

FLORIDA GAS UTILITY 2021 ANNUAL MEETING

October 13-15, 2021

Destin, Florida

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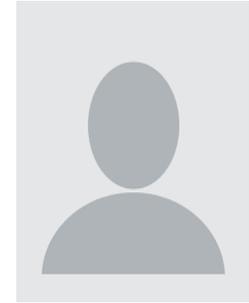
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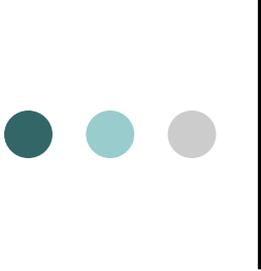
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FERC Leadership Update



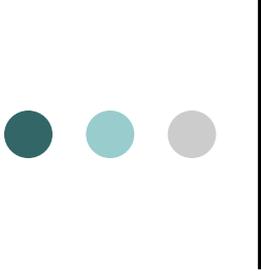
- ❑ Chairman Richard Glick (D)
- ❑ Commissioner James Danly (R)
- ❑ Commissioner Allison Clements (D)
- ❑ Commissioner Mark Christie (R)
- ❑ Willie Phillips (D) nominated to fill open seat
 - ❑ He is currently Chairman of the D.C. PSC





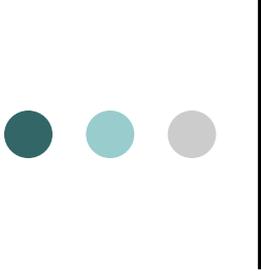
Chairman Glick Initiatives

- ❑ In recent testimony before Congress, Chairman Glick identified five priority areas of FERC's work:
 - ❑ building the transmission grid of the future;
 - ❑ modernizing electricity market design;
 - ❑ updating FERC's Policy Statement on Certification of New Natural Gas Pipelines;
 - ❑ safeguarding the reliability of the electric grid; and
 - ❑ facilitating a more inclusive decision-making process.



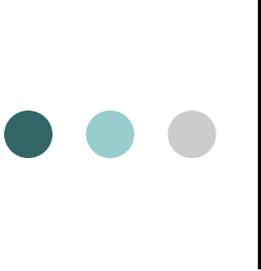
Chairman Glick Initiatives

- ❑ In February 2021, FERC reopened its review of its 1999 Policy Statement on Certification of New Natural Gas Pipelines.
- ❑ FERC will host a virtual technical conference on November 19, 2021 to discuss methods pipelines can use to mitigate direct and indirect greenhouse gas emissions resulting from authorizations under Sections 3 and 7 of the Natural Gas Act (NGA).
- ❑ Earlier this year, FERC established a new Office of Public Participation (OPP) .
- ❑ Chairman Glick has placed an enhanced focus on issues of environmental justice and equity.



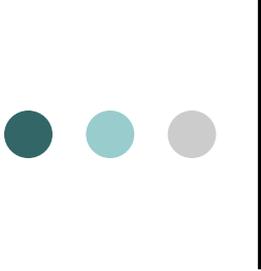
FERC-NERC Investigation into 2021 Winter Freeze

- ❑ Staff from FERC and NERC/its regional entities are conducting a joint inquiry into February 2021 freeze in Texas and the Midwest.
 - ❑ Many industry participants received data requests from FERC-NERC staff as part of this joint inquiry.
- ❑ FERC and NERC staff released a report on preliminary findings and recommendations in September 2021.
- ❑ The preliminary report reviewed what occurred during the freeze and made nine key recommendations, including changes to mandatory reliability standards, to prevent its reoccurrence.
- ❑ The preliminary report did not address whether any specific companies may be the subject of potential enforcement actions by FERC in the future.
- ❑ The final report is expected to be released in November 2021.



