11-May-2017

# The Williams Cos., Inc. (WMB)

Analyst Day

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# MANAGEMENT DISCUSSION SECTION

## John D. Porter

*Head-Investor Relations, The Williams Cos., Inc.*

All right. Good morning and welcome to the 2017 Williams and Williams Partners' Analyst Day. My name is John Porter, and I lead Investor Relations for The Williams Companies. We're really glad you could be here. I do want to also point out Williams' other Investor Relations lead, he's running around the back of the room there, Mr. Brett Krieg. Brett's been taking a bigger and bigger role in the IR side. So I know many of you speak with him, and either one of us would love to catch up with you today if you have a minute.

We've got a couple of slides here that relate to forward-looking statements. You should review those at some point. And then, slide 4 is our agenda for today. I'm not going to go through that. I will mention that I think we're going to take questions. Alan and Michael are going to take questions together after Michael's section, then we'll have a break. We're going to do boxed lunches, and we'll bring those back in for Jim's presentation.

So, I'll just say it's been a couple of years since we've been here with you, and a lot has happened. We're glad to be back. I'd say during those couple of years, Williams' large-scale, natural gas-focused asset base performed extremely well. And Williams is a strong company today, and it has a great growth outlook.

So, today's really all about giving you more information and perspective on that growth outlook. We're looking forward to catching up on everything. There's a lot to cover. So with that, we're going to go ahead and get started with our President and CEO, Alan Armstrong.

## Alan S. Armstrong

*President, Chief Executive Officer & Director, The Williams Cos., Inc.*

Thanks, John, and good morning, everyone. Really glad to have everybody here this morning. It's been a couple of years since we presented and a lot happened during that timeframe. But what you're going to see today is that our strategy has really shined through and the organizations continue to execute very well. So, I really am very thankful for the organization that makes up Williams today and its ability to stay focused through some tumultuous times.

So, we've got a great story we're going to lay out for you today. But I probably – if you're looking for some big catalyst today, you're not going to see that other than the fact we just got very strong, steady growth continuing to come at us, and we have gotten ourselves extremely well-positioned.

So let me get into the presentation here. And so, really, two parts here. First of all, a strategic focus that really began about five years ago. And as we took a look at the company and said, wow, this natural gas story, its natural gas is cheap, it's going to stay cheap and people are going to get better and better getting this out of the ground. And with that, we spun off our WPX and got very focused on building ourselves in the competitively advantaged position wit, I think, the best infrastructure in the space.

And importantly, we went after the areas that we thought were going to be critical to natural gas demand growth here in the U.S. and where we thought all the great supplies were going to come from. So, from a strategic standpoint, I would tell you, we have stuck with that strategy. And here just last year, we really narrowed that focus because we were seeing more and more opportunities just absolutely right down the fairway of the natural gas story.

And so, we went after a more narrowed strategy just last year, selling off our Canadian business and also now selling off our Geismar business and really letting what we think is the strength of our position shining through.

And in addition to that, I would say, so that strategy has been clear, we've been clear on that and we've gotten more and more narrowly focused as we've seen the opportunities present themselves.

On the other side, we have continued for years and, in fact, if you go back and look at Williams' materials for years, you've seen we've been very focused on having large-scale, competitively advantaged positions. We don't believe that you really can add value without having big competitively advantaged positions in the space and we have continued to focus on that. And so, nothing's really changed on that front, but I would tell you we remain very convicted to that position.

So, we really have come a long ways during this period, but one thing that I hope that resonates with you today after you see this [audio gap] (04:42) is you got – if you believe in the natural gas demand story, which I hope that after today, you'll have the same level of conviction that we do around that. If you believe in that, you've got to believe in Williams, because we are very convicted to the story and everything we are doing is around bolstering our hand around the strong strategy.

So with that, I'm going to move on to just talk about really three things that you're going to see today really as a result of this intense conviction that we've had around this strategy. We have gotten ourselves in a position to take advantage of the strategy. And we've continued to invest very heavily over the last several years in getting connected into the best spots, both on demand side and on the supply side, and we've really positioned ourselves now to really take advantage of some high incremental return investment opportunities because we've got the right footprint in place. We've got competitive advantages.

We're not having to build big greenfield pipelines across basins where we don't have big competitive advantages. We've got – everything we're investing in right now, we've got a strong competitive advantage. And what comes with that is a much higher return than the average market allows you for. This is a very competitive space today. There are a lot of people that don't have the growth that we do. And as a result of that, they're willing to take on lower returns and higher-risk projects. We're not having to do that. We've gotten ourselves in a position where we can grow the business with a high return and relatively low-risk positions.

And so, what do we have to do to solve that is on – the other third point is around execution. We've made great strides on this. You're going to hear today from Michael Dunn, who I'm really pleased to have with the company. But you're going to see the great execution that's been going on. And I think it's really nice to hear Michael's reflection on that and, as well, his ideas about how we can take that even a step further. But we've made great progress on that and you're going to see that in some of the facts we've put forward today as well.

So thinking about kind of internally, and this is just a write-out of our internal documents here, the five imperatives that we have across the organization today. First of all on safety, I would tell you, we have got to be safe. We have the blessing of having great assets in great locations, but also with that comes a big responsibility to make sure that we run our business very safely, not just because it's the right thing to do for employees, we also have to do – it's the right thing to do for our community and for our industry. And we are dead set on doing this and doing it well.

And I would tell you from my own reflection, having been in the industry a long time, I think this is a pretty good indicator of how tight a ship an organization is running. And you're going to see continued intense focus on our part on investing adequately to make sure that our systems are safe, and also building a culture within our organization where they know that this is the job number one for us.

On the growth side, great capital discipline being applied. I would tell you, the board that we have today understands big investment, they understand capital discipline, and I couldn't be more thankful for the quality of the board that we have today, both in terms of understanding and, I think, being very aligned with what I think it takes to run a great company.

A lot of focus on not on the typical cash flow accretion, what's it going to do to my GP IDR, but really fundamental long-term value and how do we improve return through long-term investment returns, not through how do we accelerate the GP IDR. And so I would tell you that's very resonant with our business and with our management team today.

We continue to make progress on our operating efficiency. And so, as you can tell through our numbers, we've cut our cost. But I would tell you, we're not done on that yet. We've got a lot of opportunity. As we streamline the company further and moved it from – and have gotten out of Canada, now moving out of olefins, it really allows us to take all of our resources at the company and focus then on a pretty narrow set of capabilities, and that does allow us to continue to reduce costs across the business.

One of the things that we have as a key internal measure that you'll hear a little bit more about today is our operating margin ratio. And so that's a nice comparator that we can use to see how we're doing across the rest of the space in terms of our total cost and how well we're doing at bringing our revenues to the bottom line. So, an important measure and you'll hear a little bit more from Michael on that today.

On the execution front, I would tell you, we made great strides on that, but we're not resting at all. We've got a long list of projects out in front of us. And you're going to hear about execution just in terms of the typical kind of technical execution, but you're also going to hear a little bit today about how we're trying to distinguish ourselves as a company by not just that same old, typical technical approach to building projects, but we really are taking on as a political campaign almost in areas because that's what it's taking these days to gain support, gain local support to getting projects done.

And so, we really are trying to distinguish ourselves, not with an iron-fist approach, to getting projects approved, but really listening to people and trying to figure out how we can build allies and advocates that support our efforts as well and that's become an important part of our execution success.

And then, finally, of course, on the financial performance side, really gotten ourselves in a comfortable position and that's going to get even better. And the thing I really like about the position we're in today is that we've gotten ourselves positioned now with the high incremental return projects that we have. We've gotten ourselves positioned where we can fund our growth within our credit capacity at a very comfortable credit metric, along with our retained cash flow.

And so, we really gotten ourselves in a position where we can go execute this growth without having to dip into any public equity markets. And I would tell you that's also a reflection from the board that we have today, who had a real focus on not having ourselves dependent on the vagaries of the public credit equity markets. And certainly, we saw that last year when we saw the equity markets tighten up about 15 months ago.

So now, if you think about really how we're positioned, now I'm going to move to talking about why you really should believe in this natural gas demand growth. And it really is, I think, understated in many people's minds. I don't think people really appreciate how much advantage the U.S. has gotten off a very low-cost natural gas supply. They're fueling our petrochemical industries. They're fueling our manufacturing. They're providing us with the lowest cost of energy.

I would even argue things like right now that you see going on within the LDC; you see things like major rebuild of people's infrastructure by the local distribution companies these days. That wouldn't be possible if it wasn't for the fact that our gas costs were so low going into utilities, that people's bills are low, and therefore, the LDCs now have the luxury of going in and raising the rate bases on the backs of that. There's a tremendous amount of benefit that we're enjoying as the U.S. – and it's just – I would tell you, people are just now gaining more and more confidence around our low-cost supplies here and the ability to invest capital for the long term based on these low-cost supplies.

It takes time to do that. It doesn't happen overnight. It takes a long time to build out the infrastructure that takes advantage of low-cost natural gas whether it's LNG, whether it's power generation, whether it's methanol facilities, fertilizer facilities, obviously, the petchem facilities that are getting built out takes a long time. But the good news about that – bad news is it takes a long time; the good news is it's pretty easy to see it coming. And so people tend to look at the temporary and the immediate numbers that are in front of them. What really ought to be looking forward is the amount of capital investment that's going in to take advantage of low-cost natural gas because that is what's going to drive demand for the long term.

And why is that? And why do I have so much confidence in that? Couple of things and for those of you that have been in the industry a long time and around the energy industry, one of the things you would know is that the back – probably 15 years ago, what you would hear from everybody, all the forecasters, well, we don't know exactly what prices are going to do, but we do know that gas and oil prices are going to stay together.

So, there was always this relationship between gas and oil prices that really didn't have very much in a way of connection in terms of power generation or anything else, but because there was some alternative use of it between the petchem industry and the oil industries – I'm sorry, between gas and oil, and then the petchem industry, there was some degree of connection.

But as you can see in about the 2006 timeframe, that relationship began to fall apart. And as the shale revolution came on here in the U.S. and we begin to get gas out of the ground cheaper and cheaper, that relationship between crude and gas fell completely apart. And in fact in this period that you see on here from end of 2009 into today, that ratio has been about 3.75. So said another way, oil is 3.75 times more expensive even at the crude level. So before you refine, before you do any refining of the product on crude oil, it's 3.75 times more expensive on a British thermal unit basis.

Believe me in the big industrial world, that does not go unnoticed. You cannot ignore that. You can't be running your business on a more expensive fuel if there's a cheaper fuel available, especially with the concern around carbon and the cleaner nature of natural gas versus crude oil.

So, what we've seen is we've seen more and more industries start to take advantage of that. And I would tell you, another thing, I think, is a real promise for natural gas, and I find this really interesting. If you look at the lines there, you look at the top purple line, that's a Wood Mac forecast for crude oil, and you'll see numbers all over the place on this, but most of them are up into the right on crude oil amongst the forecaster.

If you look at the forward market there that's underneath that, you see the forward market is sitting there relatively flat at about $55, moving up to almost $60, but relatively flat. The point here is there's a big spread in perspective between the forward markets right now and the forecasters on this, and it all leads to not being all that – the price not being all that predictable.

On the other hand, if you look at natural gas, which is today operating on pure market fundamentals, it's not operating on what OPEC's going to do, it's not operating on geopolitical issues. It's operating on very pure, simple incremental margin for production. And as a result of that, you've got a very close correlation between the forward market and the forecasters because people can look at the indicators much easier. The real spread really ultimately – that comes out of that really is around weather. It's probably the primary indicator that will change the pricing levels. And over the long term, I would tell you I think you should expect normal weather patterns compared to previous. So, this gives us a lot of confidence in investing fundamentally in U.S. demand growth.

And so, let's take a look at what's happened historically on that front. You've seen this kind of chart before, but you can see a 3.2% CAGR there from 2010 to 2016 on the backs of more expensive gas. So on the backs of $4.37 price signals, you still saw 3.2% CAGR. Now, this is a Wood Mack prediction of a 3.8% CAGR on the backs of even less expensive natural gas in 2016 and they're at $2.49.

And so, what are the drivers during this period? The drivers during this period are LNG and the Mexico export you can see there in purple, as well as industrial, a surprising number, and [ph] we'll visit (18:40) here in just a moment on that. And then also power generation I find very interesting. You see power generation is flat here. And across the U.S., that may be true. I would tell you on our systems and where our systems happened to be located, it's hard for us to imagine that that's actually going to be flat given amount of long-term obligations people are already making on our systems on the backs of natural gas.

So we're going to drill down now into some of these growth drivers here real quickly. First of all, on the LNG, couple of points here. You can see it's really growing rapidly. In fact, since December of this year, LNG is now up 60%, so being past is up blowing and going running full bore, and they're taking a lot of gas off of our system now.

You can see we have a 1.2 billion cubic-feet-a-day obligation from Gulf Trace. So that's not how much we expect them to take. It's not how much the interconnect is. That's how much they're obligated for the full term they take from us and they're paying for that full capacity.

You can also see there that Atlantic Sunrise will be serving Cove Point to the tune of 350 million a day on a firm basis, and then Gulf Connector serves both Corpus Christi and Freeport. And if you look here at the next map, you can see why we're picking up so much of this business. If you look there through – to the end of 2019, we're expecting about 4 Bcf a day of demand and we've already contracted for over 2 Bcf a day of that.

And so, through these various contracts – and you can see why, it's because we just happened to be the closest, big transmission system along the coastline there, and we're connected to all the right supplies. So you should expect more of the same in terms of our ability to continue to gain the business on LNG. We don't show it here, but you can also see the Northwest Pipeline and you're going to hear from Walt today on that. Northwest Pipeline is extremely well-positioned for another leg of LNG export that'll probably happen into the 2022 and 2023 timeframe. But Northwest Pipeline is also along the coast and well-positioned to serve LNG out of the northwest.

So looking in industrial load here real quickly. I'd tell you, this is going to sneak up on people, but there's a lot of new industrial plants going on. We get to see this because if you're planning on building a big industrial load, it's going to consume a lot of gas. You better figure out where your gas is going to come from and where you're going to source it from.

And so, people work with us early in the planning stage when they're going after big facility like this. And so, one of the things, though, that I find pretty interesting just because of the way that the forecasters track the business is what I would call this hidden load that's coming from ethane. So we track – if you think about it today, if you look at the forecasters, they always use dry gas as the indicator for both supply and demand. And so when you are taking ethane out at a processing plant, that does not show up. That just shows up – that real demand doesn't show up because everything is captured in dry gas.

What really happens is, you take those BTUs out of the gas stream and they have to be made up by BTUs from ethane. And so, it actually is an incremental load. And so, if you believe in the 600,000 barrels a day of incremental ethane load coming from the ethylene business, then you've got another 1.7 Bcf a day of demand coming on top of what the forecasters are picking up.

Now, you see that narrow orange bar there that's called ethylene, just so you don't think that we missed that. That is actually the fuel gas that loads the plant. So, all these plants have to – at a big cracking facility like Geismar, you have both the natural gas load there, as well as your feedstock, and that orange there is just the fuel gas for these plants.

So, as we move now to looking at kind of where we're positioned against those industrial loads, you can see that we're very well positioned, a lot going on, really excited about some of the loads that are starting to emerge up in the Northwest and some very significant potential loads up there in the Northwest and exporting methanol out of the U.S. and there in the Gulf Coast, tremendous amount of different plants going on. It's kind of hard. They get so close together there along the Gulf Coast that they start to overshadow each other. But we are extremely well positioned, a lot of business going on right now, contracting for this new industrial demand off the Transco system.

So, now onto power generation and just thinking about how well we're positioned on that front. As I mentioned earlier, that Wood Mack forecast in there is about almost flat from 2016 to 2021 on power generation load but, again, that's looking across the entire U.S.

If you listen to our customers, if you listen to Southern companies to the big utilities here in the Northeast as well, you'll hear that would be very surprising to them as well. But let me remind you of one thing that a lot of people misunderstand. When you're talking about what we get contracted for, so you see Dalton Expansion, Hillabee Phase 1 and 2 and Virginia Southside II, those are power plants. When they come to us, they're buying capacity. So, just because they're buying – they've got to run a load and they've got to run at peak, they're going to buy full capacity of a trans system like Transco because there's not just available capacity sitting around.

So, they'll buy full capacity. That does not mean that on an annual average basis, they're going to be burning that much. In fact, we're lucky to see them burn 50% to 60% even at a base load facility. So, I would caution you on that and Rory will talk about that a little bit as well.

But as you can see from looking into this map, we are extremely well positioned up against this change-over to natural gas power generation in the Northeast in two areas really and one that Jim will talk about. I think everybody gets the fact that Transco is extremely well positioned around the natural gas power generation change that's going on right now. And I'll tell you what is interesting to me is we've got several parties we're working with right now that we're actually in negotiations with and we know where those plants are and they're not on here.

So, I would tell you that this may be a little bit more conservative frankly than what may actually come out. But in the states that we operate in as Transco, 54 of the 88 projects are in those states. But even more importantly, as you look over there into Pennsylvania and you see all of that collection of yellow dots in Pennsylvania, many of those are being interconnected into our big gathering systems.

Another reason why we like to have large scale, if you're not a big, large-scale system, a power plant in a market isn't going to connect to you. They're not going to take the time to make those connections. When you've got big, large-scale systems that are big, reliable systems, you can actually pick up markets for your customers directly off your gathering systems which just makes your systems that much more attractive. If you think about that, if you're a producer, what do you want at the outlet of your gathering system? You want as many markets, as many people as you can go sell to on a daily basis. And so, big systems track big markets and that's exactly what we're seeing there in the Northeast right now.

So, where's all that supply going to come from for that demand? And this is something that we started on quite some time ago to get in the right position and we actually started back in 2009 timeframe, started looking at the Marcellus because our E&P group at the time was poking around up here, and we were pretty impressed with what they were seeing and what they were sharing with us about potential reserves up here. And we thought, wow, if that's going to be a basin, that is going to be huge positive for Transco because it's going to be able to feed volumes from the North and from the South. And lo and behold, that's exactly what we have today and it's really remarkable how positive that's turned for us.

But you can see here, about 14.7 Bcf a day expected from the Northeast. We'd get all kinds of questions on the Permian. And I would tell you if you look at the range of forecasters, it's about 3 Bcf to 5 Bcf a day, is kind of the range right now that you're seeing out there amongst the forecasters during this time period.

And I wouldn't sit here and tell you that I don't believe that's going to happen. There's a lot of activity going on in the Permian right now. But it is not – there is not near enough gas in the Permian to catch up with this load and really the areas that are going to have to pitch in here as you can see is the Northeast. There's just not another basin like the Northeast that has the scale at the cost that we're talking about here.

So, just to give you a picture though of how Williams is positioned in these basins, 34% of the gathered volumes in the Northeast that were exposed to in the Eagle Ford were about 10% to 15% of that [ph] 4, 5 (28:32). Mid-Continent, we're probably maybe 1% or 2% in the Mid-Continent. And in the Permian, probably 3% to 4%. And then the Haynesville and Cotton Valley, we're a little over 20%, maybe 20% to 25% in the Haynesville and Cotton Valley.

So, I would tell you the areas that I think are really going to be important on a gas-directed basis and I think that gas-directed is very important because if you're building long term infrastructure, you don't really want to be all that connected to the vagaries of oil prices driving production up and down. You want to be connected to the lowest incremental cost basin and, clearly, the Northeast holds that position today.

And in fact, if you look at this, 75% of the remaining risk reserves under $4 here in the Northeast, you can see the combination of the Marcellus and the Utica, then you can see the Haynesville which we're very well positioned in as well and then ultimately getting up to the Rockies, and that's mostly to Pinedale in the Rockies which we're very well exposed as well. So, we really like how we're positioned up against this gas-directed drilling.

One of the things I find very impressive is that if you look back in Q1 of 2015, the amount of gas that we thought we had that was less than $4 – this is really impressive to me – was around 220 Tcf. So, we're getting close to doubling just here in about – in that time from Q1 of 2015 to now, we've almost doubled the amount of reserves we think we can develop at sub-$4. That is going to keep building demand. It's going to keep building people's confidence and the ability to go after the low cost reserves. And there's no – I tell you, I don't see any signs of that slowing down with the kind of improvements that we're seeing from our producers in the basin today.

So, I'm going to roll to a video here real quick. I will just tell you on this. This is a really interesting snapshot of what we've been doing in all the execution. You're going to hear a lot about execution today. But this is just what we've been working on since the last time we met two years ago. I'm very proud of the organization for what else has been going on. A lot of times to you all, it shows up as a number on a spreadsheet when we talk about these big projects. We've been executing on a lot of big projects and a lot of great work [ph] done (31:08) by the organization. So, if you roll the video, please.

[Video Presentation] (31:28-33:25)

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## Alan S. Armstrong
*President, Chief Executive Officer & Director, The Williams Cos., Inc.*

So, obviously, a lot of activity going on and great performance by the team. You can see on next slide – this is just a real quick summary of what all of you saw there, $1.6 billion over these last two years, placed in service on the Transco system, about $1.4 billion in the Deepwater Gulf of Mexico, of projects placed in service, and then other projects as well, as you can see. And of course the projects like Texas Belle and Bayou Ethane. And by the way, you're not going to hear too much about Bayou Ethane today, so I'm going to hit that real quick.

A lot of questions have been, well, gosh, you sold Geismar, and what's the supply deal? We got a full requirement supply deal into Geismar at very near max rates on across all of our ethane systems. So, we have full requirements and we have a minimum 33,000-barrel-a-day take-or-pay obligation, plus any requirements at the plant, and it's at that very near full tariff across all of our system. You can go out and look to see what those full tariffs are out on the FERC system. But generally you'll see those are about [ph] $0.05 a gallon across all (34:41).

So, very attractive revenues that we kept with that sale and fee-based revenues that we kept with that sale and so, we're really excited. That turned out very well. I'm very proud of the team that worked on the sale of Geismar.

