



The Williams Cos., Inc. (WMB)

EDITED TRANSCRIPT

3Q 2024 Earnings Call

November 7, 2024

Forward-looking statements

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 - Future credit ratings of Williams and its affiliates;
 - Amounts and nature of future capital expenditures;
 - Expansion and growth of our business and operations;
 - Expected in-service dates for capital projects;
 - Financial condition and liquidity;
 - Business strategy;
 - Cash flow from operations or results of operations;
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 - The impact of existing and future laws and regulations, the regulatory environment, environmental matters, and litigation, as well as our ability and the ability of other energy companies with whom we conduct or seek to conduct business, to obtain necessary permits and approvals, and our ability to achieve favorable rate proceeding outcomes;
 - Our exposure to the credit risk of our customers and counterparties;
 - Our ability to acquire new businesses and assets and successfully integrate those operations and assets into existing businesses as well as successfully expand our facilities, and consummate asset sales on acceptable terms;
 - Whether we are able to successfully identify, evaluate, and timely execute our capital projects and investment opportunities;
 - The strength and financial resources of our competitors and the effects of competition;
 - The amount of cash distributions from and capital requirements of our investments and joint ventures in which we participate;
 - Whether we will be able to effectively execute our financing plan;
 - Increasing scrutiny and changing expectations from stakeholders with respect to our environmental, social, and governance practices;
 - The physical and financial risks associated with climate change;
 - The impacts of operational and developmental hazards and unforeseen interruptions;
 - The risks resulting from outbreaks or other public health crises;
 - Risks associated with weather and natural phenomena, including climate conditions and physical damage to our facilities;
 - Acts of terrorism, cybersecurity incidents, and related disruptions;
 - Our costs and funding obligations for defined benefit pension plans and other postretirement benefit plans;
 - Changes in maintenance and construction costs, as well as our ability to obtain sufficient construction-related inputs, including skilled labor;
 - Inflation, interest rates, and general economic conditions (including future disruptions and volatility in the global credit markets and the impact of these events on customers and suppliers);
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 - The ability of the members of the Organization of Petroleum Exporting Countries and other oil exporting nations to agree to and maintain oil price and production controls and the impact on domestic production;
 - Changes in the current geopolitical situation, including the Russian invasion of Ukraine and conflicts in the Middle East, including between Israel and Hamas and conflicts involving Iran and its proxy forces;
 - Changes in U.S. governmental administration and policies;
 - Whether we are able to pay current and expected levels of dividends;
 - Additional risks described in our filings with the Securities and Exchange Commission (SEC).
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Good morning, everyone. Thank you for joining us and for your interest in the Williams Companies. Yesterday afternoon, we released our earnings press release and a presentation that our President and CEO, Alan Armstrong; and our Chief Financial Officer, John Porter, will speak to this morning. Also joining us on the call today are Micheal Dunn, our Chief Operating Officer and Chad Zamarin, our Executive Vice President of Corporate Strategic Development.

In our presentation materials, you'll find a disclaimer related to forward-looking statements. This disclaimer is important and integral to our remarks, and you should review it. Also included in the presentation materials are non-GAAP measures that we reconciled with generally accepted accounting principles. And these reconciliation schedules appear at the back of today's presentation material.

So, with that, I'll turn it over to Alan Armstrong.

Alan Armstrong

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

Great. Well, thanks, Danilo, and thank you all for joining us today. A lot of positive updates to walk through with you this morning as we delivered another record quarter of Adjusted EBITDA, driven primarily by our natural gas transportation expansions and Gulf Coast Storage acquisition. In fact, our better-than-planned execution on growth projects and higher-than-expected performance on acquisitions, along with core business strength, gives us the confidence to once again raise our guidance midpoint for 2024, which John will detail in his remarks.

The returns of our projects and acquisitions have been strong enough to overcome what has been a very challenging natural gas price environment and fairly impactful hurricane season. So, we're very pleased to see the way our entire portfolio responded in this environment. In fact, a recent Wells Fargo note on midstream returns supports our view that Williams has delivered one of the best cash returns on invested capital in the sector, generating a 22.9% return for the 2018 through 2023 period, nearly double the sector median of 11.9%.

And looking here at slide 2, I'll start by noting that the strong cash returns expected within the suite of our recently completed projects will lead to visible five-year EBITDA CAGR of over 7% at the midpoint of our 2025 guidance, all without equity issuance and while improving our credit metrics during this period. Additionally, this pace of growth has been right into the headwinds of low gas prices and production curtailments this year. The drivers of growth for next year are clear and fully contracted. These include the following projects where the Capex and construction risk is behind us. And in fact, in August, we placed Transco's Regional Energy Access into full service ahead of schedule and under budget, ensuring clean and reliable natural gas is available to serve the Northeast region for the upcoming winter heating season.

We were also successful in placing a portion of the Southside Reliability Enhancement Project in service, as well as completing our MountainWest's Uinta Basin expansion. And in the deepwater we've completed all of our construction for the very large Whale project, and we are excited to see Shell begin ramping up production in December. And as we mentioned on our last call, there are now two new fields on our Discovery system that started up in the third quarter. Chevron's large Anchor development and Beacon's Winterfell five-well program are all fully connected and will help drive a large increase in EBITDA in 2025 as these programs also begin to ramp up.

Beyond these drivers for 2025, we already have a total of 5.3 Bcf a day of contracted gas pipeline projects that will drive a high rate of growth for the next five years. These include the following. First, on Southeast Supply Enhancement project or SSE, we filed a FERC application for its 1.6 Bcf a day expansion of existing Transco capacity in Virginia, North Carolina, South Carolina, Georgia, and Alabama. SSE is fully contracted and will provide record EBITDA contributions from a Williams transmission project. That demonstrates how valuable contracted capacity is going to continue to be in the next wave of demand growth that we are just now starting to see the benefits of.

