Fueling Our Future

The Natural Gas Industry
Moderator: Robert Cook

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Natural Gas – A Fuel of Choice

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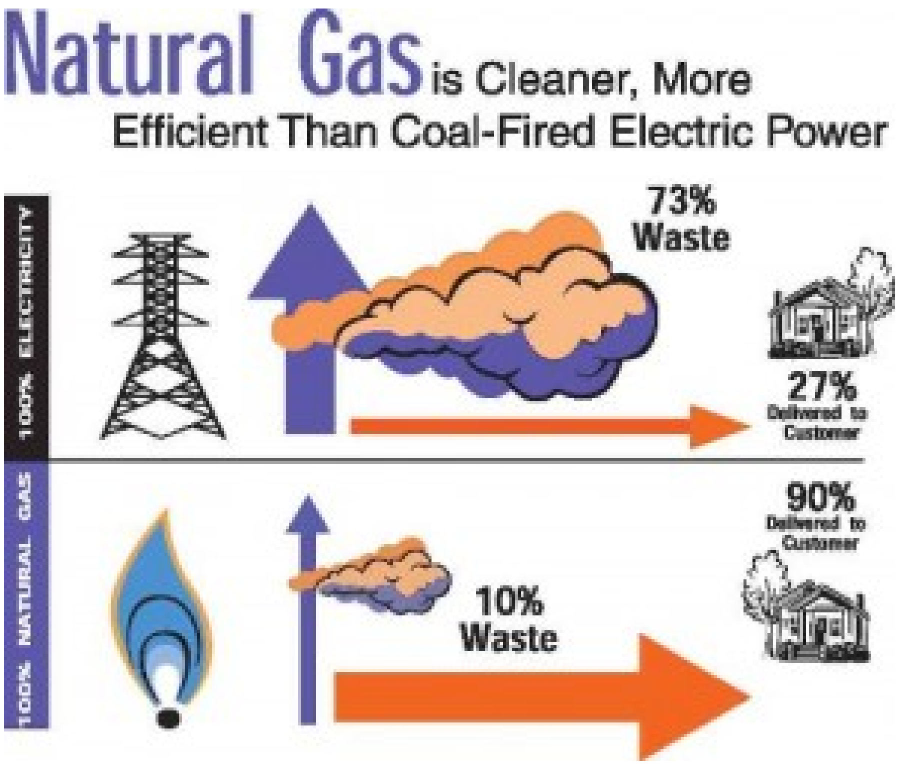
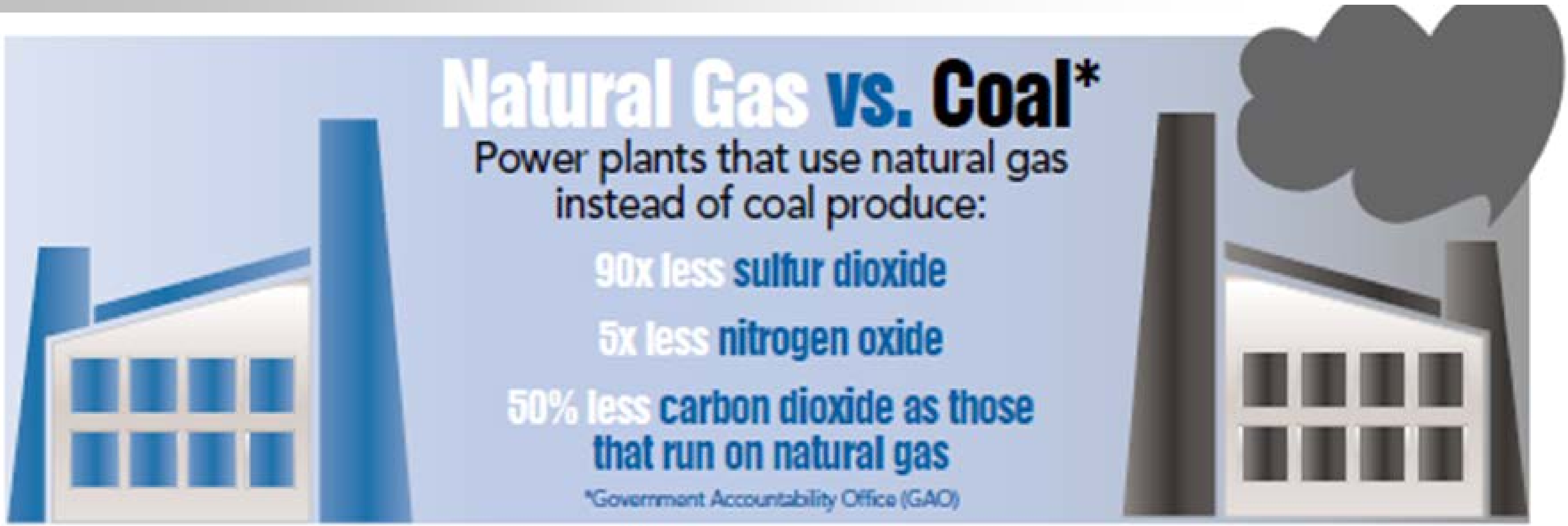


Natural gas power generation has risen from 15% to 25% of the US power gen mix over the past decade.

Electric generation now comprises 25% of total US natural gas demand.

Natural Gas is Cleaner



Natural gas emits virtually no particulates (soot, ash, metals, airborne pollutants) into the environment. It emits only 10% as much as burning oil and 1% as much as coal.

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The Clean Power Plan

STATED GOAL –

By year 2030, cut 30% of carbon emissions from the power sector.

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An Energy Revolution

- The US has more natural gas than any nation on earth.
- Natural gas has started an energy revolution in the US and around the world.
- While Atmos is not involved in the production of natural gas, we welcome questions and discussion about our industry.
- We believe that natural gas can be produced and delivered in an environmentally responsible and sustainable manner.

