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# Williams Gas Pipeline Update & Strategies

**Frank Ferazzi**

**Vice President and General Manager – Williams Gas Pipeline East**

**Williams Transco Executive Customer Meeting**

**September 27, 2012**

# Forward-Looking Statements



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The reports, filings, and other public announcements of The Williams Companies, Inc. and Williams Partners L.P. (WPZ) may contain or incorporate by reference statements that do not directly or exclusively relate to historical facts. Such statements are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. We make these forward looking statements in reliance on the safe harbor protections provided under the Private Securities Litigation Reform Act of 1995. You typically can identify forward-looking statements by various forms of words such as "anticipates," "believes," "seeks," "could," "may," "should," "continues," "estimates," "expects," "assumes," "forecasts," "intends," "might," "goals," "objectives," "targets," "planned," "potential," "projects," "scheduled," "will," "guidance," "outlook," "in service date" or other similar expressions. These forward-looking statements are based on management's beliefs and assumptions and on information currently available to management and include, among others, statements regarding:

- > Amounts and nature of future capital expenditures;
- > Expansion and growth of our business and operations;
- > Financial condition and liquidity;
- > Business strategy;
- > Cash flow from operations or results of operations;
- > The levels of dividends to Williams stockholders and of cash distributions to WPZ unitholders;
- > Seasonality of certain business components; and
- > Natural gas, natural gas liquids, and crude oil prices and demand.

Forward-looking statements are based on numerous assumptions, uncertainties and risks that could cause future events or results to be materially different from those stated or implied in this presentation. Many of the factors that will determine these results are beyond our ability to control or predict. Specific factors that could cause actual results to differ from results contemplated by the forward-looking statements include, among others, the following:

- > Whether Williams has sufficient cash to enable it to pay current and expected levels of dividends;
- > Whether WPZ has sufficient cash from operations to enable it to pay current and expected levels of cash distributions following establishment of cash reserves payment of fees and expenses, including payments to WPZ's general partner;
- > Availability of supplies, market demand, volatility of prices, and the availability and cost of capital;
- > Inflation, interest rates, -- and in the case of Williams fluctuation in foreign exchange and general economic conditions (including future disruptions and volatility in the global credit markets and the impact of these events on our customers and suppliers);
- > The strength and financial resources of our competitors;

# Forward-Looking Statements continued



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- > Ability to acquire new businesses and assets and integrate those operations and assets into our existing businesses, as well as expand our facilities;
- > Development of alternative energy sources;
- > The impact of operational and development hazards;
- > Costs of, changes in, or the results of laws, government regulations (including safety and climate change regulation and changes in natural gas production from exploration and production areas that we serve), environmental liabilities, litigation, and rate proceedings;
- > Williams' costs and funding obligations for defined benefit pension plans and other postretirement benefit plans sponsored by its affiliates;
- > WPZ's allocated costs for defined benefit pension plans and other post retirement benefit plans sponsored by its affiliates;
- > Changes in maintenance and construction costs;
- > Changes in the current geopolitical situation;
- > Our exposure to the credit risk of our customers and counterparties;
- > Risks related to strategy and financing, including restrictions stemming from our debt agreements, future changes in our credit ratings and the availability and cost of credit;
- > Risks associated with future weather conditions;
- > Acts of terrorism, including cybersecurity threats and related disruptions; and
- > Additional risks described in our filings with the Securities and Exchange Commission ("SEC").

Given the uncertainties and risk factors that could cause our actual results to differ materially from those contained in any forward-looking statement, we caution investors not to unduly rely on our forward-looking statements. We disclaim any obligations to and do not intend to update the above list or to announce publicly the result of any revisions to any of the forward-looking statements to reflect future events or developments.

In addition to causing our actual results to differ, the factors listed above may cause our intentions to change from those statements of intention set forth in this announcement. Such changes in our intentions may also cause our results to differ. We may change our intentions, at any time and without notice, based upon changes in such factors, our assumptions, or otherwise.

With respect to WPZ, limited partner interests are inherently different from the capital stock of a corporation, although many of the business risks to which we are subject are similar to those that would be faced by a corporation engaged in a similar business.

Investors are urged to closely consider the disclosures and risk factors in Williams' annual report on Form 10-K filed with the SEC on Feb. 28, 2012, WPZ's annual report on Form 10-K filed with the SEC on Feb. 28, 2012 and each of our quarterly reports on Form 10-Q available from our offices or from our websites at [www.williams.com](http://www.williams.com) and [www.williamslp.com](http://www.williamslp.com)

# WGP Strategy



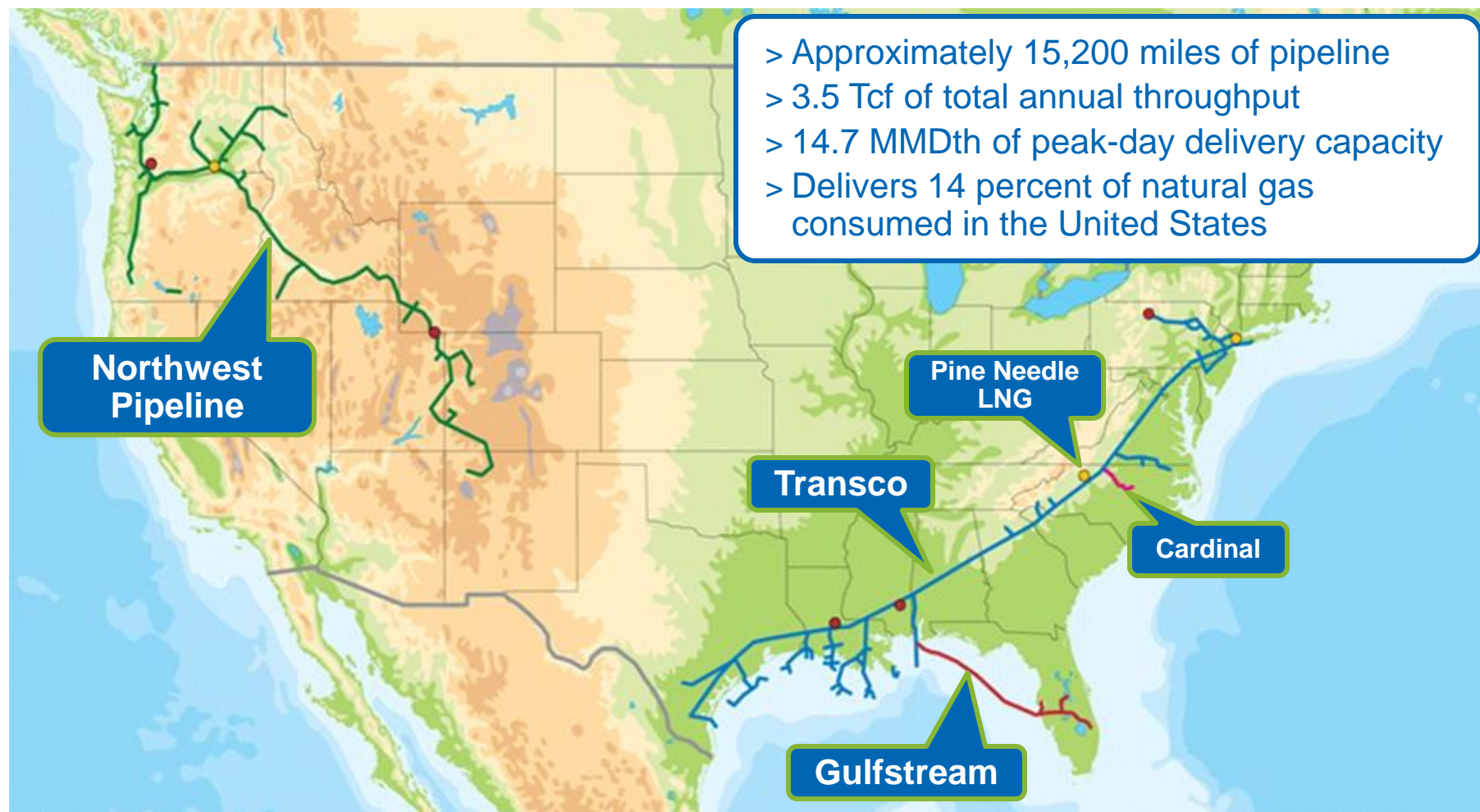
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- > **Safety** - Establish safety as the first threshold in the mind of each and every employee. Safety is integral to and enhances all business goals.
- > **Competitiveness / Reliability** - Provide transportation and storage services to markets at costs that consistently beat our competition and with reliability that meets or exceeds our customer's expectations.
- > **Compliance** - Continuously strengthen all of our compliance efforts in a manner that reflects our uncompromised commitment to integrity and enhances our reputation with all key stakeholders.
- > **Growth** - Leverage our financial flexibility, our connectivity to emerging supply sources, and the quality and location of our physical assets to maintain our market share and capture new market growth.
- > **People** - Model our Core Values and Beliefs to differentiate ourselves in the way we conduct business and to foster an inclusive work environment