And as we mentioned before, this singular project will generate EBITDA greater than our entire Northwest pipeline system. And in fact, by itself, SSE would be the equivalent to the 10th largest long-haul pipeline in our nation on its expected EBITDA contribution alone. This

project is a good representation of some of the amazing growth opportunities that will continue to drive growth well into the future. Utilities across the mid-Atlantic and Southeast markets have come out saying they missed their growth targets for power generation, and we're extremely well positioned to serve these customers with projects like SSE starting at Station 165 and delivering volumes South as they take advantage of the new supplies coming in from Mountain Valley Pipeline.

Moving down the list, we received our FERC order certificate for the MountainWest Overthrust Westbound expansion. That is a project that will add approximately 325,000 dekatherms of fully contracted firm transportation service on this MountainWest system by the fourth quarter of 2025. And we began construction on several key projects, including our Louisiana Energy Gateway gathering system, where we were pleased to receive the FERC order in late September that confirmed this system is exempt from FERC's jurisdiction. So we are full steam ahead with an expected in-service date in the second half of next year.

Construction is also well underway on Transco's Commonwealth Energy Connector project in Virginia. And I'm pleased to announce that we've entered into binding agreements with three new expansion projects on Northwest Pipeline recently totaling roughly 260 million cubic feet a day of firm capacity. These are small projects individually, but very strong in terms of the collective returns that these projects generate. So, really nice to see the very strong signs of growth showing up now in the Intermountain region on both Northwest and on our MountainWest acquisition.

For some time now, we've talked about just how attractive the current macro environment is in supporting the long-term growth in our businesses as the line of sight to LNG exports, coal-to-gas switching, industrial reshoring, and data center demand becomes clearer and clearer. The recently signed a precedent agreement for an expansion of the existing Dalton Lateral that will serve Northern Georgia is a great example of this. Just like SSE, this is another project that leverages off of our existing system to provide high returns and demonstrates the path we are on to deliver many more fully contracted transmission projects that will provide attractive earnings growth beyond the end of this decade.

And finally, we recently signed commercial agreements with Lakeland Electric, a Florida-based utility, who we will partner with in the development of a 75-megawatt solar farm. The project, which will be designed and built by Williams, is sited on land that's been owned by Williams for decades and that was unsuited for traditional real estate development, but it is an ideal site for solar energy production in an area that has a tremendous amount of demand growth.

Our list of prospects beyond these newly contracted deals continues to grow fast, and the environment for demand-driven projects is much better than the environment that has driven the 22.9% cash return on invested capital and the over 7% CAGR of growth across our business. So, we really want to stress that while we've had a great run here in the last five years of growth, the environment that is in front of us right now and the kind of opportunities we're seeing is much stronger than what we've seen in the period that's generated these kind of opportunities. So we are really excited to be able to deliver up against the demand that is growing very rapidly in the space we're in right now.

And with that, I'm going to turn it over to John to walk through the third quarter financials. John?

John Porter

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

All right. Thanks, Alan. Starting here on slide 3 with the summary of our year-over-year financial performance. Beginning with adjusted EBITDA, we saw about a 3% year-over-year increase, where, once again for third quarter, in spite of low natural gas prices, our resilient business continued to grow even as producer customers continued significant temporary production reduction measures. And we also saw a greater hurricane impact for the third quarter of 2024 versus 2023.

As you'll see on the next slide, our Adjusted EBITDA growth was driven by strong growth from our large-scale natural gas transmission and storage businesses, including the favorable effects of our recent acquisitions, but also unfavorably impacted by asset sales. And of course, we don't include gains from asset sales in our adjusted performance metrics, Adjusted EPS, Adjusted EBITDA, or available funds from operations. And we did have \$127 million gain in the third quarter of 2024 from the sale of our Aux Sable interest. And about \$130 million of gains last year on the sale of the Bayou Ethane system.

Year to date, our Adjusted EBITDA is now up about 5%. And year-over-year you see that Adjusted EPS growth is lagging our Adjusted EBITDA and AFFO growth, and that delta is due primarily to a step-up in non-cash depreciation expense from our recent acquisitions. But again, looking to 2025, we would see this delta in growth rates close back up as the non-cash depreciation charge flattens back out.

For third quarter, available funds from operations, AFFO growth, was about 4.5% and 4% year to date. But looking through 2025, we see a five-year CAGR of 7%. Also, you see our 3Q dividend coverage based on AFFO was a very strong 2.22 times on a dividend that grew just over 6% over prior year, and 2.33 times coverage year to date. And our debt to Adjusted EBITDA was 3.75 times, in line with our expectations for 2024, before dropping back down in 2025 to guidance of 3.6 times or better.

So, before we move to the next slide and dig a little deeper into our Adjusted EBITDA growth for the quarter, we'll provide an update to our financial guidance. We are pleased to increase the midpoint of our Adjusted EBITDA \$125 million from the original guidance of \$6.95 billion to now \$7.075 billion, reflecting the new range of \$7 billion to \$7.15 billion.

Additionally, as we mentioned before on our prior calls this year, based on our improved 2024 Adjusted EBITDA outlook and other changes, we see our key per share metrics, Adjusted EPS and AFFO per share coming in at the high end of their ranges for 2024. So, we've now shifted to 2024 guidance for those metrics to midpoint of \$1.88 and \$4.35, respectively. And we see improvement in the leverage guidance from 3.85 to 3.8 times.

Finally, we are reaffirming our 2025 financial guidance as originally issued, but we plan to provide an update when we release our full year 2024 result in February. So again, very pleased with the financial performance of the company for 2024 and our ability to raise guidance even though it looks like 2024 Henry Hub natural gas prices will likely be around 15% lower than the January 1 strip prices that we set our business plan on this year. So, let's turn to the next slide and take a closer look at those third quarter results.