So, we talked a little bit earlier about execution and all you see here, all you see on those clips is a bunch of hardware going in the ground, and we've known how to put hardware in the ground long time ago. What we're having to learn new and where we're really trying to distinguish ourselves is on this front of dealing with opposition. We're not going to ignore the opposition. The opposition is real. We're not just going to close our eyes and hope it goes away. And so, we really have been coming at it very proactively coming, and we've been trying to think about how we deal with it very differently, how we listen to people and how we find solutions.

And importantly, I will tell you one of those secrets we found is there are people that will say, I just don't want any gas moving period. I want it kept in the ground. We're not going to make a lot of headway in working with those people. But where we are making headway is finding who our allies are, whether it's the labor unions that want these jobs or whether it's the Fish and Wildlife Service who know the pipeline is going to go in and they want to make sure we're doing what we can to protect the species. We're working with those people to make great allies of them, such that when the opposition comes knocking, it's not just us saying we want to get this pipeline built. It's all of our allies saying we want to get this pipeline built. I'm very proud.

You're going to see a video a little bit later today that during – and come back from the first break because we'll be showing that right when we start up there, showing what all we're doing on that front and I'm very proud about the way the organization has been working.

And just as an anecdote, on Atlantic Sunrise, you started hearing all those noise about the Nesbitt property and all the resistance on that. While that was going on, our team very quietly went out and found a re-route, there was about 40 landowners that we had to go deal with rather than the one Nesbitt landowner, went and secured that right away in very short order and got that new route established during that. That takes great coordination, great effort, and great execution, and that's why you've heard the noise come off of that. That's why you've heard Mrs. Nesbitt's attorney come out and praise what we've been doing because we found that re-route around there. That's what we're going to do. We are not going to just sit and beat our head against the wall. This project is too big and too valuable to sit and do that. And we're going to listen to people and try to find solutions that people will support.

So, on the operational financial performance, I really do believe that our execution has come a long way. This last year has been tremendous effort by the organization to execute. You saw that four records, the record on Transco, the record on Northwest Pipeline, the record on Overland Pass Pipeline, and big volume moves here this last quarter in our [ph] Northeast GNP (37:53) volumes. We went out. We had the Chesapeake credit issue.

As you all know, this time last year, we went out and found some creative solutions to get loose of those credit issues and really excited about how we're sitting there today. We went after costs on the business last year, made a huge reduction and despite all that, we continued to deliver an 8% adjusted EBITDA growth from 2015 to 2016.

As we think about repositioning the company in this narrower focus, we went out and sold $3.3 billion – with the Geismar sale, $3.3 billion in asset sales and despite that, we've continued to grow our EBITDA. So, pretty impressive to be able to grow out and liquidate shore up the balance sheet in that manner and, during that whole time, continuing to grow EBITDA. So, you're going to see that. And importantly, from my vantage point, as I mentioned earlier, getting out of the business of being dependent on the public equity market for this business plan that we have. So, really excited about being loose of that. And we can just go focus on growing this great business with all the great investment opportunities that we've got.

So, as you all know, nothing ever impresses you all but the numbers. And so, this is how we've been doing on the numbers. And so, why did we pick Q1 2015? We had been testing this for some time because we said our business is more resilient than our peers. And so, we think about November of 2014 is when – Thanksgiving of 2014 is when Saudi Arabia informed us they weren't go along with our gig anymore, and really reshape their policies.

And as a result of that, it really shook the capital markets on oil. And so, the test is how well have we done since that. And you can see here we've outperformed our peers here in terms of EBITDA growth starting back in Q1 of 2015. And so, we've been tracking this. We're excited. We think this is going to continue for quite some time because of the kind of opportunity that we've got. So, certainly – we'll certainly keep this updated, but we feel really good about where we stand and where we're going to continue to stand up against our peers on this.

Next, you can see here the team we've got present today. I'm really excited to get a chance to hear from this. A lot of great stories are going to come out of this group today. Michael Dunn is going to give you a little bit of his perspective and history, as well some of the things he's going to be very focused on. I am really excited to have COO with the organization and he has really jumped in. He's been here about seven weeks right now and is really making a big difference and really digging into the details and figuring out how we can continuously improve. He's got a lot of great ideas and a lot of conviction and passion.

Rory has been riding a fast growth wave and you're going to get to hear some more of that, not only what's been going on, but what's out in front of him – tremendous growth in Atlantic Gulf. Walt has been working hard to maintain the steady reliable cash flows coming out of the West with an intense focus on unit cost pressures against that business.

And Jim, of course, has had tremendous growth in the Northeast. Really excited for you to hear the kind of leverage that we have in the Northeast to gathering volumes. And then Don is going to wrap that up with how well we're doing on the financial situation, a great story there as well. So, really excited for you to hear.

Also today, we have – you'll get the chance to meeting Lane Wilson who's right up here in front just to my left. He's our new General Counsel and really excited to have Lane join the team as well. He's really bringing a lot of thought. We've known Lane for a long time as he used to be the head litigator for us with a firm called Hall Estill. Then he went on to be a federal magistrate judge there in the Tulsa, and we were able to grab him just before he got pulled up to a full federal judge. And we're really excited to have him joining our team. And known Lane for a long time, very high-quality guy, and really brings a lot of insight into our business.

So, I talked about what you were going to hear in terms of these three themes today. And so, just to reiterate, our strategy is very sound. We have gotten ourselves in the right positions with the right assets. And as a result of that, we're going to have a lot of high incremental return on investment opportunities off of this great platform. And now, what we've got to do is execute, and you're going to hear a lot more about that execution and the kind of success that we're building on that front as well today.

So, very excited for you to hear the story. Again, I would tell you, if you believe in natural gas demand, you really have got to believe in Williams. I think when we get done with our presentation today, you'll agree with us on that.

So, with that, I'm going to have Michael Dunn come up and start his presentation. When Michael concludes then we'll both jointly take questions. So, Michael?

## Michael G. Dunn

*Chief Operating Officer & Executive Vice President, The Williams Cos., Inc.*

Thanks, Alan, and good morning. It's great to see everybody here today and I met some of you in my previous lives in the industry. But for the benefit of those that may not know me, I'll give you a brief review of my bio.

I actually started my career with Williams ironically as a civil engineer coming out of college and I worked for Williams for 14 years early in my career, primarily on the Kern River pipeline system, if you're familiar with that system out in the Western U.S. Williams was the initiator of that project. I spent a lot of my career there building the original pipeline and then ultimately was leading a $1.2 billion expansion on that asset when Williams sold Kern River to Berkshire Hathaway.

And I left the Williams organization at that time, stayed with the entity that owned Kern River within Berkshire Hathaway, finished up that $1.2 billion project that in today's dollars would probably be north of $6 billion. So, things have rapidly increased in the cost of projects these days. And it was exciting project for me to complete and, ultimately, worked my way through the Kern River organization and was President there for about 2.5 years under Berkshire.

They asked me then to move across town and run PacifiCorp Energy which, for me, was an entirely new industry, a regulated electric power utility company and I was CEO of that business for five year under Berkshire as well.

I had the desire to get back into the natural gas business which is really my passion in life and had the opportunity to jump in to Questar. And I spent a short period of time there at Questar as the President of their pipeline group and Executive VP in the corporate office there.

About five months into that stint Dominion Resources came in and made an offer for the company and I worked through that transition with both of those of companies and chose to leave upon closing of that transaction and then led me to Williams and a great opportunity here to become Chief Operating Officer. So, I couldn't be more excited to be here today and I appreciate the opportunity to present some of my ideas and thoughts about this company.

So, when I started talking about the operations of a business, I started first and foremost about operational excellence. That's really what I think of when I think about anything that I'm doing within a business. The components that I'll talk about today in that regard, deal with safety and how we approach safety. And we are laser focused on improving safety for our employees, the public, and their assets. And that leads directly into reliability of our services that we provide our customers.

And then ultimately, project execution is incredibly important these days for us in our industry. But for us, we have a huge backlog. And in our queue of projects, you'll hear about today from our teams, it's ever more important for us to be able to execute soundly on these projects. And then ultimately, putting these projects in service in a very efficient manner.

Looking at our facilities, we have a great footprint out there within our gathering and processing areas for example. We've built a lot of backbone systems and we're ready to go with expansions that are very efficient and cost effective for our customers and for our shareholders.

So, kind of putting those components all together, that's what really I think about when I'm talking about operational excellence, talk about some of the initiatives we have underway in some of these slides coming up.

I wanted to give you a brief glimpse of our operations team. You'll hear from Walt, Rory, and Jim a bit later. I won't go into their organizations. But I will talk about our support teams that support not only operations, but the rest of our organization.

Mark Cluff heads up our Safety and Operational Discipline organization. He came from DuPont, very great leader in our organization. And he's got responsibility for our employees' safety, pipeline integrity, and our technical performance teams.

Larry Larsen heads up our pipeline control, our gas measurement, and our purchasing functions. Brian Letzkus heads up Information Systems in our organization for the entire corporation. And finally, John Seldenrust heads up our Engineering Services organization. He's responsible for the execution of our major projects.

I will tell you coming in here, I have the great luxury of having a great team under me. It's great to work with these motivated and engaged employees. The morale is great in our organization, and I'm really excited with the team that's been handed to me upon my arrival.

First and foremost, what we have to do and do well is safety and why that's important to you is because that's really the barometer that we judge ourselves upon on how we're disciplined in approaching our business. And we will be good at this, we are good at this, and we will get even better. This is something that you're never finished with.

We will continually improve our approach and our culture to making sure that we are operating safely for the benefit of our employees, for the benefit of the public as well. You heard Alan talk about the luxury we have of our pipeline facilities being in close proximity to high-demand centers, high-population centers. It creates great demand on our pipeline systems, but it also creates a huge obligation to ensure that we're putting the right maintenance capital and expense dollars toward the integrity of our pipeline assets. And we approach that in a very methodical and disciplined fashion, and we believe we do that better than anyone.

So, that's really a huge focus for our business. That's why you see the maintenance CapEx dollars in our plans as they are. That obviously creates some opportunity to try to get recovery of those and we do have some mechanisms in place to make sure that we're properly recovering those dollars as we spend them.

Process safety is really the process you go through to ensure the integrity of your assets, and this is somewhat a term of art when it comes to government regulation. They look at the threshold amount of hazardous chemicals or hydrocarbons that you have in a facility. And if you exceed that threshold, then you have certain obligations that you have to meet and are much more stringent than your typical facilities.

And what we have done, we've extrapolated those stringent requirements across all of our assets in some fashion. We think that's proper for us to do to ensure that all of our assets have the right amount of focus and attention to them throughout our systems, whether they qualify for these more stringent government regulations or not. And so, that's one of the ways that we are focused on improving the integrity of our assets throughout our systems.

One of the other things that we do to improve our continuous improvement activities is we work with our insurance companies to hire third-party engineering firms to come in as a part of our insurance programs to evaluate our areas of operations.

So, they'll come out. They'll do an inspection for either risks, fire hazards or our processes and procedures within a specific operating unit and tell us how we're doing in that regard. We've done just under 150 of these inspections since 2014, and we have 35 more of those in 2017 that are scheduled. So, you might think, how many facilities do we have that would actually qualify for an inspection such as this. We have about 500 facilities where we would think about doing this type of inspection.

And so, we haven't hit all of those as yet, but when we find something that's a problem, during one of these inspections, we have teams that reach out and teach all of our other asset owners and operators what those learnings are throughout our organization. We have a team that's really dedicated just to that function. They ensure that we're indoctrinating those lessons learned into our procedures and our technical training for our operators out there. So, just because we haven't visited a facility, it doesn't mean that we're not utilizing those lessons learned from those audits throughout our asset base.

So really, it just boils down to the fact that good safety for us means good performance from a financial standpoint and good reliability. And I will tell you, our customers oftentimes value reliability even more so than the services they pay for, for our activities that we do for them. If their gas can't flow, they don't get paid. And that's incredibly important for us, to maintain our focus on that and ensure that we're doing everything we can to make sure our services are reliable. I mean customers, if we're not reliable, they remember that and they might look to a different service provider in the future to move their gas. And so this is incredibly important for us to make sure we're maintaining reliable services for our customers.

How do we do that? We have very strong preventive maintenance programs within our footprint, we watch on a quarterly basis what our performance is against our preventive maintenance tasks in the first quarter for example. This year, we had 99.3% of our preventive maintenance tasks completed on time. That's incredible performance from our teams and that's something, just one of the metrics that we watch to ensure that we're maintaining reliability for our customers. We also have asset performance monitoring that we do. We monitor over 250,000 points within our operations footprint to ensure that we are knowing what's going on out there in the field. And you'll see a picture of this in this upper right portion of the slide. This is a depiction of our Four Corners area and some of the points that we're monitoring in our gathering area.

So what happens is, when we have an anomaly in either a pressure or a flow situation, we get real-time notification to our operations teams as to what's occurring there. We can dispatch quickly an operator to that area, find out what the problem is, get the gas back on quickly. In the old days, you would send operators on rounds to go to all of these locations out there and look for a problem. Today, we don't have to do that. We can dispatch in real time operators to these locations to get the gas back on quickly for the benefit of our customers.

We also have a very robust predictive failure analysis team. What they're doing is they're looking at real time operating conditions of a turbine, for example. They see an anomaly occurring on a vibration on the turbine. They can quickly notify our operations teams to get out there, either shut that turbine down to prevent a catastrophic failure or schedule maintenance on that piece of equipment. This saves us millions of dollars per year in avoidance of issues. Even on emissions compliance, we track that as well. We can get a real time notification when our emissions are getting out of compliance. We can take action on that unit and we avoid fines or shutdowns from our regulators.

One of the other things that we do is condition-based maintenance and I will liken this to oil changes in your car. If your car had the ability to monitor the condition of your oil, you would know that you wouldn't have to change your oil at six months or 5,000 miles. You could extend those out and save some money on your maintenance expenses for your car. That's exactly what we do with our facilities. We monitor the conditions of our equipment and we take action accordingly. And that may mean we accelerate some type of activity if we're seeing conditions that we don't like. But typically, we can extend those timeframes out, we can push out those costs into the future to keep our units online and maintain our reliability.

So, we have a very robust process. We have a dedicated team that just focuses on continuous improvement in regard to our reliability for our customers. We believe this provides incredible value for our customers and providing services that they seek from us.

[ph] We're here (55:54) to talk a lot about project execution this morning. You're going to hear more about that from the rest of our teams here. This is one of the more important things we do beyond safety. Years ago, we had a significant ramp-up in our capital expenditures program and we had some fits and starts with that, to be very frank. We had a challenge with being accelerating our capital investment program so quickly that our team stepped back and said, we need a new process here. We need to reevaluate how we're approaching our capital projects.

And they instituted what's called in our nomenclature, the project lifecycle process. And this really requires engagement across our entire team that's responsible for execution of projects from our commercial teams, our project development teams, our construction teams and our operations teams all work together to determine the best process to move a project forward.

Embedded within that is our phase-gate approach to really indoctrinating a lot of discipline into how we perform our projects. And what this does, you can see that depiction at the bottom of the screen here. We have decision points throughout the execution of our projects where we sit back and talk to our teams and make a decision. Is it time to move forward with this project? Do we have customer commitment? Do we have the scope properly defined? Do we have alignment within our operations teams on how we're going to introduce this project into our systems? And we also would like to get to gate 3. That's where we sanction a project. That's where we go either to the board of directors or the proper delegation of authority within the business and say, we have enough information, we're ready to execute on this project.

This creates incredible discipline across our organization to properly allocate our capital. This makes our decision-making much quicker, and I will tell you, much better. And me, being a project manager, I would have loved to have had a process like this early in my career. It would have made me a much better project manager. And we're developing incredible project management teams through this process. I will tell you, we're really in our infancy here. We're just having some of our projects that are coming out of this process, and we're seeing really great results with that.

The Gulf Trace project is a great example of this. This is a project that we completed five months early and under budget. A great performance by our team, and we have a number of significant projects that are currently in our process I'm going through here, where we're seeing terrific results. And our teams are really doing an excellent job applying this.

But I can tell you, this is a learning process, and we are continuing to find things that we can approve upon throughout this process, and we will continue to do that and adopt those learnings to the rest of our projects. But our in-flight projects are performing very well at this point in time, and we're very pleased with that, and that's incredibly important with the backlog of CapEx that we have in our future.

A very exciting slide here and Rory will talk more about this when he has his presentation. But we have over $1.5 billion of additional projects this year that are coming on line alone in the Transco organization. Gulf Trace is already on line generating revenue, delivering a lot of gas into Cheniere's facility down there on the Gulf Coast. The Dalton Expansion is currently under construction, we've had a lot of rain. They say the only area in the U.S. that has a drought right now is Georgia and we've solved that problem by starting our construction project in Georgia.

So our projects seems have been very challenged with that, but we do believe we'll still get that project in on time this year. The Hillabee project, we're introducing gas as we speak into our facilities within that project. That's a project that delivers in to the Sabal Trail pipeline system. It's a new construction and we're delivering that project on time as well as our New York Bay Expansion and our Virginia Southside Phase 2 projects, all on time expectations for those projects. And we're very pleased with the performance of the Transco project teams and our major projects execution organization for these projects.

So, even more excited to talk about Atlantic Sunrise. This is the largest project ever undertaken within the Transco organization. A $2.6 billion capital program and 1.7 Bcf per day, billion cubic feet per day, of expansion capacity. We've already received our FERC order on this project in February. I'll talk about the different components of this project as you can see outlined on the slide. So we've really looked at this project in phases.

Right now have our main line facilities under construction on the Transco system. And that really involves the bi-directional reversing if you will of six stations in the Transco organization.

So we can actually flow gas from north to south from our Northeast gathering areas to our markets that this project is serving.

The Cove Point project you heard Alan talk about is a major off-taker from this project, with the Cabot volume they've committed to on the Atlantic Sunrise project. This project will flow all the way down to our Station 85, ultimately, when we complete this project.

Mainline facilities under construction today and we will be able to achieve some early in-service, assuming customers want to take that service, and we think they will. And that will happen in the fourth quarter of this year once we complete those facilities.

The next tranche of capacity that we would bring on line is the greenfield mainline facilities within Pennsylvania. We're currently in the permitting process for those facilities. We submitted our final update on the Pennsylvania Department of Environmental Protection permits, the 102 and 105. These are streambed alteration and sedimentation permits that we will receive from the State of Pennsylvania.

They will shortly issue a 30-day public notice period for those updates, and we expect to have our permits from the State of Pennsylvania in the July timeframe for those greenfield facilities within Pennsylvania. One other permit that we need from the Corps of Engineers, the 404 permit. We'll submit an update to the Corps next week on that permit application, and then ultimately expect to have that permit also in the July timeframe.

Once we have those three permits in hand, we go back to the FERC. We ask for a notice to proceed for the 186 miles of greenfield pipeline construction in Pennsylvania, as well as the installation of the greenfield turbine compression stations that are associated with that greenfield construction. We hope to begin construction in the fall on those facilities. That's the current expectation of our project teams.

I will say that we further adjust, in our financial forecast, our revenues associated with those. So I know Don will talk more about that in his presentation. But our project teams are marching forward as if we're going to build these new facilities starting this fall, and we have all expectations that that will happen.

So we'll be able to bring on these greenfield pipeline systems that will create another opportunity to bring additional volumes that we believe we can sell on an early basis before the entire project gets complete. But a short period of time later and we're hoping to actually close that period when we bring those final compressor stations online on the Central Penn Line. That would conclude the project, and we would have full service of [ph] Hillabee in (01:03:33) and as I said, we expect this to happen mid-2018 with our project management organization right now.

So I know we've talked about this a lot in the past, but you haven't seen this for a couple of years. We have very complementary abilities within our organizations, between Jim Scheel's organization and [ph] the Northeast Transco (01:03:56) organization, the Marriott projects. And these projects in the [indiscernible] (01:04:01) we have very large expansion underway up there, 850,000 dekatherms per day with a very small capital investment. We have just about 60 miles of pipeline that we're building and just under 50,000 horsepower to achieve a very large expansion for the benefit of Cabot, our large customer up there.

And this is – to give them the ability to fulfill their commitment that they've made to the Atlantic Sunrise project, they have an 850,000 a day commitment on the Atlantic Sunrise project to serve their loads that they expect to be able to place some service in association with Atlantic Sunrise. But our expansion in the Susquehanna supply will be complete before the end of the year. Construction is underway, we're making great progress up there. And as I've said, we'll have this long before the Atlantic Sunrise project is online.

Very exciting complementary assets that we have here in the organization, and we're taking full advantage of that. So, post-2017, we have $4 billion of projects within the Transco organization alone that we're currently undertaking activities on. We talked about the Atlantic Sunrise project. We're in great shape on that project.

The Garden State project is also under construction as we speak. We have a FERC certificate already in hand for Hillabee Phase 2. This is the expansion of the Sabal Trail deliveries. And we have FERC certificate applications in the FERC's hands right now for the Gulf Connector. These are new takeaway LNG export facilities that we're making deliveries to. St. James Supply project is also in the FERC process. And we made our Northeast Supply Enhancement project filing with the FERC in March. That's a $1 billion project that Rory will talk about in his presentation. We're very excited about that.

But there's another reason why we are laser-focused on our project execution capabilities within our organization so we can achieve our customer expectations on these projects. You heard Alan talk about operating margin performance and what we're doing to track that. You can see that depicted here on this slide. We have a great trend line going in regard to how we're performing here.

And what we've done is we've taken the combination of our O&M and G&A costs and married those up in this analysis. We want to take all the bias out of how our peer companies and ourselves categorize O&M and G&A costs. We just combine those into this calculation to ensure that there isn't any bias on how those costs are being maybe categorized within our peer companies.

