ECNG ENERGY L.P.

Transportation in the Secondary Market

May 11, 2016

Topics

Upstream Transportation

- How we got here
- Current status
- Looking ahead

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Who is ECNG ENERGY L.P.

A full service energy management consulting firm.

- Established in 1987 - nearly 30 years!
- Privately owned
- Over 2,100 clients coast-to-coast (over 30,000 end-use meters)
- Over $1.5 billion energy spend managed annually

Values:

- Independent and objective
- Committed to excellence in Client Service
- Continuously searching for new value added services
- Distinguished by fairness, honesty, technical knowledge and sound analytical and management capabilities
- Encourage and reward dedication to client interests, achievement of results, innovation and teamwork

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Who We Are: Independent and Objective

ECNG is not a vendor, Retailer or Energy Marketer.

ECNG does not hold a financial interest in supply or transmission functions, meaning we do not take title to any commodity

Our energy services include procurement, risk management, asset optimization, utility rate/service selection, operations, billing, bill verification and settlement, reporting, efficient end use solutions, regulatory monitoring, Cap & Trade

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Upstream Transport – How we got here

- **RH-003-2011 NEB Decision Highlights**
  - Sep 2011 – Mar 2013 marathon
  - $1.42/GJ Emp-Dawn “seed toll” (no more Zones)
  - 5 year fixed price tolls to 2017 (with off ramps)
  - IT and STFT price offerings “uncapped”
    - Encourage more FT sign-ups
  - TC concerns
    - Cost recovery
    - Decision silent on new builds, esp. longhaul to shorthaul conversion request (NCOS 2015)

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Upstream Transport – How we got here

- **Reactions to RH-003-2011 Summer 2013**
  - TC claims 2015 NCOS build is at Risk
  - TC/EGD lawsuit
  - UGL/GazMet/EGD by-pass including Segment B
  - storage not filling (IT price), FT requests for winter/summer/winter
  - TC files for tariff amendments to guide renewals
- **RH-001-2013 Short Hearing, Quick Decision**
  - 2 yr FT renewal notice for full years
  - No change to diversions, STS Overrun
  - ST Open Seasons' duration down to 48hrs

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Upstream Transport – How we got here

- **TC/LDCs Settlement #1 (Sep 2013)**
  - 15 yr min new FT; 5 yr term up or turnback
  - No change to IT uncapped pricing and diversions
  - EGD Segment A shared with TC, larger pipe
  - LH to SH conversion provision, EOT to pay:
    - LTAA balance in 2021
    - ‘Bridging Contribution’ 2015 to 2030
  - Energy East Project excluded from this
  - NEB approved (late 2014)
- **LDCs large FT term-up + cold winter high IT rev = cost recovery surplus**

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Upstream Transport – How we got here

- **LCMI (Abandonment) Impacts LH tolls**
  - TC asks for postage stamp $0.05-0.10/GJ
  - NEB rules on distance based surcharge

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Upstream Transport – How we got here

- **Energy East Impact on EOT**
  - Eastern Mainline Project to replace NB Shortcut 42”
  - Remove 1,200 TJ/d and replace with ~ ½ capacity
    - EMP higher pressure, higher fuel costs
    - FTNR created/treated as if prior approval of repurpose of NB Shortcut had happened
    - 2016 NCOS results considered only, not 2017 NCOS or historical winter use
  - Impact is higher EOT legacy costs with less cap. despite EE offering $33mil/yr to 2030 to offset
- **EE Opposition by Eastern LDCs and USNE LDCs**
  - Late 2014

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Upstream Transport – How we got here

- **TC/LDCs Settlement #2 (mid 2015)**
  - Low response to NCOS 2017
    - not enough 15yr - 365 day commitments
- EMP to replace NB Shortcut 42”
- TC to build needs of NCOS 2016&17 + 50 TJ/d excess
  - Caps cost at $2.1 Billion

- **Impact is risk of higher EOT legacy costs with less capacity**

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Current Status

- **Large LH to SH conversions by GazMet / EGD / UGL North Nov'16 and Nov'17**
- **Resulting excess Mainline provides access to low cost WCSB supply as EE ebs**
- **King's North on track for Nov'16 start**
  - Longhaul still there to backstop
- **Shorthaul FT tolls more expensive**
  - Marcellus gas push continues to be strong, keeping landed prices low

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Looking Ahead

- **Excess capacity for EDA shippers**
  - Energy East unlikely to flow 2018 or 2019
  - Constitution Pipeline snags but is getting closer
    - Less exports at Iroquois and/or physical imports
- **Excess Capacity for CDA shippers**
  - Same reasons above
  - Segment A, Parkway West, Kings North, Vaughn Loop,
  - Niagara Falls / Chippawa inflows to increase
    - National Fuel, Tennessee Gas projects

But, USNE LDCs are willing to pay on peak days

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Thank You!

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