekatherms per day of incremental firm natural gas transportation capacity from Marcellus supplies direct to nearby customers in Pennsylvania, New Jersey and New York.

Last summer, Williams placed into service the final phase of the Mid-South Expansion, which when combined with the first phase, provides an additional 225,000 dekatherms per day of incremental firm natural gas transportation capacity to growing markets in the Southeast United States. The project provides service to power generators in North Carolina and Alabama as well as a local distribution company in Georgia.

Since 2003, the company has placed into service 21 Transco growth projects, which have increased the system capacity by about 55 percent. 



*From Rory Miller,
Senior Vice President*

I'd like to take a moment to thank all of our customers whose cooperation and careful planning made it possible for us to deliver another record amount of natural gas on our Transco interstate gas pipeline earlier this year.

Brutally cold weather in the northeastern and southeastern U.S. really tested the pipeline system. Yet, while the Transco pipeline passed its test with flying colors, the arctic weather has exposed some critical weaknesses in the region's pipeline infrastructure, underscoring the need to add more pipeline capacity.

On Jan. 22 spot prices on Transco Zone 6 climbed to \$123.81 per MMBtu, while Transco Zone 5 hit \$118.09. The major reason for the price spike was the lack of adequate pipeline infrastructure.

Referencing the price spikes, a Reuters news report said it best: "The volatility shows that nearly a decade into a drilling boom that has flooded much of the country with gas, a lack

of pipelines has left some areas vulnerable to shortages... It is a weak spot in what has been a huge resurgence in U.S. natural gas production over the past 10 years, and exposes how in some areas pipelines have failed to keep up with the new supplies that have come out of the ground."

An important way to stabilize prices is to add pipeline capacity. At least some elected officials are starting to take notice.

On Jan. 23, six New England governors advanced an unusual proposal to have their states act as one to get more natural gas pipelines built. The plan calls for states to jointly seek proposals to move more "clean energy" into New England. Energy prices have skyrocketed in New England because of constraints brought on by lack of gas pipeline capacity.

At Williams, we're doing what we can to address the pipeline infrastructure issues on the East Coast. In 2013 we placed our Northeast Supply Link project into service, increasing Transco's pipeline capacity into New York. Additionally, we began a string of expansion projects on Transco last year that by 2017 will total nearly \$5 billion.

Consider that in the 2010 to 2017 time frame, we're adding to Transco's mainline capacity an average of 9% per year, which equates to a near doubling of Transco's overall capacity.

The job before us is about much more than driving WMB share price; it's really about finding ways to add desperately-needed new pipeline infrastructure to connect rapidly-growing gas supplies to the expanding markets we serve. 

Taking a Closer Look at One Call Tickets

*Joe Neave, Vice President,
Safety & Regulatory Compliance*

Thanks to a lot of work by our Operations personnel during the past few years, our transmission pipes have converted to a common One Call ticket management system. If you're not aware, One Call is the free service that homeowners or businesses

In 2013, Williams received more than 132,000 One Call tickets on our transmission pipelines. That's one ticket for every 600 feet of onshore pipe. The number of tickets we receive in April is twice the number in January, making April a great month for National Safe Digging Month – the month

incidents is caused by third-party excavation (someone accidentally hitting a pipeline). Most of the third-party damage incidents could have been prevented by simply calling 8-1-1 before digging.

During the past 20 years, external corrosion has accounted for 2.5% of the incidents for onshore gas transmission pipelines. What I find even more interesting is according to the same PHMSA report, more than 25% of serious incidents were caused by third-party excavation. While it's very complex to prevent external corrosion, most third-party damage incidents are preventable.

That's why we take damage prevention so seriously. We have a very comprehensive public awareness program that includes mailing damage prevention information to each and every excavator in each county where we operate transmission pipelines. Last year, we mailed to almost half a million excavators.

It sounds like a lot (and it is) but during our One Call ticket analysis, we discovered that 15% of the excavators who requested One Call locates in 2013 were not previously on our public awareness mailing list. Well, we've changed that. This year, Pipeline Safety was able to add One Call tickets to the pipeline risk model to ensure our damage prevention mailings are even more comprehensive.

