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UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION  
Technical Conference:  
Impacts of COVID-19 on  
the Energy Industry                      Docket No: AD20-17-000

TECHNICAL VIDEO CONFERENCE  
Federal Energy Regulatory Commission  
888 1st Street NE  
Washington, DC 20426  
Thursday, July 9, 2020  
9:00 a.m.

1 Panel 3: Natural Gas and Oil Demand

2 Panelists:

3 Robert Brooks, Founder and President, RBAC, Inc.

4 David Bryson, Senior Vice President and Chief Commercial

5 Officer, Gas Transmission and Midstream, Enbridge

6 Anatol Feygin, Executive Vice President and Chief Commercial

7 Officer, Cheniere Energy

8 Gary Gibson, General Manager and Chief Executive Officer,

9 City Utilities of Springfield

10 Terry Lewandowski, Senior Director - Energy, Nutrien, and

11 President of the Process Gas Consumers Group

12 Matt O'Mahoney, Managing Director - Fuel Procurement and

13 Operations, Delta Airlines

14 Toby Rice, Chief Executive Officer, EQT Corporation

15 Panel 4: Access to Capital - Credit, Liquidity, and Return

16 on Equity

17 Roger Collanton, Vice President and General Counsel,

18 California Independent System Operator, on behalf of the

19 ISO/RTO Council

20 Kimberly Dang, President, Kinder Morgan

21 Mauricio Gutierrez, President and Chief Executive Officer,

22 NRG

23 Charles Jones, Chief Executive Officer and Member of Board

24 of Directors, FirstEnergy Corp.

25 Philip Moeller, Executive Vice President - Business

1 Operations Group and Regulatory Affairs, Edison Electric  
2 Institute

3 Antonio P. Smyth, Senior Vice President, Transmission  
4 Ventures

5 Strategy and Policy, American Electric Power.

6 Christine Tezak, Managing Director, Clearview Energy  
7 Partners

8 Steve Young, Executive Vice President and Chief Financial  
9 Officer, Duke Energy

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1 P R O C E E D I N G S

2 (9:00 a.m.)

3 Panel 3: Natural Gas and Oil Demand

4 MR. CABRALES: My name is Omar Cabrales, I am  
5 with the energy projects for the Commission. We're happy to  
6 welcome you to this today. The Commission Technical  
7 Conference to consider the impacts of COVID 19 on the energy  
8 industry. Before we begin with opening statements, I want  
9 to outline some of the items for today.

10 We'll have two panels today with a lunchbreak in  
11 the middle. Only the Commissioners, Panelists, and a small  
12 group of Commission staff will have speaking roles today.  
13 This Conference is being livestreamed and transcribed,  
14 however the Conference will not be archived for future  
15 viewing.

16 With those matters out of the way, I will now  
17 turn it over to Chairman Chatterjee to begin his opening  
18 statement. Mr. Chairman?

19 CHAIRMAN CHATTERJEE: Thank you Omar. Good  
20 morning everyone. Welcome back to Day 2 of the COVID-19  
21 Technical Conference. Please bear with me while I wear a  
22 mask. I've got staff in here helping me with my computer  
23 and out of concern for their safety and my own, I though it  
24 would take an abundance of caution.

25 I'd like to again thank all of our distinguished

1 speakers who have joined us yesterday and those who will be  
2 participating today. I think the best thing to do is just  
3 to dive into today's discussion. As I noted yesterday, our  
4 focus here is gaining a longer term view of the COVID-19  
5 Pandemic's impact on the energy industry. Today we've teed  
6 up two more great panels. For the first panel, we'll be  
7 taking a look at the potential effects, the changes in  
8 natural gas and oil demands may have on operations,  
9 planning and infrastructure development.

10           One of my goals is to better understand some of  
11 the specific trends we may be seeing, including shifts in  
12 the number and types of proposed projects, effects on  
13 pipeline construction and changes to rate filings.  
14 Additionally, I hope to understand more about the effects on  
15 supply and demand patterns and national and regional  
16 pipeline flows and utilization rates.

17           There's also been a lot of discussion about the  
18 potential impacts the COVID-19 national emergency may have  
19 on LNG exports from existing and planned terminals. I have  
20 had many discussions with those intimately aware of the  
21 economic impacts of the Corona Virus Pandemic on LNG exports  
22 in the short and long-term. We'll touch on these issues  
23 during the first panel as well.

24           For today's second panel, my goal is to better  
25 understand the effects the COVID-19 Pandemic has had on the

1 financial markets and the financial health of individual  
2 energy companies and what new risks may have emerged that  
3 could potentially impact future access to capital.

4           The magnitude of the pandemic's impact on access  
5 to capital, credit risks and other facts will vary for  
6 different entities in the electric, natural gas, and oil  
7 sectors and will affect our ability to continue to provide  
8 reliable service. I also hope we will explore today whether  
9 certain risks associated with the pandemic will affect ROE  
10 issues as well. With that I turn it over to my colleagues  
11 for any opening remarks they may have, starting with  
12 Commissioner Glick.

13           COMMISSIONER GLICK: Thank you Mr. Chairman.  
14 Glad to see you're wearing your mask. I don't have a lot to  
15 say this morning. I think we had a very good day yesterday.  
16 I learned a lot. I would say that certainly that electric  
17 and gas utility sectors have done a very good job in  
18 certainly being prepared and with the reacting in terms of  
19 the reaction to the COVID-19 Pandemic.

20           We're going to learn a little bit more today  
21 about what the impacts might be on pipelines and oil  
22 pipelines in particular, I understand it will be more  
23 difficult, so today I'm going to learn a little bit more  
24 about that. And then, of course, the last panel will be on  
25 financial impacts of the COVID-19 Pandemic and what that

1 might mean for electric utilities, gas utilities, gas  
2 pipelines and so on.

3           So with that, I'll just pass it on and say thank  
4 you Mr. Chairman.

5           COMMISSIONER MCNAMEE: Mr. Chairman, this is  
6 Bernie. I also want to thank all the panelists for joining  
7 us today and thank panelists from yesterday. It was a very  
8 productive day. I'm looking forward to today's discussion,  
9 it's a variety of important issues as we all know. We know  
10 that our first panel is focusing on oil and natural gas. I  
11 think that it can't be overstated the benefits that the  
12 shale revolution has provided to the United States, to our  
13 economy and really to the world, that took place you know,  
14 with the acts of George Mitchell, you know, connecting  
15 directional drilling and hydraulic fracturing.

16           And I think that you know, we saw great benefits  
17 to that and obviously the COVID-19 has created some great  
18 challenges. And the challenges aren't just on producers of  
19 natural gas and oil, but it's also the consumers. Because  
20 even though prices are cheap, demand for the services aren't  
21 there. So whether you're you know, an industrial,  
22 commercial, and airlines, we're going to be interested in  
23 hearing how these impacts and how COVID has been impacting  
24 their demand and how we can take advantage during this time  
25 of thinking about the future.

1           Do we think that there's going to be growth in  
2 the future? Do we think economic growth is going to come  
3 back? And what are the things we should be thinking about  
4 now both as a Commission, what industry should be thinking  
5 about, what consumers should be thinking about as we  
6 hopefully come out of this pandemic sometimes soon and be  
7 able to be prepared to grow, take advantage of our domestic  
8 resources, be able to make sure that we have strong  
9 economic growth and provide jobs for the American people,  
10 and continue to provide tools to our policymakers to make  
11 sure that the United States and its allies are in a strong  
12 position versus adversaries that might want to use energy as  
13 a weapon against us.

14           I'm very much looking forward to this. Honestly,  
15 included in this will be the challenges to raising capital,  
16 cash flow issues, and some of those things are issues that  
17 we'll also be dealing with in the next panel, so I'm really  
18 looking forward today.

19           And once again, thank you to our panelists for  
20 taking the time to be with us and educate us.

21           MR. CABRALES: Thank you Commissioner. Mr.  
22 Chairman?

23           CHAIRMAN CHATTERJEE: Thanks Omar. I don't know  
24 if Commissioner Danly will be joining this morning, so with  
25 that I think you can go ahead and introduce Panel 3.



1                   MR. CABRALES: Thank you Mr. Chairman. The panel  
2 this morning is entitled "Natural Gas and Oil Demand". Each  
3 panelist has four minutes to give an opening statement. At  
4 that time we'll begin -- after that time, we'll begin a  
5 question and answer session.

6                   I will call for a 15 minute break partway through  
7 the third panel. As we begin with opening remarks, we  
8 remind all participants to refrain from any discussions of  
9 pending or contested proceedings. If anyone engages in  
10 these kinds of discussions, a FERC staff will have to  
11 interrupt the proceedings and ask the speaker to avoid the  
12 topic.

13                   I will call on each panelist in turn to give his  
14 or her opening remarks. First we have Mr. Robert Brooks,  
15 Founder and President, RBAC, Inc. Please go ahead Dr.  
16 Brooks. Dr. Brooks, your sound is on mute.

17                   DR. BROOKS: Okay, thank you. My name is Dr.  
18 Robert Brooks and I'm the Founder and President of RBAC. We  
19 developed and licensed predictive analytic software focused  
20 on the energy industry. Our principal product is GPCM, a  
21 widely used market simulator for forecasting North American  
22 natural gas pipeline flows and market prices.

23                   The COVID-19 Pandemic has primarily impacted  
24 energy markets by reducing energy demands. Its greatest  
25 impact has been in the transportation sector. People aren't

1 driving or flying nearly as much due to lock-downs and  
2 travel restrictions. EIA has reported that jet fuel,  
3 distillates, and motor gasoline demand declined between 40  
4 and 60 percent during this period.

5 In response, decline in utilization rates dropped  
6 from 90 percent in January to less than 70 percent by  
7 mid-April. The pandemic has also affected the gas market by  
8 reducing commercial and industrial demands as well as LNG  
9 exports. Year over year industrial gas demand in April  
10 declined by 13 1/2 percent, more than 3 billion cubic feet  
11 per day.

12 LNG exports fell by more than 50 percent from  
13 January to June. Declines in the commercial gas sector have  
14 been partially offset by increases in residential use  
15 because people have been spending more time at home.  
16 Several system operators have reported declines in weather  
17 adjusted electricity demand, but most of these average less  
18 than 10 percent. Low natural gas prices have made it more  
19 competitive in power generation, so the affect on gas  
20 powered generation is likely less than this.

21 The combination of a low-priced environment and  
22 general uncertainty has delayed investment decisions for  
23 several infrastructure projects including the Permian and  
24 Haynesville Global Access pipelines, as well as federal LNG  
25 export companies.

1           And producers are rightly focusing on return on  
2 investment rather than new projects and production growth.  
3 In the longer run, permanently lower demand and increasing  
4 overseas production would tend to pressure oil prices lower.  
5 This would reduce oil production which in turn would reduce  
6 associated gas production on oil focused areas such as the  
7 Bakken, Permian and Niobrara.

8           Together these three areas accounted for almost  
9 25 percent of U.S. gas production in 2019. The recent oil  
10 price rebounds of \$40.00 a barrel has resulted in the  
11 reopening of some shut-in wells and may lead to a building  
12 rebound in the best locations. Should oil prices rise above  
13 \$40.00 to \$50.00, we would expect an increase in crude oil  
14 and associated gas production.