# Premier Assets Serving Growth Markets



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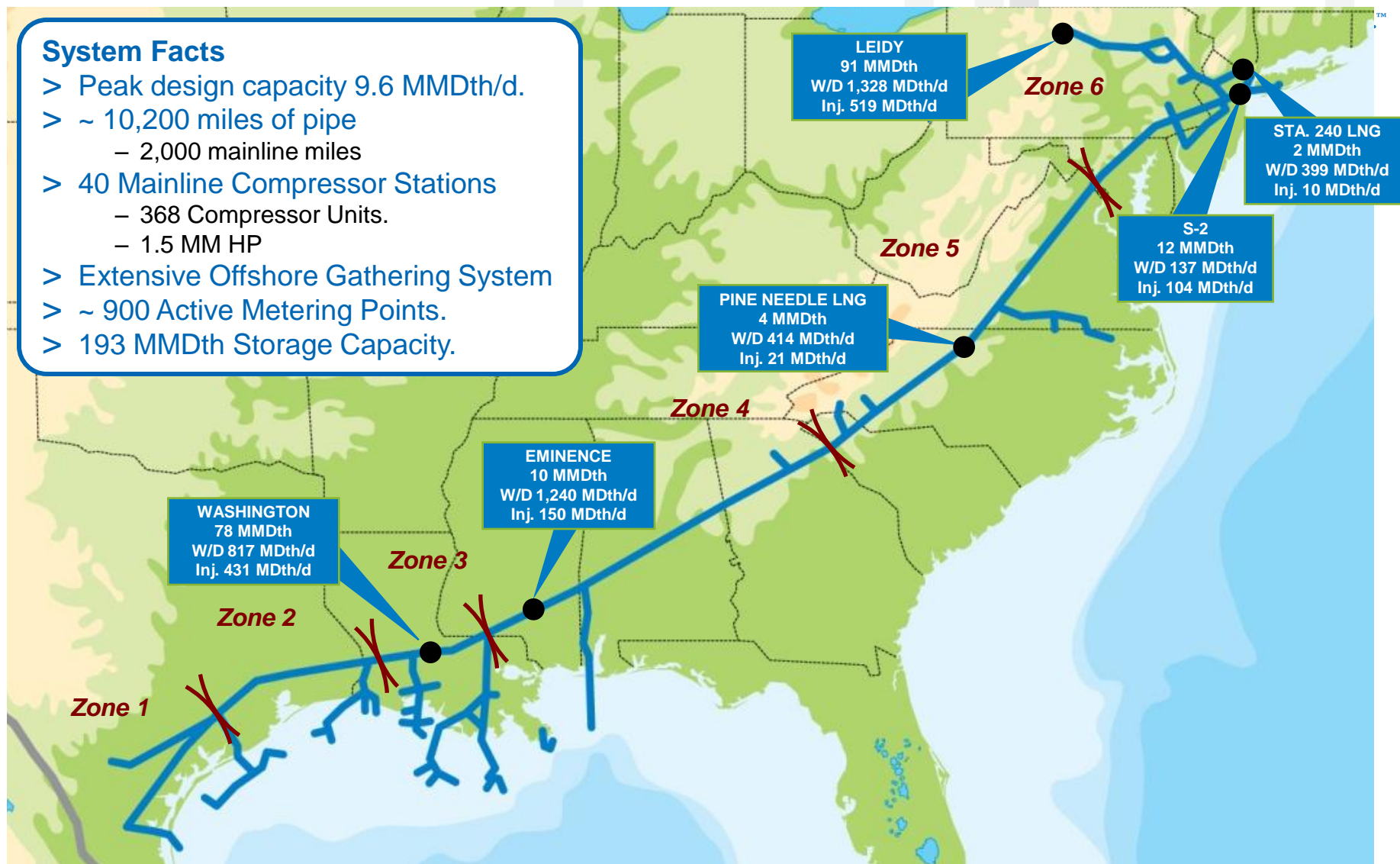


# Transco System Overview



## System Facts

- > Peak design capacity 9.6 MMDth/d.
- > ~ 10,200 miles of pipe
  - 2,000 mainline miles
- > 40 Mainline Compressor Stations
  - 368 Compressor Units.
  - 1.5 MM HP
- > Extensive Offshore Gathering System
- > ~ 900 Active Metering Points.
- > 193 MMDth Storage Capacity.