We're always looking for ways to get better – to improve our processes to keep our pipelines safe. My hope is that during National Safe Digging Month, you'll do the same. Lead by example. Call 8-1-1 before digging, and encourage your friends and family to do the same. [w](#)



Williams employees show their support for National 811 day.

call to have their underground utility lines marked prior to excavation.

We used to separately track One Call tickets in each field location. Now, with one central database, we can analyze excavator data in different ways to provide lots of useful information.

that underground utility operators come together to promote the national One Call number, 8-1-1.

Third-party damage is something we try very hard to avoid. According to our regulator, the Pipeline and Hazardous Materials Safety Administration (PHMSA), one out of four

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Transco Pipeline Scores Well in Customer Surveys

The Transco Pipeline ranked third in quality for “Mega Pipes” and third in the Legacy Customer Satisfaction Index in the most recent Mastio and Company *Natural Gas Transportation Industry-Wide Study*.

Approximately 159 Transco customers responded with feedback. The data is under review for areas of improvement.

“Transco’s rankings relative to its competitors indicated that your feedback has made a difference with improvements made since 2012,” said Camilo Amezcuita, director of customer service.

While the MASTIO Survey, provides Williams quantitative data resulting from in-depth studies of our customers, our competition and our organization, the company also finds great value in a biennial customer satisfaction survey.

He continued, “The survey, administered by *Energy Insights*, serves as a guideline for identifying areas of improvement and allows us to target specific actions that address your business concerns and requirements.”

Energy Insights will survey 80-100 people, including executives, middle management and front line representatives, from 50 or so companies across Transco’s customer base. The survey will commence later this year. [w](#)

Market Area Update

Flows on the Transco Leidy Line continue to grow as customers utilize it to access Marcellus Shale gas supply. Transco added four new Leidy Line receipt points in 2013 totaling an additional 727,000 dekatherms per day of meter station capacity. These additions bring the total number of Leidy Line receipt interconnects that can access Marcellus Shale gas supply to 21 with a total receipt meter station capacity of 6.2 million dekatherms.

The Transco pipeline has experienced a large ramp up in flows since 2012. Flowing volumes at these Leidy Line supply interconnects averaged approximately 2.6 million dekatherms in 2013 while peaking at 3.3 million dekatherms during this same period with spikes in the 3 million dekatherms range during the third and fourth quarter.

The Northeast Supply Link project added 250,000 dekatherms of new firm capacity on the Leidy Line in 2013, while the Leidy Southeast Project will provide another 525,000 dekatherms of new firm transportation capacity from interconnect locations with access to Marcellus Shale gas supply to markets along the East Coast. The recently announced Atlantic Sunrise Project will introduce an additional 1.7 million dekatherms accessing Marcellus supply, destined for Transco markets along the Eastern Seaboard as far south as Station 85. [w](#)

Regulatory Update

On Aug. 27, 2013, Transco filed an uncontested Stipulation and Agreement (“Settlement”) that resolves all issues in its latest general rate case proceeding, Docket No. RP12-993. The Federal Energy Regulatory Commission approved the Settlement on December 6, 2013. Transco will begin billing the prospective Settlement rates commencing with March 2014 business. Refunds for the retroactive period March 1, 2013 – February 28, 2014 will be made on or before April 30, 2014. [w](#)

Operations Update

The 2014 major construction and maintenance schedule for Transco pipeline projects is now available on 1Line. While efforts are made to minimize interruptions or impact transportation services, some of the planned work may temporarily affect interruptible, secondary FT and

non-secondary reverse path transportation services. The dates and duration of the planned work is subject to change. We will revise the maintenance schedule as updated information becomes available. If a maintenance activity is expected to affect the availability of transportation services, additional information will be posted prior to commencement of that activity. [w](#)