15           However, if prices remain at or below this range,  
16 gas production growth will shift to non-associated areas  
17 such as the Marcellus and Haynesville. That the price of  
18 oil is a major determining factor in the location of future  
19 natural gas supply growth. This has important implications  
20 for pipeline utilization and constraints. Using PPPM we've  
21 analyzed several Permian basin production scenarios and  
22 found that gas production could grow to about 14 Bcf per day  
23 by 2022, but would then reach the limit of the basin's  
24 pipeline takeaway capacity.

25           Further increases would force producers to sell

1 their gas at distressed prices, like what happened last  
2 year. Additional pipeline capacity would be needed to  
3 support further increases in production largely destined for  
4 LNG export terminals on the Texas Gulf Coast, as long as  
5 prices remain low enough to encourage those LNG exports. I  
6 look forward to your questions, thank you.

7 MR. CABRALES: Thank you Dr. Brooks. Next up is  
8 David Bryson, Senior Vice President and Chief Commercial  
9 Officer Gas Transmission and Midstream Enbridge. Please go  
10 ahead Mr. Bryson.

11 MR. BRYSON: Thank you. Can you hear me Omar?

12 MR. CABRALES: We can hear you.

13 MR. BRYSON: Okay great. Thank you very much.  
14 Good morning everyone. On behalf of Enbridge, I would like  
15 to thank the Commission for hosting this Technical  
16 Conference to better understand the impacts of the COVID-19  
17 Pandemic on the industry. I would also like to thank the  
18 Commission for their hard work and commitment to business as  
19 usual in a work from home environment.

20 Enbridge's operations are widespread across North  
21 America and are primarily made up of interstate natural gas  
22 and liquids transportation - both industries regulated by  
23 the Commission. Enbridge transports nearly 20 percent of  
24 the natural gas consumed in the U.S. and 3 million barrels  
25 of liquids products per day on more than 22,000 miles of

1 federally regulated pipelines.

2           The backbone of Enbridge's liquids transportation  
3 Mainline is our Lakehead system which transports primarily  
4 Western Canadian and Bakken crude and natural gas liquids to  
5 refineries throughout the U.S. Midwest and eastern Canada.  
6 Our connectivity across this footprint has facilitated  
7 market access expansions through the Mid-Continent and to  
8 the large concentration of Gulf Coast refineries as well.

9           As we all know, the pandemic triggered a massive  
10 reduction in oil demand. With the Enbridge Mainline as a  
11 common carrier, most competitors are generally 90 percent  
12 contract, we expect as much as 300,000 barrels per day of  
13 lower throughput on average through the end of 2020. This  
14 translates into a significant reduction in earnings while in  
15 contrast, our operating costs remain fixed, save for power  
16 costs as we continue to maintain and operate our systems in  
17 a safe and reliable manner.

18           As a result of these conditions, Enbridge has  
19 taken tough but deliberate steps to financially weather the  
20 impacts of the pandemic, including a voluntary workforce  
21 reduction program, salary rollbacks and deferment of  
22 considerable spending in our capital expansion program.

23           With this backdrop, FERC's five-year review of  
24 the oil pipeline rate index is a critically important  
25 proceeding for the industry. Higher costs for operating and

1 safety efforts, along with the COVID-related demand decline,  
2 underscores the need for the index to be fully reflective of  
3 actual cost changes experienced by the oil pipeline  
4 industry, especially when the volatility for the energy  
5 sector will likely remain for quite some time.

6           As for the Enbridge gas transportation network,  
7 it is comprised of several pipeline systems across the  
8 continent serving industrial, commercial, residential, power  
9 plant loads as well as the growing LNG export demand.

10           The throughput on our gas transportation system  
11 has been impacted as well with demand being reduced by 5 to  
12 15 percent across various markets. We do expect this demand  
13 to recover more quickly when the economy gains momentum, but  
14 the exact amount and pace is yet to be determined.

15           As operators of essential energy infrastructure  
16 systems, we quickly incorporated the COVID-19 expert  
17 guidance and health protocols across all of our systems and  
18 offices, and as a result have been able to safely continue  
19 to serve our customers and deliver the energy they need.

20           Throughout the pandemic, we were proactively  
21 taking steps to ensure our employees and our contractors  
22 were able to continue working safely on identified and  
23 prioritized critical system needs. We will continue to  
24 actively seek and execute our expansions of our existing  
25 systems to meet incremental demand across our domestic

1 markets and supporting growing exports.

2           Although these development opportunities continue  
3 to present themselves, there's no doubt some will take  
4 longer as supply and demand stabilize. In parallel with  
5 this, processing of permits is taking longer in some cases  
6 as agencies work from home and we continue to face the  
7 challenge in some states with permits or easements not being  
8 issued or granted.

9           I would encourage the Commission to keep  
10 reviewing and processing certificates and rehearing requests  
11 in a timely manner. America needed more natural gas and  
12 liquids transportation capacity before the pandemic, and  
13 this certainly will be true moving forward. This energy  
14 infrastructure development will play a critical role in  
15 stimulating and sustaining America's economic recovery.  
16 Thank you for the opportunity to be here today.

17           MR. CABRALES: Thank you very much Mr. Bryson.  
18 Our next panelist is Anatol Feygin, Executive Vice President  
19 and Chief Commercial Officer of Cheniere Energy. Mr. Feygin  
20 is not giving a formal opening statement today, but please  
21 feel free to introduce yourself and your organization Mr.  
22 Feygin.

23           MR. FEYGIN: Good morning, can you hear me okay?

24           MR. CABRALES: Yes we can.

25           MR. FEYGIN: Terrific. Well first and foremost,

1 I would like to thank Chairman Chatterjee and the other  
2 Commissioners and the Commission staff for inviting Cheniere  
3 to speak on this distinguished panel. I am Anatol Feygin  
4 and I have the honor of representing Cheniere and running  
5 the commercial operations for the business.

6 In the commercial group, we're responsible for  
7 two tasks -- one is procuring all the gas that goes into our  
8 facilities and then marketing all of the LNG that the  
9 facilities produce. As such, we're responsible last year  
10 that 80 percent of U.S. LNG exports. As has already been  
11 mentioned, exports have declined and today the LNG export  
12 system is running at about 30 percent of what we think its  
13 total capacity is in a response to the decreased demand that  
14 we have seen globally.

15 That said, just to put some things into  
16 perspective, the global gas market is a just under 400 dcf a  
17 day market. LNG, after several years of spectacular growth,  
18 makes up a little over 50 dcf a day of that 400 dcf market  
19 and the U.S. today an export approximately 10 dcf a day.  
20 So, through May of this year, as has been mentioned, exports  
21 are down and down substantially, basically starting in June.

22 Through May we really didn't see much of an  
23 impact on the LNG market, because it was overwhelmed by the  
24 balancing factors of pipeline gas, and that happened in  
25 Europe and in Asia. So I often made the statement that if



1 you look at the LNG markets for May, you wouldn't actually  
2 know that anything was going on. Obviously, that was not  
3 the case for gas overall, and has already been mentioned,  
4 that was not the case for transportation fuels.

5           So today at full capacity we are still about 6  
6 dcf a day at our two facilities in Sabine Pass, and Corpus  
7 Christi, Texas. And we have already given them one of the  
8 largest capacity holders on infrastructure. We've had a  
9 wonderful relationship with the FERC early -- it hasn't  
10 always been smooth sailing, and we have worked through that  
11 together in a partnership that has allowed us to become one  
12 of the largest exporters U.S. overall, is basically tied  
13 with Qatar in Australia in the top three LNG exporters.

14           And has already been mentioned, infrastructure to  
15 continue to support our growth is absolutely critical as we  
16 continue to build out our two facilities out of the U.S. LNG  
17 market continues to take market share in this rapidly  
18 growing hydro carbon business. With that I'll stop and hand  
19 it back over to Omar.

20           MR. CABRALES: Thank you Mr. Feygin. Our next  
21 panelist is Gary Gibson, General Manager and Chief Executive  
22 Officer City Utilities of Springfield. Mr. Gibson?

23           MR. GIBSON: Thank you. Good morning. I  
24 appreciate the opportunity to participate in this panel  
25 today and thank Chairman Chatterjee, the Commissioners, and

1 Commission staff for organizing this important Technical  
2 Conference regarding the impacts of COVID-19 on the energy  
3 industry.

4 I am Gary Gibson, General Manager - CEO for City  
5 Utilities of Springfield, and I appear on behalf of the  
6 American Public Gas Association of APGA. City Utilities of  
7 Springfield is a community-owned utility serving over  
8 110,000 customers in southwest Missouri with natural gas, as  
9 well as electricity, water, broadband and public  
10 transportation services. For the last 75 years, City  
11 Utilities has been governed by a dedicated board of local  
12 citizens.

13 APGA appreciates the Commission's commitment to  
14 addressing the significant impacts that COVID-19 has had on  
15 our industry. Throughout this crisis, approximately 1,000  
16 communities across the U.S. have relied on their public gas  
17 utilities for sale, reliable and affordable fuel use for  
18 cooking, clothes drying, and space and water heating, as  
19 well as for various commercial and industrial needs. APGA  
20 members have delivered.

21 APGA members are locally-owned and governed to be  
22 accountable to the communities they serve -- community aid  
23 and service is the mandate for these utilities.  
24 Consequently, APGA'S members, including City Utilities, have  
25 taken significant steps to ensure natural gas continues to

1 safely flow to all during this crisis, especially to those  
2 with emergency financial needs.

3           To best serve these communities, APGA members  
4 have been pausing shutoffs, waiving fees and penalties for  
5 late payment and restoring service to those in need. As a  
6 result, many APGA members have had customers request  
7 deferrals of payments, resulting in the deferral of hundreds  
8 of thousands of dollars in revenue for some systems.

9           Furthermore, APGA members and other pipeline  
10 operators have developed COVID-related procedures to ensure  
11 that personnel have the planning, resources and technology  
12 they need to perform their roles and to minimize exposure to  
13 the virus. While enforcement of certain regulations has  
14 been relaxed to provide relief to regulated communities  
15 pipeline safety has remained the top priority during these  
16 challenging times. Employees of APGA members have been on  
17 the front line supporting their customer owners by  
18 responding to a variety of service calls.

19           Municipal gas utilities have also fallen victim  
20 to the hardships presented by this pandemic, having lost  
21 roughly \$140 million since March and being projected to  
22 realize additional revenue losses in the coming months.  
23 While Congress has acted swiftly to provide much needed aid  
24 to various industries, local governments including municipal  
25 utilities, have been large ineligible for many of these

1 programs.

2           Consequently, APGA has requested Congressional  
3 assistance to help offset revenue losses as a result of  
4 COVID-19. Until public utilities receive appropriate  
5 support, APGA's members will continue to have significant  
6 financial hardships, which could impact infrastructure  
7 projects moving forward.

8           With these challenging times, there has been  
9 heightened awareness of many APGA members' dependence on one  
10 pipeline for gas supply. While no issues were experienced  
11 during this pandemic, the Commission is encouraged to ensure  
12 that it is taking the appropriate steps in approving  
13 infrastructure that allows for America's abundant energy  
14 resources to reach the homes and businesses that need them.

15           During this crisis, many of the best solutions  
16 have come at the local level -- those closest to the needs  
17 of our communities. Public gas utilities continue to be  
18 essential to thousands of communities across the country,  
19 and we look forward to working together with the Commission  
20 and other stakeholders towards solutions that support these  
21 critical entities through responsible recovery. Thank you  
22 again, and I look forward to today's discussion.