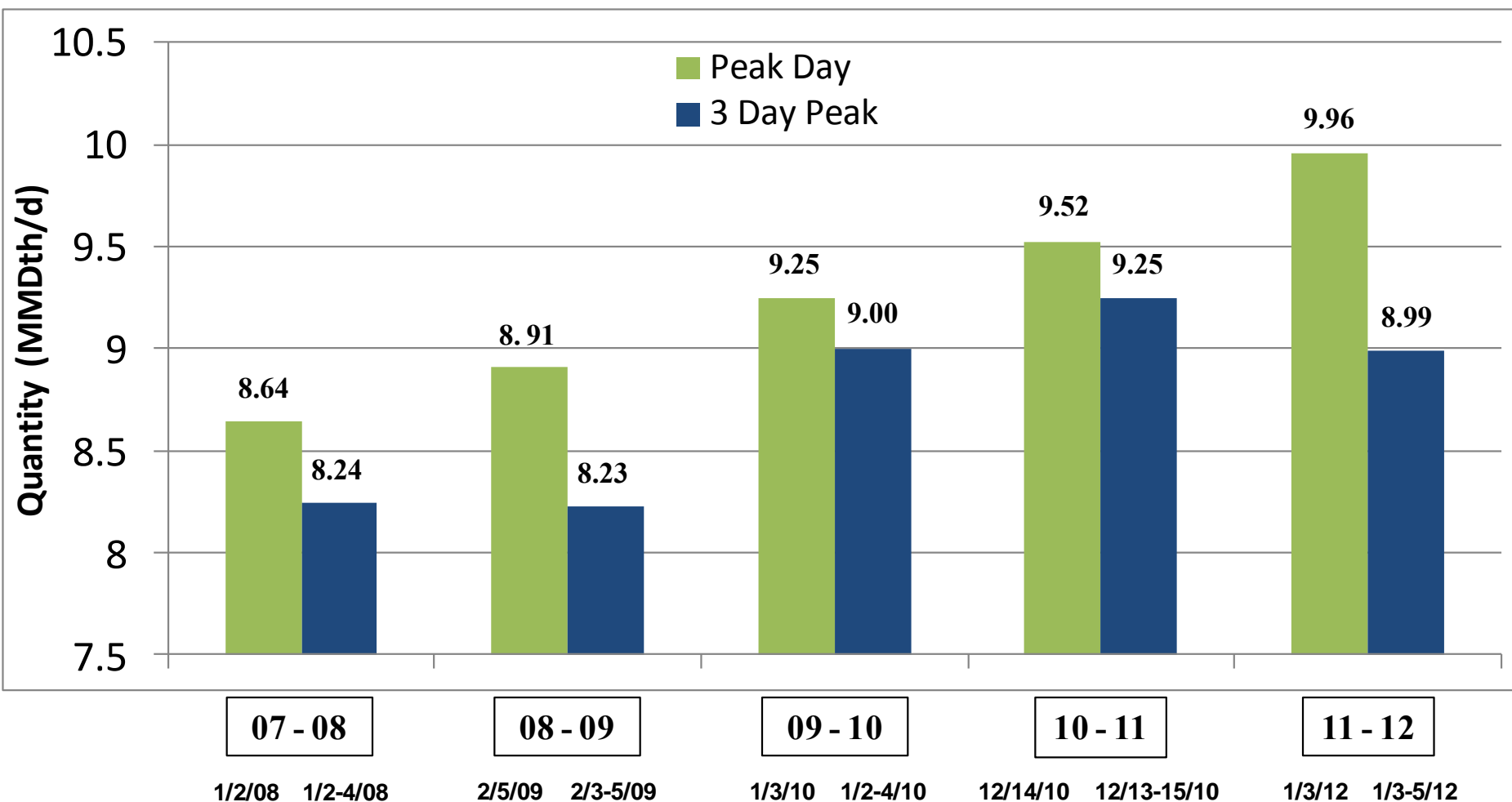




# Transco Peak Day Deliveries\*



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\*Market area deliveries, which includes Zones 4 through 6.

# Pipeline Integrity Update



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- > TGPL is on schedule to complete all required pipeline segments prior to PHMSA deadline of December 17, 2012
  - 69% of the segments scheduled for completion in 2012 are complete
- > By the end of 2012, TGPL will have inspected/remediated:
  - 86% of the total miles of pipelines
  - Which accounts for approximately 97% of the population along our right-of-way
- > By 2018, TGPL plans to have inspected 100% of its onshore pipelines





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# Customer Survey

## > Initial observations

- Significant improvement shown in:
  - Timely and accurate information on gas moved on system
  - Accurate information on system maintenance
  - Appropriate level of operating flexibility
  - Designs and builds cost efficient facilities
- Areas of customer concern:
  - Level of communication on storage issues
  - Continued operating flexibility into the future
  - Uncertainty surrounding the rate case
  - Changes to 1Line have lead to some performance issues

Detailed results will be included in the Fall Customer Newsletter

# Transco Rate Case – RP12-993



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## > Filed on August 31, 2012

- Base Period: June 1, 2011 – May 31, 2012
- Test Period: June 1, 2012 – February 28, 2013

## > New rates to be effective October 1, 2012

- March 1, 2013 if suspended for the maximum 5 month period.

## > Key statistics:

- Rate base: \$3.5 billion
- Cost of service: \$1.286 billion
- Overall after-tax return in filing is 9.51% (14.20% pretax)



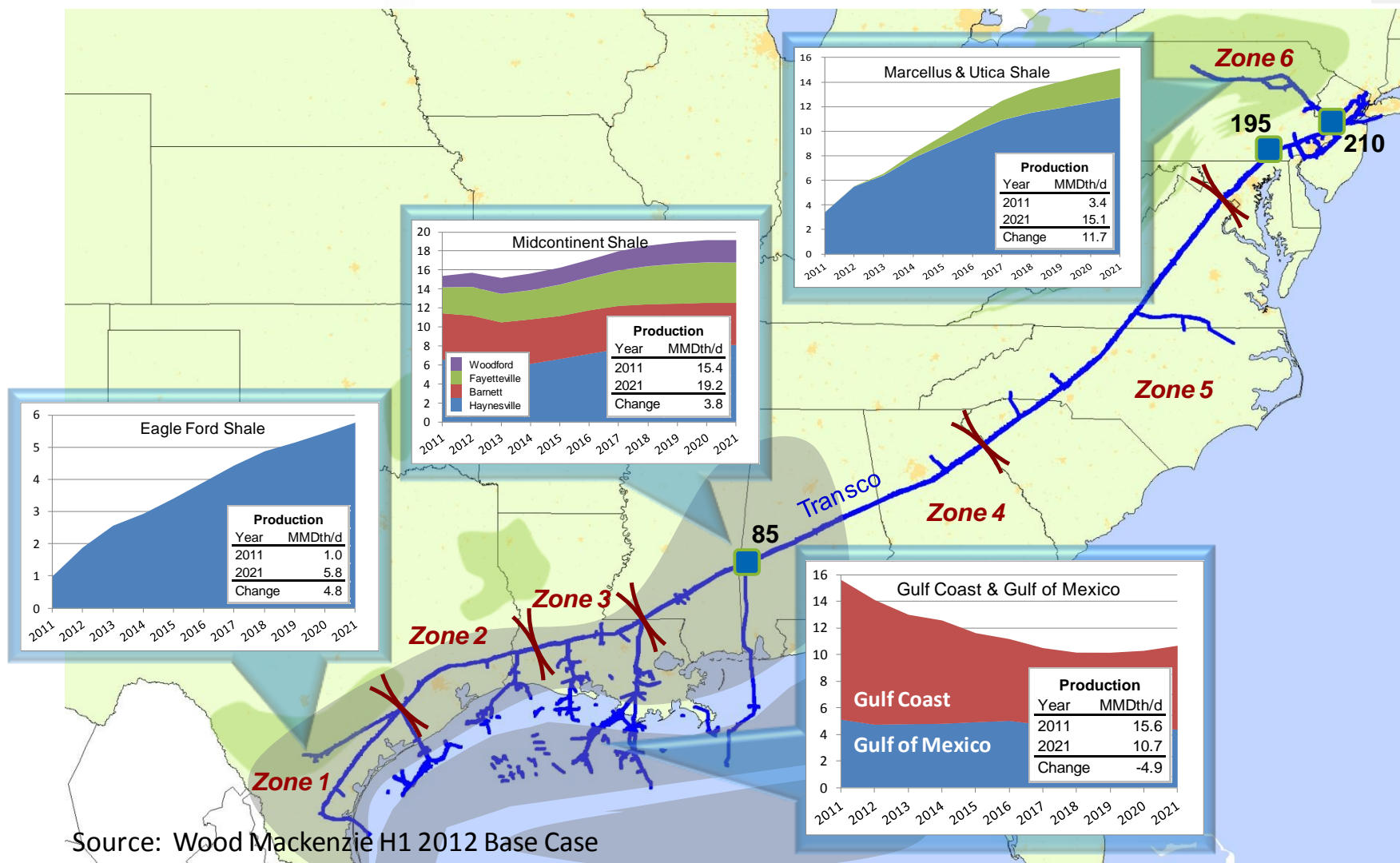
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# Supply & Demand Outlook