We're trending very well against our own internal benchmarks and our peer companies here. And we will continue to expand and improve upon this ratio because we have a lot of projects coming on line. We're going to generate significant revenues from those without corresponding increases in our costs associated with those just because of the footprint that we have out there and the availability that we have to take advantage of that vast foundational footprint that we've already built within our organization. So, more to come on this. But we're tracking this very closely. We're continuing to focus on reducing our unit costs. And I would expect to see this continue to improve on the same trend line throughout our organization.

So, briefly before Alan and I take some questions from you all, I'd like to leave you with these closing comments. We are a company that's incredibly focused on operational excellence. We will not forget that safety is the most important thing we do each and every day for the benefit of our employees and the public and for the benefit of our customers in reliability. That's incredibly important to us. We will continue to maintain our focus in that regard.

Project execution is never more important than it is today for our organization. The opposition has gotten much better to projects. And that's a large component of how we execute projects today. And we will continue to focus on that, execute our projects the right way and try to work with the allies as you heard from Alan in regard to how we execute these projects.

Ultimately, very focused on increasing the efficiency of our organization as well. And I can tell you I have a huge luxury of coming into this company at a great time. I'm very excited to come in when I am now to continue to lead the evolution of our center-led organization. I hope to be able to take the lessons learned, the difficult lessons learned that I've had throughout my career and work with my colleagues within Williams to improve on our business and I'm very excited to do that. And I think Alan and I are prepared to take any questions you may have from us today.

# QUESTION AND ANSWER SECTION

**Alan S. Armstrong** A
*President, Chief Executive Officer & Director, The Williams Cos., Inc.*

Yeah. I think we've got some microphones in the room here to help out with us.

**John D. Porter** A
*Head-Investor Relations, The Williams Cos., Inc.*

I'd ask that you wait for the mic, so we can get the question on to the webcast, and please if you could state your name.

**T.J. Schultz** Q
*Analyst, RBC Capital Markets LLC*

This is T.J. Schultz of RBC. Alan, what's the process from here and your expectation on constitution for permit litigation?

**Alan S. Armstrong** A
*President, Chief Executive Officer & Director, The Williams Cos., Inc.*

Yeah. Thanks for the question, T.J. The constitution continues to be an upside for us; it's not in our plans right now in either capital or our earnings. And so I would – as I've said previously, despite what the, I would say, a little bit of an overstatement in the headlines yesterday, we continue to work closely with the administration to try and make sure they understand what levers they can pull particularly with the U.S. Army Corps of Engineers.

We also continue to try to work with the state and really trying to understand if there's a way to bridge the differences there. And so I would tell you, we continue to work on it constructively. I think we've got two avenues right now. One through the second circuit appeals court and then the other trying to make sure that the administration understands today the – we think pretty clear opportunity they have to go ahead and waive the requirement for the certificate from the state and issue the permit. And so I would just tell you, there's a lot of people with their hands in the air right now with the administration on things that want to get solved, and you've got to have a lot of people voting with you on that to gain attention. And one of the things we're doing on that front is making sure that the labor unions and particularly the big unions that get jobs out of our projects are in lockstep with us in trying to raise that voice. And I would tell you they've done a pretty nice job.

And so a little pipeline coming from Tulsa, Oklahoma is not going to get that much attention but the labor unions are pretty powerful with their voice these days particularly in the political front. So we're trying to leverage that relationship and it's going pretty well. But I would tell you there's a lot of people with their hands in the air and I think ultimately would be successful but I don't think it's going to be anytime soon.

**Craig K. Shere** Q
*Analyst, Tuohy Brothers Investment Research, Inc.*

Craig Shere, Tuohy Brothers.

**Alan S. Armstrong**
*President, Chief Executive Officer & Director, The Williams Cos., Inc.*

A

Hi, Craig.

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**Craig K. Shere**
*Analyst, Tuohy Brothers Investment Research, Inc.*

Q

Alan, as usual, you've highlighted the gas centric differentiation at Williams versus more of your liquid focused midstream peers and also your Northeast exposures. Can you discuss how that positions you in your mind in the broader M&A market either as an acquirer or the alternative? And can you also discuss, given your unique exposure, differentiated exposure, your confidence in maintaining perhaps $2.5 billion a year in accretive growth projects through the end of the decade and beyond?

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**Alan S. Armstrong**
*President, Chief Executive Officer & Director, The Williams Cos., Inc.*

A

Great. Thank you, Craig. First of all, on the M&A front, I would just tell you, we've always have our eyes open to opportunities that will add value, and particularly things that bolt on to our existing footprint, and that's where most of our focus is these days. These things that are very complementary to both our strategy and the strength – and our competitive advantages in the basins that we operate. And we'll continue to work there. The challenge you have when you have such a great portfolio of opportunity in front of you is that you can't dilute that. So, if you're looking at analysis to the capital allocation question and when you have so much good opportunity that we have out in front of us, it's hard to find anything that competes with that very well in the M&A front. And so, you've got to have a lot of synergies or a lot of competitive advantages that come your way as a result of it to make sense.

And that's – so we keep looking at it, but we kind of keep coming up against that same thing which is there's so much value to just executing on what's right in front of us. And so, that leads me into the second part of your question around the $2.5 billion. And I would tell you that we just keep filling our hand in on that front.

So, I would say a couple things to that. One, I feel pretty good about making that number, but as you're going to hear from Jim Scheel today, the capital efficiency that we have against the bucket of capital out there really makes that number a little less important than it has been previously because there's such incredible efficiency right now in the growth capital deployed in the Northeast. Said another way, we've got such a high multiple on that capital. There's so much capital efficiency that the typical way of looking at that growth rate and saying, okay, well, let's take $2.5 billion and put a 15% return on it and that'll be the growth rate, that's not a very good way of looking at our business today just because we've got such prime position to leverage off up there in those areas. You'll see a little more from Jim on that today.

But I would tell you, right now, our challenge is finding anything that can compete with the great portfolio that we have in front of us right now.

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**Shneur Z. Gershuni**
*Analyst, UBS Securities LLC*

Q

Shneur Gershuni with UBS.

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**John D. Porter**
*Head-Investor Relations, The Williams Cos., Inc.*

A

Hey, Shneur.

**Shneur Z. Gershuni**
*Analyst, UBS Securities LLC*

Q

You've spent a lot of time this morning talking about operational excellences. You've talked about Gulf Trace coming in under budget, early, and so forth. Can we expect this process will improve the timelines and budgets for some of the projects that you have going forward? Is there an expected return enhancements as a result of what you're looking at? And can you give us some color on that?

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**Michael G. Dunn**
*Chief Operating Officer & Executive Vice President, The Williams Cos., Inc.*

A

Yeah. I'd love to. Our teams are very focused on developing realistic projects schedules, I would tell you that. I mean, we risk-adjust those in our business plans. But we're going to push our teams to beat those business plans where we can. But we'll continue to be conservative, I think, in developing our forecast in that regard. And the reason why is we don't control the whole equation in regard to project schedules. We will do everything we can to properly document the permits and the applications that we make, but we don't control the agencies unfortunately.

We would love to be able to do that, but it's upon us to make sure that we're providing everything to the agencies we can to help them do their jobs well. And that's one area that we'll continue to focus on and get better on, and we think we can improve upon those project schedules by doing that.

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**Alan S. Armstrong**
*President, Chief Executive Officer & Director, The Williams Cos., Inc.*

A

And Shneur, I would also add to that, and then you'll see a little bit from Rory, one of the things that we typically don't include in terms of returns on these projects is we don't include the early in-service revenues, and those can be pretty meaningful to these projects as well. And so, I think in terms of – if you were measuring what we thought we were going to have two or three years ago when we started these projects to what we're getting today, one of the key things you would see an improvement is early in-service revenues that we typically don't build into those economics.

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**Theodore Durbin**
*Analyst, Goldman Sachs & Co.*

Q

It's Ted Durbin with Goldman Sachs. Question on the competitive positioning of Transco relative to utilities that might try to self-build pipelines, whether it's Atlantic Coast or other pipelines that they might want to build themselves rather than contract with you?

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**Alan S. Armstrong**
*President, Chief Executive Officer & Director, The Williams Cos., Inc.*

A

Yeah. I think there's a lot of good examples of that out there. You've got Atlantic Coast. You've got the PennEast project which was pretty well-sponsored by several utilities. And I think, one, I think we'll continue to see that. But I think also, it's going to boil down to who has the capabilities to get those kind of things done.

Certainly, Dominion has got some great capabilities in that regard on Atlantic Coast. And I think we've seen them be pretty smart about how they deal with the political and regulatory front. But at the end of the day, I think it's going to boil down to what advantages you bring to the table.

And so, if you think about something like Dalton, as a good example, Dalton was a lateral that anybody could have built, the problem was how do you get the gas to that lateral and to the front end of that lateral. And because we already have the pipeline in this very difficult to construct thoroughfares, that gives us the competitive advantage.

And I would tell you, we have so many opportunities in front of us right now. We're likely to continue to do JVs like Dalton. And we think that's a smart way of doing it, where we continue to control the main thoroughfares, and we allow the utilities and the LDCs to have investments alongside us, so we stay aligned. So, so far, that's worked pretty well for us. And I would expect us to continue to do more of that.

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**Craig K. Shere**
*Analyst, Tuohy Brothers Investment Research, Inc.*

Q

Craig Shere, again, Tuohy. We've already had a question about constitution, but Alan, since Michael came onboard, my understanding is you've been devoting a lot more personal time towards trying to shepherd some of these projects through the regulatory maze. And I wonder if you could just comment more generally about how much traction and efficacy you see in your personal efforts, and whether you think things could start accelerating in the next couple years.

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**Alan S. Armstrong**
*President, Chief Executive Officer & Director, The Williams Cos., Inc.*

A

Yeah, thank you, Craig, for the question. I'm very encouraged by the effectiveness of getting engaged in that. I would tell you, I used to go to D.C. and come back really depressed because it didn't seem like anything made any difference, and it didn't seem like anybody really cared.

Today, it feels like people care, and it feels like there's a lot of advocacy for the jobs that our industry creates. And with that, with the union support of those jobs, it does feel like we're getting pretty good traction – and I think one of the reasons, not just in D.C., but also in the state, anybody that's worried about an election that has union, has a big union population, if you think about what happened in the presidential election, it really caught people's attention where the union states, where the swing states have actually dictated the election, and the union leads are really [indiscernible] (01:19:55) for all its worth, and they've done a great job of it.

And so, they've got a very strong political voice and saw us aligning with them. Again, we don't have enough jobs as the Tulsa pipeline, and we don't have enough influence there typically. But being aligned with the jobs and being aligned with the unions really does give us a strong political voice on some of those issues, and that's what I'm seeing us being more effective at, is aligning and bringing allies alongside us that really do have a big voice.

And so, I'm pretty encouraged. Ultimately, I think we're going to make some real progress on this. Like I said earlier, there's a lot of people with their hands in the air right now on particular issues. I think the fundamentals are on our side, and I think there is a serious interest in listening to what the unions have to say because people, whether it's the governor of Pennsylvania or the governor of New York, legislators in Pennsylvania, everybody had took note of what happened in the last presidential election in that regard.

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**John D. Porter**
*Head-Investor Relations, The Williams Cos., Inc.*

A

[Inaudible] (01:20:59). We'll move in to break.

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**Alan S. Armstrong**
*President, Chief Executive Officer & Director, The Williams Cos., Inc.*

A

Okay. All right. Great.

John D. Porter
*Head-Investor Relations, The Williams Cos., Inc.*

A

[Inaudible] (01:21:02).

Alan S. Armstrong
*President, Chief Executive Officer & Director, The Williams Cos., Inc.*

A

Okay. John's going to take one more question here from [indiscernible] (01:21:09).

Q

[Inaudible] (01:21:10-01:21:19).

Alan S. Armstrong
*President, Chief Executive Officer & Director, The Williams Cos., Inc.*

A

Okay. [ph] Josh (01:21:18), will you give him the mic?

Q

Hey. Good morning. Anything going on with steel costs, and how you think about procurement for steel?

Alan S. Armstrong
*President, Chief Executive Officer & Director, The Williams Cos., Inc.*

A

Take that?

Michael G. Dunn
*Chief Operating Officer & Executive Vice President, The Williams Cos., Inc.*

A

Yeah. I think we're pretty comfortable with where see steel costs now. We try to get out and procure materials in advance of our efforts, so that we're not caught off guard in that regard. We're certainly evaluating the Buy American proposition as well. We fully support Buy American in regard to steel and the components that go into our pipeline systems.

Our concern there is can the mills make these components on a timely fashion. And so, we have to factor that into our project schedules now because a lot of these projects, they get bunched up, so to speak. And everybody wants their pipe at the same time. So, we've got to plan that out. We got to work with the American steel makers and the pipe mills to ensure that they can meet our schedules, they can meet our quality specifications.

And frankly, the components that go under the valves, there's not a lot of American-made large-diameter ball valves in the United States. And so, that's a concern. And we're working with the manufacturers as well on, but we fully support the Buy American proposition. And we are hopeful that the manufacturers and ourselves and the industry can align on what that timetable is that they can meet all of our needs throughout our industry. But we're pretty comfortable with where things are today.

Alan S. Armstrong
*President, Chief Executive Officer & Director, The Williams Cos., Inc.*

Okay. With that, we're going take a 15-minute break. And please try to be back in here on time because we do have a video, I think, will be interesting to you at the front end of that. Thanks.

[Break] (01:23:06-01:36:51)

# MANAGEMENT DISCUSSION SECTION

## John D. Porter

*Head-Investor Relations, The Williams Cos., Inc.*

Hi. Can you hear me? Okay. Let's go ahead and take our seat. Alan mentioned a video that we wanted to show you, which we think demonstrates how we are trying to distinguish ourselves in the stakeholder engagement front with some proactive solutions. Interesting video here. So, let's go ahead and roll that.

[Video Presentation] (01:37:14-01:38:14)

## Rory Lee Miller

*Senior Vice President, Atlantic – Gulf Operating Area, The Williams Cos., Inc.*

You got the mic on? Yes, you do. Well, good morning. Hi, my name is Rory Miller, if I haven't had a chance to meet you yet. I'm the Senior Vice President for our Atlantic Gulf operating area. You've heard a lot already about Atlantic Gulf, particularly Transco. That's a big part of our story. And Alan touched on it as did Michael.

I'm going to be focused on three areas. To start with, I'm going to talk a little bit about a few projects that were recently completed as well as all of our in-flight projects, that totals about $7 billion of new capital investment.

I'm also going to talk about our sales funnel, what's coming. I know that's something that you're all interested in. And you're going to keep up this pace, and I'm going to give a little bit of color on that as well. And then, I'm also going to talk a little bit about the rest of the Atlantic Gulf, that's our offshore work. And we think there's a new growth cycle coming in the offshore Gulf of Mexico. And interestingly enough, we're seeing a lot of leadership with some of the development on the Mexican side of the waters.

This is a slide that I think you've seen a version of probably for three or four years. It really tries to tell the growth story, that's $7 billion I mentioned, that does include a few projects that went into service in 2016. And then, one that went into service in 2017. They're shown in the orange lettering on the call-out boxes. That's 7.4 Bcf of new capacity that we're bringing on line over the next handful of years.

Compare and contrast that with the forecasted demand growth, that's in the blue-shaded states. This is a Wood Mack number. It's a little bit of an apples-and-orange comparison. And I'll just tell you – I'd love to think we're getting over 50% of the opportunities in those states. It's probably a little bit less than that. And it has to do with Wood Mack focusing on the actual gas used or the average gas used as opposed to, say, the maximum one-day quantity that an end user need. So, that tends to be what we contract for. So, we're out looking for that total maximum that we can sign somebody up for, where Wood Mack is looking at what actually flows. So, a little bit of difference there, and we'll be talking about that as well.

I know a question that I've heard a number of times, and I know John Porter and Brett constantly are getting asked is about what kind of multiples do you guys earn on these projects, and it's a fair question. We tend to not get into quite that much detail on each individual project. But what we put together here is a slide that we think gets you in the neighborhood, and we'll allow you to convince yourself that you understand how these projects are performing.

We listed at the top of the page there some time periods and then within each time period, we show the growth capital that's placed in-service, and then down below are the projects that make up that growth capital, and then the full-year run rate. So, you can do the simple math on those baskets of projects that we've completed. And if you do that math, you'll see it comes out to about a six multiple. That's what we've seen over a pretty extensive time period here. That's the benefit of us leveraging our existing system. And I'll be talking more about those benefits as I go through my presentation.

I'll also say as we're looking forward, we have a chance to invest in similar kinds of projects, projects where we can leverage our current asset base. I think we'll see similar kinds of multiples as what we've seen over this five or six-year period.

Again, this is a slide that really drives home the point, not that it needed to be driven home anymore, but drives home the point of the kind of growth that we've been seeing over a pretty extensive period of time. And if you go back to 2010, you'll see that we're just a shade under 9 Bcf a day of contracted firm service on the system. If you look ahead to 2020, 10 years later, that number is just a shade under 18 Bcf. So, a full 100% increase in the capacity, the contracted capacity of Transco over that 10-year period.

And a couple of noteworthy places, in fact today, we're making that transition from 2016 to 2017. 2017, this year we're in today, is a big year for us. We've already had the Gulf Trace project come on that was 1.2 Bcf a day. Other than noteworthy projects that are coming on this calendar year include Hillabee, Dalton, Virginia Southside II. Those are going to help us take that big step. And those numbers at the tops of those bars, that's the capacity that we expect to exit the year at.

So, for instance, we typically have a peak day volume that's above whatever our contracted capacity is. I don't know if we're going to be able to do that in 2017 even though we did hit a new peak day record in early 2017. We typically don't hit those in December. If you look back over those last 10 years, we typically hit that in January.

Maybe we'll do it this year, maybe we won't. The other big step-up on is there is between 2017 and 2018. So, I mentioned 2017 is going to be a huge year. 2018 looks very much the same. And I'll just point out to you, this chart assumes that we hit our middle of 2018 in-service day on Atlantic Sunrise. That's the majority of that big step-up between 2017 and 2018. To the extent, we fall more in line with our financial forecasting, then that would push it to the next year. But I'm feeling quite good about the 2018 right now.

This is a slide that it's got some new information on it. I don't think this is anything that we've shared before. What's shown on here is the interconnect capacity that's been installed over a period of years, that has been paid for by others. So, on some of those previous slides, we showed a lot of major projects and those major new projects, they include interconnects as well. Those interconnects that are part of those major projects are not on this graph, okay?

This is kind of the hidden story. This is the story that we've never really shared with this group before. This is where people are coming in, and they're signing up for us to make new interconnects, either to bring gas into the system or to take gas out of the system. And in those types of arrangements, they have to send us a check for that work. So, this is 22 Bcf a day of those kind of transactions over this five or six-year period.

That adds a lot of value that is not captured in these major projects. If you own a pipeline system like we do, we always like to have more supply attached to it rather than less. And we like to have more markets attached to it rather than less.

And maybe getting back to Ted's question that he asked earlier, he was asking about how about these new pipelines that are being built out there by LDCs. Well, if I'm the customer, I'm thinking about where I'm going to source my gas from, and you're choosing between kind of a point-to-point new pipeline that has one pipe in the ditch or you're choosing between Transco that has maybe three to five pipelines in the ditches, and it's got untold amount of inputs and outputs. That's a valuable place to take firm service out on. And I think that's a big reason why we've been so successful in selling firm service.

It's why we've gotten – I would like to say we get our fair share. I think in this instance, maybe we've gotten even a little bit more than our fair share. Although I set the bar for fairness pretty high and I think so far we've delivered on that, an example I would use that kind of ties in with some other projects that we'll talk about today. But in the 2008, 2009 timeframe, we had three different interstate pipelines that paid for interconnect at or near Station 85, okay. We rolled the calendar ahead about seven or eight years. Well, the Hillabee project originates out of 85. Why? Because you got always these major supply deliveries into that point.

And so even though we didn't make that investment, these investments here, this 22 Bcf a day of interconnect investment that's made by others is setting us up for future firm service sales somewhere down the road. And it's the kind of thing that's not out there on a brand new pipeline. It'll take them 70 years to get to the place where we're at on Transco. And I just wanted to share that with you. I think it's a huge reason why Transco is so attractive and why we've been so successful in winning business.

I don't think it would come as a shock to anyone to say that Transco is an important project for Williams. I wanted to show a statistic here just so you could put it into some context. And 2019, assuming we get a full year run rate out of Atlantic Sunrise in 2019, it would make up 25% of the EBITDA in Eastern Interstates, significant needle mover for us. And I'll also say that Eastern Interstates, that includes Gulf stream and cargo pipeline all the rest of the joint venture assets as well. So pretty big needle mover for Williams.

I also promised, or Michael promised that I'd share a little bit of financial information with you on Atlantic Sunrise. And I thought what I would do, even though I'm not going to give you exact dates because I don't know what the exact dates are, I thought I could talk about those phases that Michael described.

First of all, we've talked about some early mainline service. We think that will run about $4.5 million a month. Now, that is a guess, okay. That early mainline service requires two things. It requires us, one, to be ready to provide it and it requires somebody to sign up for it. And when they sign up for it, they've got two choices. They've got a choice as to how much volume they want and what kind of rate they're willing to pay. Those discussions, those negotiations have not taken place yet. So the $4.5 million a month, it's nice, it's the extra add-on that Alan talked about. And we've been doing a great job. The team has done a great job of going out and nailing that business down and I've no doubt they'll do it here. But that is an estimate. Time will tell how we do.

If we wind up pushing the project back a little bit, we could have a separation between when the Central Penn Line comes into service and when all the compression is ready to go. If we have that separation, then we would get about – we think we'll get about $24 million a month in that kind of uncompressed mode of operation. And that number, I feel more confident about because I can tell you, if we had that Penn Central Line in service today, we would be able to sell and contract every single bit of it. So I'm very confident that whatever we have, those that are in a position to take it will take it.

