FLORIDA GAS UTILITY 2018 ANNUAL MEETING

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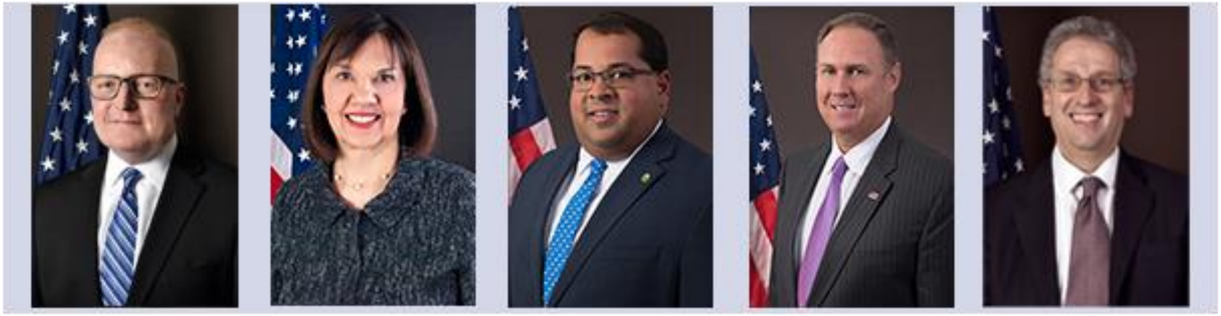
FERC Leadership Update



- Chairman Kevin McIntyre (R)
- Commissioner Cheryl LaFleur (D)
- Commissioner Neil Chatterjee (R)
- Commissioner Robert Powelson (R)
- Commissioner Richard Glick (D)

FGT Update

- **NGA Section 4 Rate Case (Docket No. RP15-101)**
  - FGT filed a Section 4 rate case with FERC on October 31, 2014.
  - FERC approved rate case settlement on December 4, 2015.
  - FGT must file its next general Section 4 rate case on February 1, 2021.

- **East-West Project (Docket No. CP17-8)**
  - In April 2018, FERC issued certificate order authorizing FGT to construct and operate the East-West Project in Texas and Louisiana.
  - 275,000 MMBtu/day of capacity from receipt points in Louisiana to delivery points in the Gulf Coast region of Texas.
  - Precedent agreements signed by Shell (175,000 MMBtu/day) and JERA (100,000 MMBtu/day).
  - Incremental rates under Rate Schedule FTS-WD-2.
  - Peoples/TECO raised issue regarding fuel reimbursement charges for reverse flows on the system.
  - FGT has requested authorization to commence construction.

FGT Update

- **Wekiva Parkway Relocation Project (Docket No. CP17-79)**
  - In January 2018, FERC authorized FGT's Wekiva Parkway Relocation Project which involves the relocation of portions of the Sanford Lateral and Sanford Lateral Loop in Lake and Seminole Counties, Florida which conflict FDOT's construction of the Wekiva Parkway. Construction began on May 8, 2018.

- **18-Inch Abandonment Project (Docket No. CP18-33)**
  - In April 2018, FERC authorized FGT to abandon 1.3 miles of its 18-inch-diameter mainline pipeline facilities and associated appurtenances in Miami-Dade County to accommodate a Miami-Dade County road construction project, including a bridge replacement.

- **Turnpike-Palmetto Rd Relocation Project (Docket No. PF18-5)**
  - In May 2018, FERC granted FGT's request to use the NEPA pre-filing process for the Turnpike-Palmetto Road Relocation Project which would involve the abandonment, relocation and construction of mainline pipeline in Broward and Miami-Dade Counties to accommodate FDOT road projects.

Other Florida-Related Projects and Developments

- **Southeast Market Pipelines (SMP) Project**
  - Sierra Club challenged certificates issued to FSC (Docket No. CP14-554), Transco's Hillabee Expansion Project (Docket No. CP15-16) and Sabal Trail (Docket No. CP15-17) for the SMP Project.
  - In April 2017, the D.C. Circuit directed FERC to: (1) revise the EIS for the SMP Project to provide a quantitative estimate of downstream GHG emissions or explain why it cannot do so; (2) explain FERC's position on the Social Cost of Carbon tool for NEPA purposes.
  - On remand, FERC prepared a Supplemental EIS for the SMP Project.
  - In March 2018, by a 3-2 vote, FERC reinstated the previously issued certificates for the SMP Project in an order on remand.
    - FERC found that it still could not reach a determination regarding whether downstream GHG emissions are significant.
    - FERC reaffirmed its decision to exclude the Social Cost of Carbon tool from its environmental review of the project.
    - Commissioners LaFleur and Glick dissented on these issues.

Other Florida-Related Projects and Developments

- **FSC Lateral Projects**
  - On May 30, 2018, FERC issued a certificate for the Okeechobee Lateral Project which will connect the FSC mainline with FPL Okeechobee Clean Energy Center in Okeechobee County (Docket No. CP17-463).
  - Riviera Lateral Project would involve FSC's acquisition of currently non-jurisdictional Riviera Lateral in Martin and Palm Beach Counties from FPL (Docket No. CP18-108).

- **Southern Natural Rate Settlement (Docket No. RP18-556)**
  - In March 2018, Southern Natural filed a rate settlement with shippers in lieu of the general NGA Section 4 "comeback" rate case filing that Southern Natural was required to tender as part of the settlement in its last rate case in Docket No. RP13-886.
  - Under the settlement, general system-wide transportation and storage rates will decrease by 1% effective September 1, 2018 and by an additional 7% effective September 1, 2019.
  - FERC approved the settlement on May 31, 2018.