# Game-Changing Shale Supplies



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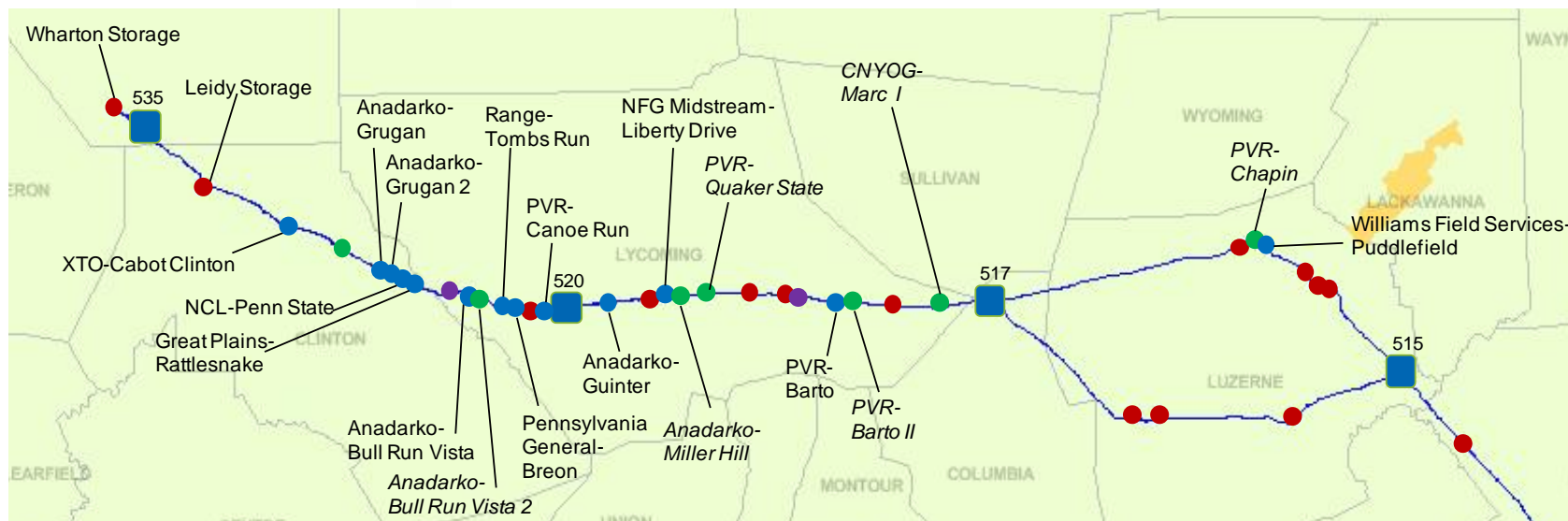


Source: Wood Mackenzie H1 2012 Base Case

# Leidy Line Marcellus Interconnects



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In Service	IC Meter Design (Dth/d)	ISD
NCL – Penn State	10,661	existing
XTO – Cabot Clinton	10,350	existing
PVR NEPA Gas Gathering – Canoe Run	155,250	11/25/08
PVR NEPA Gas Gathering – Barto	155,250	03/15/09
Anadarko – Grugan	119,025	10/28/10
Range Resources – Tombs Run	258,750	02/15/11
Pennsylvania General – Breon	238,050	07/05/11
Anadarko – Bull Run Vista	72,450	07/06/11
Anadarko – Grugan 2	243,225	10/13/11
Williams Field Services – Puddlefield	724,500	01/09/12
Great Plains Operating – Rattlesnake	12,420	04/17/12
Anadarko – Guinter	637,560	04/26/12
NFG Midstream Trout Run – Liberty Drive	282,245	05/30/12
	<u>2,919,736</u>	

In Progress	IC Meter Design (Dth/d)	Proposed ISD
Anadarko – Miller Hill	238,050	10/2012
PVR NEPA Gas Gathering – Barto II	258,750	10/2012
PVR NEPA Gas Gathering – Chapin	776,250	10/2012
Anadarko – Bull Run Vista 2	119,025	11/2012
CNYOG – Marc I (Pipeline Interconnect)	571,320	11/2012
PVR Marcellus Gas Gathering – Quaker State	38,709	12/2012
Others	124,200	Various
	<u>2,126,304</u>	

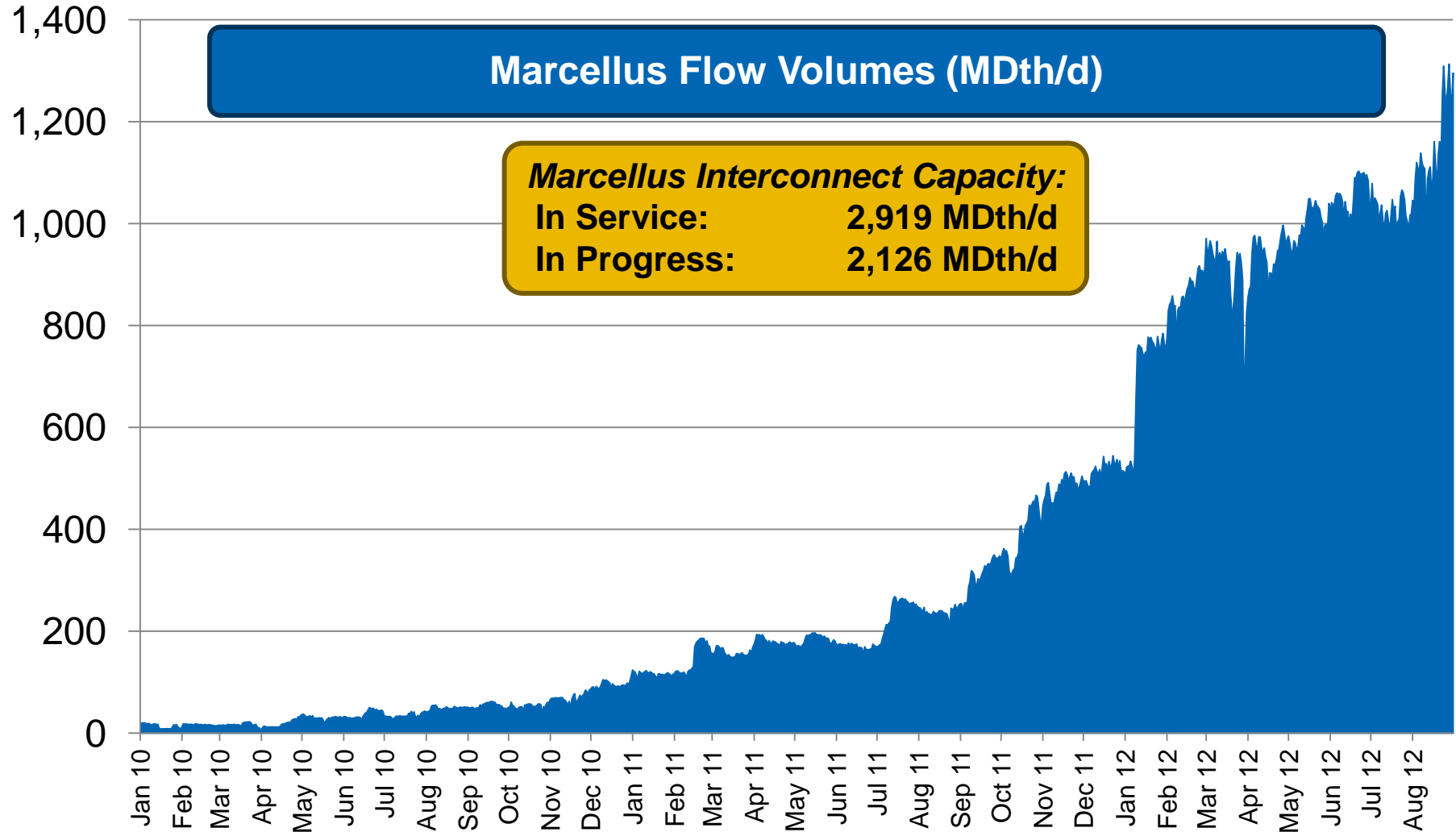
## Marcellus Interconnects

- Existing Meter Stations
- In Service
- I/C Agmt. In Place
- In Negotiations
- Preliminary