And then when the project is fully in service, that monthly revenue number goes to $35 million a month. And that's not the end of the story. Jim's going to tell you all about his gathering business up in the Northeast part of the state. There's volumes there that are just waiting for new takeaway pipeline capacity to be brought online. I think a rough estimate when we come online here and we're fully in service on the Atlantic Sunrise project, probably add another $13 million or so of revenue on there.

So think about that. That's almost $50 million a month of revenue that we're going to get to enjoy when this project comes on. And I know you guys are always looking at multiples. But you can see that it's a difference maker. You're going to notice it when it comes on. We're going to notice it in the stock price and it can't get here soon enough.

Dalton's another one that has been talked about already. The poor looking bat that you saw right before I started was that little guy was – and our funding of that project was in part of what we've invested so far on this Dalton expansion.

This project we thought we were going get on early. We have had a lot of rain out there. And when you got open ditches and a lot of rain, it will slow you down and it certainly has. We still very confident that we're going to get it online in July of 2017. The early service revenue on this, that started in April, is running about $4 million a month of fee-based revenue. When the whole project's on, it'll be about $6 million.

So again, great, great project for us at 448 million cubic feet a day. This is – I wouldn't call this a small project. This is good-sized business for us and certainly one that we're anxious to get online.

This Northeast supply enhancement project is one that we probably talk the least about. We actually contracted for this when we were right in the throes of all of the turmoil we were going through last year and so we didn't really draw a lot of attention to it. But as you can see by the price tag in the title, it's a big project. It's a $1 billion project. It's not Atlantic Sunrise in scale and scope, but this is a big project. Again, I feel this is a needle mover and one that we will definitely notice when it comes online.

Also in some of those films you've seen, you've seen the old hanger, the hanger restoration. That was part of our Rockaway project. Rockaway project was actually very small volume initially but the pipeline that went out into the bay was oversized, was oversized with the idea that there would be follow-on projects and the New York Bay expansion was one of those. That was the first follow-on project. This is the second follow-on project to Rockaway and largest from a volume standpoint of those related projects.

So we'll be tying in to that oversized pipe underwater. We left all the equipment and kit on a sled in the bottom of the bay and we'll be able to use divers and get that tie in made and this is – the customer again is national grid. They've been the sole customer on all these projects. We're thinking in-service late 2019, possibly early 2020.and the revenue $14 million to $15 million, a month of revenue is what we're anticipating. This is not a cost of service deal but the rate is cost based. And so it's more of a go to a table and pick the number off depending on what happens. It does give us extensive mitigation as to ultimate cost of the projects. So, anyway, this is going to be a big one for us and certainly it's nice to see us getting that Rockaway system filled up.

On one of those early slides, I talked about the Wood Mac forecast of 13.7 Bcf a day of capacity in the states that are shaded blue. These are the states that the Transco pipeline runs through. I wanted to give a little more color to this. Transco, historically, picked the gas up in the Gulf of Mexico and dumped it off along the Eastern seaboard and eventually went all the way to New York.

Transco has changed. This is not your father's Transco. You think about what had traditionally been a domestic-only type of business, all of a sudden, we've got very significant international demand or global demand through LNG export. That 13.7 Bcf is made up of almost 7 Bcf a day of LNG export, some to Mexico, and then 4.6 Bcf a day of domestic demand. The LNG exports is probably a little understated as well, much like we talked about some of the other differences between actual usage versus firm service demand. It's kind of the same with LNG exports. And I've got another slide on those LNG exports to dig in a little deeper here.

This 7 Bcf a day corresponds with these projects here. If you look at the nameplate though on these projects, it's over 10 Bcf a day. So, again, that 3 Bcf difference, I think, is accounting for the fact that the actual usage is always going to be a little bit below what they would sign up for service for. But we've got three projects that we've already won that are either entirely or at least partly related to LNG export.

The Gulf Trace project which we've already talked about was certainly one of them, and at one point, 2 Bcf a day. I created the biggest delivery meter that we've ever built on the system. So a lot of volume there and a fantastic project for us. Gulf Connector, we're in the sausage making on that one right now. We're in the permitting process and more to come on that. That feeds Corpus Christi plant and the Freeport plant. Again, those are going to be great business for us, and again, putting lazy assets back to work in a hardworking sense.

And then Atlantic Sunrise was the project that we've talked a lot about already. But a 350 million a day of that path, that 1.7 Bcf a day path, 350 is destined for the take-up point to go point. But we don't know exactly what those arrangements are. What we've heard that some of our shippers have contracted with folks there at that plant to supply that. So we feel fairly confident about that.

There's a couple of others on this list, on this page here that we haven't entered into firm contracts with. Elba Island, for instance, you can see a very faint line from Elba Island up to the Transco mainline. It's actually a zone-out line. The only two places to source supply would be off the zone out or off Transco. Every day, our customers will have a chance to sell into that line if they so choose and supply Elba. But I'd – so far, they haven't taken any firm service.

Likewise on Cameron, Transco is connect – will be connected to this facility. And even though there aren't any firm service agreements in place yet, if we have a customer that chooses to sell there and Cameron chooses to source their gas from Transco, we can move a lot of gas there. So all of these we're involved in, in one way or another or can be involved in one way or another.

And one that's not on this map is the ExxonMobil facility at Golden Pass. It's currently an LNG import facility. It might not be used a lot in that capacity right now But they are in the process of putting that through Exxon Mobile. I'm not privy to any information that already inside information so please understand that. But I have read that they will be at some point in the future making a final investment decision to the extent they sanctioned that project. It's short a short jog from the Cameron facility. And we think we're – excuse me, from the Sabine Pass facility. And we think we're in an excellent position to help supply them with the supplies they need as well.

So that's another one to come. There are also – there's a handful of other LNG projects that we're working on as well. Certainly, lower [indiscernible] (02:02:45) than the ones on this map. But we think there will be more to this story.

We got a lot of movies today. I got one for you here too. And I'll just preface this by saying, four years ago, we looked at our assets in the Gulf supply area. And what we found is a bunch of assets that weren't being used very much because people weren't buying nearly as much gas in the Gulf Coast with all the new stuff happening in the Northeast. So we set out to repurpose these assets down on the southern end of our system and we had a number of projects already signed up to do just that. This is the first one that's coming on line, the first major project and I'm going let the movie tell the rest of the story.

Let's run it.

[Video Presentation] (02:03:36- 02:05:10)

We buy a lot of our paint from Sherwin-Williams. And in fact, if you go down to your neighborhood Sherwin-Williams store and tell them you want a can of Transco green, you'll get some of that green paint that we keep showing you in these pictures. I checked that out. They really have it in the catalog. Anyway, great to see that color, always makes me feel good inside.

Okay. So let's talk a little bit about these upcoming projects that are in the sales funnel. What I would love to do, if I could, I'd like to put the list of these 20 plus projects up here and tell you about each and every one of them because it's an exciting list of projects. Will we get them all done? I'm absolutely certain we won't. Are we going to win our fair share? I'd be disappointed if we didn't. And I don't have any reason to believe we won't. And some of them will fall off the list.

Sometimes these projects don't go forward. Some – but if they do, we have got the most attractive pipeline out there to do business with. We've got the most places to buy supply when you're not using your capacity, got the most options to release it and put it to work for someone else. So it's a good proposition for people. We also have no-notice service that nobody else has out here. It's an attractive place to put your firm service dollars to work.

All of these projects though that I'm talking about, they're covered by confidentiality agreement. So I can't put a definitive list up here. But what I decided to do is I'll just tell you categorically how it shakes out. We are chasing a lot of power demand load still. Even though the Wood Mac numbers suggest that that's a small part of the equation, we keep having people knock on the door or we knock on their doors and they want talk turkey with us.

So, for whatever reason, the power generation numbers that you see out there, Alan showed the graph and it looked very flat. I would just tell you from our experience, it doesn't feel flat. A lot of these 20 projects are power generation loads. Industrial demand is picking up. Frankly, I would expect more industrial projects than we have on the list, but we have a handful.

I've got to think that's going to continue to build as folks see that this low gas price is for real. We do have a handful of LNG export projects as well. They're still out there. They're ones that probably are less public than what I showed on the map a few slides ago. But there are still developers out there working on projects and we have a few of those.

And then lastly, our LDCs, they are always out there doing their forecasting whether it's for actual growth or whether they're taking extra capacity for reliability reasons. But we continue to see incremental steps out there from our LDC customers as they look at their needs for the coming years.

And I'll just leave you with one last thought on these projects that are kind of somewhat evenly distributed up and down the system. We're working on three in what I would call final negotiations. So there'll be more to come on this. I think over the next quarter or two, there will be projects that they will be putting press releases out on to just give evidence of how we're working this off.

The other thing I'd say, by the end of the year, I'm sure that number will be different, too. So the, what I would call the backlog, it really hasn't gone away. It continues to regenerate itself. I'm not saying that would go on indefinitely. There are always business cycles. But the cycle that we're in right now is still strong. And I can't see the end of it yet. I'm sure that day will come but it's not today. So anyway, still great set of opportunities and again I'm very confident that we're going to get our fair share of this list of projects.

I wanted to talk a little bit more too about that issue of how much power load we're seeing out there. And this is an example, an actual example from the Virginia Southside project. This plant was a little over 1,500 megawatts. That corresponds to needing about 250 million cubic feet a day. So if you look on the far left hand side, that represents what they signed up for with Transco for firm service, that 250 million a day.

There's a couple of other plants in the same general vicinity of this plant, and we went back and looked over the last handful of years and one of them was running at 65% utilization, another at 50% utilization. So, I know that's part of it. I think some of it's that maybe not all the plants are getting picked up in the forecast. The other part is if you're – [ph] if in fact (02:10:42) that issue if you're measuring demand versus maximum one-day usage, you're going to get two different answers. But anyway, we continue to see a lot of activity in this place in the market.

One more in investment opportunity that I want to go over with you guys around modernization. Modernization doesn't have exact metes and bounds. You could say almost any kind of maintenance is modernization. But this has gotten enough energy behind it that a couple of years ago the FERC came out with a program, a set of rules where companies like ourselves could go out and style things like a modernization tracker.

And this is really to find a way to be able to make bigger investments and get a reasonable return on that investment dollar. For instance, at Transco, we've typically gone on a six-year cadence. Every six years, we come back. We file a new rate case. If you're spending a lot of money, for instance, though, in modernization and in year one of that six-year cycle, you make an investment, by the time you get the return six years later or start to get your return, it's going to be pretty low. It's not going to be very attractive.

And so this is something that is important to us. It's important to the communities we're in, and I think it's going to be very important to our customers. We've already started the education process.

You can see the kind of growth that I showed you earlier. This is a system that's going to be here 50 years from now. Parts of the system are already 67 years old. And you do reach a point where, for instance, on a pipeline segment, we're constantly running smart pigs and line inspection tools,

EMAT tools. We know a lot about what's going on with that pipeline.

But if over a certain stretch you start to have or start to find a lot of anomalies, you're doing a lot of cutouts. At some point, you might be better off just pulling that whole line up and putting a new line in. These assets weren't engineered on the front-end for a 67-year life, but we're planning on using them a lot longer. And so it's imperative, I think, that we start thinking more long term, and in those instances where it makes more sense to replace, we want to be in a position to do that as opposed to just continually repair.

And a lot of our LDCs are already doing this kind of work. This is something on a system that's being used as aggressively and as fully as the Transco system. It's going to be something that we really need to work out and accord with our customers on, and it could be with a modernization tracker. It could be with filing more frequent rate cases. You can file a rate case every six months, if you want. Now, we don't want to do that, and I'm sure our customers don't want us to do that. But when we go into this next rate case and some of the milestones for that are shown up on the screen, we're going to start having these discussions, and we're going to find a way to keep this asset where we all need it to be.

And the decisions that we make today, the accords we work out with our customers, that's going to be the way that this remains a vibrant, vital, safe, reliable system 50 years from now. Now, I may not still be working here, [ph] Ben (02:14:27), but some will. And we need to be doing that planning work right now.

I'm going to move on to the Gulf of Mexico, and we haven't shown a slide like this, I don't think ever before, but with the Mexican energy reform, I'll just tell you, the Gulf got a lot bigger, at least from Williams' perspective. And the Salina Basin shown down there [indiscernible] (02:14:56), that's one of the areas where they brought in a lot of new producers. Part of the reform is they're making concessions available to international oil companies down in the Salina Basin. That's an area that we think in the next 15 years is going to look just like the development on the U.S. Gulf of Mexico. There are already a number of discoveries being made in the shallow waters. There's also some very large gas discoveries made in the deep water. And then, a number of concessions that have been awarded to international oil companies to drill. And these concessions are much bigger than a block in the Gulf of Mexico. That is, we think, an area for us to replicate what we've done on the U.S. side.

We think we've got the right skills. We've got the right people. We've got the right relationships down there. And anyway, I'm not going to say any more about that, but I'll just say, this is one of the more forward-looking opportunities that we're working on. The investment opportunity down here is in billions of dollars. It's not $100 million here, $100 million there. It's probably things you're going to be biting often, at least $1 billion chunks. So, big opportunity down there.

Perdido, also in the Mexican waters, is another target for us. This maps zeros in just a little bit more closely on that area. Again, you saw the yellow blocks on the previous page, Pemex through the energy reform process, has awarded a number of very large concessions to international oil companies. Pemex also had five discoveries that they had made down here.

And what they got approval to do is to keep a smaller working interest in those. But farm-out if you will, something like 65% of that working interest to international oil companies who would come in and bring capital and also technical expertise to help them develop it.

Trion is the first one where they've actually let someone farm in, that's BHP. And we think the easy way out here of course is to go into those red and green lines. Those are Williams assets. And we have left sleds on the ocean floor to do just that sort of thing. But this area will be more than that. So we think we're in a great position to leverage our existing assets, as well as make some very significant expansions.

Maybe just a couple of other points, you also see over on the upper right-hand side, Guadalupe, Gibson, Tiber. That's collectively called the Tigress area. That's a Chevron and a BP area. They have not gone to final investment decision on that yet, but we think that could be coming in the next 12 months or so. We're very well-positioned to win business there and that's what we'll be trying to do.

And then one last comment on Whale that's shown at the kind of the bottom or the southernmost point of that red and green line. That's drilling right now, could be of – if they hit that, that'll be a tieback probably to their floater there. And, of course, we would get the downstream coupons from that without any additional capital investment.

Over in the Gulf East, I'm not going to talk about all of these prospects. But I'll just remind you of another project that we did with Shell in their Norphlet development. They are working very closely with us. We're making modifications to our 261 platform and also at our Mobile Bay plant. This was contracted in a time when our capital was a bit tight. They are paying for all of those expansions. And they were still able to earn a nice return on it because we're using our other existing assets.

And then when they do hit that first in service date on the oil, then that deep water line that shows the dash line, we'll have an option to buy into that. So we think this is going to be a great opportunity for us, doesn't really force us to invest any capital. But certainly, an example where we leveraged our position, we leveraged our existing assets to put us in a fantastic place and deliver great service to Shell. They have had the secret recipe for drilling successful wells in the Norphlet. And there were two discoveries when we signed this deal up at the – since then, they've made two more discoveries in the area.

This last one is a Discovery System. We've brought this on a couple of years ago. This was a neighborhood play, and what I'd tell you is there are a lot of oil discoveries along here. We have a number of opportunities to pick up rich gas production off of these discoveries that are up and down the pipeline and we are indeed working on that.

So let me just finish up talking about Atlantic-Gulf. We continue to position ourselves up against the best – what we feel are the best low cost supplies and taking them to the best global markets – or the best markets, whether that's a LNG export or domestic consumption. We talked about our big list of in-flight projects and I know you're well apprised of that now. We continue to have a very attractive list of opportunities to add to that and I think you'll see some of that probably in the next quarter or two and then again, we've got a huge opportunity in the deepwater Gulf of Mexico and we think a lot of that leadership and driving that's going to be coming out of the producers that are participating in the Mexico energy reform.

So with that, I'm going to stop and I'll have a chance to take a few questions if there are any.

# QUESTION AND ANSWER SECTION

**Danilo Juvane**
*Analyst, BMO Capital Markets (United States)*

Q

Danilo Juvane with BMO. Rory you've mentioned the suite of projects that are currently under development. You may win some, you may not win some but how do you think you guys can leverage the [ph] PC (02:21:16), cost of capital to make sure that you do win your fair share? That's my first question.

---

**Rory Lee Miller**
*Senior Vice President, Atlantic – Gulf Operating Area, The Williams Cos., Inc.*

A

I'm going tell you. I have some personal liabilities. One is that I don't hear very well. Did you hear that Alan?

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**Danilo Juvane**
*Analyst, BMO Capital Markets (United States)*

Q

I can repeat the question. So my question is that you outlined a suite of projects that you may win and some that you may not win.

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**Rory Lee Miller**
*Senior Vice President, Atlantic – Gulf Operating Area, The Williams Cos., Inc.*

A

Right.

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**Danilo Juvane**
*Analyst, BMO Capital Markets (United States)*

Q

My question is, how can you leverage the [ph] PC (02:21:42) cost of capital to make sure that you do win your fair share of projects?

---

**Rory Lee Miller**
*Senior Vice President, Atlantic – Gulf Operating Area, The Williams Cos., Inc.*

A

That's a great question. I'm going to let Don take that question. I think he's the man that's going to be raising that capital. Here's the mic right here, Don.

---

**Donald R. Chappel**
*Chief Financial Officer & Senior Vice President, The Williams Cos., Inc.*

A

Thanks for the question. I would say, to date, the project returns greatly exceed the cost of capital. So the cost of capital really isn't a whole – a real big factor. We've not really been even tempted to really price down anywhere close to our cost of capital. And I think as Alan mentioned earlier and I think as Rory spoke to as well, our competitive advantages are so significant that it really becomes a discussion of what we can do it for versus like what a producer can do it for.

Do they want to put their capital to work, get returns that are more typical in the midstream business and most of them want to put their capital in the downhole projects versus horizontal pipes and platforms. But all in all, I would just say that the project returns greatly exceed cost of capital. It's nice to have a low cost of capital because it gives a nice spread for investors, a way for us to create value. But again, we don't expect we have to price down anywhere close to our cost of capital.

**Craig K. Shere**
*Analyst, Tuohy Brothers Investment Research, Inc.*

Q

Craig Shere, Tuohy Brothers. Rory, on your slide 13 with that 21 projects, can you discuss the dollar amount of the total growth CapEx that could represent and maybe give a little more color on those final three that are in some advanced negotiation? And on these demand side projects and also the extensive Gulf opportunities you mentioned. Do you still anticipate six times EBITDA multiples or do you see that slipping over time? And my final question is to the degree you can get really big projects again, are you increasingly – is the company increasingly prepared to keep it all on balance sheet or if you get a couple of billion dollar projects here or there, are you still going to be looking for JV partners?

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**Rory Lee Miller**
*Senior Vice President, Atlantic – Gulf Operating Area, The Williams Cos., Inc.*

A

Yeah. Great question. What I'll just tell you, the list that includes the 20 plus all of the deepwater opportunities it's about $12 billion. And a lot of those really big dollars are coming on the offshore opportunities. And I don't have the exact breakout there.

I would say the projects on the interstate side are perhaps slightly smaller in total on average than what we've seen in the last five years. I don't know if that helps. I do think on those interstate projects though almost without exception they're all projects that involve a significant part of a brownfield build out. Some of them are mixed, some greenfield, some brownfield. But I think all of them that are on that list involve some leveraging if you will of the existing system.

And I think the multiples that I shared with you over the last four or five years or so I would expect that to be very similar to what we'll see going forward on projects out of that part of the sales funnel. The multiples that we might see in the offshore I would say would be a little better. There's also a little more risk, too, but I'd say a little bit better.

Yeah, the JV side. Let me just address that, and then Don can add in some more if he wants, bring it down here. But on all of the things that we're looking at in the offshore, in the Mexican waters, early discussions have been looking at those on a joint venture basis.

I think it's really, I'll let Don add to this, but I think it's less of – it's not so much about not having the money, I think as it's wanting to not overweight the portfolio too much towards the offshore. We like the business. It's a good place to put money to work but in all those instances, right now we're looking at partnering.

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**Donald R. Chappel**
*Chief Financial Officer & Senior Vice President, The Williams Cos., Inc.*

A

And in terms of project finance and all, I would say that our initial bias would be to finance it on the balance sheet. One, we need growth. In a couple of years here, we'll have $5 billion of EBITDA and that's not guidance but just somewhere in that kind of a zip code and it's going to take a good amount of capital to continue to grow the company at a good rate.

So, we don't want to just lay off a good return projects but to the extent that we have more opportunities than we can naturally afford, then I think we'll have to look at whether it's JV partners or other ways to finance.

And I would comment on project financing. It's off balance sheet, typically but it's not always off-credit. The rating agencies oftentimes capture that. And I'd say more often than not, they capture it and put it on the balance sheet.

I'll just give you an example. It's not project financed but even Gulfstream debt, it's 50%-50% JV with us and our partner and it has off-balance sheet debt but it's on credit.

So the rating agencies put it back and I think many of you asked what kind of adjustments the agency is doing. Well they take leases and they put that back in the balance sheet. They take debt like the Gulfstream debt, they put that back on the balance sheet. In many cases, they will take project debt and put it back on the balance sheet.

On the basis that you've got an equity investment, they expect you're not going to walk away from that. So if the project has problems, you're going to end up stepping in and having to bail the project out. Anyway, so it gets pretty complex and it's really rating agency driven as to any – if there's any real benefit when it comes down to cost of capital and capital allocation issues.

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**Selman Akyol**
*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

Thank you. Selman Akyol with Stifel. Just following up on the modernization tracker, if that were to come to fruition, is there any ballpark estimate you can give? Is it sort of like a $25-million opportunity a year? Could you see following up with $50 million? Or how much investment could you make annually for that? Thank you.