Walking now from last year's \$1.652 billion to this year's \$1.7 billion, we start with our Transmission & Gulf of Mexico businesses, which improved \$76 million or just over 10% due to the combined effects of a full quarter contribution from the Hartree Gulf Coast

storage acquisition, which is delivering as expected following a flawless integration effort, and higher Transco revenues, including from the Regional Energy Access project. Now in the Gulf of Mexico, we saw total hurricane-related impacts of about \$10 million unfavorable there, and segment growth was also unfavorably impacted about \$9 million by last year's Bayou Ethane divestiture.

The Northeast G&P business was flat versus last year and also basically flat in total against our original 2024 plan. We've seen volumetric underperformance in the dry gas systems with some offsets from rate escalations on those same systems. And we've seen growth in our rich gas systems, which has also provided a strong favorable offset. The 3Q Northeast results also reflected the sale of our interest in Aux Sable on August 1, 2024.

Shifting now to the West, which increased \$15 million, benefiting from the DJ transactions that we completed in the fourth quarter of 2023. Segment performance was also favorably impacted by higher NGL services results, including higher overland pass pipeline volumes for low natural gas prices that supported greater ethane recoveries. Overall, West gathering volumes were lower as a result of those temporary producer reductions, primarily in the dry-gas Haynesville area. And then you see the \$12 million lower marketing result and those were in line with our business plan for the third quarter.

Our upstream joint venture operations included in our Other segment we're down about \$23 million from last year due primarily to lower realized price. So again, with the third quarter, that was in line with our business plan, proving once again our ability to grow our business in spite of a tough natural gas pricing environment, the impact of Gulf of Mexico storms and portfolio asset sales.

And with that, I'll turn it back to Alan.

Alan Armstrong

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

Okay. Well, thanks, John. So just a few closing remarks before we turn it over to your questions. I'll start by emphasizing what a truly compelling story we've been able to share with you this morning. Despite the low natural gas price environment we're in, we've exceeded our own financial expectations each quarter this year, and our teams continue to excel in executing large-scale expansion projects to serve the growing natural gas demand that is really ramping up both in this year and as we look to the future, certainly.

Not only do we have a clear line of sight to a full roster of projects that are in execution, but we continue to commercialize vital high-return projects across our footprint. And don't forget, this is an issue that I think people are probably missing as they think about forecasts for our business right now, that we've been able to deliver these in the face of quite a bit of production curtailment on our system, which really does provide a loaded spring as a very strong catalyst for earnings growth as natural gas prices rebound.

So, really, the environment we're seeing today is a very strong, long-term bullish position for natural gas as all of the demand that we're connecting on our transmission systems will begin to pile up. But our gathering systems are really going to get a big pull through when that demand comes on. And importantly, very little capital required on our part because a lot of it is just production curtailment or drilling without producers turning it into line on existing pads. So, a pretty powerful catalyst that sits out there when we do see the call on this gas

to support all the growing demand we're seeing.

So, all of this activity does underscore the accelerating demand for natural gas transmission capacity in the United States, particularly in the growing regions where we operate. We are confident in the role our valuable natural gas infrastructure will play in meeting both today's energy demand, as well as the projected growth from power generation, reshoring of energy-intensive manufacturing and LNG exports. As the most natural gas-centric energy infrastructure provider with access to the most prolific US basins, Williams is the best positioned to serve steadily increasing domestic needs for clean and affordable energy, while also helping unlock vast US reserves for the global market.

In closing, we built a business that is delivering record profitability and strong financial returns in the present but is positioned for even faster growth in the future. And with that, we'll open it up for your questions.

Question & Answer Section

Jeremy Tonet

Analyst, JP Morgan

Hi. Good morning.

Alan Armstrong

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

Hey. Good morning, Jeremy.

Jeremy Tonet

Analyst, JP Morgan

Thanks for all the commentary in the call on the gas macro situation. Want to come back to that a little bit if I could. Just as far as producer conversations at this point, expectations into 2025, how much of an uptick possibly could you see here if it's price supportive? And then, just want to put a fine point, I guess, there's open space on some of your pipes. Just what type of operating leverage do you see in an environment where maybe some of the second or third tier basins have a higher call on them and you wouldn't have to spend much money, but the pipes could fill up?

Alan Armstrong

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

Yeah. I'll hit the last part of that and then I'm going to ask Micheal to hit the question of what kind of response we could see on our gathering systems. On the pipes, I would just say, our systems for the most part are completely loaded up. But the ability to expand our existing systems through addition of interconnects between pipes like MountainWest and Northwest Pipeline, which we've got some projects that take advantage of the combination of those assets are a way that we're eking out some additional capacity out of those systems. And in

general, obviously, a lot of these systems have the ability to be expanded at a pretty low cost. And so, a recent project that we just did this quarter adds compression in the Clay Basin area on Northwest Pipeline and gets some more very critical capacity in between the Piceance and the Opal and Kern River markets, which obviously is in demand these days. And so that's just an example. Pretty small amount of capital relative to the value of that project. And those are the kind of things that are occurring in the West right now.

And, Micheal, I'll turn it over to you to talk about the gathering operating leverage we have.

Micheal Dunn

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

Yeah. Good morning, Jeremy. There is definitely a lot of opportunity to increase production on the producer end coming into 2025, and it will certainly be somewhat price responsive. We have about 4 Bcf per day right now that is either shut in from what was originally flowing or DUCs or wells that have been drilled and completed but aren't flowing and are connected to our systems. And so, that's between the Marcellus and Haynesville. So there is definitely an opportunity to increase some gathering volumes through our systems as prices rebound. And we've actually seen some of the curtailments come off and the producers are now flowing gas that had once been curtailed earlier this summer.