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Demand

Residential

90% of total customers

22% of total consumption

Weather sensitive

Conservation impact

Commercial

9% of total customers

15% of total consumption

Somewhat weather sensitive

Conservation impact

Market opportunities

Power Generation

<1% of total customers

31% of total consumption

Demand growing!

Difficult delivery requirements

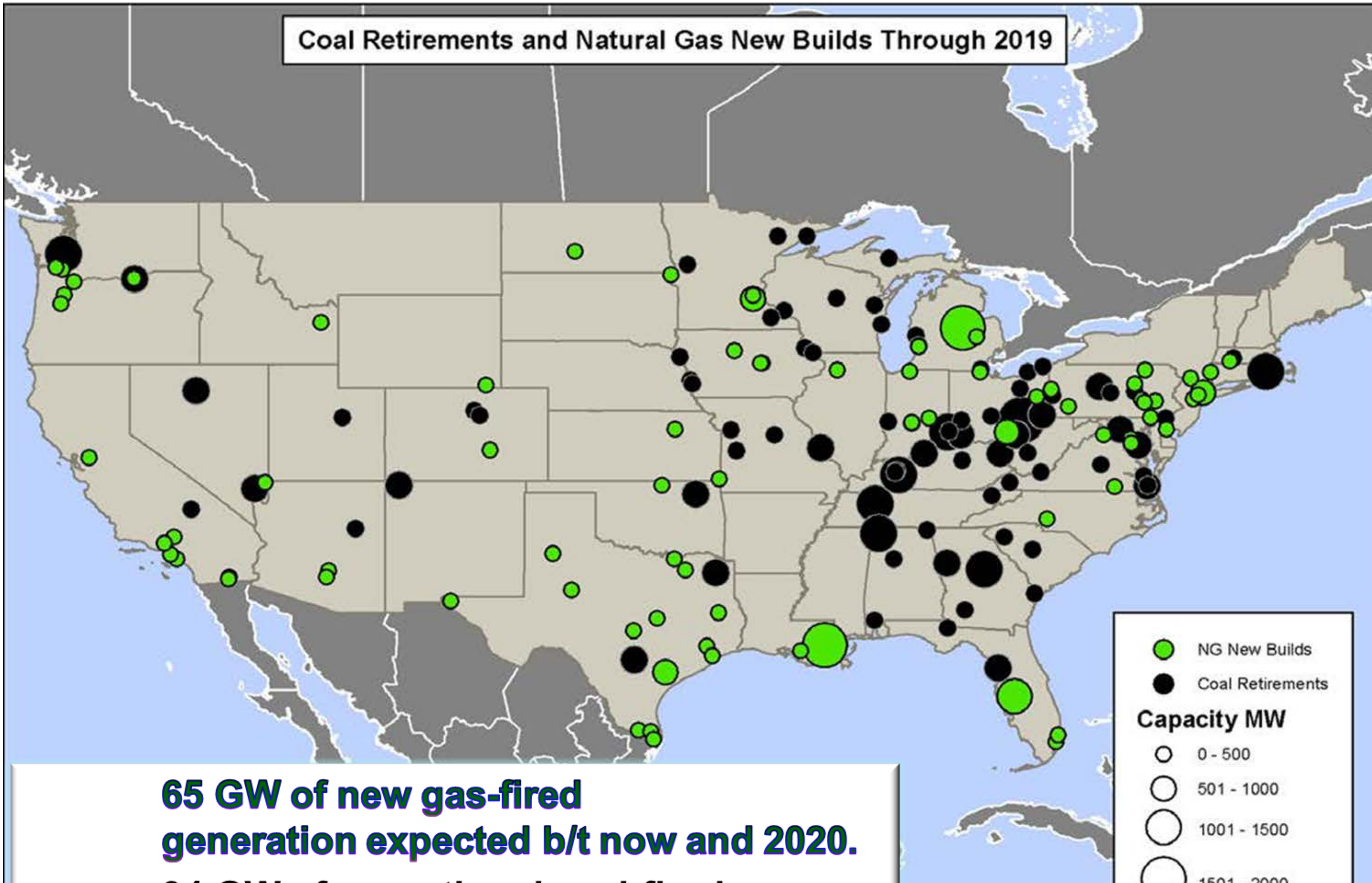
Primarily transportation customer

Industrial

<1% of total customers

33% of total consumption

Primarily transportation customer



65 GW of new gas-fired generation expected b/t now and 2020.