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**Rory Lee Miller**
*Senior Vice President, Atlantic – Gulf Operating Area, The Williams Cos., Inc.*

A

Yeah. Good question. It could be much as a couple of $100 million a year for some period of time. There is a point when you get caught up if you will. We've got assets as I mentioned, some of them are 60 plus years old. If for instance we've got a compressor station and not that we can't continue to repair but it sometimes – just like your car, you continue – you can indefinitely repair your car but at some point you're throwing good money after bad. You're actually doing better off if you just retire the car, buy a new one.

I think it's that same sort of thing as where I see the modernization tracker coming on. But once you've got that new car, you build then a compressor station, it may be another 60 years before we need to look at it. So we think that's going to be kind of a near to mid-term spend. And again, we're going to be working jointly with our customers to find out what works for them, what works for us. Obviously, they want the work done. They just don't want to pay for it. But that's not the way it works. So we'll have those discussions and I'm confident that we'll find a way to get that done.

---

**Christine Cho**
*Analyst, Barclays Capital, Inc.*

Q

You guys have – Christine Cho of Barclays. You guys have talked about roughly $2.5 billion of CapEx a year. If we were to take out Atlantic Sunrise and some of the known projects out of the picture, how should we think about what the breakdown of that $2.5 billion is? Because I think most of it is in Atlantic Gulf between Gulf projects and Transco projects. That's my first question.

---

**Rory Lee Miller**
*Senior Vice President, Atlantic – Gulf Operating Area, The Williams Cos., Inc.*

A

Yeah, it's – did you want to answer that, Alan?

---

**Alan S. Armstrong**
*President, Chief Executive Officer & Director, The Williams Cos., Inc.*

A

Yeah. I think the mix that we have today which is about two-thirds Transco is probably in terms of pipeline probably for the next several years, that's probably – we would expect that to stay consistent as these opportunities come on.

As Rory mentioned, I think we'll start to see some weighting more towards the deepwater later in the cycle, not really near term in the cycle, but later in the cycle. And then as you'll hear from Jim, we also have some pretty big expansion opportunities in the Northeast as well today. So, I think the mix that we have if that's really what the question is, I think the mix that we have will probably remain pretty steady in that regard.

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**Christine Cho**
*Analyst, Barclays Capital, Inc.*

Q

My second question is I know Sabal Trail hasn't been put into service yet. But what are your thoughts on – are we going to eventually need another Florida pipeline and if you do what do you think that timeline looks like?

---

**Rory Lee Miller**
*Senior Vice President, Atlantic – Gulf Operating Area, The Williams Cos., Inc.*

A

Wow. Okay. That's a good question. I don't think it's going to be any time soon. At the time Sabal Trail was put in, I know that Florida had some additional expansion capacity that they could bring in. I think it was more of a function of – there was [audio gap] (02:31:40) chunk. And so it opened a window for Sabal Trail.

But on Gulfstream, we can do a little bit more but not much. But I think the other pipelines there we'll be able to do a lot of internal expansion. I – right now, where I sit, in the next – I don't know [ph] I think (02:32:00) we should call it the foreseeable future I don't see another standalone pipeline going into Florida.

---

Q

Hi. Two questions. First regarding Sunrise, do you have a beat on what may be asked of you if anything by the State of Pennsylvania to get the two permits that you need? And number two, regarding capacity contractors to complete all these projects that you and competitors have in front of you. Is that a bottleneck now, and if not, when will it be?

---

**Rory Lee Miller**
*Senior Vice President, Atlantic – Gulf Operating Area, The Williams Cos., Inc.*

A

Okay. Yeah. As far as the State of Pennsylvania PA DEP, it would be the organization issuing the 105 and 102 permits. Last week, we provided, let's just say, a lot of information. It was the final kind of issuance of data and response that they needed to finish their process [ph] and the comment (02:32:56) period as well. And we're looking at probably the middle of the summer getting hopefully getting that permit back from them.

But if you recall, the whole hold up on getting those permits earlier was they required 100% survey of the line – of the new greenfield line. And we have gone in and got all that work done. That went in to the final submission of data to PA DEP that went out last week. They have it. They're working on it. And I think middle of the summer, we should be through the comment period, and hopefully, we'll have our permit then.

---

Q

And the contractors?

Rory Lee Miller
*Senior Vice President, Atlantic – Gulf Operating Area, The Williams Cos., Inc.*

A

And the contractors. Mike, did you want to take that one?

Michael G. Dunn
*Chief Operating Officer & Executive Vice President, The Williams Cos., Inc.*

A

Yeah. I'll just add a little bit to what Rory said on the permit. It's a bit circular there because in order for us to get 100% of the access to the right of way, we have to have a FERC certificate in hand, so then we can go condemn the final tracks of land that we don't have for survey permission or survey access.

And so, we've got the FERC certificate. We went through the condemnation process. We got access to those tracks of land. And then, we get the data that we need from an environmental permit standpoint. That's why we are where we are today. We provided everything that PA DEP needs. We don't think there'll be another ask of going to the public comment period. And as Rory indicated and I did before, we'll get our permit in July, hopefully.

As far as contractors go, we're very comfortable that we've got contractors lined up for Atlantic Sunrise on the compression and the pipeline activity. But in general, we look at what our activity needs are throughout the horizon of our construction periods upcoming and we try to lock up those contractors early, either through contracting and getting agreements in place. And we'll maybe even have to pay them some upfront mobiliz ation type activity payments to lock them up for a certain period of time.

And it's hard to determine when actual construction will start. So, there's a bit of fluidity in there that we negotiate with them, but we are actively talking to all of our contractors about their quantity and their capacity that they can take on and what our needs are. And we try to lock those guys up early, which everybody does, and you kind of have to slot your work accordingly. We're doing this work on Atlantic Sunrise over the winter, for example, up here in Pennsylvania, which makes it a little bit more difficult, but that's what we're planning for currently. And so, we're very confident we'll have crews available to do that work.

Jean Ann Salisbury
*Analyst, Sanford C. Bernstein & Co. LLC*

Q

Hello. Jean Ann Salisbury from Bernstein. So, Atlantic Sunrise will bring about 1.7 Bcf/d down, but a lot of that goes to Cove Point. Of those 20 projects that you mentioned, especially the Northeast and Mid-Atlantic ones, is that dependent on getting more gas from the Marcellus into Transco, or should we not think of it that way? You can kind of source it from the South?

Rory Lee Miller
*Senior Vice President, Atlantic – Gulf Operating Area, The Williams Cos., Inc.*

A

There are a few that would pull more Marcellus gas into the system. They're not all that way. And maybe an example, if you have Atlantic Sunrise, there are expansion opportunities on that. It's all kind of dependent on where it needs to go. I don't know that we'll see another big project like Atlantic Sunrise that takes another 5 Bcf a day and moves it all to the – or Bcf a day and moves it all to South. I don't think you'll see that. They're going to be more localized moves to further optimize the system.

The system has got access to a lot of supply and to a lot of markets. And so most – many of the projects are more optimization around that because there are constraints, depending on where you're at on the system and perhaps we need a little more compression here or we need to loop 5 miles of line here. So I would say it's more of that ilk.

**Jean Ann Salisbury**
*Analyst, Sanford C. Bernstein & Co. LLC*

Q

Thank you. And then as a follow-up, when do you think we might hear more about the Southeastern Trail?

**Rory Lee Miller**
*Senior Vice President, Atlantic – Gulf Operating Area, The Williams Cos., Inc.*

A

Well, I did give a little bit of feedback on Southeastern Trail on the earnings call. We had a, I guess, a surprising level of interest. But when you really haven't put a price out there, it's easy to give interest. So, it was non-binding. But we're working through that right now. We're doing our engineering. It's kind of an iterative process. You've got – if you have this much capacity [ph] you got to earn (02:37:23), you start doing your pre-FEED work, your engineering and then it yields a rate. [ph] And then all (02:37:30), if that's the rate, well, I want a little bit less. And so we're going through the toing and froing on that process. And I think it'll be – I still think we're several months away, at least, before we're ready to release anything on that.

**Jean Ann Salisbury**
*Analyst, Sanford C. Bernstein & Co. LLC*

Q

Thank you.

**Rory Lee Miller**
*Senior Vice President, Atlantic – Gulf Operating Area, The Williams Cos., Inc.*

A

Okay.

**Rory Lee Miller**
*Senior Vice President, Atlantic – Gulf Operating Area, The Williams Cos., Inc.*

All right. Thank you. I guess next up, we've got Mr. Walter Bennett. And he's going to talk about the new West.

# MANAGEMENT DISCUSSION SECTION

## Walter J. Bennett

*Senior Vice President-West, The Williams Cos., Inc.*

Well, good morning, everyone. I'm Walt Bennett and I am the leader of the West operating area. Really pleased to be here today to talk to you about the business in the West, some of the growth opportunities that we have, and how we can contribute steady, significant value for Williams. So, when you think about the West operating area, I want you to think about three things. First, the West is a very large portfolio of highly reliable assets that connect significant prolific supplies to strong market opportunities. With the new West as it's organized now, we have gathering and processing facilities in 10 supply basins at all different types of basins. So, it's oil-driven basins, liquids-rich gas basins and dry gas basins. So, it gives us a nice portfolio effect for our supply areas.

And we connect that gas and those NGLs to our Northwest Pipeline system and our Overland Pass Pipeline and then on the Conway, as well as other valuable markets to give our customers maximum value.

Second, in the West we're very well positioned for long term stability and also growth opportunities. So we have long term stability once again through the diversity of our supply areas that we operate in, also through our long term fee-based contracts. On the gathering and processing side, our contract is supported by very large acreage dedications where we work with our customers to maximize the productivity of that acreage.

On the Northwest Pipeline side, we maintain very long contract life on the pipeline system Northwest Pipeline, it's fully subscribed at full rate. And because of the size and scale of our assets and the significant footprint that we have, we have very good opportunities for bolt-on growth, we're able to grow those assets for new opportunities in those areas.

And lastly, we have a very strong and keen focus on cash flow and operating discipline. So as I mentioned, very large footprint easy for bolt-on opportunities that allows us to be very capital efficient. So we can add these projects and make sure that they're very capital efficient and accretive to the earnings that we have in the West. And our operating discipline that we employ allows us to be very cost effective with a keen management on per unit cost and maintain very high reliability.

So taking a little bit closer look at the assets that are now in the West, we'll start with the Northwest Pipeline system. And this is really key critical infrastructure for the Pacific Northwest. It really is one of the premier interstate of the premier interstate natural gas systems in the United States. And we're able to provide 3.8 Bcf a day of contracted firm capacity on that system.

On our gathering and processing systems throughout the Central and Western United States, we have a combined inlet gathering capacity that we can offer 8.8 Bcf a day and a processing capacity of 4.2 Bcf a day.

And then our NGL assets, Overland Pass Pipeline, can provide up to around 250,000 barrels a day of natural gas liquid to transport that we can take down to the Mid-Continent and connect up with our Conway assets where have about 50,000 barrels a day of fractionation capacity and great storage asset of about 20 million barrels of NGL storage.

So as we take a little closer look at the Northwest Pipeline system, you can see how important this is to the Pacific Northwest. We are the low-cost primary provider throughout the Pacific Northwest, about 4,000 miles of pipe and, as I said, about 3.8 Bcf a day of capacity. And we couple that up with about 120 Bcf of storage that allows for some good peaking capability.

The thing that's really unique and beneficial about the Northwest Pipeline system is its bidirectional capability. This provides great flexibility for our customers. You can see you can either source your gas out of Canada from British Columbia or Alberta, or you can go to the south end of the system and source it with Rockies gas from San Juan, Piceance or Greater Green River. So that gives our firm customers the ability to choose what's best for them and make those decisions and contract accordingly.

On this slide, we really see the location advantage that we have on our Northwest Pipeline. This is truly critical infrastructure very, very difficult to replicate. You could see that we're the only pipeline, the only high-pressure natural gas pipeline that's on the west side of the Cascades, that allows us to capture the key markets of Seattle, Tacoma and Portland.

Now, we've talked about pipe being in the right place. This pipe is definitely in the right place. And we go through some major metropolitan areas. As you can see on the map here where the population density is and we're right in the middle of it. Along the pipeline route, we also pick up Spokane and Boise.

So as you think about future opportunities as well, seeing as that we're the only pipeline on the west side of the Cascades, we have a unique opportunity and we're perfectly situated to pick up those opportunities as they arrive up in the Pacific Northwest along the coast.

So taking a closer look at our customers and our contracts. You could see that Northwest Pipeline is truly a demand-pull pipeline. Now, it's connected to a great supply, very prolific supply but really what drives the revenue on Northwest Pipeline is the demand customers. So you can see here that about 82% of our customers are either LDC, utility or other end use customers. And these are customers that have a very strong investment grade credits. So good end use customers and very strong credit, and it's fully contracted.

And so, when you look at the revenue that we get on Northwest Pipeline, you'll see that 95% of our revenue comes through demand charges. Only 5% is based on throughput. As a matter of fact, we have new rates that are going into effect, January 1 of 2018, and that percentage of demand charges will move up to 98%. So very solid consistent revenues on Northwest Pipe.

Then taking a look at the duration of these contracts, you can see we have a long history of keeping very long average remaining life on our contracts. For the past eight years, been in excess of nine-plus years of average contract life. And this really speaks to the location advantage that we have on Northwest Pipeline. Our customers want to make sure that they maintain and keep the capacities they have because it's such a valuable service for them.

So we coupled that location advantage with very strong reliability and exceptional customer service. I'm very pleased to report that over the past three years, we've been able to provide our firm transport customers reliability of 99.9% or better. It's a very strong reliability. I'm also very pleased to report that once again this year, the Mastio survey has shown that we are in the top 10% of all pipelines within the United States.

So there's some new opportunities that are coming up on Northwest Pipeline and talk about a couple here. First project is one that we're doing for our largest customer, Puget Sound Energy. And they have some shifting demand on their system, so they requested that we build a new lateral into North Seattle. So we've taken on that project. We actually filed with FERC yesterday and they accepted our application for certificates today, and we'll be looking at building a new lateral – they're upgrading a lateral, I should say, into North Seattle and we expect that that project will be in service in 2019.

Then we're also looking at building a lateral for Northwest Innovation Works. They're building a terminal and had plans to build an ethanol terminal in Kalama. And so we will build a lateral that will provide up to 320,000 dekatherms a day to provide natural gas that they can convert into methanol and then ship overseas.

We've already gotten a certificate for this project and we're awaiting on Northwest Innovation Works' final investment decision which should be coming up within the next year. And so once that's approved, we'll move forward with this project that we'd anticipate in service in 2020.

Now once we do these projects, effectively we maximized and optimized all the capacity on Northwest Pipeline. So as there's additional load and demand, we see that there's some mainline expansion opportunities on Northwest Pipeline. And so this could be driven either from LDC load, power generation or other industrial demand. So the best way to provide that additional mainline capacity, is actually looping in horsepower on our assets from the north. So we bring those supplies from Canada, and we would increase the compression and we'd put in pipeline loop, to size the project appropriately to meet that demand. So we see that as the next significant opportunity on Northwest Pipe.

We continue to have and we continue to discuss LNG opportunities with some different companies. We have the Steelhead LNG which we have a pre-construction agreement in place with them, where we're scoping and designing the Island Gas Connector Pipeline which will bring Canadian supplies through the northern part of Washington and then over to Vancouver Island where Steelhead LNG is looking at [ph] siting (02:48:30) an LNG terminal. And we continue to have the investment opportunity with Jordan Cove and the Pacific Gas Connector Pipeline.

Lastly, we still see that there will be a number of coal retirements in the Pacific Northwest over the next few years through 2025. And we believe that this will drive either more base load activity on power plants that are currently connected to Northwest Pipeline system like Grays Harbor, or there'll be new gas-fired generation that's [ph] sited (02:49:00) along the pipeline route. So we see this as a good opportunity for capacity increases as well and additional throughput on Northwest Pipeline.

So moving on to the gathering & processing business. You'll see that we have a very strong diverse portfolio of basins that we work in and a very diverse customer set as well. As I mentioned, we operate in 10 different supply basins, and those supply basins are either oil driven, liquid gas rich or dry gas basins. So that gives us a really good portfolio mix. So that as commodity prices change, as drilling priorities change, we still see very steady volumes, we still see very steady fee revenues throughout the West. And we have a very diverse customer mix as well, from large producers to smaller private regionally-focused producers.

So these typically fee-based contracts are backed by large acreage dedications. And in order to maximize the value of these acreage dedications and the value of these contracts, we work very closely with our producer customers. There's a couple ways that we do that. We have what we call optimization teams where we have kind of key operating, engineering and commercial folks for both companies. They get together and figure out what's the way that we really maximize the production for this producer, how do we really make sure that they get as much out of the ground as possible.

We've seen great ideas come out of how do we reconfigure compression, how do we line up our maintenance activities to really maximize the throughput. So simply put, more throughput and doing this well means more revenue for the producer and more revenue for Williams.

We also have development teams that work jointly. So we have members from both companies that work together, and the producers really understand where their sweet spots are, where's the best acreage, where can they really get the biggest bang for their drilling dollar. And we understand how to leverage our existing systems and where that capacity is available to really allow the most capital-efficient way to connect that project and for us to gather more fees. So we've seen a lot of benefits from these development teams. Now, both of those seem pretty obvious. But quite frankly, they don't happen that often. And what we hear from producers is their – they really encourage us to continue these discussions and they're very interested in moving us forward. So it's something that we really push and something that we really want to engage with, with our producers because we think jointly we can create a lot more value together.

So if you look forward at the opportunities and the forecasts for volumes, here is the Wood Mac projection showing the basins that we operate in the West. And you're seeing very steady volumes. And I think some people may have thought that you'd see declining volumes. But this is what we see as well. We see enough activity that's really – would allowed us to stay steady or even grow.

And so there's a number of reasons for that. First, available infrastructure. We have very strong infrastructure in these basins, and it makes it very cost-effective for producers to connect to it. So, it just means that they're going to spend less money after they drill to get that well connected. And once they get it connected, they're going to enjoy low fees because they already have the strong existing infrastructure. And these systems are very well connected to get them to valuable markets. So we have good connection through the interstate systems and other transportation to be able to make sure that their commodities get to market very cost effectively.

As we've seen all throughout a number of basins, the producers got much, much more effective at improving their drilling techniques, improving their completion technologies to really maximize the throughput, maximize the resources coming out of the ground. So we're seeing that an existing basin's really getting a lot more production out of new wells. And we're also seeing the ability to unlock new zones and new resources that hadn't been explored previously.

And we see these regionally-focused producers, where they may only operate in one or two basins. But they really hone in, and they figure out what is the best way, how do they maximize production out of this, and really understand what is the best way to drill this, what's the best zone. So we see this combination of effects, these factors really driving consistent volumes and consistent fees for Williams.

And as we've already mentioned as well, I see it the same way. I think we're going to get our fair share because we have good solid infrastructure in place, and the way that we work with our customers really allows them to maximize their value. So I think we're going to definitely get our fair share of business going forward. I'm trying to move the slide. There we go.

So now, looking a little bit closer at some of the key opportunities that we see. First would be in the Haynesville area. And I think as many people know, Haynesville, really the most economic dry gas play outside of the Northeast. There's a couple key things that really make this an important basin. First is the existing infrastructure, and we talked about that just a minute ago. This has very strong infrastructure already in place. Our assets can provide up to 1.7 Bcf a day of gathering and treating capacity, and it's very well connected to markets.

So we see a lot of opportunity there, as well as a tremendous amount of resource that's still in the ground. There's approximately 40 TCF of gas still available at $3.50. So we're seeing strong activity from Chesapeake, who's our largest customer there, and also Exco is our second biggest customer.

Chesapeake has shown some recent results of wells that they've connected to our system. They just showed that they continue to get better and better at drilling this acreage. Two of the wells recently connected are producing nearly 40,000 dekatherms per day. And we continue to see them improve their completion techniques. So, Chesapeake plans to employ about three rigs for the rest of the year, bringing on about 35 wells. And there's still about 1,400 remaining locations that they have on their acreage. So still a lot of potential on Haynesville and we see good opportunities and good growth there.

Moving over to Wyoming, we're going to break this into three different areas. So we have three different gathering & processing areas in Wyoming. You have the Powder River, which is our Jackalope assets and a joint venture with Crestwood. Primary customer is Chesapeake. You have the Wamsutter area. Our primary customer is BP. And then you have Southwest Wyoming with Ultra as our primary customer.

So what we're seeing here is producers are already getting a lot more effective, and once again, are improving their drilling and really maximizing the production. We're also seeing some of the exploration of new zones that hadn't really been drilled before. So, as you look at the Powder River area with Chesapeake, they are currently looking at two to three rigs this year and exploring some new zones that they hadn't explored before. So they're looking at drilling into the Parkman, the Turner, and the Sussex. And they're just starting get those results and it looks like it's going to be very favorable. Because they're looking like some really strong return wells. So we're very optimistic about the Powder River and the acreage that's dedicated to us on our Jackalope assets.

As you move south into the Wamsutter area, you have BP and then there's some other producers as well. They've essentially moved from traditional vertical wells to horizontal wells, and they're continuing to refine their completion techniques. And they're seeing very, very strong results as well. This is a very liquid rich gas play here. And so, they're starting to see returns in excess of 40% by using these new drilling techniques and new completion techniques. And they also have a new zone that they're looking at as well, the Upper Almond, that they're looking to exploit. So we see a lot of growth potential in the Wamsutter area, and we're very excited about that.

And then over in Southwest Wyoming, Ultra is starting to ramp up again, and they're definitely one of the low-cost drillers in the area, and they're planning to bring on nearly 250 wells this year. So, we see some good growth there. So, lot of tremendous resource in Wyoming, and it's great to see these producers really developing it and bring it to market.