So we are encouraged by the opportunity to be able to increase the volumes pretty rapidly through our systems. Some of these is just the operation of turning the valves to bring on some of these volumes very quickly, so they can respond very quickly when prices do rebound, which we expect them to do. There's going to be some demand growth next year on the power generation side. We've seen that over the last several years, year-over-year growth from power generation. I don't see that subsiding at all with all the coal plants that are being taken offline still even with this growing power demand markets that we're seeing in virtually all of our markets. And I am encouraged by that.

Jeremy Tonet

Analyst, JP Morgan

Got it. That's great to hear about the operating leverage there. Maybe pivoting to the industry at large, Williams has done some bolt-ons in recent years, nicely adding to the portfolio. We have seen broadly in the industry entity consolidation steadily continue. Just wondering how Williams thinks about industry consolidation in the future. Would entity-level consolidation ever make sense, or are you seeing more bolt-ons or there's not really attractive opportunity there? Thanks.

Alan Armstrong

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

Yeah, Jeremy, thank you. Yeah. Certainly, that has been a driver of growth for a lot of players in the space. We've been very fortunate to have a lot of organic growth within our mix. And obviously that's always what we're comparing when we look at any kind of acquisition. And obviously we do look at acquisitions on a pretty steady basis. But really, the hurdle that we always have to overcome there is the amount of growth that we have in

our base business. And frankly, that is a process of constantly updating it these days with the level of growth that's accelerating, that's pretty hard to keep up with, frankly. Seems like as soon as we get one plan done, it's outdated with the kind of growth we're seeing in other areas.

So that's really, I think the issue from a Williams perspective is just the very strong growth that we have off of our own business, and to the degree that's not fully valued in our stock makes acquisitions a tough thing to do. So the good news is, we have a lot of capacity, and that's capacity that we're growing as our EBITDA grows so rapidly. And that is providing for us to be able to do bolt-on transactions on assets that we think are kind of where the puck is going. Our acquisitions on storage, a great example of that where we kind of got ahead of the market a little bit on where that was going. And that has turned into very solid performance for us, and in fact is one of the things that helped us overcome the low gas price environment we've had this year.

So I would just say, I think bolt-ons will continue for us and we'll be continuing to look at that, think about where the puck is going and acquisitions that will be strategic for us down the road. So, that's kind of the way I see things in our space right now.

Jeremy Tonet

Analyst, JP Morgan

Got it. Understood. Thank you for that.

Praneeth Satish

Analyst, Wells Fargo

Thanks. Good morning. Obviously, there's a lot of demand from data centers, power generation. I guess, with all the increased competition for pipeline space and capacity, are you seeing upward pressure on rates as existing contracts come up for renewals? Is there an opportunity to kind of increase the rates there? And then secondly, are you seeing opportunities to shift more capacity from your cost of service or recourse rates to negotiated rates at higher rates as this competition intensifies?

Alan Armstrong

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

Yeah, it's a great question. The challenge on that front for us is that any capacity that exists on our system is super precious, and people know that relative to the cost of new capacity. And so, we always like to tell the story that the last time we had any capacity come available, the only way anybody can distinguish themselves for the existing cost of service already built capacity, the only way anybody can distinguish themselves in the bid for that is on term, and the term for that was 84 years. So that's what we're seeing, is a lengthening of term when anything would become available, but we don't really have the ability to price that up if it was already in that original base capacity that was offered to our utilities. And so that gets offered out, if anything does get turned back, which is a very – actually that's a really old story. I think that was like five years ago now. So it's not very often we do see capacity turn back because people appreciate how incredibly valuable and in the money

that capacity is.

So, unfortunately, I don't see a whole lot of opportunity to price that up. I do think the opportunity for us is to combine the expansions along our existing system where we have great leverage. Dalton Lateral expansion is a great example of that. We built that. We knew that it probably could have some expansion opportunity down the road when we built that and so we built that in a way that, that expansion – and so, when that expansion opportunity comes along, very high return opportunity because of the relatively low cost to build that expansion relative to the value of that new capacity. And that's the kind of thing we're going to continue to see is the relatively low cost expansions along our existing system, which are driving very high returns.

Praneeth Satish

Analyst, Wells Fargo

Got it. That's helpful. And just looking at the opportunity set in front of you, it's large, seems like it gets larger each quarter and seems like there's potentially billions of dollars of spending here on gas expansions at good returns over the next few years. I guess, how are you thinking about the potential to increase Capex spending over the next few years if you kind of sanction some of these projects? And would you consider moving closer to kind of a free cash flow neutral after dividends stance to capture more of these opportunities?

Alan Armstrong

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

Yeah. No, I mean, the challenge is when you're doing sub-4 multiple projects, you just keep expanding out your capacity. So that's a very high class problem. But in fact, we're really not chewing up capacity when you're doing projects that have that kind of expansion, especially as these high return projects – if you were having to load the ship up and you're having to wait for four years for those to come through, it'd be one thing. But things like the deepwater coming on now, things like Regional Energy Access are coming on now, these are very high return projects. And so, we've kind of already got the train rolling there and it's pretty hard to chew up capacity when you're generating those kind of returns on projects. And so, that's really the picture for us – that is a very high class problem to have is that we're continuing to generate so much incremental capacity with these high return projects.

Praneeth Satish

Analyst, Wells Fargo

Got it. Thank you.

Indraneel Mitra

Analyst, BofA

Hi. Thanks for taking my question. Wanted to put a finer point on maybe the shut-ins and delayed turn-in-lines that you're seeing. I think last quarter you said between the Northeast and the Haynesville, there's about 2 Bcf a day between the two combined. Wondering how

that's trending in the third quarter now that we have similar gas prices to where we were in the second quarter.