Natural Gas Project Permitting Developments

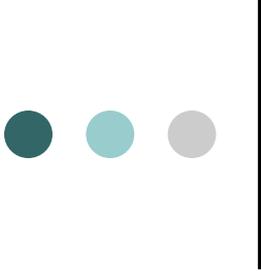
- ❑ There continues to be public resistance to new fossil fuel projects, including natural gas pipeline and LNG projects. Crude oil pipelines like Keystone XL, DAPL and Enbridge's Line 3 Replacement Project have been the subject of intense opposition and legal challenges.
 - ❑ Cancellation of PennEast and Keystone XL projects
- ❑ In several pending natural gas pipeline certificate proceedings, FERC has elected to prepare a more extensive environmental review in order to consider climate change impacts as part of its public convenience and necessity review.
 - ❑ FERC has elected to prepare an Environmental Impact Statement (EIS) rather than an Environmental Assessment (EA) resulting in a longer review timeline.
 - ❑ For example, FERC is preparing an EIS for ANR's Wisconsin Access Project which only entails the disturbance of 4.1 acres of land.
- ❑ FERC is likely to revise the 1999 Policy Statement on Certification of New Natural Gas Pipelines to address climate change and environmental justice issues once there is a 3-2 Democratic majority of FERC Commissioners.



Natural Gas Pipeline Ratemaking Developments

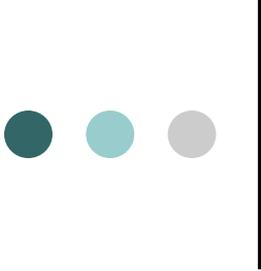
- ❑ Potential impact of an increase in the corporate income tax rate.
 - ❑ TETCO (Docket No. RP21-1001)
 - ❑ FERC recently rejected TETCO's NGA Section 4 rate case filing in its entirety because TETCO included an "unsubstantiated" increase in its corporate income tax allowance in its proposed rates.
 - ❑ TETCO has requested rehearing and refiled its rate case.

- ❑ Issues raised in Section 4 rate cases filed by major pipelines include:
 - ❑ Return on equity
 - ❑ Modernization program (like that adopted by Columbia Gas)
 - ❑ Rate design in light of changes in flow pattern
 - ❑ Roll-in of incremental projects



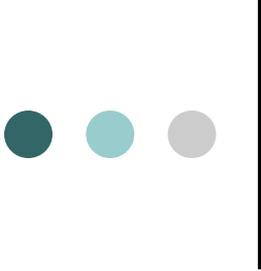
Natural Gas Pipeline RNG-Related Tariff Filings

- ❑ Natural gas pipelines have made tariff filings to address the receipt of renewable natural gas (RNG) on their systems.
 - ❑ Eastern Shore (Docket No. RP20-71)
 - ❑ FERC approved unopposed proposal to adopt specific quality specifications applicable to gas received at RNG receipt points.
 - ❑ Northwest (Docket No. RP20-531)
 - ❑ FERC approved unopposed proposal to define “RNG,” adopt quality specifications and prohibit RNG from hazardous waste landfills.
 - ❑ Eastern f/k/a Dominion (Docket No. RP21-144)
 - ❑ FERC rejected protested proposal that would have had the effect of limiting the pipeline’s obligation to receive biogas/RNG.
 - ❑ Great Basin f/k/a Paiute (Docket No. RP21-987)
 - ❑ Following comments by BP, FERC rejected the pipeline’s proposal to include RNG standards in its Operating Policy (*i.e.*, outside tariff) without prejudice to the pipeline refiling a proposal to put them in its tariff.



FGT Update

- ❑ **NGA Section 4 Rate Case (Docket No. RP21-441)**
 - ❑ FGT filed a Section 4 rate case with FERC on February 1, 2021 as required by its 2015 rate case settlement.
 - ❑ On March 3, 2021, FERC: (1) accepted and suspended certain tariff records to be effective upon motion August 1, 2021, subject to refund, conditions, and the outcome of hearing procedures; and (2) accepted, without suspension, certain rate decreases for Rate Schedules FTS-3, PNR and ITS-1 effective March 1, 2021, subject to hearing procedures.
 - ❑ On March 5, 2021, Chief Judge Carmen Cintron appointed Judge Suzanne Krolkowski as Settlement Judge in the rate case.
 - ❑ Settlement conferences have been virtual due to COVID-19 pandemic.
 - ❑ Settlement Judge Krolkowski held the sixth settlement conference on October 6, 2021. The seventh settlement conference is scheduled for October 19, 2021.

