Regional Gas Market Update

Presentation to:

ISO-NE Planning Advisory Committee

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Topic Areas

- Natural gas safety message.
- Recent market growth, and cold snap experience.
- Infrastructure developments.
- Market trends.
About NGA

- Non-profit trade association

- Local gas utilities (LDCs) serving New England, New York, New Jersey, Pennsylvania

- Several interstate pipeline companies

- LNG importers (Distrigas, Repsol) and LNG trucking companies

- ~ 400 “associate member” companies, from industry suppliers and contractors to electric grid operators

- www.northeastgas.org
NGA’S ANTITRUST COMPLIANCE PROCEDURES

Adopted by the NGA Board of Directors on June 4, 2003

Objective
The Northeast Gas Association (NGA) and its member companies are committed to full compliance with all laws and regulations, and to maintaining the highest ethical standards in the way we conduct our operations and activities. Our commitment includes strict compliance with federal and state antitrust laws, which are designed to protect this country’s free competitive economy.

Responsibility for Antitrust Compliance
Compliance with the antitrust laws is a serious business. Antitrust violations may result in heavy fines for corporations, and in fines and even imprisonment for individuals. While NGA’s attorneys provide guidance on antitrust matters, you bear the ultimate responsibility for assuring that your actions and the actions of any of those under your direction comply with the antitrust laws.

Antitrust Guidelines
In all NGA operations and activities, you must avoid any discussions or conduct that might violate the antitrust laws or even raise an appearance of impropriety. The following guidelines will help you do that:

- Do consult counsel about any documents that touch on sensitive antitrust subjects such as pricing, market allocations, refusals to deal with any company, and the like.

Continued on NGA web site...

http://www.northeastgas.org/about-nga/antitrust-guidelines
Important Message, This Month – & All Year

811®
Know what’s below.
Call before you dig.

We Support April as National Safe Digging Month
NORTHEAST MARKET GROWTH, & RECENT COLD SNAP
Gas Utility Customer Base in Region Continues to Grow

Households by Primary Fuel Type, Northeast U.S., 2009-2017

Source: U.S. EIA, 10-11-17

Over 1 million new natural gas household customers in last 8 years in the Northeast.
2-Week Period of Record
Cold: Dec. 26 – Jan. 7

Heating Degree Days,
Dec. 24, 2017 thru Jan. 6, 2018

- Mid-Atl. Normal
- Mid-Atl. Actual
- New Eng. Normal
- New Eng. Actual

Source: U.S. NOAA

Temperatures (measured in HDD) were about 35% colder than normal in both regions over this period.
Recent Cold Snap: Gas Utility Sendout Records Set


• Most LDCs in Northeast set multiple sendout records in first week of Jan. 2018.

• New England natural gas utilities set 3 new sendout records that week – with new all-time peak set on 1-6-18, at close to 4.4 Bcf.
Key Role of LNG as Supply Input

From December 19, 2017 to January 28, 2018, **DistriGas** imported six cargoes, totaling ~ 16 Bcf.

**Canaport LNG** provided LNG inputs into the Maritimes & Northeast Pipeline during the period. It imported three cargoes in Jan. 2018, ~9 Bcf.

*LNG ship Provalys at DistriGas dock in Everett, MA on Jan. 4, 2018, during a snowstorm.*
FERC report, 4-19-18: “Natural gas prices in New York City, New England, and the Mid-Atlantic all set all-time record highs, with next-day trades reaching as high as $175/MMBtu in New York City on January 4. Although Operational Flow Orders limited shippers’ flexibility to exceed their contractual obligations to meet varying natural gas demand, there were no pipeline outages or firm service curtailments.” [emphasis added]
Various Gas Hub Prices, Recent Winters

Average Day-Ahead Natural Gas Prices, Recent Winters ($/MMBtu)

- Algonquin Citygates
- Transco Zone 6 NY
- Columbia Appalachia
- Henry Hub

Source: U.S. FERC, data as of 2-14-18

Note: Algonquin = New England proxy; Transco Zone 6 NY = New York City area; Columbia Appalachia = Marcellus; Henry Hub = national benchmark in Louisiana
Communication with Power Grids

- Good communication protocols in place between gas pipeline control rooms and the power grids.

- NGA’s Gas Supply Task Force held two status calls with the 3 Northeast ISOs during cold snap – on Dec. 27 and Jan. 5. Calls held at request of ISO-NE.
What Did We Learn?

