

**Williams, Williams Partners First Quarter 2016**

**May 5, 2016  
10:00 AM EDT**

Operator: Good day everyone and welcome to the Williams and Williams Partners First Quarter 2016 Earnings Conference Call. Today's conference is being recorded. At this time, for opening remarks and introductions I would like to turn the call over to Mr. John Porter, Head of Investor Relations. Please go ahead.

John Porter: Thanks Zack. Good morning and thank you for your interest in Williams and Williams Partners. Yesterday afternoon we released our financial results and posted several important items on our Web site. These items include yesterday's press releases and related investor materials including the slide deck that our President and CEO, Alan Armstrong will speak to momentarily.

Our CFO Don Chappel is available to respond to questions and also we have the five leaders of Williams operating areas with us; Walter Bennett leads for the West, John Dearborn leads NGL and Petchem services, Rory Miller leads Atlantic-Gulf, Bob Purgason leads Central and Jim Scheel leads Northeast G&P.

In our presentation materials you will find an important disclaimer related to forward-looking statements. This disclaimer is important and integral to all of our remarks and you should review it. Also included in our presentation materials are various non-GAAP measures that we reconciled to Generally Accepted Accounting Principles. These reconciliation schedules appear at the back of the presentation materials.

Over the past many months, we've taken many questions, questions related to the merger between Williams and Energy Transfer. The focus of our call today is our first quarter results and business outlook, so we're not going to take questions on the pending merger or other related matters.

With respect to the pending merger, I will mention that the Williams Board is unanimously committed to enforcing its right to enter the merger agreement entered into with ETE on September 28, 2015 and to delivering the benefits of the merger agreement to Williams' stockholders. Williams is committed to mailing the proxy statement, holding stockholder vote and closing the transaction as soon as possible.

As always, please feel free to contact our investor relations team for questions you may have and thank you in advance for your cooperation on that.

There are lots of calls today so we're planning on keeping our call to about an hour. If we miss any of your questions, feel free to follow-up with Investor Relations later on today. And with that, I'll turn it over to Alan Armstrong.

Alan Armstrong:

Great, thank you John and good morning everyone. Thanks for joining us -- a busy morning it is and so let's move right on to Slide 2 here. First of all, our first quarter 2016 results certainly underscore the strong fundamentals of our fee-based business model and we're excited at Williams to play a critical role in getting abundant low-cost North American natural gas in the growing markets and delivering volume driven growth to our stock and unit holders.

In fact, we're pleased to say that on an adjusted EBITDA at Williams for the first quarter was up 15% over last year and up 16% at WPZ and this was despite a number of smaller non-cash expense items that totaled approximately \$17 million that we did not adjust out of this calculation. The WPZ DCF performance was up 14% to \$739 million in the first quarter giving us a coverage ratio of 1.02 at WPZ excluding the benefits of the IDR waiver.

This quarter is especially noteworthy as it marks the tenth consecutive quarter that we've delivered year-over-year increases in what we now refer to as adjusted EBITDA where its predecessor description segment profit plus DD&A. Throughout the business we've continued to aggressively manage our cost and align our workforce with the realities of low commodity prices and reduce producer activity in the supply basins and we made additional tough decisions at the end of the first quarter which included reducing our overall workforce by 10%.

But even with market headwinds our focus on fee-based revenue has allowed us to produce strong cash flow despite a 16-year low in NGL prices and as we look forward, it's exciting to see all of the natural gas demand-based projects ramping up as they will be a major part of our growth going forward.

We expect continued growth from our portfolio of large scale demand driven projects and our fully contracted natural gas transmission business coming on in the balance of 2016, 2017 and 2018 and in this period towards then we'll begin to pull on the supply basins that we are already so-well positioned in today.

And we've talked a lot at Williams about the unique position between prolific supply basins and the tremendous demand for markets that we serve especially along the Transco system. We're not the only ones talking about it, in fact, SNL Financial published a story just this week that encapsulates the Southeast's Growing Appetite For Natural Gas Will Change Market Structure great position we're in. The headline is, Southeast's Growing Appetite for Natural Gas Will Change Market Structure and that probably sounds familiar if you've been following Williams for a while and as this article points out, more than 50% of the supply in the southeast currently comes from the Gulf but that the southeast will experience significant demand increases here in the near future and all of the way through 2030 when a whopping 60% of the power generation will be fueled by natural gas.

And if you look at the geography of this demand pool it's hard to miss the fact that our Transco system runs through the heart of this and to bring this tremendous market demand growth story back to the nearer term we said at our Analyst Day presentation last year that we've already captured more than a third of the 22 DCF per day of demand increases along the Transco corridor, forecasted between 2015 and 2025 by Wood Mac and to continue meeting this demand we've announced plans last year to increase the capacity on our eastern interstate from 10.8 DCF's per day to more than 17 DCF's per day by the end of 2017. And that by 2017 we expect to double the capacity of the Transco system from its 2010 level.