23           MR. CABRALES: Thank you Mr. Gibson. Next we  
24 have Terry Lewandowski, he's Senior Director of Energy at  
25 Nutrien. He also represents the Process Gas Consumers

1 Group. Mr. Lewandowski is not giving a formal opening  
2 statement, but please feel free to introduce yourself and  
3 the organizations you represent. Mr. Lewandowski?

4 MR. LEWANDOWSKI: Thank you Omar. Thank you  
5 Chairman Chatterjee, Commissioners and staff for the  
6 opportunity to be part of this panel, but also for your  
7 diligent oversight of our industry. I'd also like to  
8 acknowledge those in the energy sector from producers to the  
9 financial community, natural gas pipeline, electric grids,  
10 where all have given an amazing effort during these  
11 difficult times and we've seen no lapse in their  
12 reliability.

13 As Omar said, my name is Terry Lewandowski. I'm  
14 the Senior Director of Energy at Nutrien. We are the  
15 world's largest provider of crop inputs and services and I  
16 oversee the energy management for North America. Energy is  
17 the life blood of all of our operations at Nutrien, but that  
18 need is significantly higher wherever we manufacture  
19 nitrogen fertilizer.

20 At these facilities reliable, low-cost energy is  
21 critical to our efforts to grow the world from the ground  
22 up. I am also here on behalf of the Process Gas Consumers  
23 Group or PGC where I serve as the Chair. Our membership at  
24 the PGC is a group of energy intensive large industrial end  
25 users that operate hundreds of manufacturing sites in

1 virtually every state of our country.

2           As a group, we consume large amounts of natural  
3 gas via interstate pipelines that run all over the U.S. and  
4 Canada. PGC advocates on behalf of its members to ensure  
5 that end users continue to receive safe, reliable and  
6 competitive costs in the global marketplace. I look forward  
7 to participating on the panel today, and thank you again.

8           MR. CABRALES: Thank you Mr. Lewandowski. Next  
9 up is Matt O'Mahoney, he's Managing Director of Fuel  
10 Procurement and Operations of Delta Airlines. The floor is  
11 yours Mr. O'Mahoney.

12           MR. O'MAHONEY: Good morning. I would like to  
13 thank the Chairman, Commissioners and Commission staff for  
14 scheduling this conference. It is very timely and important  
15 to discuss the unprecedented and complicated impacts from  
16 COVID-19 on the energy infrastructure in our nation. My  
17 name is Matt O'Mahoney, and I am Managing Director of Fuel  
18 Procurement and Operations at Delta Airlines.

19           And today I'm representing Airlines for America,  
20 which is the key trade association for most of the major  
21 U.S. and Canadian Airlines. Unprecedented is a good word to  
22 describe the economic damage that has occurred to our  
23 industry. While there has been a small uptick in passenger  
24 demand recently, the road to recovery is long and will  
25 come with serious challenges.

1           One of those challenges, the ability to transport  
2 jet fuel via pipelines, I will discuss today. But first I  
3 would like to acknowledge the significant importance of a  
4 refined product pipelines to airports. Career airports like  
5 Atlanta, Chicago O'Hare,  
6 Washington Reagan and Dallas Fort Worth, some of our nations  
7 busiest, there are simply no other suitable means for  
8 transporting jet fuel than by long-haul multi-product  
9 pipelines.

10           As an example, it would take approximately 325  
11 tanker trucks daily traveling down from Exxon's Baton Rouge  
12 refinery to the Atlanta Airport to supply all the jet fuel  
13 needs. This cost would be ten times higher than the  
14 pipeline tariffs, and environmental risk would be far  
15 greater. Pipelines are simply the most efficient and  
16 effective means of transportation to airports.

17           To mitigate the risk of shortages and to reduce  
18 costs, airlines have evolved a self-supply strategy of  
19 buying jet fuel direct from a refinery or terminal, and  
20 shipping that product via pipeline to the airports  
21 themselves. In fact, individual airlines are often the  
22 largest customer shippers on the various pipelines.

23           As a result of self-supply strategies, airlines  
24 have established considerable pipeline shipping history  
25 which allows airlines to continue to access pipelines in the

1 future. However, shipping history which is most often  
2 calculated based upon a trailing 12-month period, will be  
3 seriously impacted by COVID-19.

4           Due to the pandemic, airline passenger demand has  
5 plummeted, with April passenger counts showing a 95 percent  
6 drop versus April of 2019 and only a slight improvement in  
7 June at 81 percent down. Commensurate with the declines in  
8 airline passenger volume, jet fuel consumption is also down  
9 dramatically.

10           This drop in jet fuel is far more significant  
11 than the fall in use of gasoline or diesel. June 2020 data  
12 showed jet fuel demand at 39 percent of June 2019 levels,  
13 while gasoline and diesel were at 86 percent and 80 percent  
14 respectively. Furthermore, while there's a lot of  
15 uncertainty, it is generally expected to take two to three  
16 years for the airlines to recover.

17           One estimate is that jet fuel consumption for the  
18 full year 2020 will be at 45 percent of 2019, and 2021 will  
19 be at 75 percent with 2022 at 95 percent. This situation is  
20 unlike any other in the past where there has been such a  
21 lengthy and sharp disconnect between one refined product --  
22 jet fuel in this situation, and the other major refined  
23 products -- gasoline and diesel.

24           This disproportionate fall in jet fuel  
25 consumption and therefore segments on the pipeline has



1 allowed gasoline and diesel to take away valuable space on  
2 allocated lines and therefore shipping history.  
3 Calculations for future shipments is based upon the trailing  
4 12 month shipping history, so at 2020 levels, are at only 45  
5 percent per jet, there will be an inability to ship the 75  
6 percent expected to be needed in 2021.

7           Without the adequate amount of jet fuel, airlines  
8 will be challenged to add back flights. I would very much  
9 like to discuss this issue in further detail this morning,  
10 or at a subsequent meeting. Thank you very much again for  
11 the time today and I look forward to the Q and A portion of  
12 this panel.

13           MR. CABRALES: Thank you Mr. O'Mahoney. The next  
14 panelist is Toby Rice, Chief Executive Officer EQT  
15 Corporation. Please go ahead Mr. Rice.

16           MR. RICE: Good morning and thank you for hosting  
17 today's Technical Conference. My name is Toby Rice, and I  
18 am the CEO of EQT Corporation. Based in Pittsburgh, and  
19 operating in the core of the Appalachian Basin, EQT is the  
20 largest producer of natural gas in the country.

21           The combination of COVID-19 and the OPEC plus  
22 price war has fundamentally changed the trajectory of the  
23 American oil and gas industry. Over the past two decades,  
24 the shale revolution has powered our economy, improved our  
25 environment and strengthened our national security. The

1 principal drives behind these positive steps were not big  
2 oil, they were the independent oil and gas producers like  
3 EQT, which today account for over 80 percent of U.S.  
4 natural gas production.

5           Competition led to a drastic improvement in  
6 operation performance, ultimately reversing the decades'  
7 long status of the U.S. as an energy importer. Today it is  
8 anticipated that numerous public independent oil and gas  
9 producers will go bankrupt in the next few years.

10           The value of the approximately 80 public  
11 independent oil and gas producers is roughly the same as the  
12 value of the four largest midstream companies as well as the  
13 two largest utilities. EQT alone provides the feedstock for  
14 nearly 2 percent of the country's power, effectively  
15 powering one out of every 60 homes, offices, hospital and  
16 yes Tesla's in the country. And yet we are valued at  
17 approximately one-quarter and 1/20th the values of the  
18 midstream companies represented on today's panel.

19           The reason for this value disconnect is simple --  
20 the combination of cheap capital and significant  
21 productivity improvements drastically increased domestic  
22 production and significantly reduced the cost of the  
23 products we sell. The price at which we sell natural gas is  
24 less than half of what it was in the early 2000's, while  
25 many of the most significant midstream costs remain the

1 same.

2           That reduction in price is a good thing. It is a  
3 good thing for the American citizens who see lower power  
4 bills. It is a good thing for the environment, lower  
5 natural gas prices have replaced coal fired generation with  
6 clean burning natural gas in our power plants, and this is  
7 the primary driver behind why CO2 emissions have dropped to  
8 their lowest levels in a generation.

9           It is a good thing for the United States,  
10 allowing for the development of a competitive LNG export  
11 industry that is a critical piece of expanding U.S. energy  
12 influence around the globe rather than relying on a handful  
13 of other countries that may not share our nation's values

14           While the topic of today is the impact of  
15 COVID-19, it is important not to lose sight of the  
16 significance of the OPEC plus price war. What was made  
17 clear to me, and what should be on the top of minds for all  
18 of us is that just as outside influences can drive the price  
19 of oil to under \$20.00 a barrel, these same influences can  
20 drive the price to over \$100.00 per barrel absent a  
21 competitive U.S. industry. We cannot allow that to happen.

22           I am excited to offer a voice for the upstream  
23 industry on today's panel. It is difficult as an upstream  
24 company to decouple the impacts of COVID-19 and the OPEC  
25 plus price war as the results are the same. We are going to

1 be entering a world where there are fewer of the companies  
2 that drove the country to the place of strength that it sits  
3 in today.

4           For the Commission, it is our opinion that heavy  
5 consideration of the strength of the upstream industry is  
6 needed when assessing the actions that it takes going  
7 forward. Just this week we saw the cancellation of another  
8 major newbuild long-haul pipeline in the Atlantic Coast  
9 Pipeline. Regardless of one's views on whether that is a  
10 good or bad thing, the reality is that many believe that we  
11 will soon be wrapping up some of the last completed oil and  
12 natural gas pipelines in the country.

13           Additionally, a change in investor sentiment over  
14 the last couple of years is resulting in an expectation that  
15 the days of growing domestic supply are behind us as well.

16           So what does that mean? In my opinion, if the  
17 subsidization of supply growth is behind us, the only manner  
18 in which we can continue to provide economically efficient  
19 energy to consumers is for the system to transition its  
20 focus away from supporting supply growth and instead focus  
21 on supporting efficiencies.

22           In our opinion, the best way for the FERC to  
23 support efficiencies is to maintain the competitive dynamic  
24 that bolstered improvements of the past. That means  
25 maintaining a high level playing field among operators, and

1 avoiding propping up underperforming operators by providing  
2 arbitrary competitive advantages. It also means assessing  
3 how the policies of the FERC result in value allocation  
4 across the entire energy lifecycle, and how that value  
5 allocation affects the health of the system as a whole.

6           The benefits of a competitive market are real,  
7 and we have seen this in our company. In just the last year  
8 since taking control of the EQT, we have reduced well costs  
9 by over approximately 40 percent. That improvement has  
10 transitioned EQT - again, the largest natural gas producer  
11 in the United States, from a financially distressed company  
12 to a sustainable and thriving company.

13           In a world where supply growth is no longer in  
14 demand, only efficient development allows for sustainable  
15 businesses. If we do not have a market that drives  
16 efficiencies, the benefits of the shale revolution felt over  
17 the past two decades will be at risk of reversal. Thank you  
18 again for the opportunity to join today's discussion.

19           MR. CABRALES: Thank you Mr. Rice. And thank you  
20 to all of our panelists. We now will begin the question and  
21 answer session. If panelists would like to answer a  
22 question, please use the Webex raise the hand button.  
23 Alternatively, if you are having issues with the raise the  
24 hand option, please turn on your microphone and indicate  
25 that you would like to respond.