34 GW of operational coal-fired capacity to be retired by 2020.

Source: BENTEK

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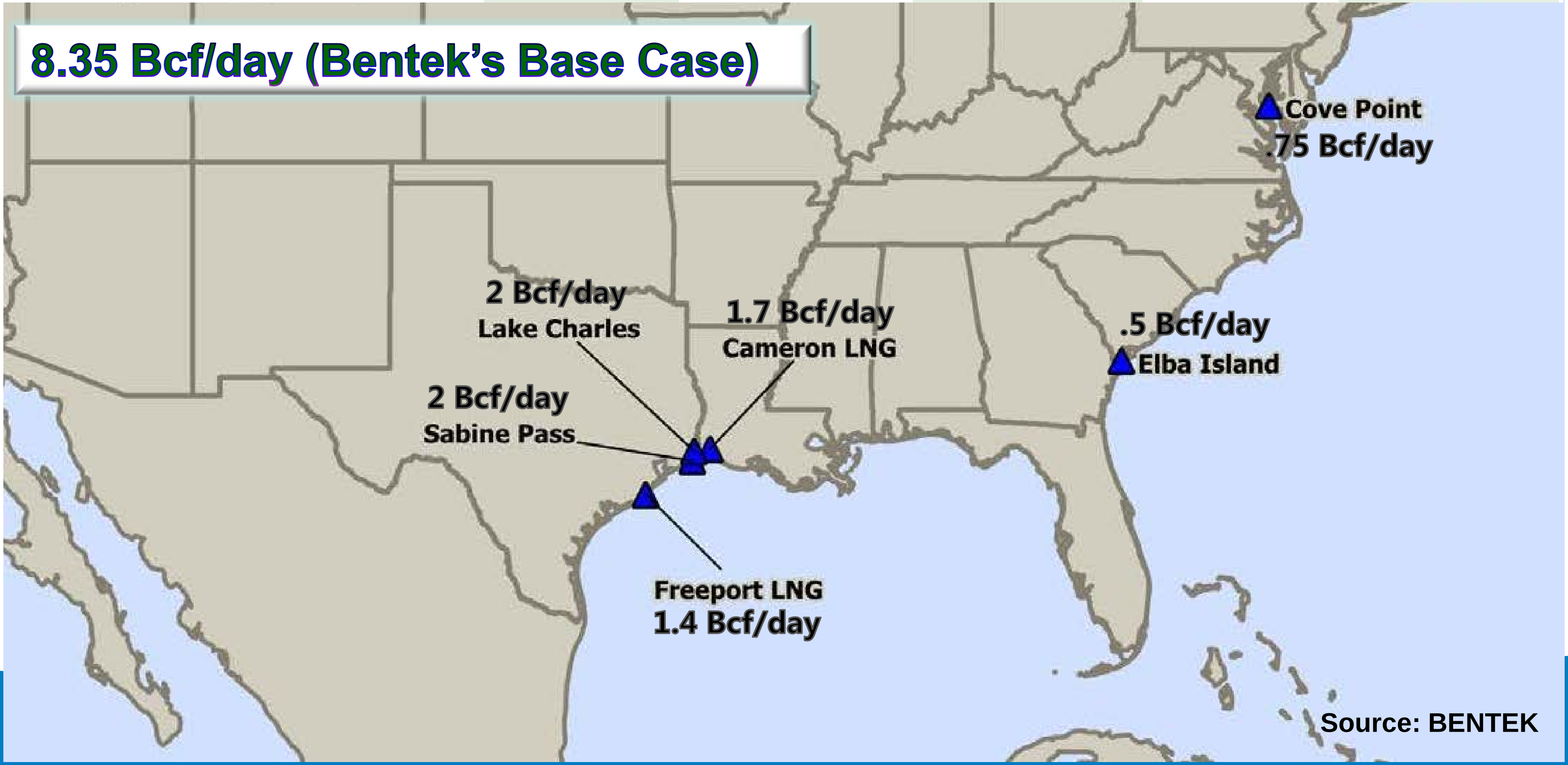
Table 13. US LNG Export Forecast Criteria

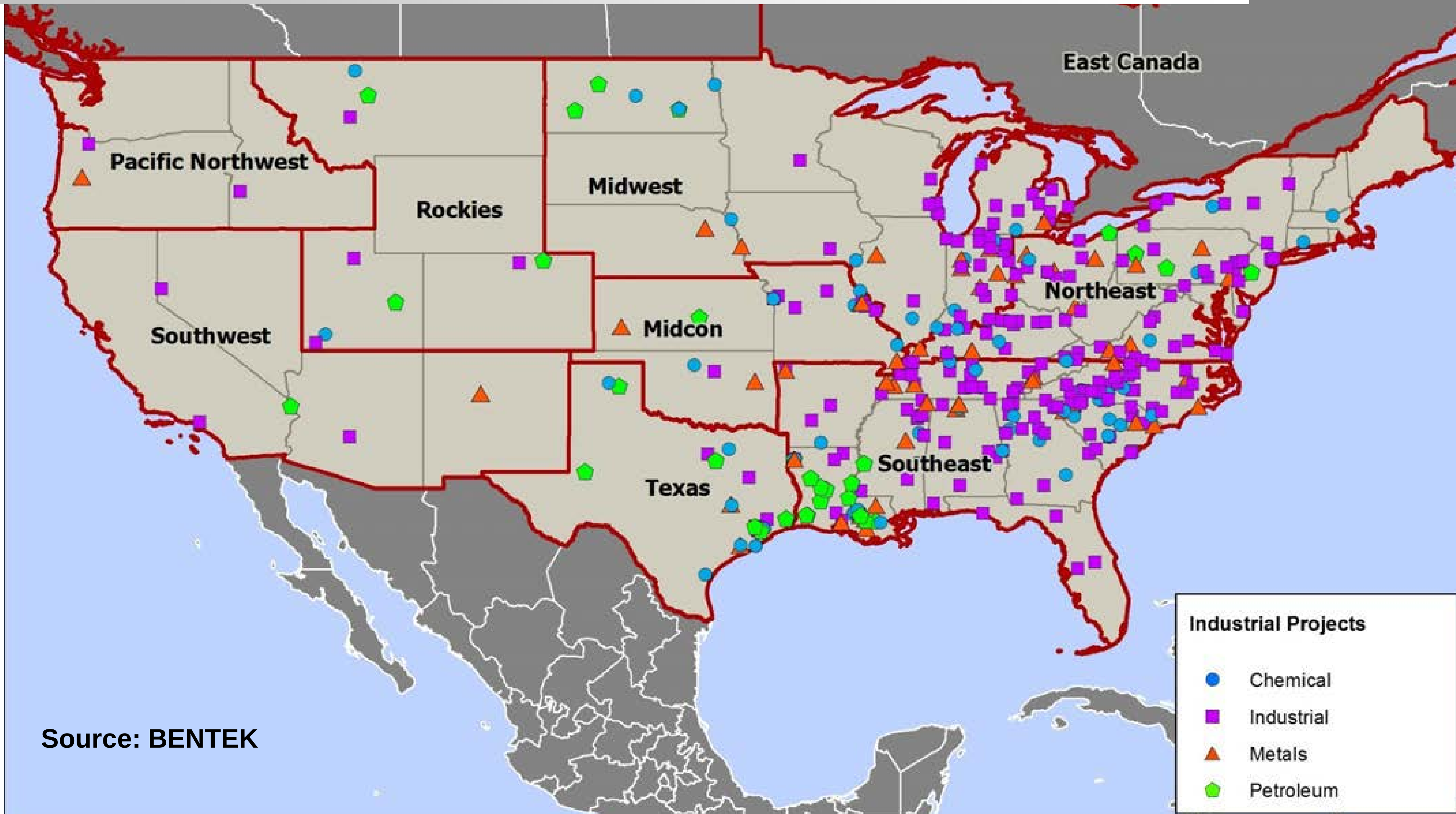
	Terminal	Pre-existing Infrastructure	MOUs (% of cap.)	FERC Prefiling	DOE Precedence	Regional Necessity
Base Case	Sabine Pass	Yes	91%	Approved	Approved	No
	Freeport	Yes	100%	12/23/2010	Approved	No
	Lake Charles	Yes	100%	3/30/2012	Approved	No
	Cove Point	Yes	92%	6/1/2012	Approved	Yes
	Cameron	Yes	97%	Passed Env.	Approved	No
	Elba Island	Yes	100%	12/6/2012	6th	No