Micheal Dunn

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

Yeah, we're at about 4 Bcf today between the Marcellus and the Haynesville. About 3 Bcf of that is in the Marcellus, 1 Bcf in the Haynesville, and the shut-ins in the Northeast is about one-third of that – the gas that's been shut in is about a 50/50 mix in the Haynesville or – sorry. It was. We're now, in the Haynesville, it's primarily DUCs and delayed TILs in the Haynesville. Most of the gas in the Haynesville has come back online. But in the Northeast, it's still some shut in gas up there, about 25% in the Northeast instead of one third is shut-in today. So, seeing some of that come back online. I think you saw EQT announce that they had brought all their gas back online. So, we are seeing some producers respond as prices have rebounded a bit there in the Northeast.

Indraneel Mitra

Analyst, BofA

Perfect. That's great detail. My second question, SSE obviously went to market first in delivering market to the Southeast utilities. Now you have a lot of peers proposing projects to go from essentially Louisiana with an end point to Georgia. I know it's early in the process with SSE, but over the longer term, how do you see Transco competing for additional Southeast demand going forward, and where you have an advantage or disadvantage versus your peers in competing for some of that load?

Alan Armstrong

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

Yeah, good question. The SONAT project that Kinder announced recently, a lot of that is effectively a bigger distribution system in Georgia and hits a lot of the southern markets and south-central markets that Transco is not positioned in. So, Transco of course, runs through Atlanta and up through the Northeast part of Georgia. And so, a lot of the projects that we're capturing are going to be the large-scale power generation projects. And I think the SONAT system, and that expansion is positioned to deliver or distribute gas into the south and central parts of Georgia as it's configured. So I think, from our perspective, we like where we're positioned, but our big high pressure transmission system that can access gas out of the Appalachia is super critical.

And I do think that that's a bit of a distinction that's going to occur here is where the supply is coming from and what's that availability. So if you think about Marcellus and Utica Supply, it is capable of serving both the mid-Atlantic and Southeast markets from that area, and then you think about the Mississippi Crossing project that Kinder has proposed to supply the SONAT system, that's more going to be Haynesville-based supplies. And so, that's really the difference between those two projects, I think. Certainly, Transco has the ability to distribute Haynesville production as well. But in terms of those two projects, that was the major distinction there, is kind of where the supply was sourced out.

Micheal Dunn

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

Yeah. I would add, Alan, to that. A lot of these projects that are being proposed coming over from the Haynesville are going to pile up a lot of gas at Station 85 which is actually going to be beneficial for us to expand Transco northward of that area as well. So that will be a benefit to us if any of those projects get an FID.

Indraneel Mitra

Analyst, BofA

Okay. Perfect. I appreciate the answers.

Manav Gupta

Analyst, UBS

Good morning, guys. My question relates to slide 20. I could not help but notice two more additions at the bottom, Wild Trail project and Dalton Lateral expansion. Can we get some more details about these two new additions on the slide deck?

Micheal Dunn

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

Oh, yeah. Yeah. Thank you. Yeah. The Wild Trail project is one of the ones that Alan mentioned on the Northwest Pipeline system. This is a project to move gas basically from the White River Hub, which is in the Piceance area up to the Opal market area in Southwest Wyoming. It can also move capacity from White River Hub down to the Four Corners area as well as the way it's been proposed. It's a greenfield compressor station in Northeast Utah, which will give us a lot of opportunity to increase our deliverability and takeaway from the Clay Basin storage facility, which is on the MountainWest system, but it has an interconnect to Northwest Pipeline. And Northwest Pipeline has capacity in Clay Basin.

So a great opportunity to have connectivity to storage there and also move gas to markets in the Four Corners area as well as Southwest Wyoming. And very efficient capital project. It's a greenfield compressor facility. Will be a 7(c) application to the FERC. So, that process takes between a year and a year and a half to get permit or something like that and about a year for construction, ultimately, for when we file.

As far as the other projects that we have for the Naughton conversion, that is a coal plant in Southwest Wyoming that is partially converted to gas usage from coal. And our project there is to expand that further for the other two units that are moving from coal to gas over the next several years. A very capital efficient project. They're basically metering modifications and some mainline capacity that the shipper has taken on. And same with the Stanfield South project, metering modifications and those last two projects would be a prior notice at FERC. So typically those are a much quicker process.

So, the Dalton Lateral is near Atlanta, so it's just west of Atlanta. It was built about six years ago. It's a 115 mile-long lateral. It's a partnership with AGL, so we're 50% partners on that

with them. And this project would be really a fairly simple scope. It's about 23 miles of 24-inch loop. It's brownfield compression, just over 40,000 horsepower, and then greenfield about 40,000 horsepower on that lateral. So from a scope standpoint, fairly simple.

And the 2029 in-service date is what we're contemplating now. That's based on the desired in-service date from the customers that we're talking to. We have an open season that closes today for the remainder of that capacity, but we have an anchor shipper already in place for 460 million a day. And we believe we could reasonably expand that up to 500 million cubic feet per day or a little higher, depending on how the open season turns out. But like I said, we'll close today.

Manav Gupta

Analyst, UBS

Perfect. My quick follow-up here is your balance sheet is in a good position. Any strategic priority to further simplify the JV structure, whether it's Brazos, Blue Racer, anything on that front? Thank you.

Chad Zamarin

Executive Vice President-Corporate Strategic Development, The Williams Cos., Inc.

Yeah, this is Chad. I think you've seen we continue to look at whether or not it makes sense to tuck in a JV interest. Alan mentioned the capacity that we have, bolt-ons. We like those kinds of transactions because we know those assets, they come with low risk and high integration capabilities. But it really is also, as Alan mentioned, just a matter of capital allocation and making sure that those tuck-ins work from a returns perspective. So, yes, we continue to look at how we can optimize the portfolio. You saw that earlier in the year when we did the Discovery acquisition with P-66 and bought in that interest, while at the same time we sold our small interest in Aux Sable. So we will continue to look at those, but they'll have to compete with the attractive organic growth projects that we're seeing.