1           I will call panelists that raise their virtual  
2 hands or who have otherwise indicated that they would like  
3 to answer a question. Once I do so, please turn on your  
4 microphone and respond to the question. Please turn off  
5 your microphone and lower your virtual hand when you have  
6 completed your answer. I will now turn it over to Chairman  
7 Chatterjee for his questions. Please go ahead Mr.  
8 Chairman.

9           CHAIRMAN CHATTERJEE: Thank you all for your  
10 informative remarks. Very interesting. I have a few  
11 questions for this panel. My first is not directed to a  
12 specific individual so anyone feel free to weigh in. What  
13 regulatory challenges have been faced, if any, due to the  
14 anticipated changes in natural gas and oil demand due to the  
15 COVID-19 emergency?

16           MR. CABRALES: I see Mr. Rice has his hand up.  
17 Mr. Rice?

18           MR. RICE: I'll jump in on that. You know, while  
19 EQT is not regulated with the FERC, you know, one of our  
20 biggest costs is our cost to transport our gas across the  
21 United States, an industry segment of our industry is  
22 regulated.

23           And I think that you know, this probably isn't  
24 due directly to COVID, but I think that one thing that's  
25 really important to keep in mind is even though demand is

1 down temporarily in the short-term, the need for you know,  
2 large scale pipeline projects to connect markets and drive  
3 efficiency of our -- of the upstream and the downstream  
4 markets we consume is still very high and I think that you  
5 know, it's been, the regulatory uncertainty that many of  
6 our midstream peers have faced, are real and challenging and  
7 it's very concerning to us as an upstream operator who  
8 relies on these pipelines to provide an efficient market, to  
9 see the challenges that they're going through with their  
10 regulatory challenges that they face.

11 MR. CABRALES: Thank you Mr. Rice. Mr. Gibson,  
12 you have your hand up.

13 MR. GIBSON: Thank you. While APGA members  
14 haven't experienced any direct impacts to regulatory  
15 challenges, I just wanted to echo how important it is that  
16 pipeline projects for capacity continue to be permitted and  
17 happened. And the Commission has addressed this issue in  
18 the past, due to the challenges to try to give access to our  
19 communities by addressing the gas day and the intraday  
20 cycles.

21 But it's just going to be very important for  
22 communities that we get to the end consumer access to the  
23 natural gas that they need to enjoy their daily lives.

24 MR. CABRALES: Thank you Mr. Gibson. Mr.  
25 Chairman, I don't see any other hands up, so please

1 continue.

2 CHAIRMAN CATTERJEE: Great, thank you all for  
3 your responses. Next I'm curious about projections for  
4 global natural gas LNG demand. What mid and long-term  
5 demand trends are you projecting? And what should the  
6 Commission be considering as we look at whether U.S. LNG  
7 infrastructure is well positioned to meet expected global  
8 demands? Again, anyone please feel free to weigh in?

9 MR. FEYGIN: Mr. Chairman, this is Anatol Feygin  
10 with Cheniere. You've allowed me to offer some thoughts on  
11 that. Again, in the last few years the gas market and the  
12 LNG market as a subset of that have experienced tremendous  
13 growth. The gas market in 2018 globally grew by about 6  
14 percent. Last year it grew by about 2 percent and reached  
15 an all-time high of almost 25 percent of primary energy.

16 While capacity is not necessarily prolonged, we  
17 do expect that to continue. We expect that long distance  
18 transportation of gas as emerging markets, primarily in  
19 Asia, are difficult to supply by pipelines, will be supplied  
20 by LNG and LNG will become a growing percentage of the  
21 overall gas pie.

22 So we are quite sanguine on future demand for  
23 natural gas, but we expect that the LNG market which has  
24 doubled every decade in the last two decades, will not quite  
25 double in the 2020's but will go from about 400 million tons



1 to about 700 million tons between 2020 and 2030. We expect  
2 that to happen in compliment with growth in renewables and  
3 as a cleaner hydro carbon fuel as well as of course, as a  
4 back stop for renewable intermittency and we're seeing that  
5 develop really globally.

6           So we are quite optimistic about what the future  
7 brings. That said, the U.S. LNG market, while being very  
8 flexible and given everything that Mr. Rice has said about  
9 the upstream developments quite competitive based on a  
10 tremendous amount of global competition -- East Africa,  
11 Arctic Russia, Qatar expansions today are our primary  
12 competitors and they of course have enormous hydro carbon  
13 resources and very attractive upstream costs.

14           So we need to do everything possible as Mr. Rice  
15 said, the upstream space needs to continue to remain  
16 healthy, innovate, bring down costs, these prices today --  
17 obviously depressed because of all of the virus related  
18 affects, both domestically and globally. Next year are in  
19 the net \$2.00 range, and that kind of level makes U.S. LNG  
20 globally competitive as long as we continue to efficiently  
21 build infrastructure to supply the facilities and can  
22 efficiently permit and construct facilities.

23           So today Cheniere is approximately half of the  
24 U.S. LNG capacity that is already online. We're also  
25 coincidentally about half of the LNG capacity that's under

1 construction and in order to do that, the relationship with  
2 the FERC as well as with all of our upstream and midstream  
3 partners needs to remain healthy and everyone needs to do  
4 their part to put us into this globally competitive position  
5 that Mr. Rice and others mentioned have been tremendous in  
6 positioning the United States overall as an energy  
7 dependent rational, flexible and secure player in the global  
8 energy space.

9           So we all need to do our part. We are  
10 competitive today but while it is a growing pie, it is an  
11 extremely competitive one globally. With that I'll stop.

12           MR. CABRALES: Thank you Mr. Feygin. Mr. Rice  
13 has his hand up.

14           MR. RICE: Yeah, I'd just like to throw out a  
15 couple comments specifically centered around how important  
16 LNG is to a healthy upstream industry. With about 10 bcf a  
17 day of export capacity, we'll pretty soon you know, call it  
18 85 to 90 bcf a day, right now. 10 bcf a day for LNG is a  
19 pretty significant market for domestic U.S. producers and  
20 we're currently seeing the impact of COVID today, you know  
21 call that in three half-- the 4 bcf a day of demand right  
22 now from LNG.

23           So while we do see that LNG will recover with  
24 COVID, we still think that there is a tremendous amount of  
25 potential to open up the LNG market and while we've got a

1 lot of great facilities built on the Gulf Coast area, you  
2 know, we talked about access to the European market, you  
3 know, opening up more locations that are more  
4 geographically advantaged to service that market, we're  
5 going to be opening up LNG facilities on the east coast to  
6 be able to deliver that gas.

7 I think the cost savings, the logistics are about  
8 50 cents per mcf, cost advantage just from having been close  
9 -- launching LNG from, you know, the Northeast compared to  
10 the gulf. The challenge is the Northeast is the most  
11 difficult place for us to -- for midstream providers to  
12 produce, to lay pipelines in.

13 So, I think that's an incredible opportunity and  
14 it's something that the FERC should focus on opening up for  
15 the health of the business.

16 MR. CABRALES: Thank you Mr. Rice. Dr. Brooks,  
17 you have your hand up.

18 DR. BROOKS: Thank you Ramses. The question is  
19 an incredibly complicated one to answer because there are so  
20 many uncertainties throughout the world. You know in  
21 response to the other speakers I would say that we have a  
22 very different situation globally as far as Asia is  
23 concerned compared to Europe.

24 Europe is on track to reduce the amount of  
25 natural gas that it utilizes and so I think in the long-run,

1    though it is an LNG market and certainly there are places in  
2    particular in the eastern part of Europe who would like to  
3    receive more LNG supplies and have greater supplies rather  
4    than simply rely on rationed gas at the gas pump.

5                Still the overall trend in Europe is not  
6    favorable for natural gas and I don't think it ever is going  
7    to be. They are going full ahead -- anybody who has visited  
8    and talked with clients there or just in the news and so  
9    forth, in spite of the cost, in spite of the fact that the  
10   technology is not really there in a cost protected way, they  
11   are moving ahead with hydrogen.

12               They're obviously moving ahead with non-natural  
13   natural gas you might say, other forms of natural gas  
14   whether it be bio-gas or other ways produced, than by  
15   dealing in the natural gas process under the ground. So I  
16   think the future of LNG markets for American and Canadian  
17   LNG producers is actually in Asia.

18               Now the good news is of course, that there's a  
19   tremendous potential for a conversation of power generation  
20   facilities in Asia that are currently burning coal to  
21   improve their local environments as well as to address in a  
22   bigger way the climate change challenge by converting those  
23   coal plants to gas plants or by building more gas plants and  
24   retiring older coal plants that are in existence.

25               We've seen this a lot in China of course, and I

1 think that will continue in China but we're also seeing that  
2 in some other places, although it has flipped costs in terms  
3 of some governmental policies. It appears that Korea, South  
4 Korea, is moving on a track that would involve more natural  
5 gas and less coal.

6           We are also starting to see price in Southeast  
7 Asia do the same, even in places like Vietnam which are  
8 largely -- their power generation is largely supplied by  
9 local coal resources. We're starting to see some uptick in  
10 LNG demand in building of LNG import terminals.

11           The Philippines, Thailand, by and large just  
12 recently opened up to LNG. And of course, we also have  
13 India which in the next 20 years is likely to be the most  
14 populous country on the planet. Their LNG growth is also  
15 something that is extremely important, and I would say a  
16 really good opportunity globally.

17           So the U.S. however, as Anatol has said is  
18 facing intense competition from other sources and as we all  
19 know, Novatek has done a tremendous job at the Yamal  
20 facility and the opening of many months of the year to  
21 direct transport over the northern sea route to Asia is  
22 something that can't be ignored. And their success has  
23 been very really astounding actually. And we have Qatar  
24 with a major expansion program.

25           East Africa is also potentially something that is

1 very big, although the news recently is actually not very  
2 good, I would say, because insurgents who don't want to see  
3 those LNG facilities to be built, who basically want to take  
4 over the country of Mozambique. So we have those kinds of  
5 issues throughout the world.

6           So what I'm saying is ultimately it is very  
7 complex. I'm sure all the participants, you know, who work  
8 in this field including perhaps mainly on this call  
9 Cheniere, understand. But I think in general it is an  
10 optimistic picture and you know, I'm certainly personally  
11 optimistic that there is going to be substantially  
12 increasing demand in Asia that the United States and Canada  
13 will be able to participate in that growth. Thank you.

14           CHAIRMAN CHATTERJEE: So Dr. Brooks, thank you  
15 for that. To build on that and bring it home here  
16 domestically. In light of what you've just laid out, do  
17 your models point to a significant increase or decrease in  
18 the need for new interstate pipeline infrastructure in any  
19 particular geographic area of the country in the short and  
20 mid-terms?

21           DR. BROOKS: Well I think you know it's pretty  
22 clear. I guess I'm going to have to disagree a bit with our  
23 colleague Toby Rice here, regarding the Northeast. I don't  
24 think that that is a fertile ground for LNG exports. But  
25 you know, certainly the Gulf Coast, there is additional

1 pipeline capacity across Texas which I don't think FERC has  
2 actually -- well, and you may or may not be involved with to  
3 be honest with you, I'm not really quite sure.

4           But additional pipelines from the Permian basin  
5 to the Texas Gulf Coast are apparently in the works,  
6 although they may be slowed down because of the pandemic and  
7 other issues. And I think that that's going to be  
8 important. There are other pipelines that need to bring --  
9 Oklahoma Gas, Permian Gas, Haynes gas into the Louisiana  
10 Gulf Coast and those facilities. So you certainly need  
11 that.