I'd also like to talk about the Eagle Ford Shale. So, as we're seeing drilling ramp up across the country, we're definitely seeing it in the Eagle Ford Shale as well. So, we have a really large footprint in the Eagle Ford. One of the key advantages that we have is our sour gas gathering and treating. I can honestly say, we really have the best assets in terms of sour gas gathering and treating. These are brand new, state-of-the-art assets that we have, highly reliable, and we continue to get more and more requests from new producers about connecting to our system because of our capability in sour gas. And I think that's going to drive some growth opportunities and how we can expand our sour gas capability.

So we see with Chesapeake, they are looking at about five to seven rigs this year and connecting around 175 wells. So this is really starting to ramp up again, and we see some good growth opportunities in Eagle Ford. As well, EOG is a significant customer, and we continue to work with them. And then there's many other smaller customers that we work with and have significant bolt-on opportunities, where we can connect them and bring more volume to our systems.

I'd like to also talk about our Overland Pass Pipeline and our NGL assets in Conway. So the Overland Pass Pipeline is a mixed NGL pipeline that is connected to our western plants and as well [ph] brings ins (02:59:21) NGL supplies from Powder River, Bakken, and DJ – DJ basins. So it's very well connected. And we've seen these volumes ramp up over the last couple years. You can see from that graph good steady growth.

The one thing I'll mention as well is that the blue bar, the bottom bar there [ph] is all the (02:59:40) C3 plus, so it's propane plus. And above that is the ethane, the C2. So, there's still a lot of opportunity for growth as ethane recoveries increase. And just when thinking about the upside on that, out of the plants that are connected to Williams plants that are connected, roughly the ethane opportunity is equivalent to the barrels that you get on C3 plus. So we see a lot of good upside potential there.

This pipeline is connected to our Conway asset, where we have about 50,000 barrels of fractionation capacity. So, we provide that service to our customers. And then we have a very strong storage asset around Conway, where we can provide about 20 million barrels of storage. And that could be storage for either mixed NGLs, purity products, or specialty products. And that's connected to eight different pipeline connects plus very strong significant rail and truck terminals.

So, we give our customers a lot of flexibility in what they want to do with our NGLs as well. And this is really becomes a benefit as we tie this to our gathering & processing, and really create a lot of value for our customers all the way from the wellhead to – through their NGL projects. So once again, as you think about the West assets, want you to remember that the large portfolio of assets, very reliable, connecting prolific supplies that are going to provide good steady supply. It's a good growth opportunities.

We're positioned for long-term stability because of our long-term, fee-based contracts and our significant footprint allows very easy capital-efficient, bolt-on opportunities to grow the business. And because of our strong operating discipline, we can deliver very cost-effective, capital-efficient, highly reliable assets that deliver significant consistent value for Williams.

And with that, I'll open it up for any questions.

# QUESTION AND ANSWER SECTION

**Craig K. Shere**
*Analyst, Tuohy Brothers Investment Research, Inc.*

Q

Craig Shere, Tuohy. Walt, you mentioned that the ethane opportunity is as great as the C3 plus. I'm kind of eyeballing this, but I'm assuming that means that in full recovery, you might need to expand the line by a third to a half. I'm wondering how economic it would be and how quickly you can expand the line by that amount.

**Walter J. Bennett**
*Senior Vice President-West, The Williams Cos., Inc.*

A

Sure. Well, we are looking at – currently looking at expansion opportunities. And if everybody went into full recovery, then we will be short pipeline capacity. And so, we're looking at those opportunities. It would be hard to predict exactly the duration because it depends upon the time of the project. There's some smaller projects that you could do in terms of some looping. But there – they would be kind of a typical pipeline project probably a couple years really before you get any real significant capacity available.

**Craig K. Shere**
*Analyst, Tuohy Brothers Investment Research, Inc.*

Q

We're talking about maybe being in full recovery in a couple years with all the ethane crackers coming on line. Should we presume that there could be significant announcements as soon as this year?

**Walter J. Bennett**
*Senior Vice President-West, The Williams Cos., Inc.*

A

I think it's definitely a potential. As we work with our customers and our partner and look at various projects, I think you may see something later this year in terms of projects that are getting planned and taking the market to do what the level of interest is.

**Craig K. Shere**
*Analyst, Tuohy Brothers Investment Research, Inc.*

Q

And is there a dollar value in terms of how much the expansions could cost?

**Walter J. Bennett**
*Senior Vice President-West, The Williams Cos., Inc.*

A

It's a little early to say that, it's we're still working with customers to gauge their demand and try and size the project.

**Becca Followill**
*Analyst, U.S. Capital Advisors LLC*

Q

Becca Followill, U.S. Capital Advisors, we've got an echo here. The drilling activity we see today really influences 2018 production. So based on what you're seeing from your customers, are you anticipating flat throughput NOS in 2018 up or down? Is this enough activity to keep volumes flat?

**Walter J. Bennett**
*Senior Vice President-West, The Williams Cos., Inc.*

A

Yeah, I would say that there is – it will stay relatively steady. And we're seeing activity in some of the areas that we talked about, that's definitely going to increase the volumes from that specific area. But then we also are, in some areas, we have some just modest decline. So, essentially we see that those are offsetting, and what we see for next year will be pretty steady volumes.

**Becca Followill**
*Analyst, U.S. Capital Advisors LLC*

Q

And then the second question, on the 1.7 Bcf a day of capacity in the Haynesville, what's the current throughput?

**Walter J. Bennett**
*Senior Vice President-West, The Williams Cos., Inc.*

A

Current throughput is right in the like 1.2% to 1.3%…

**Becca Followill**
*Analyst, U.S. Capital Advisors LLC*

Q

Thank you.

**Walter J. Bennett**
*Senior Vice President-West, The Williams Cos., Inc.*

A

…range.

**Theodore Durbin**
*Analyst, Goldman Sachs & Co.*

Q

Ted Durbin with Goldman. So, if we think about your [ph] 10 base (03:05:06) in the state you're in, you don't have scale really on all of them. I think you do have scale in the Marcellus, in the Utica. So how do you think about strategically where you are, your ability to add value versus if those systems were maybe in someone else's hands?

**Walter J. Bennett**
*Senior Vice President-West, The Williams Cos., Inc.*

A

Yeah. Well, we do have significant scale in most of them. Honestly, I mean, when you look at Barnett, Haynesville, Eagle Ford, we have significant presence in Greater Green River, in Piceance and San Juan. I mean, we do have a very large infrastructure in those areas. We do have other areas, it's Permian being one, where we do have a smaller set of assets. And we're actively working with customers and potential partners to see if there's a way that we can leverage those assets to take a stronger position.

And we're doing that in those areas where we don't have quite as big a footprint. Maybe we don't have the same service offerings where we just have gathering but not processing. But we're actively working that to figure out what's the best way to make sure that we have – we align with others to actually get and hold that competitive position to make sure that we're well situated to really offer the producers kind of the fuller suite of services.

**Christine Cho**
*Analyst, Barclays Capital, Inc.*

Q

Christine Cho, Barclays. You talked on the Northwest Pipeline how new rates are going to affect January of next year. I'm guessing that's in like a settlement in response to the rate case filing that you would have had to finally do later this year. Can you talk about what the revenue impact is tied to the rate case?

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Walter J. Bennett
*Senior Vice President-West, The Williams Cos., Inc.*

A

Sure. Yes, so the new rates will be filed this year and going to affect first of next year. It will be a slightly lower fee than what we've had traditionally on Northwest Pipeline. And it's essentially about $0.02 per dekatherm, it's what the difference is between the old rates and then the rates that'll be effective by January 1.

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John D. Porter
*Head-Investor Relations, The Williams Cos., Inc.*

So, all right, we'll take a 15-minute break for [indiscernible] (03:07:29) and we'll come back [indiscernible] (03:07:32)

[Break] (03:07:39-03:21:20)

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# MANAGEMENT DISCUSSION SECTION

James E. Scheel
*Senior Vice President, Northeast Gathering & Processing, The Williams Cos., Inc.*

Hi. I'll give just a minute to let everybody get settled. All right. Is everybody here okay? Sounds good. I'm Jim Scheel. I'm the leader of the Northeast operating area. I've been with Williams about 30 years now. Last three years have been in the Northeast, and we all have been busy. That slide or that movie that Alan showed really resonated with me. We've been busy.

And I would tell you, kind of a joke in the office is working in the Northeast is kind of like dog years. Everybody gets a lot of experience in a very short time. And I can tell you that it feels really good to come through the last seven years of what we've accomplished in the Northeast, and talk to you a little bit today about where we're headed.

Last time I was here was two years ago, and we were talking about completing the foundational assets. I can tell you, we've checked that box. It's really an exciting time to think about the robust assets that we have, robust assets that's positioned for real strong growth. And I can tell you, the market hubs that we've created are driving value for our customers today, and it's going to drive value for generations to come.

But what is the key to that? And this is – we talked about this a little bit at the break already. The key to this is the second piece of this, which is the demand versus takeaway situation. Alan described to you today the growing demand for Northeast gas. We just don't have the proper infrastructure in place to take advantage of that, and I'm going to tell you that in 2018 and beyond, we're solving that challenge.

And that really is going to position the Northeast for some very robust growth. I can tell you, with the technological enhancements that our producers have and the position that we've got in the basin, it's a tremendous growth story. And I hope that after you hear this, you're as excited as I am about Williams in the Northeast.

Williams has a large scale position. It really makes a great map, traversing both the Marcellus and the Utica. But I'm here to tell you that this really isn't just about moving from 1,000 miles of pipe to 4,200 miles of pipe. Starting off about eight years ago with 100 million a day of production in the Northeast that we were gathering, that's ending the first quarter at nearly 7 Bcf a day of gas production coming through these assets. It's way more than the pipe in the ground.

Foundational assets also include our people. Eight years ago, Williams had 27 people in the Northeast. Let me say that again. We had 27 people. Today, it's nearly 1,000. Over the course of that time, a lot goes into training the people to do that, to operate these midstream systems. I'm so proud of what the team has accomplished, and they are a foundation of our future success. It is an asset that Williams has in the Northeast that really I don't think anybody else can touch.

In addition to that, these folks are really focused on the safe and efficient operation of our system. Again, you think about some of the assets that were just described before me. These are 40 years in the making. We built similar-sized system in the Northeast over the course of the last seven years, and really to be focused now on efficiency, safety, capital deployment is a tremendous foundational asset that Williams has brought to this based upon our long midstream tradition.

In addition, our foundational assets include great dedications. I just want to remind you a few years ago, we only had 400,000 acres dedicated to Williams in the Northeast. Now, we're at over 4.5 million acres dedicated to us, and it's multi-zone dedications in many cases. And as we go through the presentation, you'll see how truly valuable that is.

I can also tell you our foundational asset is our customer relationships. As we all came into this and we're learning to do business in the Northeast, that was a real challenge. We've really cracked the code on that. We're partners with our customers today, we're helping them achieve their goals, and they're working with us to make sure we deploy our capital as efficiently as possible.

And then the last component of this, and I think it's an important one, is our community involvement. I'm very proud of the fact that Northeast is an active participant in all the communities in which we do business. I can tell you today, there aren't protesters when a Williams truck shows up. We are a valued part of every area we work in, and people really like to see us when we come into an area.

So the foundation is here. And I want to spend the next minute talking a little bit more detail about specific areas. If you look here at our Northeast footprint, this is really the Susquehanna and Bradford County of Northeast Pennsylvania. It's the lowest cost production in the United States, if not the world. I would tell you, we've put in, think about this, 1,100 miles of pipe and 372,000 horsepower.

But here's what I think you guys will be interested in. In the first quarter of 2017, this area produced through our system 6.3% of all U.S. gas production. 6.3% came out of the pipe that's highlighted on this map. It's really incredible gas resource and there's a lot of room to grow.

As we move further to the West, we've got a very powerful combination of assets. As you see, our tremendous footprint in the Southwest, Marcellus, and the Utica. We operate as Williams the Utica Supply Hub as well as the Ohio River Supply Hub, and we also have a complementary ownership interest in the Blue Racer Midstream system. I didn't have the statistics on the map here, so I'm just going to read this off to you. Blue Racer has 1.5 Bcf a day of additional gathering in the area, 800 million a day of processing, 122,000 barrels a day of fractionation and about another 700 miles of pipe.

This area, again, what you all are I'm sure interested in, produced 3.7% of the gas in the United States during the first quarter of 2017. And when you take into account the liquids that came out of the area as well, Alan talked to you about how, when you factor that in, it would have been 4.7%. Again, these assets cross multiple plays, whether it's the wet Marcellus or the dry Marcellus, whether it's the wet Utica or dry Utica, great opportunity for additional robust growth as we move forward.

And in addition to this, as we talked about the foundational assets, these are big assets. These are assets that have the ability to move much more volume than we're moving today. So, we can instantaneously respond to volume growth as the demand and the infrastructure comes in place that calls on this low-cost production.

Slide 6 here. This is one I'm really proud of. It's a – we want to talk about the best-in-class operational efficiency, and I think we've really done that in the Northeast. I would tell you, two years ago when I was in front of this group, I wouldn't be saying we were best-in-class. That is just not the case. But we've really cracked the code and, again, I want to compliment my team so much in the Northeast as we have now gotten to a position where we're moving in excess of 98% of all available gas across our systems on a regular basis. That wasn't true a few years ago. We were continuously having high grade issues or having challenges with our mechanical integrity. We had challenges – big challenges associated with landslides as we'd built assets in very difficult terrain.

Just to highlight for you one thing that's a great accomplishment for the area is we really have cracked the code on our geotechnical challenges. There's landslides, the slips. They became a big issue for the industry, still are. But I would tell you, we are the leader in that. And we had a team just last week meeting with the FERC because the FERC is very concerned about the same issue in the basin.

Williams is recognized as the leader in solving these problems. And we identify these areas and we proactively address them before we have issues that impact production. Our customers understand that. The regulators understand it. It's our commitment to operational discipline. And I believe we've done a great job in that regard.

You've also heard a lot during our Analyst Day's presentation about efficient incremental capital investment. I'm going to talk about that a lot, too. Again, I said, these foundational assets – this foundation was built with a lot of growth potential in place. That, obviously, when it doesn't come as fast as you want, creates opportunities to very easily meet growth going forward, and I would tell you that's the position we're in.

We can grow these volumes dramatically with very little, and I use little in air quotes, with very little incremental investment. We'll be looking at that as we go through the presentation. But it's a great highly leveraged position to be in as far as EBITDA, the future volumes. We're not going to have to spend near the amount of capital as we go forward in order to markedly enhance our EBITDA.

And I would tell you, we're also timing the capital investment now to actual drilling activity. We're not getting out in front of the producers. We don't have to get out in front of the producers in order to time our capital efficiently to meet our customer needs.

And that all translates into speed to market. We do have the assets in place. We don't have to make huge capital commitments in order to meet our customer needs. And in addition to that, again, if you recall, the last time we were here, we were talking about how we were even improving our capital deployment technologies using modular equipment so that we could very rapidly install our assets.

And even in this picture, you'll see our modular dehydration system. We have modular compression facilities. We're going to standardize cryogenic processing facilities. Build it – design it once and build it multiple times is our mantra. And I think, once again, Williams is a leader in this area, across the board and really is a standout in the Northeast.

The last thing I want to talk about, before we go into volumes, is our customers, and I can tell you, I'm really, really proud of our customers.

We've seen a lot of consolidation take place over the course of the last couple of years. We've seen customers rationalize. A lot of the smaller producers that have been in the area are now gone. This is our key customer base that you see on this particular slide.

They've driven down their costs. They've consolidated their acreage position, and they've really become, again, great developers of this resource in the Marcellus and Utica. And I'm just going to give you a few examples here of what's taken place so that you can get a good appreciation for how far we've come.

But Cabot, let's talk about Cabot to begin with. Cabot has decreased their drilling costs by 50% over the course of the last five years. And really, as we talk to them, they've continued to ramp up volumes. They want to – they have publicly said they want to go to 3.7 Bcf a day of production out of their area in Susquehanna. The real punch line to that, too, though, is they now know what their reserve potential is behind that, and they look at that as a 50-year life cycle, 50 years. So, this isn't just a multi-year opportunity. This is a generational opportunity coming from this part of the Marcellus.

Chesapeake, as we move across, Chesapeake has really done a great job optimizing their spending and driving down costs. In the dry Marcellus area, their breakeven is right at about $2. In the Cardinal system, we see a wet breakeven at $37 of crude oil, assuming about the strip price of $3.

As we move further on with Southwestern, they've decreased their drilling times by 65% since 2010, and they continue to lower their operating costs 10% over the course of the last couple years. A punchline here for you is they want to exit this year to 30% higher production rate, and they anticipate keeping that trajectory at at least 15% for this foreseeable future. So, our producers have done a fantastic job, and we've helped enable that growth.

Now, let's go back to what Alan talked about. This was his slide talking about how great the Northeast is. You see, 14.7 Bcf a day of incremental production between 2016 and 2021. As I think back in my career, in 2002, I moved back to the United States from an overseas assignment. I was running a refinery for Williams over there and really hadn't paid a lot of attention to the gas side of the business in a while. And one of the first things that I was asked to do is be part of a team that would look at where Williams was going to have to bring gas into our system on an import basis.

And as we started looking through that study, because we were sure the United States was going to run out of gas, we started understanding the potential of the shale place. We really thought to ourselves, man, there is a pretty incredible resource. But even at that point, nobody could envision the type of reserve potential and growth opportunities, especially out at the Northeast. This is pretty impressive, and I want to unpack this a little bit more for you because it's an important story as we go forward, where is this growth really going to come from.

So, what we've done here, these are Wood Mac forecast for the sub-plays in the Marcellus and the Utica. So, let me take just a minute to describe the slide. Each one of these bar charts that we show shows a particular sub-play and shows its overall contribution to that 14.7 Bcf a day of growth. So, you can see in each one of those how much they contribute. There are 13 other sub-plays in the Marcellus and Utica. They really don't impact that 14.7 Bcf number. And then, as we move on, you'll be able to see where each one of those particular sub-plays that are growing, are highlighted in blue, this is the Marcellus. The point of this is to show you where that growth is going to come from. Anywhere you see a blue dot, that's where we believe, looking at the Wood Mac analysis, the growth will come. This is for the – this, again, is for the Marcellus.

Very same thing here as we look at the Utica. You can see where we believe – where Wood Mac believes the growth will come. Again, the blue represents the growth. Those were the gold bars on the first slide that I've shown, and we'll come back to that at the end.

All right. So, let's go back to the Northeast Pennsylvania, Bradford and Susquehanna Counties. Again, I already highlighted that was 6.3% of U.S. production. Now, I want to give you another thing that we're pretty proud of, as far as our position, so that you can get a flavor for this. We're 92% market share for that current production, 92%. And really, when you take these two dots and you add them up on the Wood Mac forecast, that says there'll be another 4.7 Bcf a day of production out of this particular area between now and 2021. So, I'll let you guys connect the dots, but we've got the best system in the area, we've got 92% market share, and we've got a very prolific growth story.

We already talked about the Genesis project, so I won't reiterate that, but I hope next time I'm here we're talking about the Exodus project. That's what I want to call our next one. I think the second book in the Bible would be good with that, especially with a name like Exodus.

As we move further to the West again, you can see that these assets really overlay all the growth for the Marcellus, both the wet and the dry. Williams has about 2,800 miles of pipe and 185,000 horsepower in this area. Again, I already said, this represents about one – well, this particular piece represents about 1.5% of U.S. production.

Okay, here's what you ought to take away from this though. Our market share in this particular area is only about 16%. So, I do believe we're perfectly positioned to build on that market share and this can be a real contributor to growing our market share as we move forward. It's no secret that Williams' volume performance out of this particular basin hasn't been what we expected. The good news is, going forward, we've got a lot of places left to drill up that are very affordable. And again, all we have to do to grow volumes here is some well connects and add some cryogenic processing. Nobody else is in a position to as cost effectively meet the demand growth from this area as Williams.

And again, if you'll look at the bubbles on the slides for these four areas, that's 4.2 Bcf a day of growth coming from this area between now and 2021, a great position to be in, a great position to be in. I wish we had more volume today, but we're poised to capture more as we go forward.

As we move further over to the Utica, we have the Utica Supply Hub. We have the Blue Racer assets that I've already described. This represents about 2% of U.S. gas production. And to give you some market share insight, that's 95% plus. So, from a wet Utica production, a very strong position. Again, infrastructure is in place. That's not going to require much, if any, capital investment in order to continue to grow volumes in the near term. And in the long term again, we can add cryo capacity as necessary to meet customer needs.

We see rigs coming into that area now and we do believe we're in an inflection point where that volume will begin to recover, especially considering producers now have line-of-sight to where the NGLs are going to go from this area. I can tell you tell we were all very excited to see Energy Transfer's [ph] marrying our (03:44:16) East projects, get their approval and go underway.

We also have a blessing of being part of the Utica dry. I would tell you a lot of folks weren't really factoring that in to the equation three, four years ago, and that's a big part of the story of that increased amount of recoverable reserves under $4. In fact, when we were doing the Ohio River purchase, we weren't even really factoring in any dry Utica.

But this, again, is a great growth story. That's 4.2 Bcf a day forecasted to grow out of this area. And I would tell you we're not going to get up to a huge market share, but I would anticipate, based upon the way our dedications lay out, Williams is in a position to capture 15% to 20% of that overall growth, and that's a big number in and of itself.

So, really, you can see we cover the entire gamut. Williams has great positions in all these areas. And we cover 100% of the growth. And I can promise you, we're going to get more than our fair share. You've already heard that. We're going to get more than our fair share of this going forward. So, it's a great story.

But what do you need? You need more takeaway capacity, and I tell you, Rory did a great job. We've solved a lot of our challenges associated with the Northeast takeaway capacity if you look at the way we partnered with Transco and added to the overall value chain for Williams and its shareholders. We've got access to export markets. Transco is spending that $7 billion worth of capital.