# Leidy Line Serves Marcellus Growth



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# Potential Impact On System



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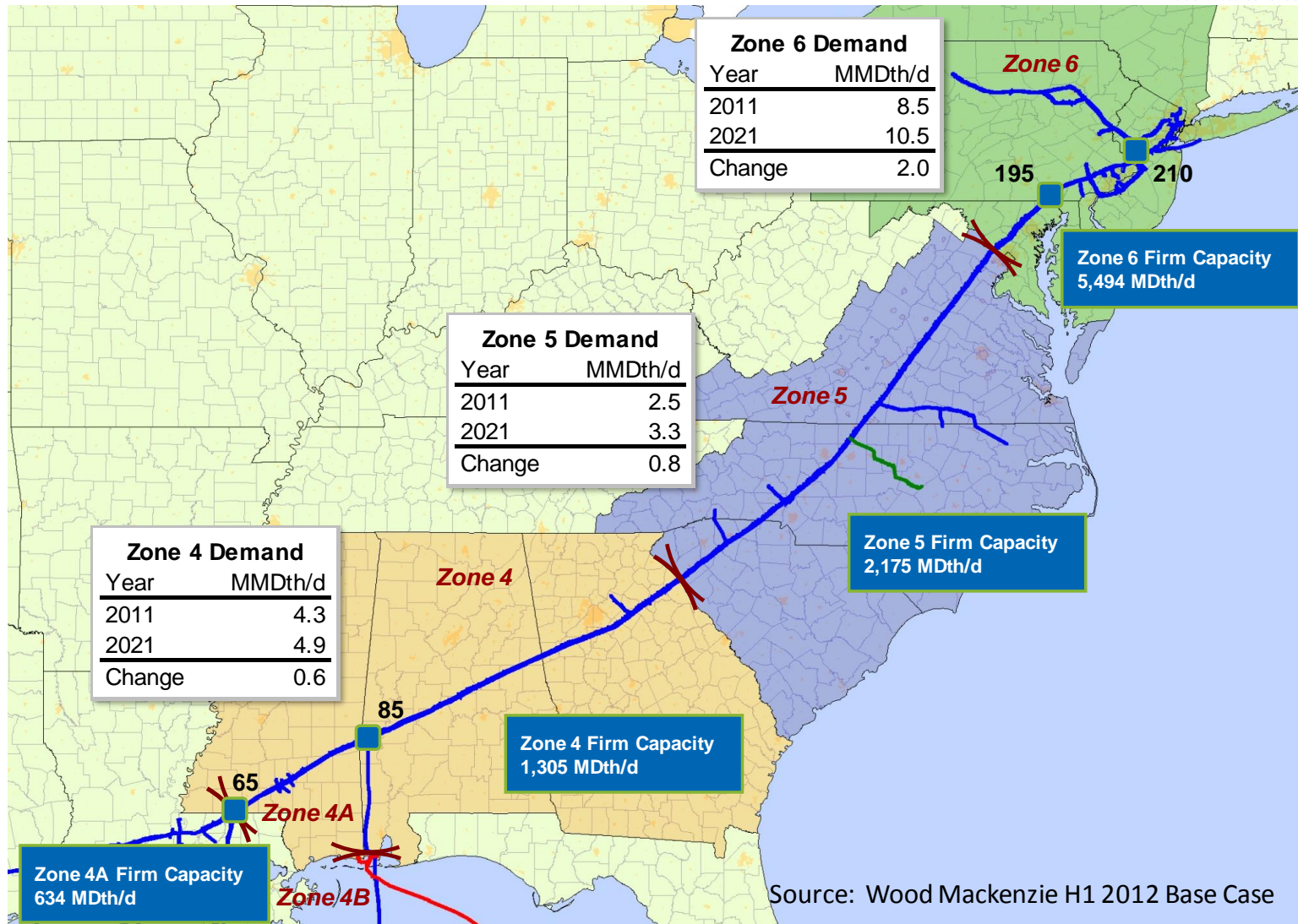
- > Marcellus supply connected to Leidy Line can fully serve load downstream of Station 195 during certain shoulder periods
- > Situation could be exacerbated once projects are placed into service
  - Spectra NJ – NY project
- > **Limitations on southbound interruptible and secondary FT will be required**
  - No physical capability currently in place to limit southbound flow or flow large volumes south
  - Odorization issues
  - Station piping changes required
- > **Future projects will include facilities to facilitate southbound flow**
  - Virginia Southside (2015)
  - Leidy SE (2015)
  - Dalton (2016)



# Projected Demand Growth By Zone



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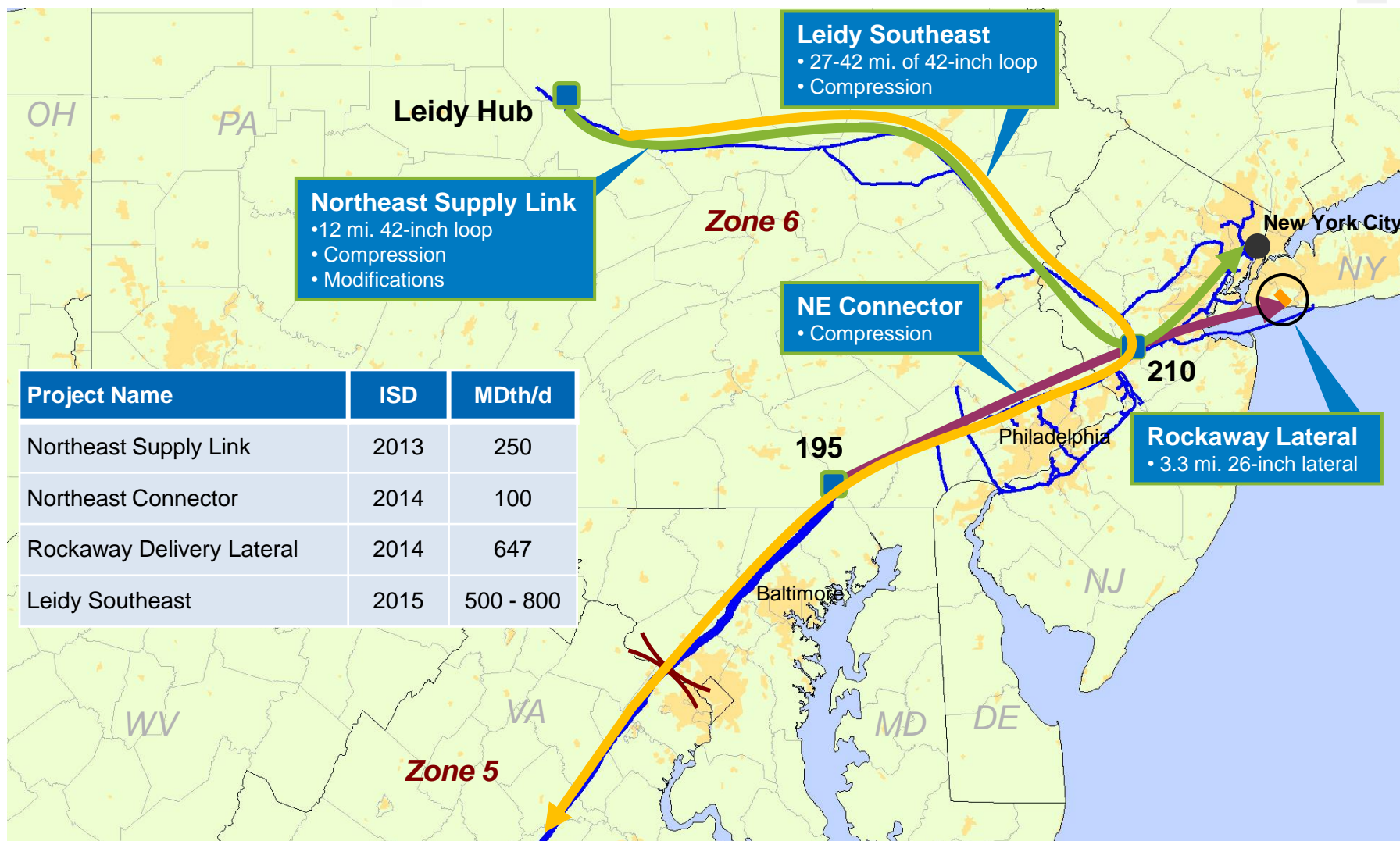
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# Growth Projects