Gas/Electric Coordination

Ongoing policy discussions regarding the coordination of natural gas and the electric markets seem to be gaining some momentum. Recent discussions have centered on potential changes to the start of the gas day, the addition of a third intraday nomination cycle, altering the “no bump” rule and increasing communication between pipelines and Regional Transmission Operators (RTOs). Williams will continue to stay engaged in the many facets of these industry-wide discussions to promote concepts that bring more value to our customers than cost. Williams encourages its customers to also be actively engaged in this policy debate that may impact all of you. If you have any questions, please contact Dale Davis, Melissa Casey or Camilo Amezcuita. [w](#)

Customers Participate in Management Meeting

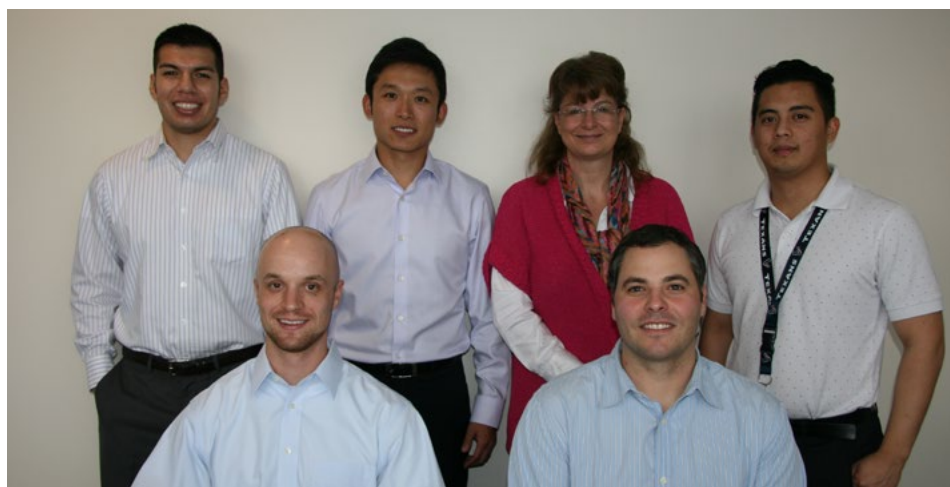
In February two of Transco’s largest customers addressed a group of 100 Williams leaders during the company’s annual management meeting. Executives from Southern Company and Atlanta Gas Light participated on a customer panel where they discussed what Williams does well, as well as areas of potential improvement. “Customer satisfaction isn’t just the responsibility of one group or department, it’s everyone’s job,” Williams Senior Vice President Rory Miller told the group of Williams leaders. [w](#)

Welcome Aboard: New Reps

Please help us welcome a few additions to our team. In October 2013 Eva Zubel joined Transportation Services-South as a senior representative and Sean Xin joined the Northern team as a Transportation Services representative II. Also in October 2013, Mike DiCarlo returned to Transco as a senior customer services representative for Transco's Customer Services group. We added two more new representatives to Transportation Services in January 2014 when Antelmo Mata and Robbie Reyes joined our Northern and Southern teams respectively. All of these representatives joined Transco with previous industry experience and have been bringing valuable perspectives to our departments. The newest member to Commercial Operations is Mark Polidor, who joined Transco in January 2014 but has been in the Williams Professional Development Plan (PDP) since June 2012. Mark spent a year in the corporate planning group and gained some field experience in the Piceance Basin before his current assignment in Transco's Customer Services – Production area. [w](#)

People on the Move

In January 2014 the Transportation Services/1Line support group added Henry Tran, Earl Burroughs and Jordan Kirwin. Henry transitioned from the Transportation Services Northern team to work on the Constitution project. Earl and Jordan moved from the Transportation Services Southern team to the 1Line Support group to work on some exciting enhancements coming to 1Line as a result of feedback from the 1Line Customer User Forum. Karina Mayorga



rotated from the 1Line support group and returned back to Transportation Services, this time with the Southern team. Mike Ledford also moved from the Transportation Services Southern team to the Customer Services group as a senior marketing services representative. [w](#)

Above: New employees pictured in the back row: Antelmo Mata, Sean Xin, Eva Zubel and Robbie Reyes; Front row: Mark Polidor and Mike DiCarlo.

Below: Pictured in the back row: Henry Tran, Earl Burroughs and Jordan Kirwin; Front row: Karina Mayorga and Mike Ledford.