So as you'll see when we discuss our projects in this presentation, Williams is strategically positioned like no other company in the natural gas sector to meet this tremendous demand pool and experience significant fee-based growth.

As we move on to discuss the quarterly performance and our operating areas I want to remind everyone that this is the first quarter in which we've consolidated our legacy access operations in the Marcellus and Utica into our overall reporting for the Northeast gathering and processing and we've moved the remaining legacy Access area into what we now call the Central operating area.

With that, let me highlight some of the drivers of our solid performance in each of the operating areas this quarter. First of all, once again the Atlantic-Gulf is delivering strong results as we capture more and more demand fees for providing natural gas transmission capacity on the Atlantic-Gulf systems. Adjusted EBITDA was up \$64 million to \$399 over the first quarter of 2015 and this came from really two primary areas; first of all, we saw \$28 million higher fee-based revenues from higher transportation revenues on Transco and these were associated with various expansion projects that came on during 2015 and then in another \$28 million higher proportional EBITDA from our discovery system and our discovery system continues to benefit from the great successes that producers like Anadarko and Exxon have had in the Keathley Canyon area and of course that fees into our large Keathley Canyon Connector system that we brought online in 2015 as well.

We touch on this a bit later but you'll see that the hits keep coming for the Atlantic-Gulf in terms of successful permitting activity and bringing growth projects online. Additionally, the bulk of our growth for the balance of 2016 will come from the Atlantic-Gulf with three new projects coming online over the next three months.

Our Central operating area, which I mention now, includes legacy Access operations outside of the Northeast, reported adjusted EBITDA of \$226 million for the first quarter of 2016 and this was compared with a \$218 million for the first quarter of 2015 as we reposition those assets. Revenues were virtually flat year-over-year while lower expenses drove the improvements. The \$226 million represents 100% fee-based businesses with essential infrastructure in large scale natural gas spaces in Texas, Louisiana and Oklahoma.

In the NGL and Petchem services area we reported an adjusted EBITDA of \$57 million for the first quarter compared with \$7 million for the first quarter of 2015. Although olefins margin started off very low in January and February, really rebounded in the

month of March and as crude oil prices improved and many ethylene crackers began going offline for maintenance in late March and in April. So we're continuing to enjoy nice margins here in the second quarter.

The increase in the first quarter of 2015 adjusted EBITDA was due primarily to \$60 million higher olefins margins at Geismar with a full quarter of production compared to very intermittent production that we experienced in the first quarter of 2015. I would also note that the adjusted EBITDA in this segment for PZ included \$16 million unfavorable foreign exchange activity in the period as well.

In the Northeast G&P, we reported an adjusted EBITDA of \$219 million for the first quarter of 2016 and this compared with an adjusted EBITDA of \$196 in 2015 and these results improved primarily due to a \$16 million increase in fee-based revenues driven by gathering volumes primarily in the Utica and \$13 million higher proportional EBITDA from an equity method, from our equity method, investments and this was mostly due to our increased ownership in the Utica East Ohio System.

Price related shut-ins averaged \$900 million a day for the quarter, this is always something people have a strong interest in so we estimate, we had about \$900 million a day. That was not \$900 million a day everyday but on average we saw some worse days and some better days than that as producers turn production on and off responding to both load and prices.

The shut-ins were seen across the Bradford County areas, the Susquehanna area and a significant revenue impact felt in the OVM area. But I would like to speak to the fact that this really does represent a great growth opportunity for us without any additional capital spending so the gas is there, the infrastructure is there and as the bottlenecking continues in this area, we'll see that cash flow come back on. One thing to note is during the quarter, we -- or sorry, just recently we completed our New York loop that feeds into the Millennium Pipeline so this was our segment previously referred to as the Laser Pipeline that we acquired and we did complete a loop and this along with the compressor addition at our Dunbar station should add about \$140 million a day of incremental capacity this year that will provide for takeaway. There's a number of other small improvements like that going on as people debottleneck, or take away opportunities out of this area.

In the West, our performance this quarter was stable by any measure as we've been focusing on cost control to offset the significant decline unit NGL margins that fell from \$0.34 per gallon in the first quarter of 2015 to \$0.22 per gallon in the first quarter of 2016. Margins did improve dramatically at the very end of the quarter and we continue to enjoy much better margins here in the second quarter. To be clear, our West Group continues to post remarkably steady EBITDA despite a challenging environment for our producing customers in the Rockies and 16-year low NGL prices in the West.

Overall we think our commodity exposure represents significant upside as prices rebound and the Rockies are very well positioned to respond to growing natural gas and ethane demand as well.