8.35 Bcf/day (Bentek's Base Case)



Source: BENTEK

U.S. Industrial Plant Projects



Source: BENTEK

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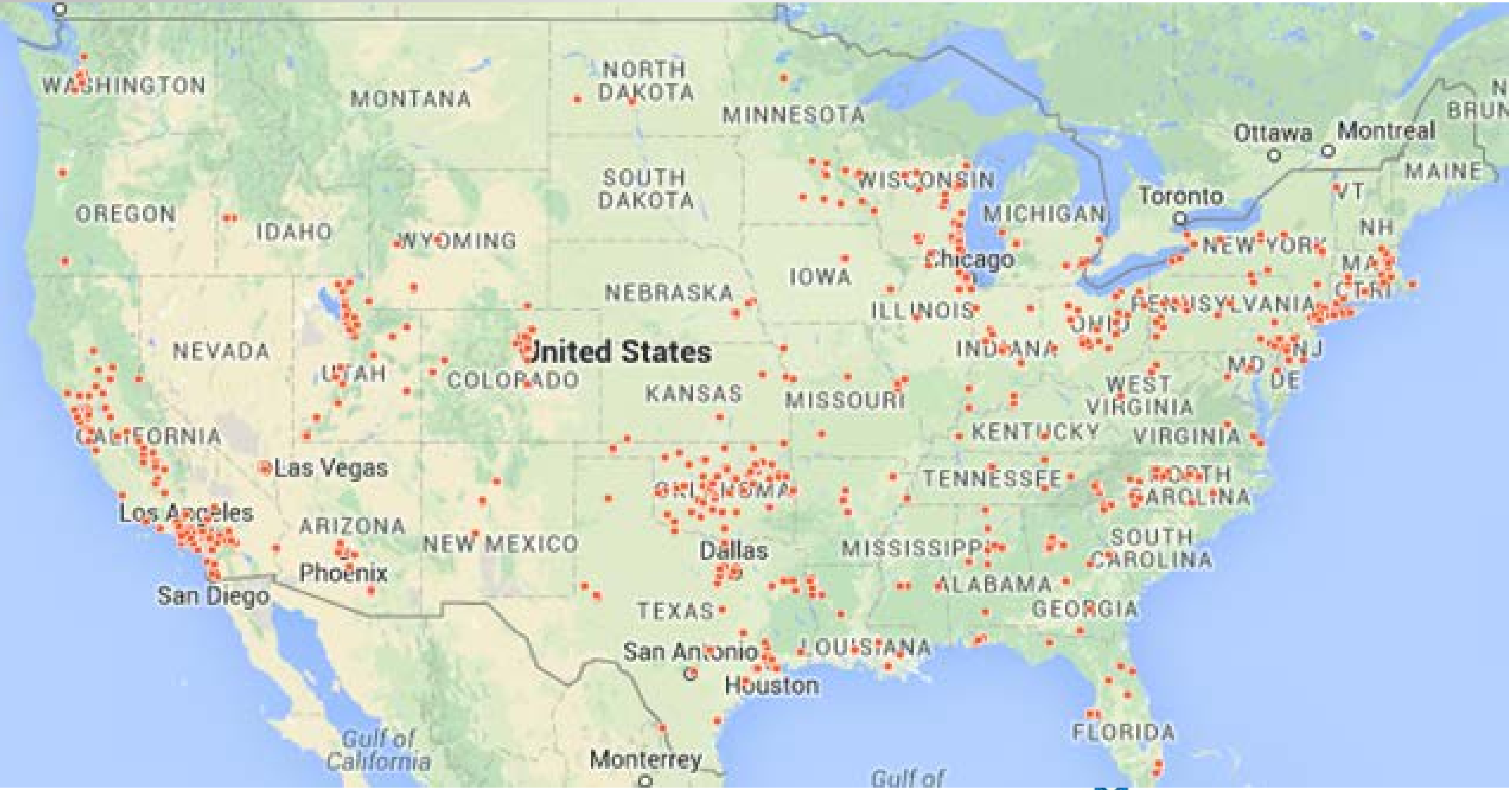
CNG Stations…



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Summary…20/20 on 2020

A new era of low and relatively stable gas prices have enabled our nation to experience an energy demand revolution…

- Power demand (due to coal retirements and new gas-fired generation) is expected to be 5.5 Bcf/day.
  - Lets assume just over half of the demand develops at 3 Bcf/day.
- LNG exports are slated to come in at 8.5 Bcf/day.
  - But let's assume only 2 of the projects get built at 4 Bcf/day.