# Northern Market Area Projects



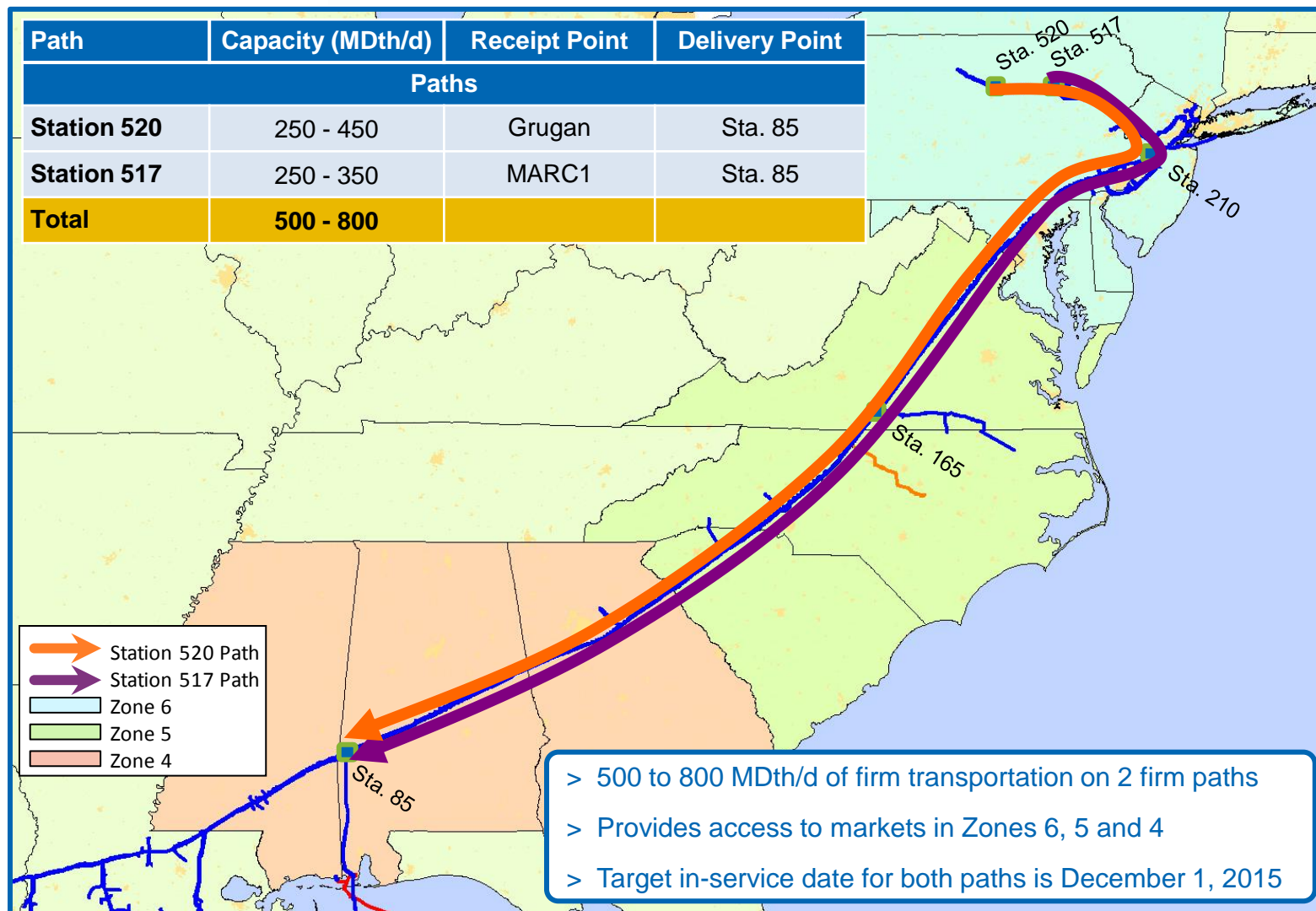
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# Proposed Leidy Southeast Connects Marcellus To Transco Markets