So let me move over to Slide 3 now and talk about our growth projects. And certainly I'll start this off by noting there's been quite a bit of media coverage around the State of New

York's denial of our 401 water quality permit for the Constitution Pipeline. We obviously don't agree with the decision and believe that there was significant amount of politics involved that went into that decision. Some of the resulting media coverage certainly echoes that sentiment. We work hard to do things right by the environment and we work hard to cooperate with regulators and landowners and so we're always disappointed when those efforts, where we really do try to do the right thing, seem to be ignored. The Constitution partners are assessing the path forward and we're committed to building this critical piece of infrastructure. It's certainly important to economic development and jobs in Upstate New York and a reliable supply of natural gas is critical if New York is going to continue its transition from coal-fired power generation to the natural gas use.

It's also critical if the entire New England region is to benefit from U.S. natural gas as it also transitions away from retired nuclear plants and coal-fired generation. However, while the recent headline may have been about Constitution in the state permitting process in New York, we've been making significant progress on a number of projects during the period. First of all, the Transco Garden State project, we did get FERC approval for this \$180 million expansion that will serve a local distribution group in New Jersey. Also the New York Bay project. FERC issued an environment assessment for this \$115 million a day expansion and that is expected to come on in the fourth quarter of 2017 as its in-service date.

On -- moving to the south then for a minute, the Transco Dalton project, which is a major expansion into some natural gas-fired power generation in Northern Georgia, the FERC issued an environment assessment for \$448 million a day expansion and that is also a 2017 in-service date.

On Northwest Pipeline our Kalama Lateral, the FERC approved, we did receive a FERC approval for a \$320 million a day project to serve a proposed methanol production facility in that area and moving back to the south on Transco, the Hillabee expansion, which is a expansion on our system that will service our Sabal Trails Pipeline to the south, that project was also approved and construction will bring, will begin, on that soon.

In the Gulf east we reached agreement with Shell and Nexen to provide deep water gas gathering services to the Appomattox development; really excited about the project. The team has done a great job of keeping that project very low risk to us and taking advantage of our rather expansive infrastructure in the Eastern Gulf of Mexico. So great work by the team there and a great piece of business that we'll pick up there that is very low risk given the existing investments we already have there.

On the Canadian offgas processing the Horizon Offgas project was fully placed in service in March of 2016 and that project has continued to run very well and so congrats to the team on there for bringing that up online. I would note that despite the fires in the Fort McMurray area, and I'll just say we are doing everything we can as Williams to help out the community and our employees in that area from that tragedy but I would say that the CNRL-Horizon plant will remain online in that area.

Williams has a strong proven track record of permitting approvals and we continue to make significant progress across our entire portfolio projects. One of the reasons we've

been successful is that we have been able to work alongside governmental agencies and community partners to support the environmental mitigation and coal preservation where we have operations and are building projects. And, in fact, New York is no exception where just last week Williams was awarded the Lucy G. Moses Preservation Award for our work to restore historic hangers at the Floyd Bennett Field on Long Island, which now houses metering and regulating facilities that are part of our Rockaway Lateral Project.

In fact, this award is the highest honor given for historic preservation in New York and provided a win/win solution for both Williams and the National Park Service which has been trying to, for years, to fund this restoration. So all-in-all I think the list that we've just reviewed demonstrates our continued strong execution on putting growth projects into service and let me touch on a few that are coming soon beyond that.

First of all on Atlantic Sunrise, the -- we're excited that Atlantic Sunrise is targeted to receive its draft [EIs] from the FERC this month. It's a project that's going to help unlock tremendous value in the Marcellus like never before to serve growing demand markets and it's on track for receiving its state and federal permits and clearances and, in fact, really important note here, it is already received its 401 water quality permit in Pennsylvania.

So, this project is really the pipeline part of this project is all in Pennsylvania and we have received the water quality permit, the same permit that has us held up on Constitution, we've already received in Pennsylvania. So we appreciate the great work by both our permitting teams on that as well as cooperation that we get with the State of Pennsylvania.

In Rock Springs, sorry, a project we call Rock Springs which is a new power plant that we're serving, that construction is going to be complete late this month and commissioning will happen very soon after that. This will be in service, placed in a service because of the customers needs being on August 1 of 2016. So our construction on this project is actually significantly ahead of schedule of the planned ISD, so congrats to our team on that project and that is another significant power plant load that we picked up there in the Maryland area.

A Kodiak tieback. This is the fourth third party tieback to the Devil's Tower platform and it did achieve its first oil on schedule in the first quarter of 2016. However, due to some higher pressures in the reservoir, they -- it currently -- the producer has shut that in to accommodate putting in some more robust production facilities to handle this impressive reservoir and we expect that to restart, or that restart to expect here in late May.

On the Gunflint tieback, a really large important project for us and we expect first Gulfstar One, this first Gulfstar One tieback to commission in June. The work is actually going on as we speak there during the month of May and so we'll be turning that back over to the producers here in June for commissioning.

This is going to contribute significant cash flow growth as this big tieback for Gulfstar comes on the line. So with that let's move on to Slide 4. Our pathway to growth in our fee-based cash flows is very clear as it is dependent upon a large number of already

contracted large scale projects serving the growing market for natural gas. For 2016 the major projects are already largely constructed with final commissioning activities occurring here in the second quarter as I just mentioned. And so just looking at the changes here from 2015 to 2016, first of all, we're going to get the benefit of the full-year contribution for projects that came on during 2015, you see that list on this slide. You also -- we also then have the Rock Springs project that I just mentioned, Gunflint, Kodiak and the CNRL-Horizon project which is already online contributing here into 2016 as well.