Summary…20/20 on 2020

- Industrial GTL’s, methanol and fertilizer plants being built or proposed account for up to 2 Bcf/day of addl load by 2020.
  - Methanol and fertilizer plants are more profitable than GTL plants and have a higher likelihood of actually being built out.
  - Assume half of methanol and fertilizer plants actually get built for 500k/day.
- CNG/LNG sectors to add 500k/day of new demand.
- Total new demand Base Case: ~15 Bcf/day
  - Low case scenario is 8 Bcf/day
    - (3 power, 4 LNG, .5 ind, .5 CNG)
    - Wild Cards?

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An Energy Story…

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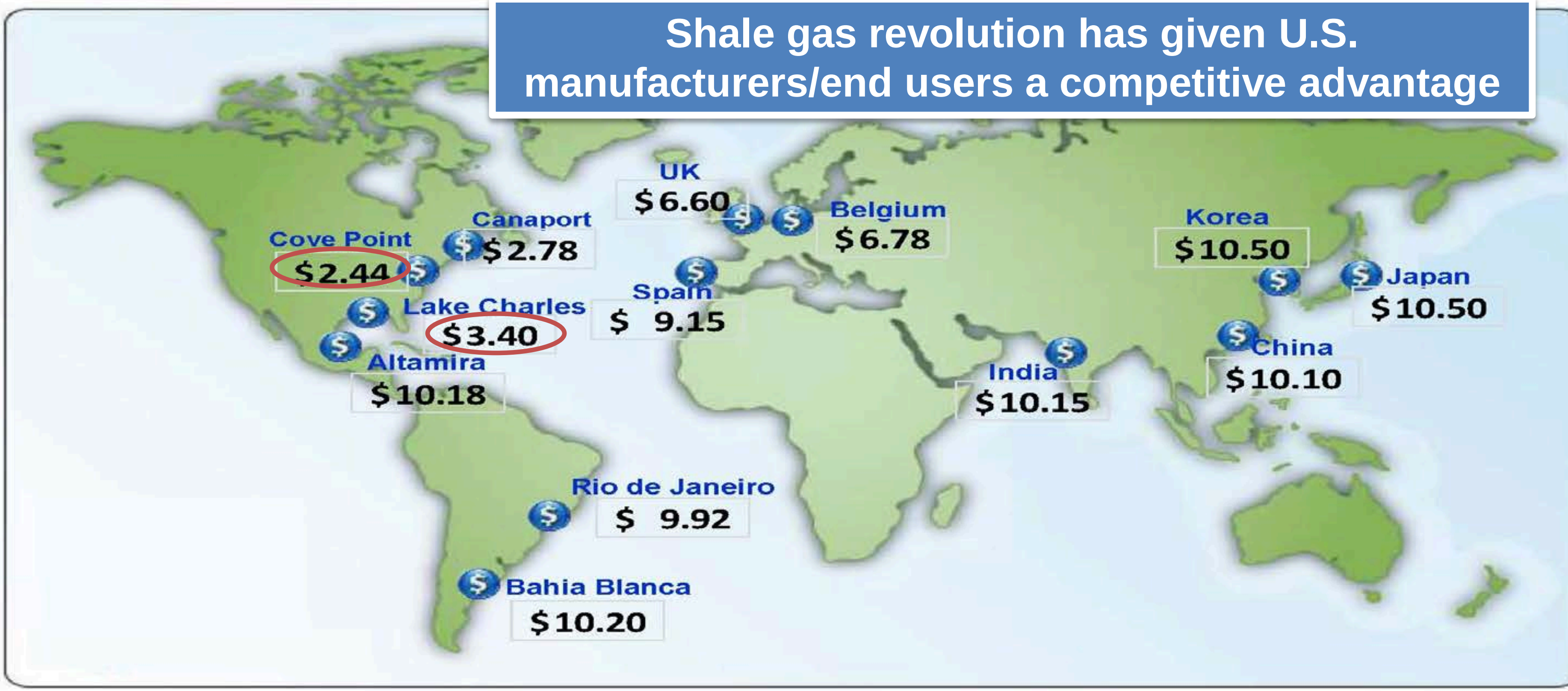
World LNG Estimated Sept. 2014 Prices

Shale gas revolution has given U.S. manufacturers/end users a competitive advantage



Average LNG Prices	
United States - $2.92	Asia - $10.31
Europe - $7.51	South America - $10.06