Tax Cuts and Jobs Act

- **MLP Revised Policy Statement (Docket No. PL17-1)**
  - FERC issued a Revised Policy Statement in March 2018 in response to a remand from the D.C. Circuit in a case involving SFPP.
  - Under the Revised Policy Statement, pipelines organized as MLPs can no longer recover an income tax allowance in their cost-of-service.

- **Federal Income Tax NOI (Docket No. RM18-12)**
  - In March 2018, FERC issued an NOI on the impact of the Tax Cuts and Jobs Act on the FERC-jurisdictional rates charged by public utilities, interstate natural gas pipelines and oil/liquids pipelines.
  - FERC requested comments on whether, and if so how, it should address changes relating to accumulated deferred income taxes (ADIT) and bonus depreciation.
  - Comments were due May 21, 2018.

Tax Cuts and Jobs Act

- **Federal Income Tax Rate NOPR (Docket No. RM18-11)**
  - In March 2018, FERC issued a NOPR in which it proposed to require interstate natural gas pipelines to file a one-time report called FERC Form No. 501-G in response to the 21% corporate tax rate adopted in the Tax Cuts and Jobs Act as well as the policy change announced in the MLP Revised Policy Statement.
  - Each interstate natural gas pipeline would have the following options to voluntarily make a filing to address the effect of the Tax Cuts and Jobs Act and the MLP Revised Policy Statement, or explain why no action is needed: (1) file a limited NGA Section 4 filing to reduce the pipeline's rates; (2) make a commitment to file a general NGA Section 4 rate case in the near future; (3) file a statement explaining why an adjustment to its rates is not needed; or (4) take no action other than filing the informational filing.
  - Comments on the NOPR were due on April 25, 2018.

Tax Cuts and Jobs Act

- **Impacts of the Tax Cuts and Jobs Acts on Utilities**
  - Utilities subject to new 21% federal income tax rate (instead of 35%).
  - Utilities are not able to use bonus depreciation, but, in exchange, they were exempted from new limit on interest rate deductions.
  - 100% expensing of new investments (phased out starting in 2023).
  - These changes are expected to result in higher capital expenditures.
  - Effect on competing utilities.

Pipeline Infrastructure

- **Certificate Policy Statement NOI (Docket No. PL18-1)**
  - FERC initiated a review of its 1999 Policy Statement on the Certification of New Natural Gas Transportation Facilities in an NOI issued in April 2018.
  - FERC requested comments on whether, and if so how, it should adjust: (1) its methodology for determining whether there is a need for a proposed project, including the consideration of precedent agreements and contracts for service as evidence of such need; (2) its consideration of the potential exercise of eminent domain and of landowner interests related to a proposed project; and (3) its evaluation of the environmental impacts of a proposed project.
  - FERC sought input on specific changes it could consider implementing to improve the efficiency and effectiveness of its certificate processes, including pre-filing, post-filing and post-order issuance.
  - Comments on the NOI are due July 25, 2018.

Pipeline Infrastructure

- **Why is FERC reviewing its 1999 Certificate Policy Statement?**
  - Significant changes in the energy markets and the production, use and consumption of natural gas since 1999.
  - Growing need to develop natural gas pipeline infrastructure to transport Marcellus Shale production to market.
  - Recent MOU to speed up federal permitting process.
  - States, especially in Northeast, denying key state level permits for pipeline projects in an effort to stop them.
    - Congress has proposed to address in infrastructure bill
  - Increased public opposition to pipeline infrastructure development and the use of eminent domain.
    - 4^{th} Circuit recently invalidated FWS permit for Atlantic Coast Pipeline
  - Commissioners LaFleur and Glick skeptical of the use of precedent agreements by pipeline affiliates to support projects.

Pipeline Infrastructure

- **Consideration of GHG Emissions in Environmental Reviews**
  - **Sabal Trail (Docket No. CP15-17)**
    - D.C. Circuit found that FERC must evaluate downstream effects of GHG emissions from SMP Project .
  - **Dominion New Market Project (Docket No. CP14-497)**
    - In May 2018 order on rehearing, Republican majority narrowed circumstances in which FERC will estimate GHG emissions as part of an environmental review.
    - By 3-2 vote, FERC said it will no longer consider GHG emissions caused by production or consumption of natural gas.
  - **Dissents by Commissioners LaFleur and Glick**
    - Support evaluation of downstream GHG emissions and the use of Social Cost of Carbon tool as part of FERC's environmental review of pipeline projects.

Trump Administration Activities

- **Grid Reliability and Resilience Pricing NOPR (Docket No. RM18-1)**
  - In September 2017, Energy Secretary Perry released a NOPR which proposed that FERC: (1) establish just and reasonable rates for wholesale electricity sales; and (2) impose rules on ISOs/RTOs to ensure that certain reliability and resilience attributes of electric generation resources are fully valued.
  - FERC declined to do so in an order issued in January 2018. It instead initiated a new proceeding in Docket No. AD18-7 to holistically examine the resilience of the bulk power system.

- **FirstEnergy Petition to DOE for Emergency Order**
  - In March 2018, FirstEnergy filed a petition with Energy Secretary Perry asking for an emergency order under Section 202(c) of the FPA to increase compensation for coal and nuclear power plants in PJM.
  - Reports indicate that DOE may take emergency action in near future.

- **Steel Tariffs**
  - In March 2018, President Trump signed a proclamation imposing a 25% tariff on steel imports and a 10% tariff on aluminum imports.
  - Commerce Department is developing procedures for companies to request an exemption from the duty for steel products such as pipelines that are not sufficiently or reasonably available in the U.S.