In comparing 2016 to 2017 further growth is going to come from all of these projects being on for a full year plus the Dalton project which is the very large expansion into Northern Georgia. The Hillabee project to serve Sabal Trails, the Gulf Trace project which is under construction right now and as well as various G&P expansions particularly in the Northeast.

As we look into 2017 versus 2018 or 2018 versus 2017, sorry, you would see the full year contribution of those projects we just mentioned as well as partial contribution from the projects listed here and probably in 2018 we would expect as the pull comes from some of these larger projects that would come on in 2017 like Atlantic Sunrise, we would then expect large pull to start to occur in our supply basin so really excited to see that area that we've worked so hard to position ourselves really come alive into 2018 as the natural gas demand starts to affect those areas.

Beyond 2018, we certainly would have a long number of projects that we're continuing to develop and you can see some of these here that are already fully contracted. The Gulf Connector, a project to increase -- sorry, the Gulf Connector which is an L&G project and then another project to increase reliable service in the New York City area that we're really excited about and we'll have more news on that in the not-too-distant future and then our Hillabee Phase II.

Moving on to Slide 5, I'm going to sum things up today. Our first quarter results really demonstrates the resilience of our strategic focus on natural gas, approximately 93% of the WPZ's gross margin year-to-date is coming from fee-based revenues and we expect that number to continue to increase. Significant new assets are supporting strong cash flow growth and while investments in our growth continue across all of these areas that we mentioned today, we've certainly are continuing to see growth in the Atlantic Gulf segment via the Transco expansion and sequential growth in the Marcellus and Utica volumes which are constrained by market access but, again, we're ready to drive huge growth there because we've already invested in all of the major infrastructure in that area so you should expect to see less and less capital investment in that area but poised for growth as the demand projects begin to unlock the power of that basin.

So once again, I'd like to make a specific point about the connections between Transco and the Northeast. Everyone familiar with natural gas knows that Transco has always delivered gas from the South to the North but set to really unlock the vast supplies in the Northeast its flow will have to be reversed in many areas. And this is a point made in the SNL article that I mentioned earlier, reversing this flow is exactly what we did in 2015 with (inaudible) Southeast expansion and particularly at our state Transco station 180.

It's exactly what we're doing today and it's exactly what our growth projects will continue

to exploit over the next few years and as these projects unlock the tremendous value of America's natural gas resources, they're going to continue to drive volume driven growth from Williams and our investors. So let me wrap up here by saying that Williams is the best positioned natural gas-focused company in terms of our strategic balance. Our strategic position between the demand pull business and our significantly advantaged presence in key supply basins will drive continued growth and deliver solid returns despite swings in markets and commodity prices.

We've seen the success of our strategy reflected quarter after quarter and with the significant growth projects we have coming down the pike we expect to stay on this very positive trajectory as this clean and abundant resource continues to grow our market share both here at home and abroad.

So as we move to questions now I'd just like to ask you to keep your questions focused on our first quarter 2016 results, we know there's a lot of interest in other topics but that's what we're prepared to talk about today so we appreciate if you'd keep your questions focused on that. And so, operator, if we could move on to questions please.

Operator: Thank you and at this time if you would like to ask a question, please press the Star and 1 on your touchtone phone. You can remove yourself from the queue by pressing the pound key. Again, that's star and 1 if you have a question. And we'll go first to Shneur Gershuni with UBS. Please go ahead.

Shneur Gershuni: Hi, good morning guys. Just keeping my questions focused on Williams as it stands, your leverage reduction plans you've talked about in the past, assets sales was something that's mentioned. I was wondering if you can talk about what other options are on the table, some of your peers executed a dividend cut. Has the board considered a temporary cut in WMB's, dividend policy to accelerate deleveraging? I was just sort of wondering what paths you're considering in terms of moving forward with that?

Don Chappel: Shneur, this is Don Chappel, good morning. Great question. I think our comments are consistent with our comments from last quarter. Again, we're very much focused on asset monetization's to fill the gap. You know, the boards will continue to look at dividend policy. We certainly understand all of the levers but at this point in terms of the financing needs that's really primarily related to asset monetization's and as well I'll just comment, there were -- we'll remain committed to seek to maintain our investment grade ratings.

Shneur Gershuni: Does the recent improvement in Chesapeake's credit outlook, or I guess the way the bonds have traded, does that ease some of the pressure on the leverage reduction?

Don Chappel: We don't see it that way. Again, I think we're focused on getting our leverage metrics or keeping our leverage metrics at an investment-grade levels.