Manav Gupta

Analyst, UBS

Thank you. I'll turn it over.

Theresa Chen

Analyst, Barclays

Good morning. Thank you for taking my questions. Maybe turning back to the macro, Alan, with the tailwinds behind you and the environment in front of you following the election results, what are your views on how the Trump victory impacts your business and what it means for the energy infrastructure industry in general?

Alan Armstrong

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

Yeah. I would say probably first and most tangible that we would expect, particularly if the House goes Republican and even with the Senate Republican, is a very favorable tax outcome, particularly bonus depreciation would be a very huge positive to what we have in the guidance and in plan right now. So, I would say that's probably from our vantage point, as we look at the immediate term, the most impact to us financially.

In terms of how that will drive the macro environment, boy, there's just so – we have so much growth we're trying to address right now. I think it's just going to be a piling on of that perhaps if the economy continues to expand. Certainly, very hopeful with a more Republican control that the permitting issue finally gets dealt with in a durable and meaningful way. And I think that would be beneficial for really all the industry, certainly beneficial for the power industry, as well as the energy infrastructure business, and probably removing – hopefully removing some restraints. And it's not going to be a simple task, and I don't want to underestimate the challenge that that's going to present to get that done. But certainly a lot more positive about that occurring with a Republican control of the both the executive branch and legislative branch.

So I would say certainly a very optimistic point of view as it relates to that in terms of freeing up infrastructure build. But I think, as an investor looking at us right now thinking about the impact of taxes, which we've had quite a bit of curtailment of our outlook associated with that and quite a bit of reserve held back and coverage on our dividend because of that, that could be a pretty meaningful change for us. So that's probably the thing we're most keeping our eyes on at this point.

Theresa Chen

Analyst, Barclays

Thank you. And turning to the fundamentals, at this point in the fourth quarter, would you be able to provide some color on your gas marketing activities, how that's trending and what your expectations are from here?

Chad Zamarin

Executive Vice President-Corporate Strategic Development, The Williams Cos., Inc.

Yes, sure. This is Chad. A lot of our marketing activity takes place in the first quarter of the year. And so, winter is certainly something we're well set up to take advantage of if we see volatility or dislocations. But we have seen less volatility this year than in the prior couple of years. And so, we, I would say, are sitting and expect positive results here for the remainder of the year, but also are well set up for if we see a winter event or volatility. But primarily, we see the results of the marketing business show up in the first quarter of the following year.

Theresa Chen

Analyst, Barclays

Understood. Thank you.

John Mackay

Analyst, Goldman Sachs

Hey, good morning. Thanks for the time. You guys mentioned you're kind of tracking in line with your 5% to 7% kind of longer term growth rate. Alan, you've also been talking about opportunities to maybe beat that going forward. Can you just spend a minute or two talking about what you're looking for specifically that could have you come revisit that target? What should we be looking for from here?

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Alan Armstrong

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

Yeah. Great question, John. Well, I would certainly say, as we look in the longer term, the higher returns on these projects and the large amount of new projects that are showing up as opportunities for us right now would drive that. We're obviously not going to call that until we've got that business contracted – that would drive that growth. But just the large amount of stuff we already have that's contracted now is a bit unusual to have this much growth contracted already without the benefit of other growth that would come on. And so, if you kind of roll the clock back on that and you think about the acquisitions we've done, we do not have any bolt-on acquisitions or anything like that built into our growth, even though we will have plenty of capacity to generate on that. So that's one thing I would highlight.

Said another way, we've already got the business contracted that will help drive that kind of growth already. And so, the capacity and new opportunities that have not identified themselves over the horizon are the kind of things that would drive that growth. Additionally, we really don't have built in the loaded spring that you heard Micheal talk about in terms of a lot of this production springing back on. That's a very large catalyst for us. And so those are probably the things that are pretty evident to us as a team right now. It is converting a lot of the opportunity that we're looking at right now to contracted business in a way that we would start to include it in our guidance and our growth.

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John Mackay

Analyst, Goldman Sachs

That's great. Thank you. And just as a quick follow-up, now that you've had the benefit of a few more of these conversations over the past couple of months, could you maybe just frame up what some of these data center opportunities are actually looking like? Is behind the meter part of the conversation? What's willingness for them to kind of give you guys returns that look better than what we've seen before? Maybe just anything on kind of how those conversations have progressed versus what we were maybe wondering what they could look like at the beginning of the year.

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Alan Armstrong

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

Yeah. Well, I would say it is certainly a mix of both behind the meter and a lot of conversion. I mean, if you look at some of the IRPs that are out there right now, you look at Duke's latest IRP that just got approved for 9 gigawatts of gas-fired generation in their market, we're dealing with the large power generators in the MountainWest region right now and

some very big numbers that they're talking about for power generation demand, both – and in terms of if you stack onto that the coal conversions like you saw with Naughton and we're seeing with Jim Bridger, the number gets to be very large when you stack on both the conversion and you stack the growth on top of that. These numbers are getting very large, so.

And a lot of that is being built up to serve data center load in those areas. The governors of a lot of the states that we work with are really starting to pound the table with their planning commissions and making sure that they're not left behind on having enough power in the regions, because that's becoming a key issue. And so we're working with the states in trying to make sure that – a lot of them are very concerned that they're not being left behind in these opportunities.

So, I would say in the on-the-grid opportunity, they are really locking in. The Dalton Lateral expansion is another one of those projects that's ultimately being driven by that kind of growth. And frankly, just reshoring of industrial and manufacturing, because stuff that used to be done in places like Europe and those energy costs have just driven those businesses back to the US. So I think the low-cost energy we have here is driving a lot of that home.