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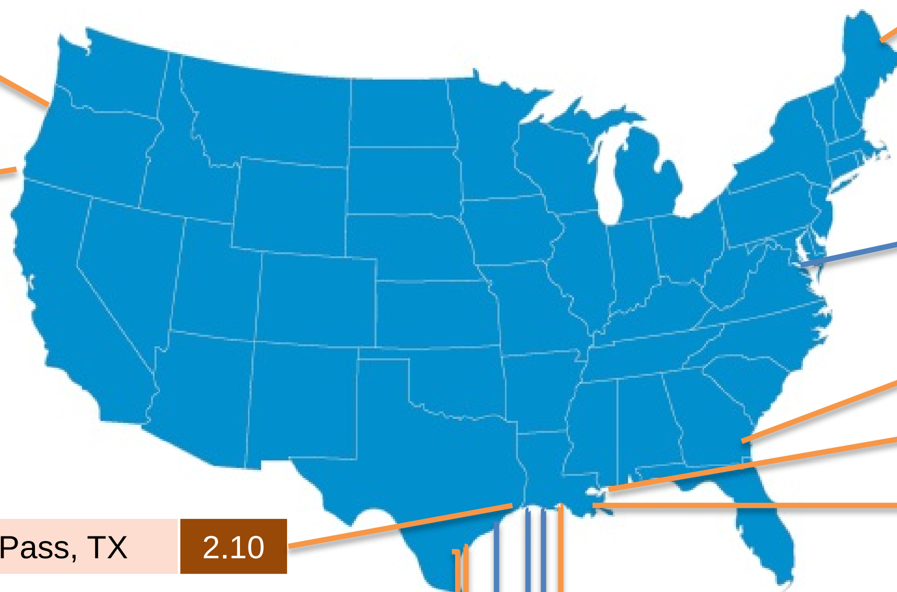
LNG Export Terminals and Capacity (Bcf/d)



Terminal	Capacity (Bcf/d)
Astoria, OR	1.25
Coos Bay, OR	0.90
Robbinston, ME	0.45
Cove Point, MD	0.82
Elba Island, GA	0.35
Pascagoula, MS	1.50
Plaq. Parish, LA	1.07
Lake Charles, LA	
Southern Union	2.20
Magnolia LNG	1.07
Hackberry, LA	1.70
Sabine, LA	2.76
Sabine Pass, TX	2.10
Corpus Christi, TX	2.10
Lavaca Bay, TX	1.38
Freeport, TX	1.80
Total Proposed	**14.37**
Total Approved	**7.08**

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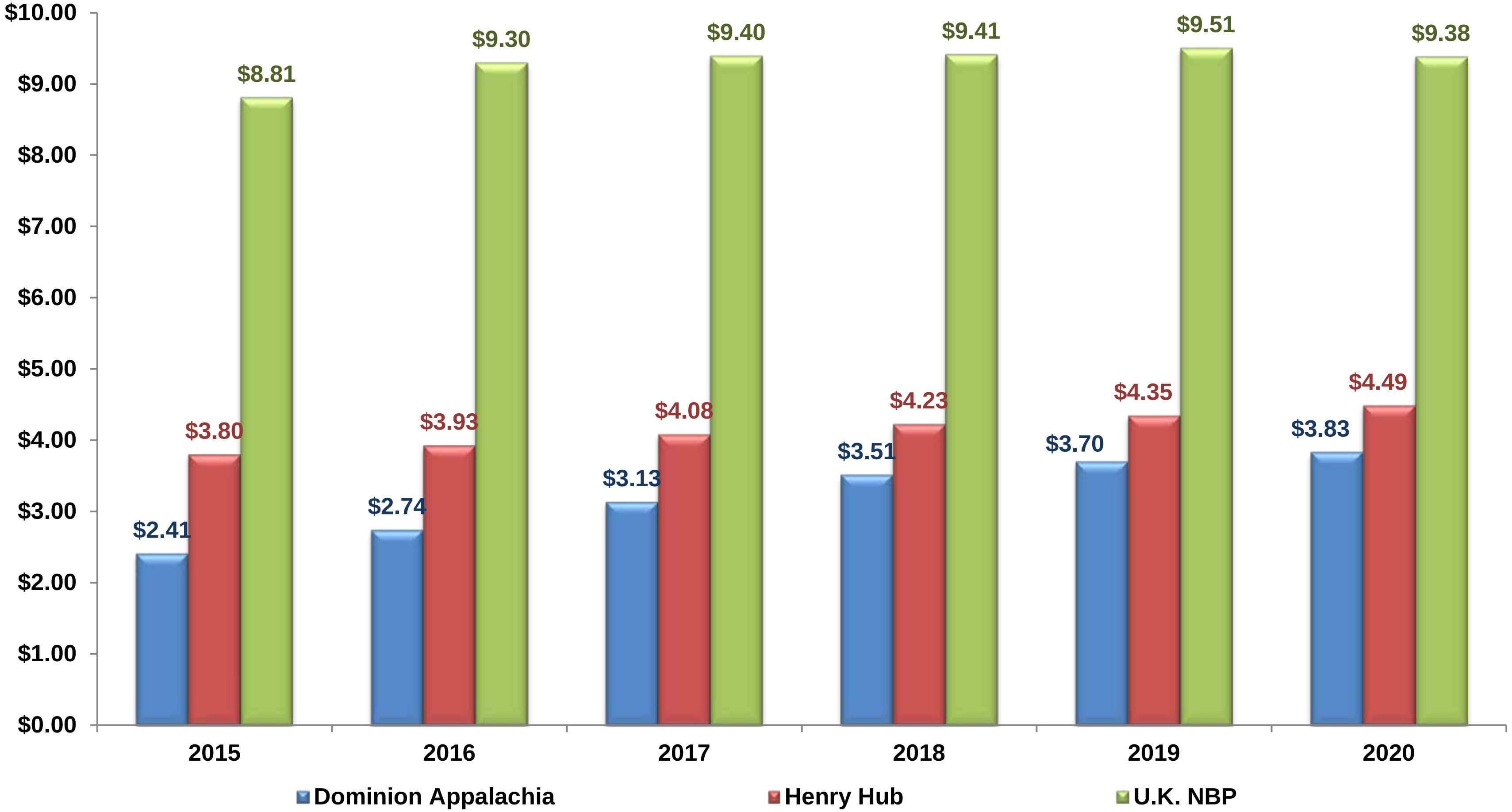
Natural Gas Forward Curves