12           And of course, recently the FERC has approved  
13 Jordan Cove and we know that there would need to be a  
14 pipeline that would supply gas -- feed gas for LNG across  
15 Oregon from either Rockies Gas or even Canadian Gas to that  
16 facility. So, you know, certainly those would be the main  
17 things I would be concerned with.

18           I think as far as the Northeast, we're concerned.  
19 We know that there have been long-standing issues with  
20 getting pipelines built in that area. And I don't believe  
21 it's really for exports, strangely enough, of course we  
22 still need LNG imports into New England because it's been so  
23 difficult to build pipelines from the Marcellus up into you  
24 know, through New York State and into New England.

25           So I'm not sure if that fully answers your

1 question, Commissioner, but I'd be happy to further answer  
2 it if it would be helpful.

3 CHAIRMAN CHATTERJEE: No, no, thank you for that.  
4 You've given us a lot to build on in the discussion. I want  
5 to pivot now to Mr. Bryson.

6 MR. CABRALES: Mr. Chairman, Mr. Rice has his  
7 hand up.

8 CHAIRMAN CHATTERJEE: Okay.

9 MR. CABRALES: Mr. Rice?

10 MR. RICE: Yeah. You know to answer the question  
11 on where do we need to have more interstate pipelines, I'd  
12 just like to simply make one point. To have that be sort of  
13 a data driven decision, I think you can look at just the  
14 local basis in different regions and the larger the  
15 disconnect between the pricing that we are seeing in that  
16 region, is going to be the symbol where more interstate  
17 pipelines are needed.

18 I think another thing to look at when thinking  
19 about this issue is also what does the disconnect look like  
20 during times of distress? I think from emergency  
21 preparations, like COVID, but maybe more from extreme  
22 weather, I think that's very telling and we'll see where the  
23 stresses are on the system and where we need to have more  
24 pipelines.

25 When you look at the Bomb Cyclone weather event



1 that we experienced in 2018, you saw gas prices -- you see  
2 extreme examples of this disconnect, where gas prices were  
3 you know, skyrocketed over \$150.00 in ncf in New York area,  
4 in the areas in Pennsylvania where they had access through  
5 connective markets with adequate pipelines, gas prices only  
6 rose to up above \$5.00. So I just want to throw that,  
7 that's sort of some of the things that we would look at over  
8 in answering those types of questions.

9 CHAIRMAN CHATTERJEE: Thank you for that Mr.  
10 Rice. And you guys really have the most interesting  
11 background of any of our three panels so far, so we  
12 appreciate your participation. Mr. Bryson, in your view, is  
13 U.S. LNG infrastructure well positioned to meet the expected  
14 global demand that's being discussed?

15 And has the COVID-19 Pandemic affected your  
16 company's schedules to renew infrastructure project  
17 applications with FERC?

18 MR. BRYSON: Well thanks for that. I think it  
19 would probably follow-on to some of the discussion that we  
20 covered off previously. You know, if we look at our suite  
21 of projects today, the ones that are typically -- have been  
22 in construction, continue to be in construction. It's been  
23 quite amazing how our men and women have been able to safety  
24 continue on with those projects and actually commission a  
25 couple of them when we were in the pandemic itself.

1           In terms of LNG infrastructure, we have been very  
2 focused on that. I would agree that I think that Asia is  
3 likely the premiere market in our opinion, but we have been  
4 working very hard to try and bring our infrastructure to the  
5 table and allow exporters, like Cheniere and others, to be  
6 cost competitive.

7           In some of those cases that's actually been  
8 taking existing infrastructure that even used to bring  
9 off-shore production in the Gulf onshore, and repurposing  
10 those facilities, reversing them, repurposing them and  
11 allowing us to take production from the Permian or the  
12 Marcellus to those LNG facilities.

13           So you know, I would say that the projects that  
14 are underway are continuing the discussions with the  
15 customers in terms of our negotiations and progress on those  
16 that haven't reached their final investment decisions are  
17 being pushed out and that's no surprise. But we as the  
18 company, remain very optimistic and bullish in the  
19 long-term in terms of the potential to bring that LNG to the  
20 world market competitively.

21           CHAIRMAN CHATTERJEE: Thank you. Do any others  
22 want to weigh in on this question?

23           MR. CABRALES: Dr. Brooks has his hand up. Dr.  
24 Brooks?

25           DR. BROOKS: Thank you. I just want to wait and

1 make a brief comment. Again Mr. Rice pointed out something  
2 that is very true that from an economic perspective, it  
3 makes a lot of sense to look at instances where the price  
4 differential between a supply area and demand areas is wide,  
5 is economically justified building a transportation system  
6 that can move gas from one place to another.

7 I mean I think that's very logical, it's  
8 something that we all learned in our basic economic classes  
9 from college and it makes sense in the real world. You know  
10 the problem has been its not just because of COVID-19, but  
11 there are also, as we all know, that there are political and  
12 environmental courses that are aimed at stopping those  
13 projects at all costs.

14 And even when you win in court as we just saw  
15 this last week, it is not necessarily true that a company  
16 will decide to continue its project because when they look  
17 in the future they see that the opposition to build these  
18 new pipelines -- in other words, the opposition actually to  
19 gas use in itself, is so great that they just don't want to  
20 continue the battle.

21 And unfortunately, what you're facing in the  
22 Northeast is something that the panel that was part several  
23 years ago in 2014 and '15, and it did not go well for the  
24 mid-stream industry. So changes its something that is an  
25 additional factor that we all have to consider, not just

1 COVID-19, but these other oppositions to buildout of what  
2 seems to be an economically sound decision, or something  
3 that the industry needs to figure out solutions for. And  
4 so far I don't think that they have very well.

5 CHAIRMAN CHATTERJEE: Thank you. Pivoting a  
6 little bit, Mr. O'Mahoney, just curious as to what  
7 challenges your company is experiencing potentially with  
8 regard to contracted pipeline capacity and available  
9 capacity in this crisis.

10 MR. O'MAHONEY: Yeah, absolutely and I appreciate  
11 the question Chairman. I think that you know, some of the  
12 comments I made in my, you know, opening statement are very  
13 true that you've seen a dramatic drop in the demand for jet  
14 fuel, because simply the passengers are just not there. You  
15 know there's a lot of uncertainty around when the passengers  
16 are going to return.

17 You know, with this recent uptick, it squashed a  
18 lot of the positive momentum that we were starting to feel  
19 as an industry. So with all of that uncertainty around when  
20 we're going to need the jet fuel, you know, our concern is  
21 that we're not going to have the pipeline space available to  
22 ship the jet fuel that we are requiring once we start to  
23 rebound.

24 So a lot of the major pipelines, refined products  
25 pipelines in the U.S. have become allocated again. There

1 was a brief period of time where they were not full, but now  
2 they are full again. And so if they're not -- if jet fuel  
3 is dramatically lower than it previously was, that means  
4 gasoline and diesel are taking up that space.

5           So how do we get assets to that space when we  
6 need it when we start to grow again? I think that's our  
7 biggest challenge. We've tried to work with some of the  
8 pipeline companies and they are very, you know, specific  
9 with their calculations and there's not a lot of flexibility  
10 in how they calculate shipping history. It's based you  
11 know, mostly on a 12-month trailing period of time to  
12 calculate future periods.

13           And so, you know, therein lies the challenge. If  
14 we're dramatically reduced for a period of time, and we're  
15 starting to rebound, how do we get access again to the space  
16 that we need. The traditional means are that you would ship  
17 a different product. Well obviously, as airlines, we don't  
18 consume any other products besides jet fuel in any major  
19 quantities, nor do we buy or sell gasoline or diesel.

20           So that traditional option is not really  
21 available to us. Some of the pipelines have secondary  
22 markets where you can purchase line space, but there's not  
23 always a lot of transparency, you know, around the purchase  
24 of line space and sometimes it's quite costly. You know,  
25 obviously given our financial situation, we're not in a

1 position to be spending a lot of money on purchasing line  
2 space.

3           And then the third traditional option is new  
4 shipper. There's some small allocations that the pipelines  
5 make for new shippers, but obviously we're not new shippers.  
6 We've been shipping for decades, and created a fair amount  
7 of shipping history. So that really is our major concern  
8 and what we wanted to work with the FERC on a potential  
9 solution around is how do we have some flexibility in how  
10 shipping history is calculated so that we're not handcuffed  
11 when we start to add back flights and therefore add back  
12 jet fuel, and therefore needs to be shippers, you know,  
13 again and in larger quantities than we have the last couple  
14 months.

15           CHAIRMAN CHATTERJEE: So to follow-up on that, do  
16 you believe the Commission's current regulations incorporate  
17 sufficient flexibility for regulated entities to adapt to  
18 these unanticipated changes?

19           MR O'MAHONEY: I would say that as their written  
20 now, it doesn't provide the amount of flexibility that is  
21 required for this unprecedented situation. And I think a  
22 lot of the regulations you know, make sense 99 percent of  
23 the time.

24                           You know, when you know, things  
25 are status quo and there may be small shifts that occur

1 between the different products, but given the dramatic and  
2 unprecedented drop in jet fuel versus the other products,  
3 the regulations that are in place specifically for how  
4 shipping history and access to line space is calculated,  
5 don't really in my mind, provide sufficient amount of  
6 flexibility to you know, help us as an airline industry,  
7 meet the challenges for bringing back price and bringing  
8 back jet fuel shipments on the pipelines.

9           CHAIRMAN CHATTERJEE: Thank you. I want to pivot  
10 next to some questions regarding price and I want to bring  
11 in Mr. Gibson and Mr. Lewandowski. To what extent are your  
12 companies hedged against a potential rise in natural gas  
13 prices between now and the end of 2021? And what would be  
14 the impact of a potential significant increase on natural  
15 gas prices in your sector given the ongoing financial  
16 challenges to your customers?

17           MR. GIBSON: This is Gary Gibson. I can go first  
18 on that one. It's more definitely a winter peaking utility  
19 here in Springfield and to make sure we have the supply  
20 needed for our customers we have about a third of our  
21 natural gas for the winter period in storage, so that's one  
22 way we take advantage of.

23           And then we do have financial hedges for an  
24 additional third of that winter gas as well, so we have a  
25 third of our gas for 2020 and 2021 hedged, and we have a

1 programmatic process for doing that. And that's very  
2 important for our consumers to make sure that the prices  
3 continue to stay affordable.

4           Hopefully all the products we're talking about  
5 here finally impact the end consumer and those customers  
6 have been severely impacted, not just through their energy  
7 prices, but by other means from either layoffs or job  
8 losses, or just the general downturn of the economy. So  
9 it's very critical that we pay attention to those customers  
10 to understand that many of those customers are already  
11 behind on their bills, so any kind of coming out of this  
12 where we reinstitute shutoffs is going to be very important  
13 for those customers.

14           Access to gas is going to be critical, so  
15 anything you can do to streamline projects for that  
16 flexibility is going to be very important. As we go into  
17 these projects, -- I just lost my train of thought there.  
18 When generally your question was regarding are hedged and  
19 then what is the impact going to be.

20           It's just going to be very important that we are  
21 hedged, but where I was going with that was that there's  
22 also little appetite, because our boards and our city  
23 council's are comprised of local community members, and  
24 there's going to be a very low appetite for us to pass those  
25 costs on through rate increases going forward.



1           So from a near stalled utility standpoint, our  
2 costs and our ability to ability to pass those costs onto  
3 consumers are going to be limited over the next couple of  
4 years I anticipate, so we need to keep that in mind as we  
5 move forward too.