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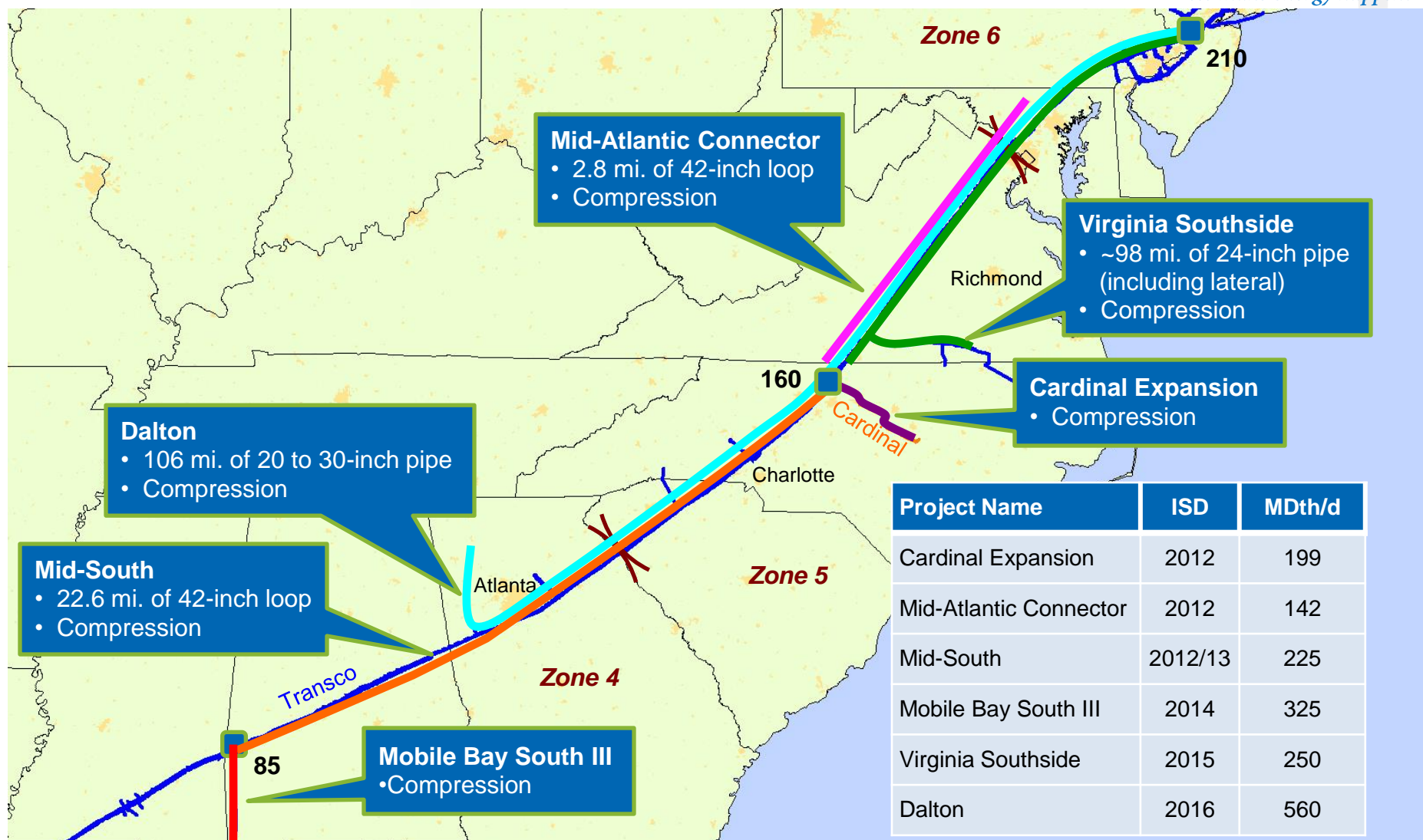




# Southern Market Area Projects



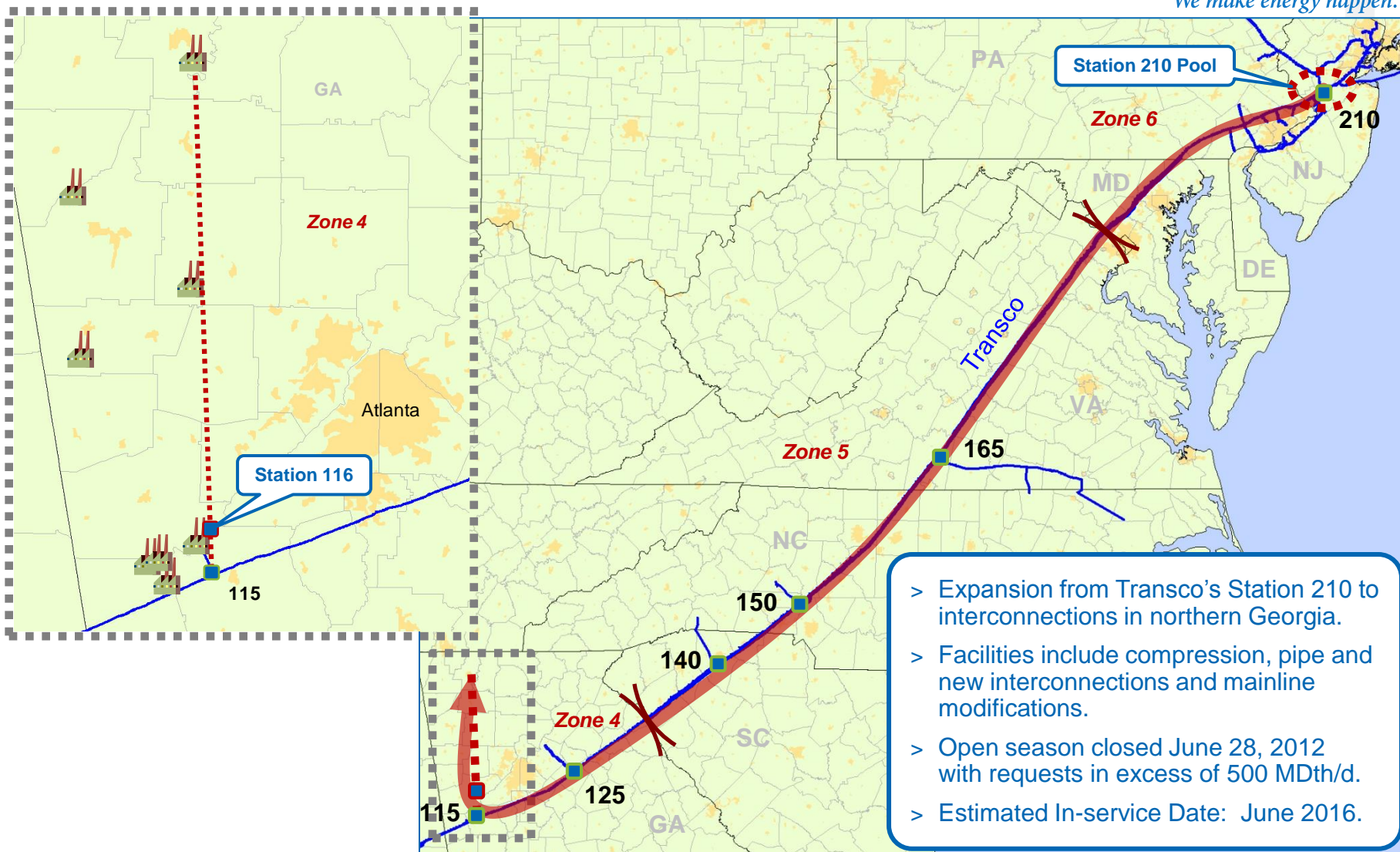
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# Dalton Expansion Project