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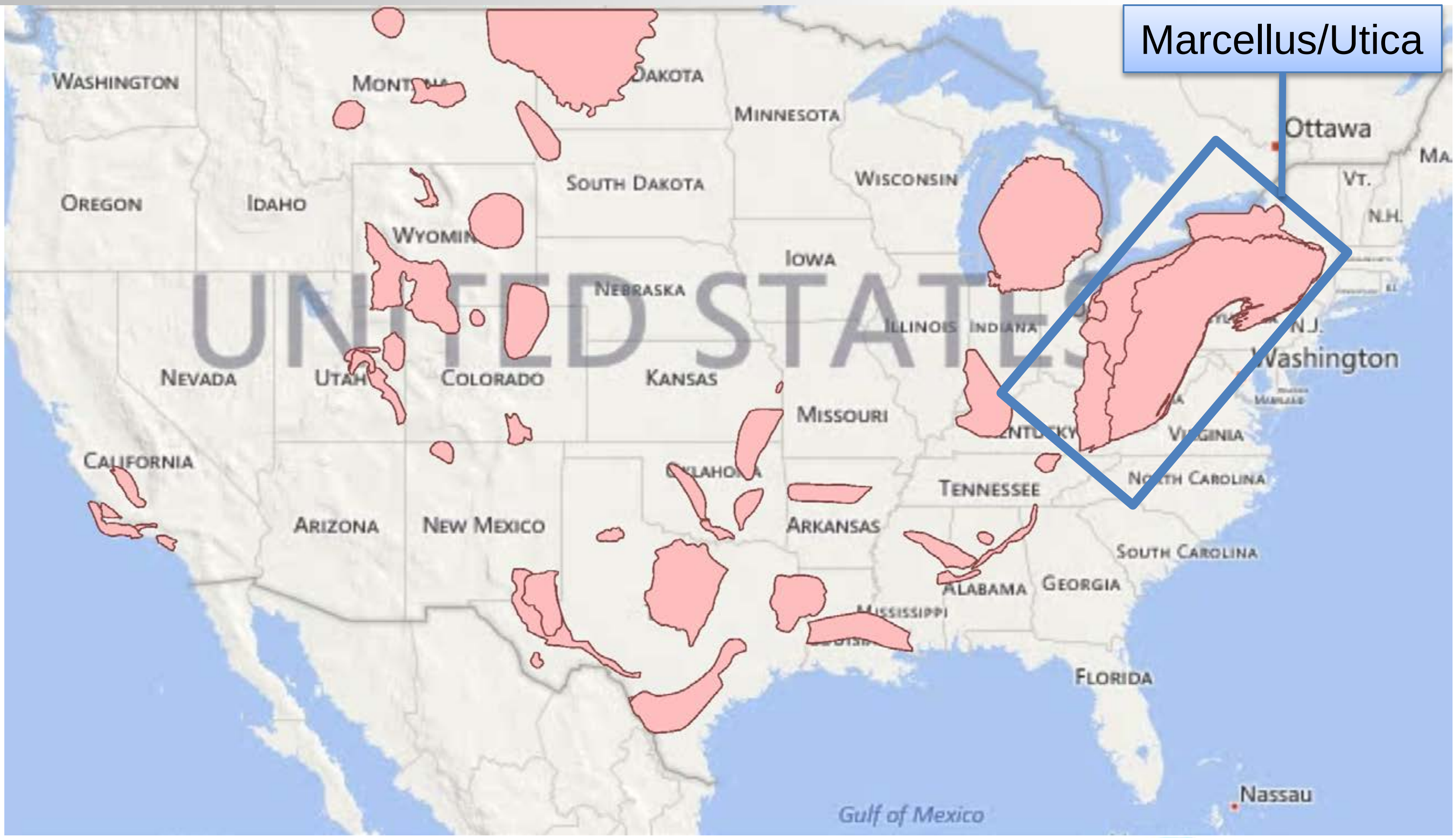
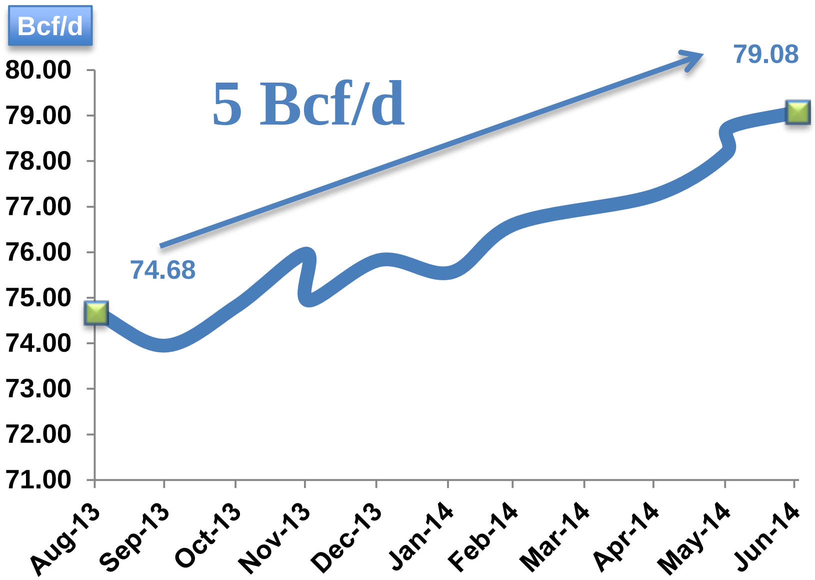
Marcellus & Utica