6           CHAIRMAN CHATTERJEE: Mr. Lewandowski?

7           MR. LEWANDOWSKI: Yes. Okay. I would say that  
8 for us the success of the shale revolution over the past  
9 several years has made much less sense than they used to be  
10 for say the last decade. It looks like if you look at the  
11 forward curve, that gas prices in North America will remain  
12 flat, you know, under \$3.00 certainly for the next maybe 5  
13 to 8 years.

14           But more importantly, we look to the global  
15 markets now that gas has become more of a global commodity  
16 with the advent of LNG exports. So you know, when we look  
17 ahead to gas, we also have to look at the price of  
18 fertilizer globally and that makes it much more difficult  
19 for us to say, you know, X is a good price and we should  
20 hedge here because we don't know what the other side of the  
21 hedge is, which is the fertilizer. That's the spread that  
22 we manage.

23           So I would say that we're always looking for  
24 opportunities to add hedges at competitive prices, but it's  
25 much more difficult than it used to be. So that's in a

1 nutshell, that's how we look at hedging.

2 CHAIRMAN CHATTERJEE: Thank you both for that. I  
3 want to pivot a little bit. How did the impact of the  
4 2008-2009 financial crisis compare in severity to the  
5 current situation and what lessons learned from the  
6 experience with changes in natural gas and oil demand that  
7 resulted from that 2008-2009 financial crisis could apply  
8 now, and I open that to any of the panelists?

9 MR. CABRALES: Mr. O'Mahoney has his hand up.  
10 Please go ahead Mr. O'Mahoney.

11 MR. O'MAHONEY: You know I think it's been said  
12 publicly that you know the crisis that the airlines face  
13 right now is similar to September 11th and the financial  
14 crisis of 2008 and 2009 to the line.

15 The rapid nature of the decline has just been  
16 enormous, so it's been very difficult for us to respond. I  
17 think Delta Airlines and some of the other airlines have  
18 done a wonderful job taking out capacity, and trying to  
19 reduce cost. But when your revenue is down 90 percent, like  
20 the airlines is in the second quarter, it's very hard to  
21 react quickly.

22 So you know, bringing it back to again, the  
23 conversations about pipeline access and being able to  
24 project what we're going to use in the future, that's the  
25 real challenge. You know, we're not sure when customers are

1 going to become comfortable, despite all the measures that  
2 we're taking as an industry. It's going to be difficult and  
3 I don't think anybody has the crystal ball to know when  
4 people are going to be back on airplanes, you know, like  
5 they were before the pandemic. So that really is you know,  
6 our biggest challenge from a fuel supply perspective is  
7 trying to lay out plans for the next year or two years, not  
8 knowing how many flights we're going to be able to operate,  
9 how much jet fuel we're going to need.

10           And so any sort of commercial-type situations  
11 that we could take now to try to secure any sort of jet fuel  
12 supply via jet fuel pipelines in the future is just very  
13 difficult because of all the uncertainty of when that  
14 passenger demand is going to return and at what levels.

15           MR CABRALES: Thank you Mr. O'Mahoney. Mr.  
16 Gibson, please proceed.

17           MR. GIBSON: I think the difference between the  
18 COVID situation and 2008 and 2009 is just the speed of it.  
19 You mentioned 9-11, that's how this appeared. In 2008-2009  
20 we could kind of see that coming a little bit and we had  
21 time to react to it and more time to recover.

22           Where we're at now with the situation to stay at  
23 home orders and then have a public reaction was we saw some  
24 pretty immediate changes in our industry and what our  
25 consumers were doing. And as we going forward we still have

1 the issues not knowing if we're going to have a rebound, or  
2 things are going to shutdown still, or if we are going to be  
3 able to come out of this with problematic threats.

4           In Springfield, we were seeing really good  
5 numbers and worked across the rail with a recovery plan, the  
6 consumers are going back to work, we've seen the numbers  
7 really increase over the Fourth of July weekend and we're  
8 going the other direction. If we continue to go in that  
9 direction, I think we'll see some more return demand  
10 destruction that may last for several years here in  
11 Springfield.

12           And I think that's going to be the same for many  
13 of the APTA members and so that's kind of the difference  
14 between the two. We did I think, there were more concerns  
15 previously, but I think we're learning a lot of new lessons  
16 right now.

17           MR. FEYGIN: And this is Anatol Feygin with  
18 Cheniere, just to add a little bit of the global perspective  
19 to that. There was no meaningful transmission mechanism  
20 from the less supply/demand and pricing markets and signals  
21 to the global markets.

22           We at Cheniere were the early move to build  
23 re-gas capacity in this last cycle of 2007-2008, our  
24 facility in Sabine Pass came online right as the height of  
25 the financial crisis was hitting us, and of course was

1 followed by a number of additional facilities for LNG  
2 imports.

3           So we had a price signal and a transmission  
4 mechanism to import hydro carbons, of course, in crude  
5 unrefined product, but as well as in natural gas from that  
6 point in meaningful size -- I believe about 20 bcf a day of  
7 capacity -- important capacity ultimately was built. It was  
8 not until early 2016 that exports in a meaningful volume  
9 started to play out.

10           Today as we've mentioned, we have 10 pcf a day of  
11 export capacity -- that is approximately 20 percent of the  
12 global LNG market and as Mr. Rice and others have mentioned  
13 again, that global pricing environment and the global  
14 effects of COVID are now playing out in a very substantial  
15 reduction of domestic demand.

16           You can see in the publicly available flow data  
17 to all of the facilities that relative to the capacity of  
18 this online now, again it's only about 30 percent utilized  
19 as we speak and that is approaching 10 percent of the total  
20 domestic gas demand. So we have become quite global and  
21 have become a major player in the global gas market and that  
22 is very different than, of course, the 9-11 tragedy and the  
23 financial crisis affect.

24           So we have for better and for worse, we have  
25 covered ourselves to the global hydro carbon marketplace and

1 we need to be quite cognizant of that as events off our  
2 shores will have a meaningful result -- meaningful effect on  
3 our pricing and our supply demands.

4 MR. CABRALES: Thank you Mr. Feygin and thank you  
5 Mr. Gibson for those answers. We have Dr. Brooks has his  
6 hand up. Please go ahead Dr. Brooks.

7 DR. BROOKS: Thank you. So again just to kind of  
8 tag along with what Mr. Feygin said. You know there's  
9 really a substantial difference -- for us the major  
10 substantial difference between the financial crisis of 2008  
11 and '09 and what was happening now as far as energy is  
12 concerned is that in 2008 and '09, most people still didn't  
13 really understand the implications of the shale gas  
14 revolution. It was just starting.

15 There were and as Anatol just said, basically the  
16 Cheniere facility was just really getting started for  
17 imports at that time. Fortunately, for his company and  
18 actually for all of us here, they started looking at what  
19 was happening, and they decided hey, actually maybe we  
20 should be going the opposition direction.

21 So I think they were some of the early -- the  
22 folks that spotted the trends as far as shale gas and its  
23 potential implications for the long run earlier than many  
24 other companies had done. Perhaps I would say that that's  
25 the major difference here and even as we point out that

1 we're much more connected to the global markets now and will  
2 continue to be going forward.

3 I think this is now unstoppable. The actual  
4 evolution of a global gas market, something that's never  
5 happened before.

6 MR. CABRALES: Thank you Dr. Brooks. Mr. Rice  
7 you have your hand up, please proceed.

8 MR. RICE: Yes. I'd like to -- I think there's  
9 certainly a lot of opportunities and parallels between this  
10 crisis and the crisis in 2008. But I'd like to sort of  
11 highlight one thing is different. In 2008 coming out of  
12 that, you know, when the economy recovered in our industry  
13 access to capital was still there and that access to capital  
14 is what fueled and transformed the U.S. oil and gas industry  
15 to be the world leader in oil production and natural gas  
16 production.

17 Today, because of lack of returns and also  
18 growing ESG concerns that we have. You know, I am very  
19 cautious about and I think a lot of people have concerns, is  
20 that access to capital going to return to the industry? And  
21 that's something that causes us concerns.

22 But you know, what we need to do to make sure  
23 that we still have access to capital to fund the great  
24 projects that are going to, you know, keep our economy  
25 strong, energy cheap, continue to improve the environment

1 and to enhance our influence and enhance the national  
2 security of our country, is we've got to continue to be more  
3 efficient and allow the market to be efficient and then  
4 satisfy the ESG concerns that are out there.

5           We have -- and the story we should be able to  
6 tell in the United States is really you know, with lowering  
7 our CO2 emissions is solely from you know, retiring coal.  
8 We've got such a great case study here in the United States  
9 and then now with LNG we have a vehicle to repeat this  
10 story, but do it on a global scale. And I'm hopeful that,  
11 you know, launching more LNG and the amount of coal that's  
12 still being burned around this world is quite remarkable.

13           And markets that we want to serve in LNG are  
14 places like China, Asia, now they're still putting a lot of  
15 -- burning a lot of coal, so I'm hoping that that story is  
16 going to help. We're obviously going to be able to show  
17 that you know, natural clean burning natural gas, LNG, are  
18 the keys to a cleaner environment in meeting you know, ESG  
19 concerns that investors have to bring capital back to our  
20 industry.

21           MR. CABRALES: Thank you very much Mr. Rice. Mr.  
22 Bryson, you have your hand up.

23           MR. BRYSON: Yes, thank you. Maybe just a quick  
24 comment, follow-up a few of those comments, Mr. Rice's in  
25 particular. I think from an infrastructure point of view



1 it's no secret projects and large-scale infrastructure take  
2 years to build and it's getting more challenging all the  
3 time.

4           And when we develop these pieces of  
5 infrastructure, they generally need to be underpinned by  
6 producers like EQT on the upstream side, and downstream  
7 markets, or industrial users, LNG exports on the downstream  
8 side.

9           So you know, I think that what we hope won't  
10 happen is that we'll have unhealthy counterparties on each  
11 end of those pieces of the system install infrastructure  
12 build, because the long-term forecast would support the fact  
13 that we need infrastructure -- need quality infrastructure,  
14 and it takes a long time to build and execute, and would  
15 hopefully not set us up for a boon bust cycle here in the  
16 next decade, thank you.

17           MR. CABRALES: Thank you very much Mr. Bryan.  
18 Mr. Chairman, I don't see any other hands up.

19           CHAIRMAN CHATTERJEE: Excellent. Thank you to  
20 all the panelists, as well as my colleagues, your patience  
21 and with all my questions. I have one final question open  
22 to all the panelists, and then I'll turn it over to  
23 Commissioner Glick.

24           What is the magnitude of potential natural gas  
25 and oil production shut-in's, both to associated gas and

1 stand-alone natural gas production? And how would this  
2 affect supply and regional flows and pipeline utilization?  
3 And if folks can please discuss the short, mid and  
4 long-term, I would greatly appreciate it to any of the  
5 panelists.

6 MR. CABRALES: Mr. Rice, can you hear me?

7 MR. RICE: Yes, I can hear you.

8 MR. CABRALES: Please proceed.

9 MR. RICE: I didn't see any other hands up, so I  
10 jumped in. So I think short-term production curtailments  
11 largely on the oil side, I think we've seen a lot of that  
12 return to market, the associated gas supply along with it.  
13 You know I think the shut-ins that we're seeing from March  
14 13th forward, the start of the OPEC price war.