But I can promise you, that's not the end of the story. And Rory and his team aren't the only folks that we're working with. To quote Hillary Clinton, it really takes a village, I tell you. We're working with everybody because you got to have all those gas takeaway to clear this fantastic market. And this is a busy, busy, busy slide, but I can tell you 22 Bcf a day of incremental capacity is coming online. Will all of it get built? Probably not. Will most of it get built? Probably so. And that really is going to change the market. I will tell you, that is going to change producer economics because basis differentials are going to go away. It's going to provide great outlook for our customers through our market hubs to hit new areas.

And let me also talk to you about the second derivative effect. I would tell you, it really doesn't matter. It really doesn't matter if you're connected to any one of these systems. Any specific pipeline, once they come online, they take pressure. Think of that 15 – plus 15 numbers of balloon. As soon as you have one pipeline connect into that, begin to have a de-pressuring event, everybody benefits.

There's a great anecdotal example of this that I'm going to talk about in a minute when you see our volume, or I'll talk about it now. But when you see our volume for the first quarter, we saw that ramped up pretty significantly when Rex came online. It came out of the Bradford and Susquehanna. When the Rex expansion came online, it freed up capacity because of gas that was previously flowing to the East was able to go back to the West, that allowed us to hit record volumes in both Bradford and Susquehanna.

The second derivative effect of all of this means all of the basins are going to benefit from pipeline capacity wherever it comes from. So, we're really looking forward to seeing this come to fruition. That's something you all need to be watching. The next three projects that we really have to focus on is the Energy Transfer's Rover, as well as the Leach XPress from Columbia, and then Spectra's Nexus.

That's 6.1 Bcf a day in the near term and that's going to provide a lot of incremental outlets for all the gas in the Northeast. But that's not the whole story. I got to go back even though – I had one thing I wanted to say. You can't really quote Hillary Clinton's startout with it takes a village. I know this is New York, but we also have to say this is going to be huge. This is really going to be huge. And important people say that this is really going to happen, so keep that in mind. But it's really not just the gas cycle life story. We've already hit on this a little bit. I won't dwell too long on it. But a lot of incremental power supply is coming into the area.

You think about, just in 2005, this area was dominated by nuclear and coal. It was more than 91% of all power supply than the Ohio, West Virginia, Pennsylvania area was from that source. Today, it's already up to about 33% supplied by gas and that's growing. We have another 1 Bcf to 2 Bcf a day of incremental demand coming online.

And I would tell you, our customers are taking advantage of that. And Susquehanna and Bradford, we have – we're going to be connecting to two power plants. Cabot will be supplying that. That's about 400 million a day of connection from our gathering system, optimizing their portfolio of off-take. Down in the Laurel Mountain area, we have another 150 million a day coming into the Tenaska plant. So, we'll also have access indirectly to all of these other power plants, again, through the second derivative effect where our producers can supply them, and this is a great additional resource for demand for the gas.

Here, you can see again the fact that our assets have performed admirably. Since 2012 to 2015, we saw tremendous volume growth across the board for the Northeast as capacity was available. At that time, capacity was available. There was surplus capacity in interstate pipes, and we were able to meet the demand. It flattened off over the course of 2015 and 2016. Again, we've been telling you, it's full. But with that 22 Bcf a day coming online, it's a great upward trajectory again.

And I can tell you we're highly leveraged to that growth. And again, even though it's hard to see in this one particular slide, pay special notice to how well we did in the first quarter of 2017 as we saw incremental capacity hit the basin.

So, Alan already stole my overall market share number earlier. I was kind of grimacing when I heard him tell you what it was. He heard us practice yesterday and took that from us. But we're 34% across the board, 34% of the best basin in the United States, and if we just get our fair share of that going forward, it's a great growth story.

Now, I promised Don that I would say, before we go to the next slide, that this is not guidance, three times. So, this is not guidance, this is not guidance, and this is not guidance. But this is a very complicated slide, and I want to take a minute to unpack this one for you and talk about what it means, because we've never showed this before, and I think it really does demonstrate how and, again, I don't want to overuse this, how capital-efficient we are and how we're going to be able to drive EBITDA growth.

So, let me just start and then go through this simply. We're showing here our 2016 volume of about 6.5 Bcf a day. So, 2016, we showed the target with the 2016, we earned about $0.37 EBITDA per Mcf of gas during 2016 on that 6.5 Bcf a day, okay? So, that is what we did.

Now, you've seen the volume forecast that Wood Mac has put out. I've kind of described our position in each one of the basins. So, I'm going to let you all decide how successful we might be in capturing that volume. But I'll tell you, I think we're going to get more than that 34%. So, you all do the math, you figure out where it is.

But let's just assume for a moment that we get up to about that 10 Bcf to 10.5 Bcf a day of production by 2021. Let's make that assumption. And in our estimates, that means, from my perspective, from Williams' perspective, that our EBITDA per Mcf is going to go from that $0.37 to $0.50 to $0.55. We do the math on that and that has our EBITDA going from about $860 million to nearly $2 billion.

 

Then, you go think about, okay, how much do you have to spend to make that happen? And again, it will kind of vary depending on where this volume growth comes. But we only have to spend about $500 million per year to make that kind of volume growth happen on the system. That's very efficient compared to what we've been spending for the past seven years.

So, if you think about the multiple on that, we're growing EBITDA by roughly $1.1 billion over a five-year period and we're spending $500 million a year in order to get there. That's a pretty impressive multiple. You guys do the math on that one. But that drives a lot of shareholder value.

And I can tell you, this is not a long [ph] putt (03:55:39) for us. But the other thing I promise to say is that in our financial forecasting, we're not as aggressive as this 10.5 Bcf a day. And you might ask, why not? And there's a simple answer for that. We're waiting to see the rigs coming online. We're waiting to see that our producers react before we're able to forecast out on a Wood Mackenzie basis. So, we really are keeping our eye on the ball about what we know to be true. But in any event, this very articulately describes how leveraged we are to growth and how much potential there is for EBITDA coming from the Northeast with highly efficient capital.

So, wrapping up for the Northeast. This is an area where I can tell you, we spent a lot of time getting these foundational assets in place. They're there today. They're ready to be expanded. They're very robust. The 22 Bcf a day of additional takeaway capacity, some of it within Williams' control, and as you've already heard today, we're on target with expectations of meeting our timelines, and we know there's a lot more coming online. And because of those two, we're very well-positioned to take advantage of that growth.

And I can tell you, if you do believe in the demand, and I guess this is the key issue, Alan said this before, but if you do believe in the gas story for the United States for that demand pool for gas, then you've got to believe that the Northeast is going to be the key contributor to that. And if you do believe in the gas in the Northeast, then you really have to believe in the Williams' story because we have set ourselves up very well here to succeed. And it's a very exciting thing for us as Williams. But I can also tell you from a very personal perspective, I think this is the greatest thing ever for the country too. I mean, we're not only driving shareholder value, but we're driving the economic engine for the entire country out of this great resource potential, and it's an exciting place to be.

So, thank you, and I'm happy to take any questions you might have.

# QUESTION AND ANSWER SECTION

Q

Yeah. Thank you very much. Can you just describe how you anticipate market share may change going forward, especially if a lot of the acreage already is dedicated to you and to others?

James E. Scheel
*Senior Vice President, Northeast Gathering & Processing, The Williams Cos., Inc.*

A

Well I can tell you, we have a leading market share percentage in the Utica, as well as in the Northeast Pennsylvania, and I guess I'm of the position that, in those particular areas, our dedications which are very robust, they're going to keep our market share pretty high. That's not to say there isn't some undedicated areas in those particular basins.

So, you could see some slippage, but that's probably not a bad thing going from 90-plus percent market share to something less than that. I would go – I would tell you where the opportunity is for market share shift really isn't some of those areas where we haven't seen the production in our dedicated acreage, others have. And I think we have the ability, as you see that ramp-up of growth, for that to be disproportionately filled.

So, my forecast is, yeah, you may see a slight erosion in the areas where we have a very large market share, but that's going to be more than offset by the growth that we see in the other areas.

Darren C. Horowitz
*Analyst, Raymond James & Associates, Inc.*

Q

Hey, Jim. Darren Horowitz with Raymond James. I was curious on slide 21 when you're talking about the step function in EBITDA per Mcf in 2016 to 2021, recognizing that it's probably not going to be linear in operating profit per Mcf isn't going to be equal between the dry and the rich gas. How much of a benefit or a step-up are you going to get from adding things like compression on the dry gas side relative to just standardizing from a cost structure perspective, what you're doing with the hydration and processing?

James E. Scheel
*Senior Vice President, Northeast Gathering & Processing, The Williams Cos., Inc.*

A

Well, let me just give you perhaps a different way to answer this. As we think about our dry gas areas, yeah, there are opportunities to continue to meet our customer needs, whether that's lower system pressures or enhanced, some dehydration fees or anything else. But that's going to be pretty small. And our number, I'm not quoting the exact number by customer, but let's just say our rate in those particular areas are in $0.45 to $0.55 per [ph] Mcf (04:00:50) rate. That probably won't change a lot.

Then we've got a much different rate as you get into the rich area where we're doing gathering compression, again cryogenic processing, fractionation in some cases. In some places where we're just doing the gathering and the processing, and other folks are looking to take on some of the fractionation on a go-forward basis.

But in any event, that rate is somewhere in the, let's say, $0.80 to $1.25 rate. So, the more production we see there, we'll probably be on the higher end of that scale if the wet gas economics are really driving where the growth comes from and the basin will be on the higher end of that. If we're on the – more on the dry side, we'll be on the lower end of that. But we've given you a pretty tight band there based on the way we believe it's going to go and the way we think that the markets are going to evolve. Obviously, there's some variability around that, but in any event, it's a pretty nice increase regardless. And I would also tell you, our EBITDA per Mcf will go up even in the dry areas just because of the efficiency that we have as far as our fixed cost structure associated with adding that incremental volume.

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**Darren C. Horowitz**
*Analyst, Raymond James & Associates, Inc.*

Q

Thank you.

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**John Edwards**
*Analyst, Credit Suisse Securities (USA) LLC*

Q

John Edwards, Credit Suisse. Thanks for taking my question. Just on that last slide, with the wedge, you're 53% and you're 73%. And the slide before that, you've had the 34% market share. So, that growth rate, just to, yeah – so, if you go back to the other one, that trajectory assumes the same share, less share?

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**James E. Scheel**
*Senior Vice President, Northeast Gathering & Processing, The Williams Cos., Inc.*

A

Yeah. It basically assumes we're growing and are getting our fair share going forward. That's what we're basically saying, is that if we maintain, we're going to be somewhere in that zip code that you're seeing in that green band. And that is going to drive our improvement in our EBITDA per Mcf.

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**John Edwards**
*Analyst, Credit Suisse Securities (USA) LLC*

Q

Okay. So, now, and as far as your confidence level on share, do you expect to maintain that share, lose a little, gain a little, what's your thought about that?

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**James E. Scheel**
*Senior Vice President, Northeast Gathering & Processing, The Williams Cos., Inc.*

A

Well, I guess as I look forward, I do believe we have a great opportunity to continue the excellent performance we've had around the Bradford and the Susquehanna area. I only see us – I see us staying as the market leader there. As you think about the wet Marcellus, I see us growing market share as we go through that. We do have underutilized assets where I think we can be very competitive today. We also have the ability to easily expand. That's something that our competitors really don't have. We do have the Oak Grove asset, and it is easily expandable going forward. And I believe that that will be a big benefit for us on being able to grow the wet Marcellus market share.

As you move into the Utica – I think, between Blue Racer and our Utica, we're going to maintain market share. So, I think the key driver and the one that on – my crystal ball says we're going to grow our overall market share primarily by improvement in the rich Marcellus.

Now, offsetting from that some of the dry Utica I already tried to highlight for you. There is a lot of dry Utica dedicated to others. But we'll probably have 15% to 20% market share in that particular area. I know that's a real focus for Chesapeake even right now. And so, we'll get a good chunk of that. And how that all translates into the final number still is a much larger number and probably consistent, if not a higher, market share on a go-forward basis.

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Craig K. Shere
*Analyst, Tuohy Brothers Investment Research, Inc.*

Q

Hi, Jim. Craig Shere, Tuohy Brothers.

James E. Scheel
*Senior Vice President, Northeast Gathering & Processing, The Williams Cos., Inc.*

A

Hi, Craig.

Craig K. Shere
*Analyst, Tuohy Brothers Investment Research, Inc.*

Q

I think there's four variables that go into all these. Is the spare capacity by system the expected regional growth or growth by system, William's market share by system, and then the contracted margins by systems which can vary widely, some just a return on invested capital, some dry gas gathering rates, some $0.80 to $1 liquids gathering and processing as you pointed out. What I'm trying to ask is, without getting into the minutiae of all these things, in your mind, by system, how would you break down the market share of that $1.1 billion uplift EBITDA potential?

James E. Scheel
*Senior Vice President, Northeast Gathering & Processing, The Williams Cos., Inc.*

A

As far as – I don't know that we're in a position to really call and give you guidance around exactly where the market share will be. I would tell you, we're going to continue to see very robust growth around the Bradford and the Susquehanna areas. That's going to be a big driver for demand pull just based on what you see from Wood Mackenzie. So, expect to see more growth out of that particular area. Again, I called out already that Cabot has said publicly that they're ready to go to 3.7 Bcf a day, and I think they could do more if they want to. So, big growth trajectory in that particular area.

Obviously, as we see more capacity open up in and around the wet Marcellus as well as the dry Utica, more takeaway capacity come up. I think those are the two that you're going to see really ramping up as we look further to the West in order to meet that demand from just a pure return perspective for our producers. And then we continue to see growth in the Utica as, again, some of the challenges that we've talked about associated with NGL takeaway are getting solved with those.

So, kind of from my perspective, from a market base, the dry Northeast Marcellus is probably the best, followed by the rich Marcellus and the dry Utica, and then the Utica.

Craig K. Shere
*Analyst, Tuohy Brothers Investment Research, Inc.*

Q

Was that based on contribution to EBITDA because...

James E. Scheel
*Senior Vice President, Northeast Gathering & Processing, The Williams Cos., Inc.*

A

Yeah. That's factoring into how we are calculating our number. Let's leave it on that one slide because I think we're going to spend a little bit more time on this. That's how we're focusing our EBITDA per Mcf number there. Alan?

Alan S. Armstrong
*President, Chief Executive Officer & Director, The Williams Cos., Inc.*

A

Yeah. Jim, you might just go back to those sub-plays because, really, this is somewhat mechanical in terms of it being built off of the Wood Mac. So, there is a Wood Mac perspective of growth. And I think what you're hearing from Jim is he has his own perspective that may differ a little bit than that, but it's somewhat mechanically built off the sub-plays in terms of volume growth in each of these areas, in terms of that $2 billion number. So, you might, Jim, just spend a little time on this about your own perspective of growth and our position in those particular sub-plays.

**James E. Scheel**
*Senior Vice President, Northeast Gathering & Processing, The Williams Cos., Inc.*

A

Sure. Again, I think I'm just trying to reiterate what I just said. I think, as you look at the growth coming from the Bradford and the Susquehanna Core, that's – at least for now, that's been the most productive resource from a netback perspective from a customer. And again, we see a lot of volume growth coming from that particular area. Then, you see the rich gas in West Virginia, again, that's the rich Marcellus having a great growth potential, as I said, as well as the lean gas coming from the dry Utica.

So really, what I just told you really does link back to this particular slide. And I think that, again, that's the basis of the EBITDA per Mcf and it's consistent with what we're thinking as far as our financial planning for the Northeast.

Q

You mentioned a consolidation by the producers in the area. What do you foresee generally the industry consolidation opportunity in the G&P side? Do you think you will participate, or if not would you like to speculate on the areas of greatest activity by others?

**James E. Scheel**
*Senior Vice President, Northeast Gathering & Processing, The Williams Cos., Inc.*

A

Well, that's a great question. It's one that we've actually – we continuously think about as Williams in the Northeast. I think it's no secret to anybody in this room that we're part of any number of joint ventures across our supply hubs. And obviously, there's the opportunity for Williams to consolidate some of those. But as Alan described, at the very beginning, that really kind of depends on the valuations. And I can tell you right now, I don't think we've gotten into an area where the valuations or the expectations for the purchase price are marrying up with our other investment opportunities.

So yes, it's a clear potential and it's one that we'll keep talking about, the opportunity to rationalize. But it's not a requirement in order to meet our growth objectives or our financial perspectives. I do know that the industry wants to capture those synergies because I do believe there's a lot of synergies to be captured by consolidating some of these assets. And as we mature a little bit more and people get a better expectation of how growth is really going to come, we'll probably be able to come together over the longer term and figure out the best way to bring the assets together from an ownership perspective. But right now, that's not a driving factor in any of our financials for Williams but it is something we're continuously watching.

As it relates to everybody else, I think everybody else, I think they – everybody else sees that opportunity as well and would probably answer the question very similarly. Yeah, we're looking for that. But we've got so much on our plate right now, and everybody's thinking their assets are worth the most right now. It's kind of hard to make things come together.

### Jean Ann Salisbury
*Analyst, Sanford C. Bernstein & Co. LLC*

Q

Hi. Jean Ann Salisbury from Bernstein. Just one more on slide 21. Is that assuming that volumes spilled is more processing or is that just gathering and processing would be on top of that?

### James E. Scheel
*Senior Vice President, Northeast Gathering & Processing, The Williams Cos., Inc.*

A

No. That would anticipate additional cryogenic processing in that $500 million per year. Obviously, we're going to have to build out additional facilities to meet the customer needs and that's part of our thought process.

### Jean Ann Salisbury
*Analyst, Sanford C. Bernstein & Co. LLC*

Q

Okay. So you would maintain market share in both gathering and processing for the wet Marcellus?

### James E. Scheel
*Senior Vice President, Northeast Gathering & Processing, The Williams Cos., Inc.*

A

Sure.

### Jean Ann Salisbury
*Analyst, Sanford C. Bernstein & Co. LLC*

Q

Okay. Thanks.

## James E. Scheel
*Senior Vice President, Northeast Gathering & Processing, The Williams Cos., Inc.*

All right. Well, I thank you very much for your questions. This is an exciting place to be and we've come a long way as a group. And I'd tell you, the assets that we've got in place here are just – can't be replicated. I can't be so proud of the team that's put these together. And I hope you all recognize the value that's ready to come out of these over the course of the next four or five years.

Now with that, I'll hand it over to Don, who will walk you through our financials.

# MANAGEMENT DISCUSSION SECTION

## Donald R. Chappel

*Chief Financial Officer & Senior Vice President, The Williams Cos., Inc.*

Thank you, Jim. Good afternoon. I'm Don Chappel. I think most of you know me and I think I know most of you, but thanks for hanging with us all day. I hope it's as exciting for you as it is for us. We have, I think, a great story. I think we have extraordinary opportunity ahead to create value for you, our investors, and for ourselves and that's pretty exciting. And particularly, given the demand growth we see for natural gas, the abundant supply, how well-positioned our assets are, and the fact that now from a financial standpoint, we're in a much better position with an absence of IDRs, with stronger credit profile and credit ratings and the ability to self-fund to a large degree, that makes a huge difference. So again, I think we're in a great position to create a lot of value for investors and it's a pretty exciting opportunity set.

Some of the areas we're certainly focused and certainly increasing distributable cash flow per unit and distributable cash flow on a per share basis, as well as improving our financial returns. And I think the business plan that you heard about today translates into a financial plan that does just that, and I think it does it in a way that can create great value again in the near term, intermediate term, as well as in the long term so that's pretty exciting.

Again, we're focused on investing in new projects that are really good projects along our competitively advantaged footprint and doing so in a way that we continue to earn very attractive returns. So that's really a focus for us. We have abundant opportunities. You heard about many of them today and there are many that are beyond that that are still in the development phase and perhaps not ready to be heard about in this room.

We're retaining abundant cash flow, that's going to help to self-finance this. And at the same time, with the growing EBITDA, we'll also be able to lean on debt somewhat while still holding very strong credit metrics and continuing to enjoy investment grade ratings at WPZ, and also improving our credit at Williams as well.

I'll just turn the page. There's a lot of words on this slide. I'll just talk to some of the left. Again, compelling market fundamentals. I think Alan and the rest of the leadership team spoke to that. Again, very strong long-term demand growth for natural gas and supply has got to follow that. And it's all about volume for us, it's not about margins. And again, I'll say it again, it's all about volumes for us, it's no longer about margins. We kind of left that behind and more about that in a few moments.

We've got great assets. Transco, our northeast position, but great assets across our business in the West, the Atlantic Gulf as well. We have immaterial direct commodity exposure. And again, we're focused on allocating capital to our competitively advantaged asset positions with very attractive returns, particularly on a risk adjusted basis. And again, we have a very strong financial outlook. More about that in just a couple more slides.

Let's turn back a little bit and look at the transformation of the company. So the Williams of old is not the Williams today. This goes back to 2011, and you can see in 2011 we had about $2.5 billion of fee-based revenue. Today, in 2016, that was over $5 billion. So it's more than doubled in that period, 2011 to 2016, and it's still growing quite rapidly in 2017 and beyond. As well, you can see the commodities in the green and the purple, and that was roughly $1.3 billion in 2011, and that declined to about $300 million in 2016, so $1 billion of loss commodity margin. The good news, that's behind us. It was a harsh headwind that we had to face, but nonetheless it's behind us.

And as well if you look at the purple, that's really olefin margin. We sold Canada. We're in the process of closing the Geismar transaction so you can just lop that off. And really, what's left is NGL margin. So if you look at the NGL margin in 2016, that's kind of representative of kind of what we're walking into here in 2017. It's roughly $100 million and change a year, so it's pretty small. So I said immaterial commodity exposure, direct money exposure, and that's how we've transformed the company. So again, the company that you knew back five years ago, even a few years ago, is quite a different company today in terms of fee-based revenue growth, as well as immaterial direct commodity exposure.