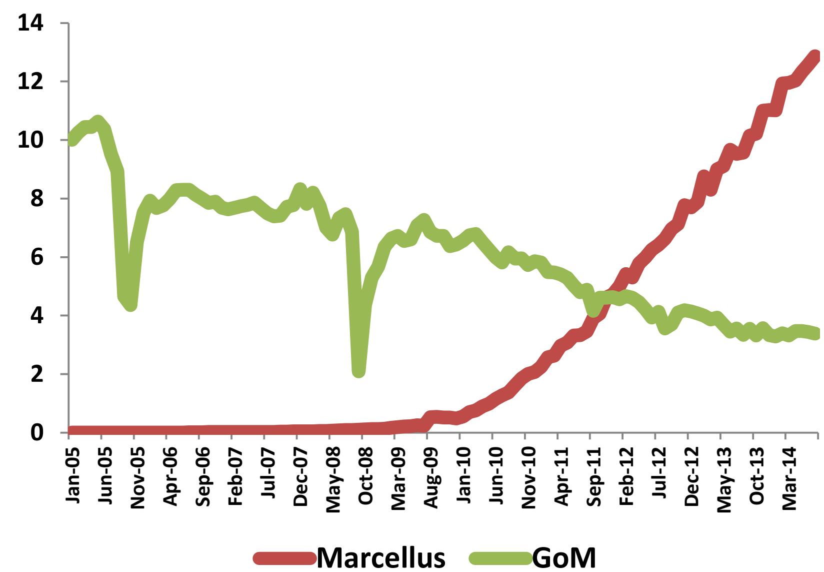
Marcellus & GOM Supply

Total production over last year



Marcellus and Gulf of Mexico Production

Jan 2005 to July 2014



Supply Source	July 2009	July 2014
Marcellus	0.4%	16%
Gulf of Mexico	11.8%	4.3%

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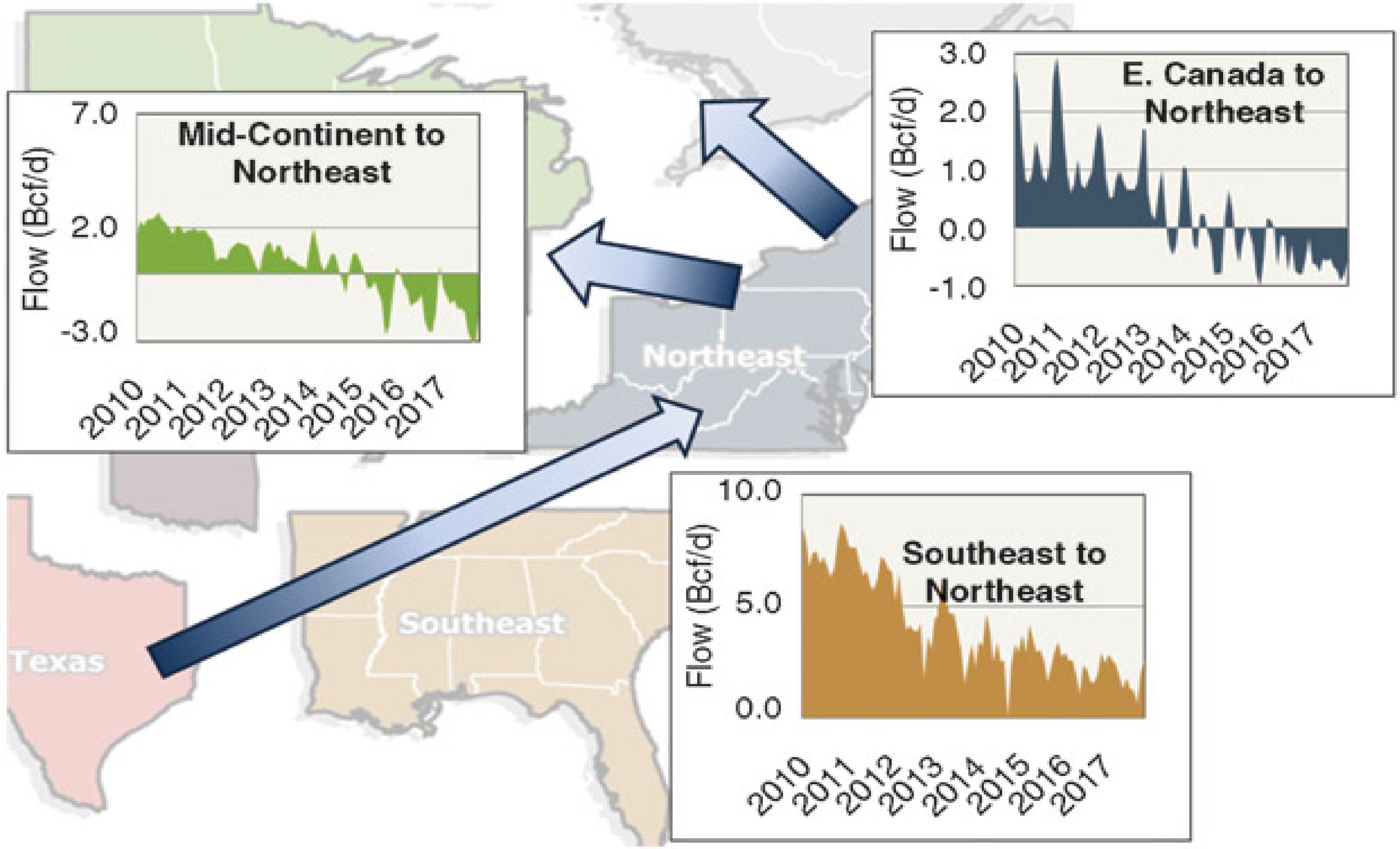
Changing Pipeline Flows



Something to think about??

Should the U.S. restrict LNG exports?

PHOTO: STR/AFP/GETTY IMAGES

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Something to think about??

Will natural gas vehicles capture significant US market share in the next 10 years?

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Questions & Final thoughts…

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