• Gas utility demand continues to rise – reflecting customer growth.

• Gas utilities delivered supplies reliably during very challenging conditions.

• Gas market in region continues to experience extreme spot price volatility during high-demand (winter) periods – reflecting system constraints.

• Power grids performed well, but generator fuel supply remains an issue (gas, oil, other).
U.S. natural gas storage levels at end of winter season were 21% below the recent 5-year average; at lowest level since 2014. EIA projects storage to be refilled to 3.8 Tcf level by Nov. April cold weather delayed start of some planned pipeline maintenance.
INFRASTRUCTURE DEVELOPMENTS
Northeast Pipeline Projects Recently Entered Service

Dominion: “New Market Project”

Enbridge: “AIM Project”
Enbridge: “Atlantic Bridge Project” [partial]

National Fuel Gas: “Line D Project”

PNGTS: “C2C Project”

Tennessee: “Susquehanna West Project”
Tennessee: “CT Expansion”

Transco: “New York Bay Expansion”
Transco: “Garden State Expansion Project”
Projects Entering Service in New England Over Last 1.5 Years

Enbridge: “AIM Project”: 342 MMcf/d

Enbridge: “Atlantic Bridge Project” [partial]: 40 MMcf/d

PNGTS: “C2C Project”: 42 MMcf/d

Tennessee: “CT Expansion”: 72 MMcf/d

Nearly half a billion cubic feet per day of new pipeline capacity added in region since Nov. 2016
Pipeline Projects in Near-Term Development Stage, NE Market

**Planned In-Service in 2018/19:**

Millennium: “Valley Lateral Project”; “Eastern System Upgrade”

Empire Pipeline: “Empire North Project”

Enbridge: “PennEast Project”; “Atlantic Bridge Project” [part 2]

PNGTS: “Portland XPress” [partial]

Tennessee: “Orion”; “Triad”

Transco: “Atlantic Sunrise”; “Northeast Supply Enhancement”; “Rivervale South to Market”

Red = New England
A proposed multi-faceted solution of five integrated supporting infrastructure projects designed specifically to meet the needs of Columbia Gas customers. In addition, through an agreement with Holyoke Gas & Electric, these five projects will also set the course to lifting the moratorium on new natural gas service in Northampton and Easthampton. Announced Nov. 2017.

The proposed Granite Bridge project would connect the existing Portland Natural Gas Transmission System and Maritimes and Northeast Pipeline facilities in Stratham with the existing Tennessee Gas Pipeline facilities in Manchester. The proposed 16” pipeline would utilize an Energy Infrastructure Corridor and be buried completely within the NHDOT right-of-way along Route 101, mitigating environmental and private and municipal property impacts. The project also includes a proposed Liquefied Natural Gas (LNG) storage facility capable of storing up to two billion cubic feet of natural gas. Announced Dec. 2017.
MARKET TRENDS
Long-Term, Gas Leads Total U.S. Energy Production (EIA)

Energy production (Reference case)
quadrillion British thermal units

Source: U.S. EIA “2018 Annual Energy Outlook”, 2-18
EIA Outlook: Demand is Strong, Price is Projected to be Stable

Energy consumption by fuel (Reference case) quadrillion British thermal units

- Natural gas
- Petroleum and other liquids
- Coal
- Other renewable energy
- Nuclear
- Hydro
- Liquid biofuels

Natural gas spot price at Henry Hub 2017 dollars per million British thermal units

- History
- Projections

Source: U.S. EIA, 2-18
Northeast region currently producing ~27 Bcf/d. Further growth expected.

PA is 2nd largest gas producing state in U.S.
LNG Imports in Region: Valuable but Lower Levels

LNG remains key to winter peaking needs in region.
U.S. LNG Exports Trending Upward

**Cheniere LNG export facility**, Sabine Pass, LA, in service in 2016. **Dominion LNG export facility** at Cove Point, MD, began export operations March 2018. Other facilities in U.S. Gulf area are under construction. **EIA, April 2018**: “EIA forecasts dry natural gas production will average 81.1 Bcf/d in 2018, establishing a new record. EIA expects natural gas production will rise by 1.7 Bcf/d in 2019... Growing U.S. natural gas production is expected to support both growing domestic consumption and increasing natural gas exports in the forecast. EIA also expects net natural gas exports to increase from 0.4 Bcf/d in 2017 to an annual average of 2.2 Bcf/d in 2018 and 4.4 Bcf/d in 2019.”
Questions?