Shneur Gershuni: Okay, and then a follow-up, ethane has been a big question as of late. I was wondering if you can comment on how your northeastern assets will benefit from, I guess what's been emerging but nascent recovery in ethane. And I guess if you can also comment on the other side of your business about Geismar margins, you know, could that potentially be a drag if it recovers or would you expect ethylene to go up faster as well too?



Don Chappel: You know, great, great questions Shneur and let me hit the Northeast part of that question first. You know, our exposure in the Northeast is really as a service provider there for the most part and so -- and we are recovering ethane in there as a service to our customers there. So we enjoy throughput through both of our processing and our ethane transportation systems up there and so -- and those came online, I think, in the end of the second quarter last year so we continue to see improvement from that but we really don't see too much in the way of margin exposure there, if you will. So most of our revenues there come from just a transport. The area that we're obviously more exposed to is in the Rockies where we do have rights to the ethane there and I'll couple that now with the question on Geismar which is what if ethane goes up? That's the really nice thing about our portfolio is that we're really exposed from natural gas through to ethylene because we're actually long ethane in our portfolio. So if ethane prices go up, we're actually going to see more margin because we're a little bit -- our [length] in ethane is bigger if we're in full production and, of course, we would be if ethane prices went up.

Our [length] in ethane is bigger than our short on the Geismar side, so it would actually be a net positive to us if we were to see that occur.

Shneur Gershuni: Is it fair to conclude that if ethylene went up faster then you would benefit -- it would be a double benefit?

Don Chappel: That's right. So, really you should look -- the spread that you should think about us really is natural gas to ethylene when you think about our full exposure.

Shneur Gershuni: Great, and then finally on Constitution, the start date has been pushed out, it certainly sounds pretty political and so forth, you know, what's your confidence in the new start date that was put forward? Do you really think that there's some options on the table that you can reroute or do something to address some of the concerns and sort of get this project back on track?

Don Chappel: Yeah, you know, I'm very proud of our team. I think we did everything right there, I think we took great measures to address all of the issues that were raised with us and I think we have extremely strong evidence in that regard and so I am hopeful that science and the facts will win out in that process and that's certainly what we're counting on and so I think this is a little bit unprecedented from our perspective where we've felt like we've dealt with all of the issues in a very meaningful manner and took very extreme measures to meet all of the conditions that were requested of us.

You know, there are times when you get things requested of you and you just can't live with them because they might be too expensive or something but that isn't the case here and we felt like we met all of the conditions that were raised to us. So, I think as the facts unfold on this, I think they're going to weigh in our favor and so I think that's how we feel about it and it's early in the process and we're still weighing those odds certainly but I would just tell you as a partnership and as the operator, I've really been very closely involved in watching what we've done and our team has worked extremely hard to do the right thing.

We've rerouted and rerouted and we've made changes after changes after changes to meet the conditions and as far as we were concerned, we had asked and asked and asked and then told over and over that we had met all of the things that had been requested of us.

So that set with the governor for almost or right at a year after we had been told that we had met the conditions. And so, we'll see. I certainly wouldn't tell you that we know for certain what that looks like but we do think the facts are very much in our camp on this.

- Shneur Gershuni: So there's a way to formally appeal and it not get so political or does it involve you having to make another change and then go through the same process again?
- Don Chappel: So I think the facts as we've laid them out, certainly if we were -- whatever the issues are were raised to us at such that we could address it, we'd be happy to but I think at this point it's really a matter of dealing with the fact that our permit application and taking that forward through the legal process. So that's the way we see it as we sit here today.
- Shneur Gershuni: Great, thank you very much guys.
- Don Chappel: Thanks Shneur.
- Operator: And we'll go next to Brandon Blossman with Tudor, Pickering, Holt & Company, please go ahead.
- Brandon Blossman: Good morning gentlemen.
- Alan Armstrong: Good morning.
- Brandon Blossman: Don, realizing that there's still a lot of moving pieces here but with Constitution pushed out presumably you have a decent line of site on what 2016 growth capital looks like. Is the financing of 2016 and maybe even 2017 fully contingent on the outcome of the asset sales and so is that a sequencing event or is there any incremental color that you can provide on debt versus equity and needs incremental to those assets?
- Don Chappel: You know, right now, again, we're focused on asset monetization as the financing source above cash flows and really no plan at this time to issue equity in light of the still relatively weak equity prices and no plan to really issue [data] then revolver borrowings.
- Brandon Blossman: And any --
- Don Chappel: You know, we'd have something to talk about this summer.
- Brandon Blossman: Okay, fair enough, thank you. And then Alan on the headcount trim, the 10% reduction, is there any color available kind of on the strategic -- is there clearly commodity prices are bad but on the other side of the equation, demand actually is quite good, your growth projects are still out there and arguably to be added to over the midterm. How does that workforce reduction play into kind of the need to have folks on the ground in terms of incremental projects?
- Alan Armstrong: Yeah, thank you, that's an excellent question and I would tell you that really the changes that came about, and I agree with your point that despite commodity prices that's not really necessarily the driver but what we did see was we saw a dramatic slowdown in the growth in the Northeast and so all of the efforts that we had around expanding our systems in the Northeast and to a lesser degree, some in the Central area, have slowed down because of the number of rigs that have pulled back and so as you now we

dramatically reduced our capital budget.