15 It's going to be very sloppy for the next through  
16 2020, but I think that when you think about what's going to  
17 happen in the future, really what's going to drive the  
18 success of this industry is what prices do we need to see  
19 continued reinvestment and drilling new wells and seating  
20 these pipelines. From a natural gas perspective, I think  
21 that you know, there will be gas prices sub \$2.50, I think  
22 which shut-off.

23 I mean we're at -- we've dropped from 900 rigs to  
24 under 300 rigs today. Frack crews have dropped by 80  
25 percent. I don't think you're going to see return of

1 activity until gas prices get north of \$2.50 and most likely  
2 I think the real number is probably closer to \$2.75. I  
3 think that the other thing we look at is you know, when we  
4 see the price of oil and I think that that's really going  
5 to be the impact of associated gas.

6           And I think the world we're in right now, as long  
7 as oil prices is under \$50.00, we think the impact of  
8 associated gas is going to have on adding supply to the  
9 market muted, and it's going to require a bigger call for  
10 natural gas stations to step up and produce the energy this  
11 country needs. And that means, you know, more of a focus on  
12 the infrastructure around the gas producing areas like the  
13 Marcellus where EQT is at, which produces around 31 bcf a  
14 day, a third of the United States production.

15           And Haynesville, which is to a low extent --  
16 which produces around 10 to 12 bcf a day.

17           MR. CABRALES: Thank you Mr. Rice. Dr. Brooks,  
18 you have your hand up?

19           MR. BROOKS: Thank you. Yeah, I'd like to second  
20 the comments that Toby just made. I think that that's  
21 absolutely correct. And as I noted in my remarks, if you do  
22 have this continuing downward pressure or a resumed downward  
23 pressure on the oil price, the associated natural gas is  
24 going to be the one -- part of the supply market that's  
25 going to be affected most, obviously.

1           But that opens up opportunities for gas that's  
2 not associated, so again the Marcellus, the Haynesville and  
3 other places become at that point then obvious potential  
4 sources for new supplies. But as he said also, you have to  
5 have sufficient gas prices in order to justify those  
6 additional things and additional wells being drilled.

7           So the fortunate thing is there's plenty of  
8 supply in the ground throughout the United States and  
9 Canada, so it's not a matter of scarcity of potential  
10 supply. It really is the pricing, most of it and to justify  
11 it.

12           And so I suspect that what will happen is you  
13 know, the usual kind of thing. There will be some degree of  
14 situation where because of the low quantity of drilling, you  
15 are going to get somewhat tighter supplies which will cause  
16 prices to increase enough to result in some additional  
17 drilling.

18           And it's just going to be about the game you  
19 might say or the -- between oil and gas depending on the  
20 relative prices there that is going to determine whether the  
21 additional supplies are going to be coming more from places  
22 like the Northeast, the Appalachian Basin, rather than other  
23 places like the Permian Basin and so forth.

24           MR. CABRALES: Thank you Dr. Brooks. Mr.  
25 Chairman, we don't have any other hands raised for this

1 question.

2 CHAIRMAN CHATTERJEE: Excellent. Thank you to  
3 all the panelists, and with that I'll turn it over to  
4 Commissioner Glick.

5 COMMISSIONER GLICK: Thank you Mr. Chairman and  
6 thank you very much to the panelists. I wanted to start  
7 with a question for Dr. Brooks. And there was a reference a  
8 couple of minutes ago to this, but if I recall, just about  
9 the time of the beginning of this pandemic, at least here in  
10 the United States, there was also ongoing at the same time  
11 kind of an oil production war between Saudi Arabia and  
12 Russia.

13 And I was wondering if it's possible to ferret  
14 out how much of that particular skirmish impacted U.S. oil  
15 production versus the obviously reduced demand in the U.S.  
16 as a result of the pandemic.

17 DR. BROOKS: Thank you for your question. It did  
18 produce an effect and of course the effect was to slow down,  
19 I think part of the development of places like the Permian  
20 Basin, which had been growing like gangbusters for the last  
21 several years.

22 So you know, that is the kind of effect. I think  
23 it also created uncertainties about what was going to happen  
24 next. So we had this price war, it didn't really last all  
25 that long before some degree of compromise was met. But you

1 still have that situation where you know, there is  
2 uncertainty in the market that is going to reduce appetite  
3 for investment in further -- in financing further projects.

4           So I think that's the main thing. I hope that  
5 answers your question at least in part.

6           COMMISSIONER GLICK: It does, thank you very much  
7 for that. I wanted to kind of move on now to LNG and start  
8 with Mr. Feygin. As I'm sure you're well aware, the  
9 Commission has approved a large number of certificates or  
10 pursuant to Section 3 in the National Gas Act, approved a  
11 number of LNG projects, an amount of new projects over the  
12 last couple of years.

13           And I can't remember exactly how much capacity  
14 we're talking about, but a very significant amount. But  
15 before the pandemic hit, we were already seeing a lot of  
16 these products were having difficulty with getting contracts  
17 -- off day contracts. And there was some discussion earlier  
18 that maybe more the markets in Japan and Europe and that  
19 seems to make a lot of sense, not Japan, but all of Asia  
20 versus Europe.

21           I'm curious whether the effect, that putting  
22 aside the pandemic issues, and given the competitiveness of  
23 the international LNG business and obviously other countries  
24 are also involved in competing with the United States  
25 facilities.

1           What do you attribute the reason was for a lot of  
2 these projects having problems getting off their contracts?

3           MR. FEYGIN: Thank you Commissioner Glick, a  
4 wonderful question. You know, we were fortunate since  
5 mentioned previously and partially out of wisdom and  
6 partially out of necessity to see the turn in domestic hydro  
7 carbon production relatively early on, at the end of the  
8 last decade and Cheniere was very well positioned and was  
9 well underway in its efforts in front of the FERC to get  
10 the export project approved in that 2009-2010 we ultimately  
11 broke ground at Sabine Pass in August of 2012, fortunately a  
12 couple of years ahead of our competition.

13           And I think it's fair to say that a number of  
14 things aligned to put the U.S. LNG market on the map. And  
15 one of them, unfortunately, was the Fukushima tragedy and  
16 that resulted in global gas prices spiking into the almost  
17 \$20.00 range at the time and the world took a chance on this  
18 thing that it never saw before called NYMEX Sidley Hub,  
19 whatever you know, we spent years educating the world on  
20 what it is, how liquid it is, how transparent it is, how the  
21 pipes that we have been discussing incent a very distributed  
22 network of producers and infrastructure, suppliers and  
23 getting the world comfortable with this NYMEX based  
24 contracting structure.

25           Heretofore, the LNG market was largely one where

1 the stranded resource on an integrated basis was combined  
2 with a liquefaction facility and until really about 15 years  
3 ago, the market which at that point was already "a half a  
4 century old", existed as a point to point market.

5           The U.S. model, Cheniere's model, really broke  
6 that mold and said, hey, you know, if you want to buy the  
7 commodity, buy the commodity, we'll provide the liquefaction  
8 services and we'll either supply it to you at your  
9 facilities or you can pick it up at our facility. And then  
10 of course, others follows as I mentioned earlier, were about  
11 half of the U.S. capacity today.

12           There have been -- this is a deep cyclical  
13 business. It ebbs and flows and right now we are clearly in  
14 a period which I would characterize at least as a buyer's  
15 market and with the current low price environment, there is  
16 no gun to anyone's head to sign up for long-term contracts  
17 which have to be at economics that support additional  
18 infrastructure.

19           As the world thought about the LNG market, from  
20 the middle of last decade, it's very easy to see all of the  
21 facilities that are coming on in the U.S. and Australia and  
22 Arctic Russia as the Yamal Project that Dr. Brooks mentioned  
23 as well, and say, "Hey, look at all of this supply. Maybe a  
24 long-term contract will be needed because the world will  
25 have plenty of LNG."



1           That said, the world absorbed this additional gas  
2 and LNG much faster than was previously anticipated because  
3 demand is much harder to handicap in these very large  
4 multi-billion dollar supply projects. And we found  
5 ourselves in a relatively tight market, even in 2017 and '18  
6 it started to loosen up in 2019, that these record volumes  
7 of LNG came to market.

8           For Cheniere and for U.S. LNG frankly, 2018 was a  
9 tremendous year. We did not break our record in terms of  
10 volume of long-term contracts, but we broke our record in  
11 terms of tenure of long-term contracts. So 2018 was our  
12 second best year for long-term contracts in terms of volume  
13 and on average they had a tenure of more than 20 years.  
14 And frankly, you need these long-term deals in order to  
15 support the financings for these very large projects.

16           As the world became very long and of course the  
17 additional shock of COVID piled on to that. I mentioned  
18 earlier the size of the current LNG market of about 400  
19 million tons today. Since the second half of 2018, this  
20 market was absorbing 10 million tons per quarter of  
21 additional supply, so absolutely unprecedented supply  
22 pushing to the market, even the growth we've seen in Asia  
23 and in Europe wasn't sufficient to absorb this.

24           And then of course, the virus came on top of  
25 that, combined with weather -- really mild winters over the

1 last two winter seasons all over the world. So we find  
2 ourselves in an environment which is very loose currently.  
3 There is not a lot of supply that is coming on, either out  
4 of the U.S. or out of the rest of the world for the next few  
5 years.

6 We fully believe that a long-term contracting  
7 will return to the market. It will continue to become a  
8 more liquid market and we think that that contracting that  
9 the ability of projects to demonstrate their flexibility and  
10 their commercial attractiveness, is ultimately what's going  
11 to determine which projects get built.

12 So we don't think this is the end of long-term  
13 contracting for LNG projects, but the markets will weed out  
14 rather effectively, perhaps some other datum to contribute  
15 to this. When we were contracting Corpus Christi, our  
16 contracts were the first to trade were in the mid \$3.00  
17 range for the liquefaction services. That was significantly  
18 higher than the low to mid \$2.00 range when we started  
19 contracting Sabine Pass.

20 And the other projects in the U.S. were roughly  
21 in that range -- mid to high \$3.00 as far as we understand.  
22 So today that market given the global competitive nature and  
23 given the fact that now the U.S. is an established supplier  
24 and a fairly transparent one, the market for liquefaction is  
25 back to that low to \$2.00 mid dollar range in order to be

1 competitive with these East African, Qatar, and Arctic  
2 Russian Projects.

3           And it's no longer the new shiny penny that it  
4 was in 2011-2012. Fortunately, we don't have to explain how  
5 great NYMEX, how transparent, how liquid, how reliable that  
6 is, but unfortunately we're faced with a much more  
7 transparent and a much more competitive landscape, and that  
8 will continue to weed out projects -- even projects that  
9 successfully interact with the FERC and the DOE in order to  
10 get their fully permitted status.

11           In fact today there have been a number of fully  
12 permitted projects that have hit the proverbial wall and  
13 have had to restructure, and we think that that phase of the  
14 market develop is always starting.

15           MR. CABRALES: Commission, Dr. Brooks has his  
16 hand up. Okay.

17           DR. BROOKS: All right, thank you. Well, Mr.  
18 Feygin gave me about 95 percent of what I was going to say,  
19 so you know, clearly, that was a very good answer on his  
20 part, at least in my estimation. One thing that was not  
21 mentioned, however, which I think is really important is  
22 that many of these projects, I believe we're expecting that  
23 they were going to be financially underpinned by investments  
24 or contracts from China.

25           And the trade war with China, certainly if the

1 magnitude and the duration of that trade war has surprised  
2 me and I think it might have surprised others as well. And  
3 I think at this particular point in time, I don't think we  
4 can underestimate its importance going forward because it's  
5 not clear that that trade war is going to end anytime in the  
6 near future.