Maybe one other point that's not graphed here is our equity method investments, but we have a lot of those. Many of them are listed there at the bottom of the page. Those have grown enormously as well. They're up 178% over that same period and those are also fee-based.

So let's move forward here on the slide. There we go. And let's take a look at how well the business performed even during a period of stress in the energy industry and stress even at our company. So if you look at 2015 and 2016 and the first quarter of 2017, the blue bars are the adjusted EBITDA for those periods. You're going to see it steady, and in fact growing. And as you recall, oil prices took a big dive. NGL values took a big dive. Natural gas took a big dive. Cost to capital soared. Credit was tight. But nonetheless, the business held up in the worst of conditions and performed very, very well.

You can see in green, that's the Alerian Energy Infrastructure Index. That didn't perform so well. It's largely recovered, but obviously a lot of volatility in the index, a lot of volatility in WPZ and Williams stock, but underlying all that is a very solid EBITDA. So something to think about as the markets get turbulent, think about Williams' business and how steady and solid it is. It's all based on volumes and those volumes are going to flow because the demand is there. So again, solid demand. The lights are going to continue to be turned on, the LNG exports will continue to flow, and again, volumes will flow through our systems.

Just to now take a look at, again, 97% of fee-based excluding Geismar. So we pulled Geismar out now, and you can see 97% fee-based. On the top right part of the chart, you can see the regulated gas pipeline business, Transco, Northwest Pipeline and Gulfstream accounting for 34% of the gross margin.

Top left, you can see the Northeast. Again, a lot of growth in the Northeast currently at 23% but growing very rapidly. So you can expect growth in the Northeast and you can expect a lot of growth in the regulated pipeline business. Rory talked a lot about Transco, Jim talked a lot about the Northeast opportunity. So we would expect those pieces of the pie to get quite a bit bigger over the coming years, but at the same time we have some very solid cash-generating businesses in the West, as well as in the Atlantic-Gulf offshore and onshore. And again, over time, we do expect those to contribute to growth as well.

I think Walt spoke to the fact that through the planning period here that we put on the screen, expect relatively flat volumes. Rory talked about a lot of the growth opportunities that are ahead, but they're in the back half of that planning period. But nonetheless, we expect growth there over time as well, and you can see that small slice of NGL and other commodity margin at about 3%. Not a lot of downside, some upside. We won't move as much as some others based on commodity moves. We think that's a good thing based on the feedback we get from investors and we think how investors value stocks and particularly dividend stocks.

Let's take a first look at 2018. So I know you'd all like to get some 2018 guidance. This is about as close as we're going to get. You've got a lot of guidance in terms of what's happening with the business. This is from a financial perspective. Starting on the left hand side of the page, you can see the $4.35 billion. That's the new midpoint of our guidance excluding Geismar. So we've – previous guidance had Geismar in for the full year. This year, the $4.35 billion has Geismar out for the full year. So it's pro forma assuming that we had sold Geismar on the first of the year.

The next two green bars moving to the right, our Transco fee-based growth projects. You can see the fee revenues added there. A partial year of Atlantic Sunrise, and again this is an estimate. Obviously, we're still in the permitting phase so the timing is a bit uncertain. We also had expected some level – a very modest level of fee-based revenues in 2017 from some of those mainline facility turnarounds that we're able to accomplish. Again, pretty modest amount.

So this is the increase over 2017 and that's the – I'll call it the more conservative number, the earlier date that Rory is targeting, which was kind of a summer of 2018 and service date for the Central Penn Mainline is backed up a bit in this estimate. Again, our financial forecast is a bit more conservative than the real business plan. So you won't be able to quite perhaps reconcile that exactly to the target date. So we've backed it up a little bit for financial planning purposes. I think when we first put out our statements around guidance, we said we'd [ph] risk (04:23:27) it by six months. That's for the full project including all of the compression but this somewhere in between that summer 2018 and service date and that six month delay that we had indicated. Again, it's compared against the 2017 fee-based revenue so which are very modest. But I just want to explain that for you.

Then we move to the right and you have a long list of Transco projects either gone into service in 2017, and you get a full year effect in 2018 or going into service in 2018. You get a partial year effect in 2018 and you get a full year in 2019.

Moving further to the right, you can see all of the growth that Jim spoke to in the very near term, obviously 2018 and then much more growth beyond that. But you can see growth in all three of those major areas: Susquehanna, Utica, and the Bradford Supply Hub areas. But again, they really add up to a great amount of growth and we think that's really just kind of the first wave of growth.

The next line incorporates a lot of stuff. That's all of the West and the other Atlantic Gulf areas and anything else that didn't fit these categories, and that's basically net even, so some increases, some decreases there. And moving furthest to the right, the red bar is we have some increased operating costs as a result of all the growth. We have a lot of new facilities in place that do require cost to manage those, and that's offset with our cost saving initiatives so partially offset with cost saving initiatives.

That gets you to the far right. And I know you'd wish we put a number on it, but I know you like to do the really hard work of estimating that. I would say that it's very likely we'll come out with a 2018 guidance for EBITDA late this year or if not late this year, very early in 2018, so somewhere probably between November and January we'd likely put out that estimate.

Turning the page here and let's take a look at where our growth capital is focused in the 2017 to 2019 time frames. So these are projects that are on the books. From a Transco standpoint, this is fully contracted business. This does not include any of the business that is still prospective. And as well it includes the capital that we have a high level of confidence we're going to spend. So we would expect there to be additional capital and additional projects booked and project announcements. But you can see here, 91% of the capital is going to be spent either on regular gas pipelines, largely Transco or the Northeast. And so just to say it again, 64% regulated growth projects, that's largely Transco; and 27% in the Northeast. You add those up and you get over 90% of our planned capital being spent on those two areas. Obviously, a lot of growth along those two areas.

Very modest amount of spend in the West, the Atlantic ,Gulf and thus relatively steady performance. But again, plenty of opportunity ahead. Rory talked a lot about the deepwater and again we have a lot of hydrocarbons in our Western systems, as well as in our Gulf of Mexico areas that certainly can be brought to market as demand increases.

There we go. Let's take a look at our strength in credit profile. We've already paid off $2.5 billion worth of debt over the last few quarters. We're poised to pay off another $850 million of WPZ debt in the form of a term loan, following the closing of the Geismar transaction. We'll take the excess proceeds over that $850 million, the balance of the $2.1 billion, and we'll use that to pre-fund capital spending. Again, we have a lot of capital spending in the near term and that will enable us to prefund that and avoid the need to issue any equity. As well, again, substantial retained cash flow plus some increasing debt capacity, that all adds up to an ability to finance this plan without the need for any planned equity. So no equity in the plan, not to say that we'll never issue equity, but for the foreseeable future there's no need to issue any equity.

We have abundant liquidity, the WPZ revolver, $3.5 billion is completely undrawn The Williams $1.5 billion credit facility had a draw of about $595 million as of the end of the first quarter. And our goal is to pay off the Williams credit facility by the end of 2018. So we're chipping away out of here and by the end of 2018, we will have paid off that credit facility and improve the credit metrics at Williams. And I think many ask do we have any plan to pay down any ore debt after that, there are no plans. But obviously, the options are open and we'll talk a little bit about capital allocation as we touch on our guidance slide.

There we go. Let's turn to the guidance slide. And some pretty modest changes here primarily around the Geismar sale. So again, when we issued guidance at the beginning of the year, we had EBITDA guidance of $4.6 billion. The first line here now assumes the Geismar sale in the summer of 2017 so we'll only own Geismar for a partial year. And as a result, the midpoint there is $4.45 billion, down $150 million. And how that more or less works is it's reducing Geismar for a partial year, and then in the first half or so of the year that we would've owned Geismar, we had some downtime. So that's kind of the way you might reconcile that in broad strokes.

The second line there is again the pro forma that I showed earlier with Geismar excluded for the full year. Again, assuming Geismar transaction was completed the first of the year, and you get the midpoint of $4.35 billion down $250 million from our beginning of the year guidance, and that accounts for the Geismar sale as well as for the new contract that will be our go-forward contract with NOVA. DCF was adjusted at the midpoint, $2.7 billion. The prior midpoint was $2.8 billion. And again, that Geismar transaction, the reduction in EBITDA offset slightly with some changes in interest expense and other.

The WPZ distribution is unchanged, the $2.40 this year, and then a 5% to 7% expected growth rate thereafter. The cash coverage ratio is down slightly from our targeted 1.2 times. So we've not abandoned the target. But for 2017, we'll be slightly below that at 1.17 at the midpoint of our guidance.

Growth CapEx is still steady as we had guided previously, and the range there is really related largely to Atlantic Sunrise based on timing. So assuming that we hit the early construction date, we'll be at the higher end of that range. And assuming that it takes longer to get those permits, we would be closer to the lower end of that range. But that's what that range is all about and you can see the range we have at WPZ is equal to the range we have at Transco.

Credit metric guidance is below 4.5 and we actually expect to be quite a bit below 4.5 this year, and I think you probably all know that as well. And these are ratings agency adjusted numbers, so again they make a number of adjustments that typically add about 20 of the 30 basis points to the book numbers, but again below 4.5. We expect it to be well below 4.5 this year, but as we continue to build out Atlantic Sunrise, the credit metrics bear the weight to some of that until Atlantic Sunrise comes into service and then you see a pretty sharp improvement once again.

Shipping to Williams, not a lot has changed there. The dividend plan for this year is still $1.20, and then at 10% to 15% growth rate for a period of time and that's by reducing coverage and you can see our coverage there at 1.4 times, very robust. And many ask what are we going to do with all that excess coverage once we cease to need to pay down the revolving credit facility, and I think that's a great question and one that we'll answer in the future, but obviously the management team and the board will be laser-focused on creating sustainable value for shareholders.

Certainly some of that can be put in the dividends, some of that can be put into share repurchase, some of that can be put into further debt reduction. And so there's a lot of potential uses for it and I think you'll have to stay tuned and see what that is. I would note that Williams is not a cash tax payer through 2020 by our calculations. Beyond 2020, I think it's depending on exactly how much capital we invest. And assuming we invest that $2.5 billion a year more or less in growth capital plus another let's call it $500 million more or less a year in maintenance capital. You know we have the ability to continue to defer some taxes to the extent that there's any M&A. That may provide another opportunity, and I'll mention that WPZ buy-in as I know someone's going to ask the question anyway.

A WPZ buy-in, there's nothing on the table. There are no plans to do so. But obviously, we're well aware that that's an option that we always have. But one, we're not a tax-payer through 2020, but assuming that we had a need or a desire to create substantial additional cash tax shield, then an acquisition of WPZ would do just that and would provide a very large cash tax shield.

We don't need it today. We don't need it at least through 2020 so that's not something that drives our decisions today. And as well, our credit metrics are improving. Something later is a lot easier than something today. And as well, WPZ with higher value equates to a higher step-up. So that's just a few comments. And again, no plans so I'm not signaling any plans, just an option that we have and one that certainly can provide a significant tax shield in the future, if and when that becomes a value to us.

Williams, our guidance on the Williams debt level at less than 5.25. And again, we're improving on that pretty rapidly as well. One final comment on the coverage. Note that our economic coverage, when you take the actual cash coverage at the Williams level and you add to it the coverage at WPZ, it yields at 1.7 times coverage level, so a very robust level of coverage that is occurring to Williams shareholders' benefit.

With that, I'll wrap it up by again, coming back to the fact that again, we have a really, really exciting opportunity to create great value for our investors and do so in a manner that is we think quite a bit lower risk than that which we have borne in the past with immaterial direct commodity risk, very manageable project execution risk, and I think operational risk as well. And I think our financial risk profile is lower than the spend in a very long time and with no need to access the equity capital markets. And with investment grade ratings, any access that's required to the debt capital markets should be very, very affordable.

So I'll pause there. I'm going to ask Alan to come up and join me for questions.

# QUESTION AND ANSWER SECTION

**Shneur Z. Gershuni**
*Analyst, UBS Securities LLC* Q

It's Shneur Gershuni with UBS. Don, thanks for attempting to answer all of my questions ahead of time. But I figured maybe I'd ask it in a different way. As you sort of think about capital allocation once a revolver is paid down and so forth, is there a targeted consolidated leverage number that you need to hit before you then harvest coverage more or buybacks or go through some of the other options?

**Donald R. Chappel**
*Chief Financial Officer & Senior Vice President, The Williams Cos., Inc.* A

Shneur, I can't speak for the board, but in my view, I think we'd want to see consolidated leverage below 5. I think that would be a pretty significant accomplishment given where we've been. We're not that far away from that but I think getting that below 5 and I think comfortably below 5 times, I think, would be very positive. And I'll let Alan follow up on that.

**Alan S. Armstrong**
*President, Chief Executive Officer & Director, The Williams Cos., Inc.* A

No. I think – that's exactly my thoughts as well.

**Eric C. Genco**
*Analyst, Citigroup Global Markets, Inc.* Q

Hey. It's Eric Genco from Citi. Thanks very much for today. You're going to be leaving some pretty big shoes to fill so I wanted to ask where you guys were in the CFO search process, if you've hired a search firm, where is that going right now?

**Alan S. Armstrong**
*President, Chief Executive Officer & Director, The Williams Cos., Inc.* A

Sure. I'll take that. You're right. There's some big shoes to fill here. And Don and myself and some other members of staff are involved in that search process. I'm not going to get into a lot of details. But I would say, we've got a big job there and we're going to make sure we do it very well, so we're not in any hurry. Thanks to Don being agreeable to not getting in a hurry on that. And so we're working on it and I think we'll find a replacement that we're all excited about. So he's going to be around for a while and I'm thankful for that.

**Matthew Reustle**
*Analyst, Goldman Sachs & Co. LLC* Q

Matt Reustle from Goldman. Thanks for taking my question. Don, you referenced the potential for joint ventures in the future. Can you talk a little bit about your preference in considering partners in any of those ventures and if that's changed over the cycle, how you consider working with competitors of yours versus more strategic partners like your customers?

**Alan S. Armstrong**
*President, Chief Executive Officer & Director, The Williams Cos., Inc.* A

Yeah. I'll take it. I'll take a first shot. I guess from my perspective, my first choice is probably someone that can bring something other than money to the party because there's a lot of money out there so it's more unique if someone can bring something in terms of an acreage dedication, volume, something like that. So I think that would be – typically our preferred path is to have a partner that brings something other than money. Once we get beyond that and it becomes down to who's got the low cost of capital, as well as someone that we think we're prepared to work with. And maybe another consideration would be to the extent as private equity or infrastructure fund, we have an opportunity to make an acquisition, three, four, five, six years out from that. If you do something with the strategic, they're going to try to hold it forever as we would. If we do something with a private equity or infrastructure fund, you've got an acquisition backlog that you can execute on five years down the road.

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Matthew Reustle
*Analyst, Goldman Sachs & Co. LLC*

Q

Thanks. And just a follow up. In terms of the WMB box. I understand there's no plan for that at this point in time, but do you see potential to use that box in terms of future financing, whether it'd be M&A or in terms of growth, using it as an opportunistic cost of capital? Any plans or could you see that potential in the future?

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Alan S. Armstrong
*President, Chief Executive Officer & Director, The Williams Cos., Inc.*

A

I'll let you take that.

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Donald R. Chappel
*Chief Financial Officer & Senior Vice President, The Williams Cos., Inc.*

A

Yeah, I'll take that. I would just say I think certainly today having the two different currencies is not a bad thing. And so I think if you look forward and look to the opportunities, I think there's nothing wrong really with having those two currencies out there as long as they're adequately valued. And I would say, certainly WMB is undervalued today, and we've got to work on that and WPZ as well.

But I think in terms of the structural considerations, I don't know that it's such a bad thing to have the two currencies out there in terms of opportunities. I think until we know what the new tax code or whatever comes out of the tax reform effort, I think it's a little bit premature to fix anything around that consideration, and I'd hate to see us do anything that has to speculate on what the value of that is and ahead of a tax reform.

So it feels to us like there's pretty serious effort. I think most people probably like myself are a bit skeptical just because we've seen some many years of nothing getting done. But it does seem to be a pretty thoughtful plan within the house. And certainly, the White House is trying to get a jumpstart on things as well. So we'll see, but I think it does cause us to ponder and not act real quickly as it relates to those structural considerations.

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Scott Young Phillips
*Managing Member, Latimer Light Capital LP*

Q

Thanks. Scott Phillips, Latimer Light. Could you clarify, you mentioned at the end of your comments the 1.7 times coverage at WMB. Can you clarify what you mean? I think you said economic coverage [ph] or something like that (04:41:57).

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Donald R. Chappel
*Chief Financial Officer & Senior Vice President, The Williams Cos., Inc.*

A

Yeah. We published that in our materials. And basically, it's taking the dollars of coverage that are retained, that's our share – our 74% share of the coverage at WPZ plus the cash coverage at Williams. So again, 74% of the coverage at WPZ Williams has claimed to in effect, or an economic interest in as a way to speak to that plus 100% of the excess cash flow that comes to Williams, the distribution plus the dividends paid out. So I hope that helps.

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**Scott Young Phillips**
*Managing Member, Latimer Light Capital LP* **Q**

Thank you.

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**Donald R. Chappel**
*Chief Financial Officer & Senior Vice President, The Williams Cos., Inc.* **A**

You're welcome.

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**Theodore Durbin**
*Analyst, Goldman Sachs & Co.* **Q**

Ted Durbin with Goldman. Don, could you quantify how much the tax basis step-up would be right now with WPZ buyout?

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**Donald R. Chappel**
*Chief Financial Officer & Senior Vice President, The Williams Cos., Inc.* **A**

Yeah. I don't think I am prepared to give you a number on that, but it's substantial. Our tax base is pretty low and the value of those units on an acquisition would be pretty high. And you could probably look at some other deals and get some sense of what that looks like. We've never disclosed the number, but it's pretty significant.

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**Theodore Durbin**
*Analyst, Goldman Sachs & Co.* **Q**

And then can you talk a little bit about your counterparty credit. Chesapeake obviously is still a big credit risk for you. But overall your revenues or gross margin, how much of that comes from investment grade versus sub-IG?

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**Donald R. Chappel**
*Chief Financial Officer & Senior Vice President, The Williams Cos., Inc.* **A**

Yeah. I don't have a number for you offhand here. But I think we're comfortable that our sub investment grade customers are almost entirely gathering customers. We're connected at the low end. And given the resolution we have with Chesapeake around the Barnett, we eliminated that MDC exposure which was probably the bigger risk there that their netbacks weren't all that attractive to them. But nonetheless, by eliminating that, I think we're back to connecting to the well head with rates that make a lot of sense. And even if there was a credit event at one of our customers we would expect to carry on and continue to move that gas at rates that are comparable to the rates we're moving it at now. And then Alan spent a lot of time – and seeing this in the industry for 30 years so he can probably comment as well.

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**Alan S. Armstrong**
*President, Chief Executive Officer & Director, The Williams Cos., Inc.* **A**

Yeah. I think you really need to think about what the purpose is of the credit support and to the degree that it's just moving gas at a market base rate on a gathering system where there is no other option. I would just say we haven't seen risk on that in the past. In fact, we just went through LINN and Ultra bankruptcies. And we didn't have any issues on the gathering, we had some issues on the processing because we had [indiscernible] (04:44:57) but we didn't own the gathering upstream of LINN's processing at Opal, for instance. And so whoever holds the gathering – and that's pretty rare that we don't have the gathering in front our processing. But whoever holds that gathering has a pretty strong call on the cash flows of the whole business.

On the long-haul pipeline, I would tell you we're probably – it appears to me anyway, we're more cautious than most of our competitors on that front. We've seen that before where you have producer-based pipelines and the bases flattens, and now nobody wants to pay that and that's a big risk. And so I would tell you, we're very careful about making sure we have very strong – if we do, do business like that, we have a very strong credit support backing if we're doing long-haul business without adequate credit ratings behind that. And I think, again from what I can tell and looking across the space, I think we probably lead the pack in that in terms of credit quality across our long-haul pipelines.

Any questions?

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## Alan S. Armstrong
*President, Chief Executive Officer & Director, The Williams Cos., Inc.*

Okay. Great. Well, thank you all very much. I'm going to wrap up here real quickly. I would just say what a great spot we're in today. There's really – I'm proud to say there really aren't any big nagging issues that we have right now. We have a great near-term growth in front of us. I think the balance of 2017 lays out very well, and excited to see what we're going to be producing here in 2017, 2018, as you saw. And Don – you saw that step, and I'll just remind you, that step function that Don has assumes a six-month delay from our target on Atlantic Sunrise. So if we bring on Atlantic Sunrise the way Mike and his team intends to, we're going to – we'll improve pretty dramatically against that 2018 step up that you saw that Don presented.

And then in the long term, I hope you all got a really good picture for the kind of strength in growth that we have across the business. And importantly, and I think this is the distinguishing factor for Williams right now, the kind of returns that we have on identifiable and in many places already contracted, nobody is touching those kind of returns on the space on the kind of scale that we have.

People are out there scrapping for 10% or 12% returns and we don't have those. The 10% and 12% return were probably on the upper end would be our maintenance capital that Rory talked about. That's probably the lowest return investment that we have in our entire portfolio out there.

So go try to find someone that's got that kind of long-term growth in their business with that kind of return, I don't think you're going to find it. And it is because we have stepped to our strategy, we've gotten ourselves in the right spots and we've been planning for this day. We've been planning for the time where the benefits of the hard labor and getting ourselves in the right spot will generate these kind of opportunities, and it's on us. And we look, really, forward to rewarding our big long-term investors that have stayed with us as these cash flows really start to come in off these assets.

So we appreciate your support and your confidence in us, and we look forward to being here next year and telling you about how [ph] we were way too conservative (04:48:24). So thank you and I look forward to seeing you next year.