And so as we reduce that capital budget, it takes a whole lot less administrative effort to support all of those growth projects and so that's really the areas that we trend the growth in the supply basins and, you know, frankly we've been growing the company at a pretty big clip just with all of the activity going on and the \$4 to \$5 billion in growth capital a year, we have been growing the company very quickly.

So it was a good opportunity for us to sit back and reset our staffing appropriately to both the slower capital investment rate and less producer activity in those supply basins and so that's what we've accomplished but that's a great question, thank you.

Brandon Blossman: And thanks for that color and then just somewhat related, one micro question, Atlantic Sunrise, the wording in the data book changed a little bit quarter over quarter but it sounds like the permitting process is going at least as planned if not slightly better. Anything to read into that in terms of --

Alan Armstrong: No, I don't think there's anything really to read into that. I think that the -- we are excited about the way the permitting process is going and we just want to make sure that we remain conservative enough in that effort and we certainly are encouraged by some things that we've been, very recently, able to work out in some of the permitting activities and so we're encouraged by that but want to make sure that we're being realistic about how the permitting activities go.

But as we sit here today, I mean, at this very moment we feel very good about the way the permitting activities are proceeding.

Brandon Blossman: That's all for me.

Alan Armstrong: Thanks.

Operator: And we'll go next to Christine Cho with Barclays, please go ahead.

Christine Cho: Hi, I just wanted to touch upon the asset sales again. Can you guys -- have you guys determined if Gulf Stream would have to be sold if the deal were to close due to FTC issues?

Alan Armstrong: Christine, there's no settlement at this time with the FTC so I really can't comment on that so -- but we are exploring multiple asset sales to determine the path forward so we have a couple of options, or a few options.

Christine Cho: Okay, and then just, you know, you guys touched upon this but it's been a while since I've focused on the west operations, so can you remind me how the G&P contracts are structure there? Is it essentially all POP or is there some keep whole still there?

Alan Armstrong: Yeah, let me have Walt Bennett answer that for you. Walt?

Walt Bennett: Sure. There's a combination of contracts and the majority are definitely fee-based but there are some keep whole contracts and percent of liquids as well and so I think the way to think about it would be about -- there is some commodity exposure on about 30% of

the contracts.

- Christine Cho: Okay, and then the ethane rejection that's going on in that region, is it about 25,000 barrels per day, am I in the ballpark?
- Walt Bennett: Well we are now actually -- we are recovering small amounts of ethane just doing the partial recovery and the way to think about the -- if we were in full recovery would be to essentially just double the non-ethane production.
- Christine Cho: Okay.
- Alan Armstrong: So if you look at the operating data for the quarter, I think we had somewhere around 245 million gallons of non-ethane production and that's effectively about the same amount of ethane if we were in full ethane recovery that's about the amount. So that can give you a pretty good picture on what our ethane rejection is.
- Christine Cho: Okay, and then you know just another question on kind of Geismar. You know, when I kind of think about the Petchem backdrop with the new crackers coming on and the feed-stock cost of ethane rising, isn't it possible that ethylene prices won't rise and maybe not keep it to historical correlation to crude? I mean, have you guys thought about whether or not maybe this asset belongs better inside a more integrated Petchem with downstream capabilities?
- Alan Armstrong: Certainly we think that the offsetting exposure we have on the ethane is valuable to the assets but we have made some progress. Back in this quarter we made some progress on going into some fee-based business so some ethane plus agreements for that and we continue to work on that. So I was excited to see our team pull that across the line. Strategically that's where we've been trying to get that asset too and the team made some good progress on that in this quarter.
- Christine Cho: Okay, but nothing else to kind of give us? It's still early stages?
- Alan Armstrong: Yes, yeah, I think -- again, I think we're working hard and that seems reasonable from our perspective that if somebody is willing to go build one, a cracker, that we can sell them the capacity at a much lower cost and so that's the basis of that marketing effort and we are having some success on that front.
- Christine Cho: Okay, great. Thank you.
- Alan Armstrong: Thanks.
- Operator: And we'll go next to Craig Scheer with Tuohy Brothers, please go ahead.
- Craig Scheer: Good morning.
- Alan Armstrong: Good morning Craig.
- Craig Scheer: Can you elaborate on the size or relative size thus far of the ethane plus contracting for Geismar one and maybe the timeframe you envision for this becoming more material to de-risk that asset?