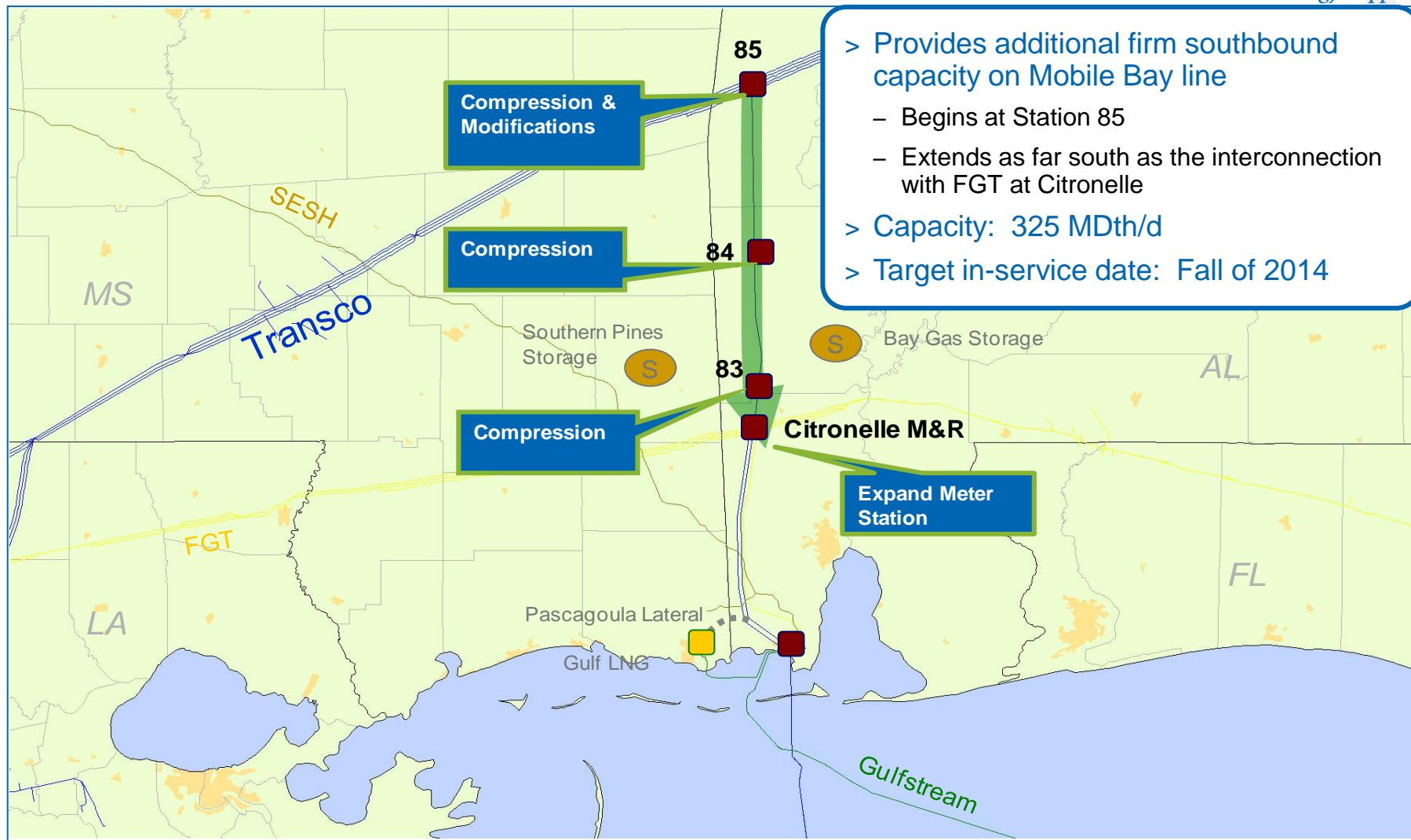
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# Mobile Bay South III



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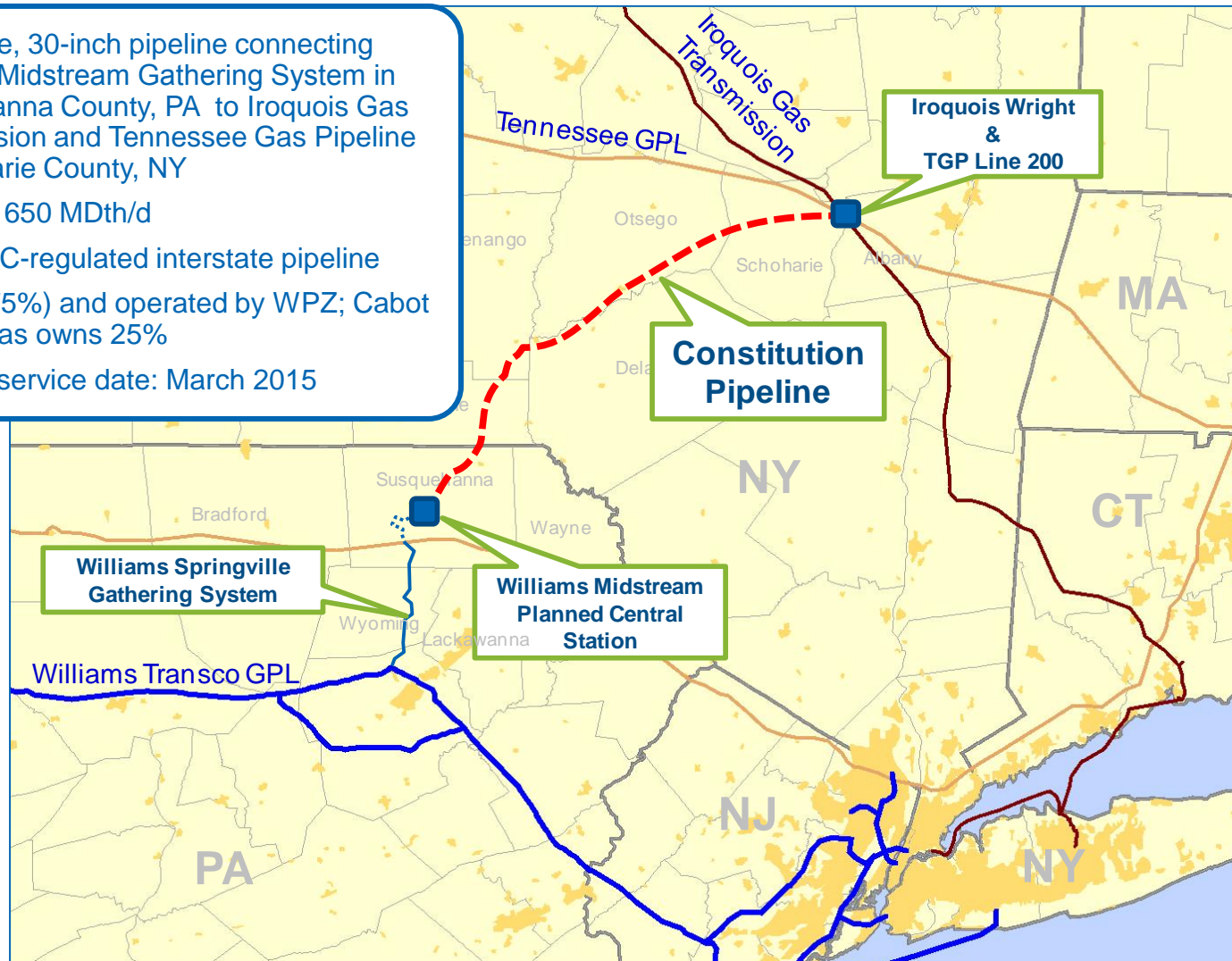


# Constitution Pipeline Creates New Market Access For Marcellus Production



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- > A 120-mile, 30-inch pipeline connecting Williams' Midstream Gathering System in Susquehanna County, PA to Iroquois Gas Transmission and Tennessee Gas Pipeline in Schoharie County, NY
- > Capacity: 650 MDth/d
- > New FERC-regulated interstate pipeline
- > Owned (75%) and operated by WPZ; Cabot Oil and Gas owns 25%
- > Target in-service date: March 2015



# Transco Expansions – 10 Year Review



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- > Strong track record of successfully building system expansions to meet the customers' needs...when they need it.

Project	In-Service	MDth/d
MarketLink Phase 1	2001	166
MarketLink Phase 2	2002	130
Leidy East	2002	130
Trenton Woodbury	2003	51
Central New Jersey	2005	105
Leidy to Long Island	2007	100
Sentinel Phase 1	2008	40
Sentinel Phase 2	2009	102
<b>Total Northern Market</b>		<b>824</b>
Sundance	2002	236
Momentum Phase 1	2003	269
Momentum Phase 2	2004	54
Potomac	2007	165
Eminence Enhancement	2009	46
Mobile Bay South	2010	253
Mobile Bay South 2	2011	380
85 North	2010/2011	309
Pascagoula	2011	467
Mid-South Phase 1	2012	95
<b>Total Southern Market</b>		<b>2,274</b>
<b>Total Transco</b>		<b>3,098</b>





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# Questions?