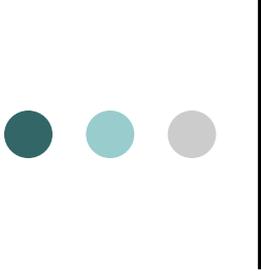


FGT Update

- ❑ **Completed Projects**
 - ❑ Sanford Project (Docket No. CP19-58)
 - ❑ East Louisiana Project (Docket No. CP19-12)
 - ❑ Galveston County Project (Docket No. CP20-505)

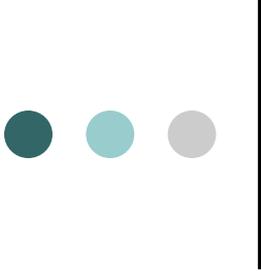
- ❑ **Projects Under Construction**
 - ❑ Putnam Expansion Project (Docket No. CP19-474)

- ❑ **Projects Pending at FERC**
 - ❑ Big Bend Project (Docket No. CP21-45)
 - ❑ FERC preparing EIS
 - ❑ Oldsmar Abandonment Project (Docket No. CP21-501)



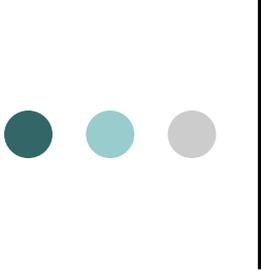
LNG Developments

- ❑ According to the Energy Information Administration (EIA), U.S. exports of LNG continued to grow in the first six months of 2021, averaging 9.6 Bcf/day, which is an increase of 42% or 2.8 Bcf/day compared with the same period in 2020.
- ❑ As of October 2021, total LNG feed gas demand has risen to approximately 10.5 Bcf/day. Accounts for approximately 11% to 12% of U.S. production (approximately 92 Bcf/day).
- ❑ In September 2021, Cheniere received permission from FERC to introduce feed gas to the sixth train at its Sabine Pass terminal in Louisiana. Expected to increase total LNG feed gas demand to approximately 12.5 Bcf/day when put into commercial service late this year or early next year.
- ❑ Calcasieu Pass LNG export terminal in Louisiana is also reportedly near completion. Expected to increase total LNG feed gas demand to approximately 14 Bcf/day.



LNG Developments

- ❑ Global energy crisis has caused LNG prices to skyrocket in 2021.
- ❑ European gas prices (Dutch TTF) had increased from approximately \$15 per MW (approximately \$4.4 per Dth) to \$117 per MW (approximately \$34 per Dth) as of October 5th.
- ❑ Similar increases in Asia (JKM).
- ❑ Blamed on:
 - ❑ cold weather last winter that drained storage
 - ❑ reduction in natural gas exports from Russia to Europe
 - ❑ delay in Nord Stream 2 pipeline operations (from Russia to Germany)
 - ❑ lack of wind in Europe
 - ❑ droughts in South America that have limited the availability of hydro and increased LNG demand
 - ❑ coal shortages and high prices
 - ❑ buy-at-all-cost mandates in China



LNG Developments

- ❑ Despite accounting for only 11% to 12% of U.S. production, the run-up in LNG prices has caused U.S. prices to increase substantially.
- ❑ CME futures prices have increased from under \$3 per Dth (and under \$2 per Dth in 2020) to over \$6 per Dth for most of this coming winter.
- ❑ In a letter sent in September 2021, the Industrial Energy Consumers of America (IECA) urged DOE to prevent a natural gas supply crisis and price spikes this winter by: (1) requiring LNG exporters to reduce export rates in order to allow U.S. inventories to reach the 5-year average storage levels; and (2) to place a hold on all existing, pending and pre-filing permits and approvals on LNG export facilities in the lower-48 and conduct a review of whether they are in the public interest under the NGA.
 - ❑ Pushback on IECA letter from LNG industry
- ❑ Thus far, no response from the DOE (or FERC).



Questions?