- Alan Armstrong: John Dearborn do you want to take that question please?
- John Dearborn: Sure, thanks Craig. At this point, we have a part of one of our contracts with one of, or one of our larger contracts, with a customer that is now fee-based and I would expect that you should see us moving in the market further toward the third quarter of this year. We might have some more to be able to tell you about perhaps some further progress on our initiative to sell more fee-based ethylene at Geismar.
- Craig Scheer: Great, that would be wonderful to hear progress on. And some updates on the latest in Northeast shut-in in curtail gas and expectations that maybe the FERC may finally step up and exercise some authority to get Constitution over the finish line?
- Alan Armstrong: Yeah, you know Craig I would just say that I suspect there will be a lot of people involved in trying to help resolve that. I think certainly the federal government understands how critical that is and I would even tell you the State of New York, New York ISO and the power generators in New York and the businesses there understand how incredibly important that project is. So I think we'll have a lot of people weighing in on our side of that argument for obvious reasons and so I think that will happen. But, I would say, despite that, there's a number of projects that are continuing to expand and bring incremental values out of the area and as you heard us mention on our New York Loop on the old Laser pipeline which is now complete as well as some compressor addition that we're doing to increase the capacity on that, that allowed about \$140 million a day and there's a couple of power plants in the region that will also work to add incremental load in the area.
- And so we think that kind of debottlenecking will continue to go on and meanwhile we're ready to really express strongly the facts on the Constitution piece and hopefully that will win the day.
- Craig Scheer: Great. And last question, I understood that WPZ's a bit depressed and you've got asset sales that will fill any needs in 2016, heading into 2017, do you see a longer line of potential monetization's and any thoughts on the opening up of the capital markets recently for some of your stronger midstream MLP peers, albeit at somewhat hefty issuance costs?
- Don Chappel: Craig, it's Don, thanks for the question. I think it's a bit early to comment on 2017. Again, we have a lot of options and we'll continue to evaluate what the market offers us as the best possible option and act accordingly. So, again, we'll continue to focus on growing the business and keeping our credit metrics in line and, again, look for the best opportunities as we go through this 2016 period.
- Craig Scheer: Fair enough, thank you.
- Operator: And we'll go next to Sharon Lui with Wells Fargo, please go ahead.
- Sharon Lui: Hi, good morning. You talked about the 10% headcount reduction, just wondering if you can maybe quantify the potential savings from cost reduction efforts and when you expect to realize the full benefit?

Alan Armstrong: Yeah, Sharon, first of all, as we mentioned we made that cut right at the very end of the first quarter and that's about, our headcount prior to that was about 6900 in terms of our headcount so that's about 690 in terms of reduction and that was heavily weighted towards some of our E&C space as well as in our areas of overhead with a lighter reduction in our field operating force and so that is -- you know, you can think about that as, if you do the math on that, a little under \$100 million of reduction but we still are working to take that down further through some other activities and particularly on our supply chain side and our team there is doing a fantastic job of continuing to bring in lower cost as we take advantage of a reduction in that space.

So, overall we're excited about the ability to reduce particularly in that supply chain area and we certainly never like to go through any kind of workforce reduction but I will tell you that the team did a very nice job administering that and proud of the way the organization held it's head high through a difficult time there.

Sharon Lui: That's helpful. I guess looking at the gathering volumes in the Central segment, it looks like the volumes were relatively level sequentially after declining for most of 2015. Can you maybe provide some color on, I guess, the relative performance of some of the regions and segments?

Alan Armstrong: I'm sorry, is your question specifically on the Central?

Sharon Lui: Yeah, on Central volumes.

Alan Armstrong: Okay, sure. Bob, do you want to take that question?

Bob Purgason: Yeah Sharon. As you've pointed out, we've had kind of a good stable first quarter and we're still seeing some declines in the Barnett and the mid-Continent as you would expect and consistent with other activities. It's offset by Haynesville predominantly but a little strength in -- Eagle Ford is kind of holding in there strong too.

Sharon Lui: Okay, great and any update in terms of negotiations with Chesapeake on the rates?

Alan Armstrong: Sharon, I'll take that. You know, I would just tell you that we continue to work hard with them to look for win-win opportunities and again, if you get to do that with Chesapeake and consider them a very big and important customer so we're always looking to find win-wins. We don't have anything specific to report on this quarter however.

Sharon Lui: And just the last question on the 2016 capex guidance, any change I guess in that level given the progress with some of your key projects and maybe the delay in Constitution?

Alan Armstrong: Sharon, really no change in our overall capital plan for 2016.

Sharon Lui: Okay, great. Thank you.

Alan Armstrong: Thank you.

Operator: And we'll go next to Ted Durbin with Goldman Sachs, please go ahead.

Ted Durbin: Thanks it's more of just a modeling question but just in the NGL segment, it looks like your operating costs jumped up this quarter relative to the last two quarters, \$94 million versus running around \$71. I'm just wondering if that's the new run rate or were there anything sort of one-off items this quarter?

Alan Armstrong: John will you take that please?

John Dearborn: There should not be any very unusual ongoing matters here in the first quarter. I guess the only thing I think of, and I'm not sure the numbers you're referring to, I haven't looked back at the chart here as whether this FX impact is in those numbers, that would be non-recurring into future periods.