And then finally, though, on the behind the meter, a lot of their detailed discussions going on with a lot of players that you would expect on that front. And some of that is just for us to just provide the gas and some of that is in joint ventures where we would help provide the power generation in whole on that. Our focus obviously is in getting the gas transportation business out of that. But there's a number of very detailed discussions going on where we would provide more than that, and particularly in areas where we have the land, and the infrastructure already set up that can help support data centers.

So it's pretty much across the board in terms of opportunity. And it's hard for us to predict, frankly, exactly how much of that will actually hit, because this is kind of a new area for us, so. In terms of where we started at the first of the year to where we are now, I would say it has gotten much more concrete and more positive than where we started at the first of the year, for sure.

John Mackay
Analyst, Goldman Sachs

I appreciate the color. Thank you.

Keith Stanley
Analyst, Wolfe

Hi. Good morning. I wanted to ask on LEG. Can you remind us how much of the capacity has take-or-pay commitments at this point? And were you surprised by some of your competitors moving forward just because now we're going to have three large new Haynesville greenfield pipes getting built at the same time?

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

First of all, the vast majority of our capacity is contracted on that, in fact it is take-or-pay contracting that we've done on that, so. And in terms of the other projects, I'm not too terribly surprised. If you look at the balance of where gas is going to have to come from, and particularly gas that can meet the LNG specs and low nitrogen specs that are going to be required, I'm not too terribly surprised just because of how much demand growth we're seeing. That's going to have to come from somewhere and it's starting to mount up pretty big. So I'm not too terribly surprised by that, frankly. I don't know how well contracted those other projects are. I assume they're well contracted like ours is, but if they're not, I would be surprised. But assuming they're well contracted, I think it's just a sign that people know that this gas for this incremental demand is going to have to come from somewhere.

Chad Zamarin

Executive Vice President-Corporate Strategic Development, The Williams Cos., Inc.

Yeah, Alan. This is Chad. I'd also add that the Haynesville historically was plumbed to move gas to the east and northeast. And so, there's even going to be volumes that will want to move – existing volumes that will want to move south to the LNG markets. But to Alan's first point, I mean models, not ours, but even third-party models are showing over 10 Bcf a day of growth out of the Haynesville by the early 2030s to meet LNG demand. And so, that's a lot of gas that's going to need to find its way to those LNG markets.

Keith Stanley

Analyst, Wolfe

Thanks. Second question, I'm not sure if I missed this or not, but on Regional Energy Access, any update on where things are in seeking a temporary certificate from FERC? And any next steps or timeline you're watching for from the DC Circuit?

Micheal Dunn

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

Yeah. I think all the filings have been made in regard to the DC Circuit actions, and we made our application for a temporary certificate as well and so we're awaiting FERC action on that. But as of now, we're flowing gas, the pipeline is operational, and all that work is complete from a mechanical standpoint. We're just waiting for the legal action to take place. And I'd say I was pretty encouraged by the response that FERC provided in regard to our renewal request with the DC Circuit. And it looks like FERC is very firmly standing behind their decision. And we're very confident, ultimately, that we'll have a certificate to operate REA.

Keith Stanley

Analyst, Wolfe

Thank you.

Robert Catellier

Analyst, CIBC

Hey, good morning, everyone. I'd like you to comment on how the significant growth profile you have ahead of you will influence the dividend growth policy. Or do you see yourself having enough balance sheet capacity to handle what's in front of you here?

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Alan Armstrong

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

Yeah. Rob, we certainly will have just because, again, as I mentioned earlier, these projects are so high return that we're really not – and now we've kind of got them, that train has started now as these big deepwater projects come on, the Regional Energy Access, a lot of these transmission projects that we've been investing in previously and kind of priming the pump, if you will, for these high-return projects. Once we're on that, we really are not chewing up a whole lot of capacity because we're generating so much EBITDA growth at the same time. So no concern at all about needing to pull back the dividend at all. Like, in fact, I would say, probably the other way around, just because we're trying to figure out exactly what we will do with the excess capacity and capital that we have available. So that has not come on our radar screen, I'll just put it that way.

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Robert Catellier

Analyst, CIBC

Okay. And then, I want to go back to the presidential administration question, what might change here. Speculative obviously, but one of the things we could speculate about is that we might be adding growth on growth. So that hints to inflation risk, arguably. So, how are you protecting yourselves and your project returns from the potential of inflation risk?

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Alan Armstrong

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

Yeah, it's a good question. Our gathering business, we build that in automatically to the contract. And if you look at the operating margin that we make on these projects, it's very high operating margin. And so, the real driver for the rate is the capital that we initially invest. And we absolutely build in, we are very conservative when we're estimating to make sure that we either know what that inflation risk is going to be, or we lock it in the price of steel and inflationary impacts like that.

So, I would say the capital risk is really where our risk would be, not so much our operating leverage.

The other thing I would tell you is that the way that our rates work within our pipelines, obviously, we file those rate cases every five years. So unlike a lot of competitors in the space that haven't filed a rate case in a long time because they're overearning, we're in a position to capture that inflation adjustment in our rates, just because of the way that we're set up in the business. And so, really not too big of a risk to us other than the capital side risk. And that's a matter of making sure that when we set our estimates, we take that into account.

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Robert Catellier

Analyst, CIBC

Okay. Last question. I'm just curious with respect to your storage position, given how much you've done in recent years, should there be a medium to large sized acquisition in the storage area – How important would that be to you from a strategic point of view?

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Alan Armstrong

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

You're saying if somebody else acquired...

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Robert Catellier

Analyst, CIBC

Well, if there was something for sale that had some pretty significant scale.