Ted Durbin: Okay.

Alan Armstrong: I would just add to that, we did have quite a bit of costs in the startup of our Horizon facility and the new Redwater facility that goes with that in the quarter. So, some of that step-up is from the startup of that new facility in Canada, the CNRL-Horizon facility.

Ted Durbin: Got it, that's helpful, thanks. And then I guess for Don, can you just give us a number around the leverage metrics you're really looking at post the asset sale, it's 4.5 times for the bogey or five or four, just kind of where you're trying to get to and then are the agencies going to give you any forward credit for some of maybe the bigger projects that you're working towards?

Don Chappel: I would say that we're working on ensuring that our leverage metrics rating agency adjusted metrics are [quo] five times and trending lower and we do point out the sizeable investments we're making in projects that will go into service in the future and I think that's more qualitative point with the agencies versus the primary metric that they're looking at.

Ted Durbin: Got it and then it was somewhat answered already but any thought from the [WMB] side of things of providing support whether it's IDR waivers or are there other things as you're in the higher capital spending portion here?

Alan Armstrong: I'll just comment that we're in the middle of a plan merger and in light of that we're not going to comment on those kinds of issues.

Ted Durbin: Understood. I'll leave it at that, thank you.

Alan Armstrong: Thank you.

Operator: And we'll go next to Danilo Juvane with BMO Capital Markets, please go ahead.

Danilo Juvane: Thanks good morning. Most of my questions have been hit but I just wanted to expand on the Geismar question. So, with the incremental cracking capacity coming online, don't you see pressure to ethylene margins going forward even though you have the gas to the ethylene [ready]?

Alan Armstrong: I would just say there is a number of derivative projects coming on as well and there's been some major outages recently from a couple of big international plants where there's

some unfortunate event at some large plants overseas and so we do think that there is a lot of ethylene capacity coming on, we also think there's a lot of derivative capacity coming on with that as well and the U.S. really is positioned to continue to grow in its market share on a worldwide basis and as well, something that's something that we're keeping our eyes on very closely is the ethylene export as the U.S., or the world continues, to take advantage of the U.S.'s very low cost natural gas-based olefins and so we're keeping our eye on that and I think it's a reasonable question. John, I don't know if you would add any color to what I just stated there?

John Dearborn: The only thing I would add there is I think it's important to recognize that we're in a turnaround season now that's going to be prolonged through the remainder of this year which certainly is going to, I think, keep supply constricted a bit. The U.S. (inaudible) industry continues to produce at record levels each quarter and so we see it growing but it's growing at a relatively slow rate and I guess I would also be expecting that as we contemplate these plants coming on in the future, the world market for ethylene continues to grow at a reasonable pace and so as long as the U.S. remains able to export, which I think Alan just indicated it would be, we believe it would be, that these plants will likely feather in more reasonably than you might expect, [chunks] of ethylene coming on that could have deleterious effects on the market. It will have some impact but I do believe the plants will come on in a more feathered fashion over this next couple of year period.

Alan Armstrong: I would just follow that just to say that, remember as you run that math, remember to look at our [length] on ethane because if you're correct that we have that much new ethylene coming on in the U.S. the ethane margin and our assets that handle ethane are going to enjoy that as well.

So as you look in your model and try to look at that model, you need to make sure that you appreciate the [length] that we would have if ethane were to get soaked up by all of that ethylene cracking.

John Dearborn: And to add to that Alan some incremental pipeline revenues we'd enjoy as well.

Danilo Juvane: Gotcha, gotcha, thank you. My next question, if I could, with the emerging NGL fundamentals, how do you think about getting to the downstream business? Before, a couple of years back, you had the bluegrass initiative, as you've seen, at least on the [mental strength] is that something that you're thinking about potentially getting to again say a year from now?

Alan Armstrong: Yeah, I would just say we have so much on our plate right now taking care of the natural gas demand side of the situation that when we think we have such huge competitive advantages on that front that that's really where our focus is going to be for the time being. Having said that, we do continue to build out some of our purity systems in the Gulf Coast where the Gulf Coast continues to take advantage of very low cost NGL's and the Petchem expansion going on in the Gulf Coast and of course that's been a long-term strategy of ours to be taking advantage of the need for logistics movements around the Petchem industry and so we will enjoy that. But, I don't see us looking at any very large scale investment opportunities in the space that you reference.

Danilo Juvane: Okay, that's it for me. Thank you.



Alan Armstrong: Thank you.

Operator: Thank you and we have ran out of time for today, I'd like to turn the conference back over to Mr. Alan Armstrong.

Alan Armstrong: Great, well thank you all very much, appreciate all of the great questions. As always, I know it's a busy day and so we're just very excited to be in the space we are on the natural gas front right now and are really seeing our strategy really starting to pay off for us in appreciate your continued commitment to the company. Thank you.

Operator: Thank you, this does conclude today's conference, you may now disconnect and have a wonderful day.