.....
Alan Armstrong

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

Yeah. I mean, I think, obviously it depends on the price and how well it fits into our strategy. So we're very bullish in storage right now. But we also realize that we're kind of in a very sweet spot right now where the pricing has been such that only kind of brownfield expansions are being supported from our perspective. But yet, much higher margins than what we've been acquiring the assets at. So kind of in a nice spot right there. So, we've been in – we've watched the storage cycles before and I think as bullish as we are on the demand for storage, we don't want to see it get overbuilt in a way that it would decrease that pricing over time either. So that's the thing we're keeping our eye on now.

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Chad Zamarin

Executive Vice President-Corporate Strategic Development, The Williams Cos., Inc.

Yeah, I think it's important to note that not all storage is created equal. If you think about what we focus on, Clay Basin in the Rockies is really an important storage asset to bridge against critical markets between west demand and east production. NorTex in the Dallas Fort Worth area and that power complex, the Gulf Coast storage transaction, and our ability to integrate those assets with Transco for both injection and deliverability. So, we will look at storage, but not all storage is created equal. And so we're constantly looking for, as Alan mentioned earlier, what might be next and what might be needed and is there something that fits kind of the fundamental setup.

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Robert Catellier

Analyst, CIBC

Okay. Thank you very much.

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Zach Van Everen

Analyst, Tudor Pickering Holt

Hey, guys. Thanks for squeezing me in. Just going back to the question around Haynesville pipelines and LEG. With those additional projects being announced, is there still a need or a want to potentially expand LEG in the future?

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Micheal Dunn

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

Yeah, I would say there's definitely an opportunity to do that. As Chad talked about earlier, there's an expectation that Haynesville production would grow by 10 Bcf over the next decade or so, or even quicker depending upon the LNG appetite there. So I think there's definitely an opportunity to economically expand the LEG project either by additional compression or by looping a portion of the project. So, that's certainly not foreclosed by anybody that's entering the market today.

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Zach Van Everen

Analyst, Tudor Pickering Holt

Got you. That makes sense. Then maybe one on Transco. With SSE ongoing right now, can you remind us, is there a certain amount of time you have to wait just with respect to those customers before you announce another large project along the main line? Or are you able to do that if the appetite is there?

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Alan Armstrong

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

Yeah, I would just say, the Dalton Lateral is a great example. That comes right off of that capacity, and it is within the path of that. And so that's a great example of something that has no overlap whatsoever with capacity that we're building there, yet it's still along in that same region. So, I'd say, I think this issue has been a little bit overblown, and perhaps from my own comments on the topic. It is an issue when you talk about permitting, it is an issue once you file or once you're down the road on it, if you're doing something within that same work area that would have an environmental impact, that is a risky proposition to add another project on top of that, because they might get combined from a permitting standpoint and drag the other. And so, we're very sensitive to that because we have customers that are very dependent on us delivering these projects on time. And we take that very seriously. And particularly Duke has been very clear with us about not putting any risk on the timing for that because they do need that gas so badly. So we're going to protect our customers' interest in that regard and not put things at risk.

But it doesn't mean you can't expand the pipeline in that area. It just means that you're doing it within the same regions of impact, like if you were to expand the loop or trying to make a loop larger than you originally called for or expanded it into a wetland, those are the kind of things that could drag a project and have it combined back to another. And those are things that we're sensitive to. It certainly does not mean that we can't expand the pipeline

while another project – start an expansion of that pipeline while our project is going on. It's just not in the same work zone.

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Micheal Dunn

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

And I would like to say, the key to that, though, is making sure you have distinct supply and demand customers identified. And I've got a great example where the Southside Reliability Enhancement Project and the Commonwealth Energy Connector are really in that same corridor and we're actually installing compression at the same site for both of those projects. But they were separate and distinct projects, FERC evaluated and analyzed them separately, but allowed us to do those projects simultaneously, if you will.

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Chad Zamarin

Executive Vice President-Corporate Strategic Development, The Williams Cos., Inc.

Yeah. And I'd just add that I don't think we see any commercial opportunities that we're not going to be able to commercialize because of the concern of stacking projects. I think we've done a really good job of filling the commercial activity on the first phase of SSE and we don't expect to be deferring commercial opportunities because of the project. It looks like – we believe that the commercial pace of the next wave of opportunities will fit well within kind of the timeline needed to navigate through the permitting process.

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Zach Van Everen

Analyst, Tudor Pickering Holt

Got it. I appreciate all the detail, guys, and thanks for the time.

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Jack Wilson

Analyst, Truist

Yeah. Hey, good morning. This is Jack Wilson on for Neal. Just a quick question around near-, medium-term flexibility around Transco. Are there some areas where small data center-driven pipes could relatively soon be tapped into? And will this require much change to compression or other equipment?

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Alan Armstrong

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

I mean, the answer to your question is, yes. We have areas where we could make relatively small direct expansions off Transco. We are looking at a few of those. So the answer is yes, we can do that. Very dependent on the size and scale of the facility that we're looking at. And so that's really the – if you're talking about one of the hyperscale facilities, that's a completely different setup than somebody that's looking for a 180- or 200-megawatt kind of facility. So, those kind of facilities, we certainly can accommodate.

Jack Wilson
Analyst, Truist

Sounds good. Thank you very much.

Closing Remarks

Okay. Well, thank you all for your interest. I really appreciate the plugging in. We are really excited about the environment we're going into and really paying close attention to what happens here with the House as it relates to tax benefit, as well as perhaps some pretty comprehensive permitting reform that would provide for a lot of expansion of infrastructure here in the US that we think we'd be the beneficiary of. So, excited about where we are today and really excited to see what the future holds for our own forecast as we see some of these changes roll. So, thank you for joining us today.