7           So there were a number of projects that as was  
8 mentioned, have gone through all of the groups as far as  
9 getting approvals and they're ready to go, but they haven't  
10 been able to get the investors, the investment that they  
11 need, the certainty of going forward financially through  
12 contracts with -- honestly LNG Hungry, Chinese countries --  
13 companies, either on the investment side, you know, the  
14 equity side, or on the contract side. We have no more  
15 countries Commissioner.

16           COMMISSIONER GLICK: Okay. Well thank you. I  
17 just wanted to follow-up a little bit on the LNG issue. Dr.  
18 Brooks, and others if you can comment maybe. As Dr. Brooks  
19 mentioned earlier in his written statement, but I think  
20 there's been discussion earlier this morning as well about  
21 well what happens if --well, first what happens if they go  
22 down? Oil prices go down, domestic production takes a bit  
23 hit and further down the road \$40.00 it sounds like, U.S.  
24 production would take a big hit and then that would mean  
25 that associated natural gas production would be down and

1 that would increase natural gas prices.

2           If natural gas prices go above \$3.00, \$3.50,  
3 whatever some people are predicting, what does that mean for  
4 the competitiveness of the U.S. LNG?

5           DR. BROOKS: Thank you. So you're right. I mean  
6 this is a very interrelated marketplace now, so these  
7 affects are, you know, they have their consequences. So you  
8 know, everyone who's involved in the upstream of course,  
9 would like higher prices. But those higher prices make the  
10 LNG less competitive.

11           And remember that these LNG contracts, one of the  
12 important things about them is that they genuinely do have  
13 take or pay aspects to them. So the pricing may -- the  
14 availability that our pros may be higher than local prices  
15 actually justify. But in the end if the prices do get too  
16 high, then that part of the contract that is not take or  
17 pay, plus any spot capacity availability is going to be at a  
18 disadvantage compared to Qatar, compared to Malaysia,  
19 compared to other -- Australia obviously, to other places  
20 that are closer to markets in Asia.

21           So that is definitely effective. Doing --  
22 computing the quantitative values for those things to get  
23 decent forecast is something that we do try to do with our  
24 global gas and LNG market bottling systems. But it is still  
25 a difficult challenge, kind of a combination of science and

1 art, to make those forecasts.

2 MR. FEYGIN: Commissioner Glick, if I may add  
3 just a few words. Again, given everything that Dr. Brooks  
4 said very globally competitive market. I don't think at  
5 this point the world thinks about the U.S. market, the  
6 commodity that is the component of the LNG equation in the  
7 U.S. products as a sub-\$3.00 commodity, but if we saw levels  
8 of this -- and the world started to believe that levels  
9 above \$3.00 are what's required in order to bring on  
10 additional supply of non-associated gas that is sufficient  
11 to support additional infrastructure, we would have a very  
12 tough time competing with our -- in the global context.

13 We all know that Qatar is from an upstream  
14 standpoint, the Mozambique resources from an upstream  
15 standpoint are extremely attractive. We are told that the  
16 Arctic Russian resources are extremely attractive, but no  
17 one knows that other than Novatech and Gas -- , but they are  
18 seriously competitive.

19 My summary statement is that in order to be  
20 globally competitive, to Dr. Brook's point that China is the  
21 rapidly growing market for gas and especially for LNG, we  
22 need to be in an environment where we can deliver our  
23 product or our product can be delivered into Asia in the 7  
24 to 7 1/2 dollar range. And as you work backwards from that  
25 liquefaction fee that AI mentioned in the relative mix \$2.00

1 range, about \$2.00 for the transportation for the shipping  
2 component, you're left with something in the \$2.50 to \$3.00  
3 range for the commodity in order for that long run cost  
4 structure to be competitive.

5           And again, we do not expect north of \$3.00 to be  
6 sustainable, given everything that Mr. Rice and his company  
7 who are great partners of ours have done in order to keep  
8 the supply cost competitive, but if we do see additional  
9 impediments on the infrastructure side, additional  
10 meaningful costs imposed on the upstream sector of the U.S.  
11 LNG equation will meaningful deteriorate in terms of its  
12 competitive positioning.

13           MR. CABRALES: Commissioner, Mr. Rice has his  
14 hand up. Okay.

15           MR. RICE: Yeah, just a couple comments on what  
16 price you know, upstream is looking for to add supply.  
17 Right now you know that price is probably north of \$3.00 for  
18 companies to bring back rates in a significant way. I think  
19 there's a couple markers that support that.

20           One -- the reduction of rate declines you know,  
21 really started when it was below \$2.75 and I think now --  
22 (Internet distortion). I think you're going to see the  
23 operators be very patient and disciplined when making  
24 capital allocation decisions to add more rigs. So I think  
25 that that number is probably about \$2.75 to \$3.00 is I think

1 the pricing we need to see before we can put back to work  
2 just to sort of arrest the supply decline that is sort of on  
3 the horizon, just as a result of a lower activity account  
4 today.

5           The other price target that I'd like people to  
6 think about is you know, I think part of the things that  
7 drives us is you know, the timing of coal and replacing that  
8 with natural gas. You know, I think that as long as we can  
9 deliver natural gas for under \$3.50 you know, it's going to  
10 be more economic to burn natural gas. So I mean that is  
11 sort of what we look at as a ceiling on but we're already  
12 seeing negative aspects of our environmental woes.

13           MR. GABRALES: Commissioner, there's no other  
14 hands up.

15           COMMISSIONER GLICK: Okay. Thank you. Thanks  
16 for that Mr. Rice, that was helpful. I just want to turn,  
17 finish up with LNG for a second and turn to Mr. Lewandowski.  
18 Obviously, your company and the other members of the  
19 Processed Gas Association, the Gas Consumer Association, are  
20 consumers of natural gas and certainly with the price of  
21 that gas is very critical to business profitability.

22           I'm curious if you have any concerns about  
23 domestic or I should say exports of domestic natural gas  
24 through LNG, whether if it continues to grow that would put  
25 upward price pressure on your businesses.



1           MR. LEWANDOWSKI: Yes. Certainly that's  
2 something we think about. We are proponents of free markets  
3 and competitive markets so by no means do we feel that there  
4 should be a ban on exports, but at the same time it's  
5 something that concerns as us too much natural gas leaving  
6 our shores and going elsewhere certainly would raise the  
7 price, which would make us less competitive in the world  
8 markets.

9           COMMISSIONER GLICK: Okay. thank you. Moving on  
10 to a different subject. I assume there are no other people  
11 raising their hand right now Omar.

12           MR. CABRALES: Actually, Dr. Brooks has put his  
13 hand up.

14           COMMISSIONER GLICK: Okay. Perfect timing.

15           DR. BROOKS: Thank you. I think since however,  
16 since you have asked several times and even in the document  
17 to try to differentiate short, medium and long-term trends.  
18 I think that there is one thing that we haven't really  
19 discussed today. I think it is important to all of these  
20 questions that we've been addressing here, including LNG and  
21 including the availability of natural gas for production of  
22 fertilizers and other industrial uses.

23           And that is that the incursion of renewables into  
24 the market over the past several years has obviously been a  
25 very successful venture that has been promoted by

1 environmental interests as well as business interest. And I  
2 think we can expect that that is going to continue.

3           So when we look at from a long-term point of  
4 view, I don't think we can discount the possibility that the  
5 amount of demand for natural gas in some of the sectors that  
6 would be considered to be sort of safe, kind of sectors like  
7 residential for example, very well might change.

8           And you know, we found -- I lived in California  
9 for 40-some odd years and in that time population increased  
10 by God only knows how much, you know, 25 percent, something  
11 like that. And yet gas demand in California remained  
12 constant during that time basically. So it did not grow  
13 anywhere near as fast as the population.

14           And I think, you know, that's a tribute of  
15 course, to better efficiencies as Toby Rice has been talking  
16 about but in a different sector, in the construction sector,  
17 better appliances and other alternatives. So I think we  
18 have to be honest with ourselves as an industry here that  
19 technological advances that are right now either on the  
20 drawing boards, or in development are going to affect this  
21 industry in the long-term and it's going to change.

22           I believe it's going to change the relationship  
23 among the various sectors in the ways that people may or may  
24 not be taking into account in terms of longer term planning.  
25 So if you think about this, if you have more efficient use

1 of energy resources in the residential and commercial  
2 sectors, if you're using more advanced types of solar energy  
3 collective systems in buildings and various other kinds of  
4 things like that, then you reduce the amount of natural gas  
5 that is actually demanded for a given volume of people or a  
6 volume of TDP in these various sectors.

7 But actually, you are potentially increasing the  
8 amount of supply that you would have available for your  
9 industrial sector and also for your export sector at  
10 reasonable prices. It's a shift that could occur that could  
11 be of benefit to both of those sectors. And again, the  
12 United States competitive in the longer term as far as LNG  
13 is concerned and as far as collection of fertilizer that is  
14 of course, being used globally, not just in the United  
15 States.

16 MR. CABRALES: Commissioner, Mr. Gibson has his  
17 hand up.

18 MR. GIBSON: Thank you. I just wanted to say  
19 APGA changed our policy position a few years ago to support  
20 LNG export, whereas historically we had typically been  
21 opposed. And that was really as a result of the fracking  
22 revolution just because we started to see reasonable prices.

23 So as long as we continue to see reasonable  
24 prices for our consumers, we're going to want to continue to  
25 support LNG exports and we just want to make sure that we

1 appreciate the Commission keeping an eye on that, so great  
2 question, thank you very much.

3 MR. CABRALES: Commissioner, there are no more  
4 hands up.

5 COMMISSIONER GLICK: Thank you. Actually that's  
6 very helpful Mr. Gibson. And Dr. Brooks as well, I think  
7 the point you made is a good one, it's obviously hard to  
8 figure out everything that's going to happen. Certainly if  
9 there's pressure or reduced demand for domestic consumption  
10 of natural gas, at least in the you know residential, and  
11 maybe for also electric generation, that would certainly  
12 alleviate some of the price pressures and allow natural gas  
13 to be competitive, both for industrial consumers and  
14 fertilizer manufacturers, but also for LNG equipment.

15 I think that's one of the issues that we have at  
16 the Commission is how much when we look at the need of a  
17 project -- of a pipeline project that is, what does the  
18 future look like for natural gas demand. And that's  
19 something we don't do enough of at the Commission, but I  
20 think that's probably going to be something that's going to  
21 be more fresh on the Commission going to the future to look  
22 at how much demand there really is, at least for that  
23 natural gas consumption.

24 Just to move on because I have a couple more  
25 points or questions. One of them for Mr. O'Mahoney and I

1 found your testimony very interesting. This issue of  
2 considering historical use for determining priorities for  
3 access to the pipeline capacity for liquefied fuels is very  
4 interesting and I struggle with it on some of the  
5 proceedings that we have had here at the Commission.

6 Now Chairman Chatterjee pretty much asked the  
7 question I was going to ask you which is what do you think  
8 the Commission should do and you said provide more  
9 flexibility. But I just wanted to say I'm hoping to work  
10 with you all others in the airline industry, but also other  
11 interested parties, including obviously, the liquid pipes  
12 because I think this issue historically is -- there are some  
13 problems with it and your example raises one of the key  
14 problems.

15 And so it's something I want to mention that it's  
16 something worth looking at in the future.

17 MR. O'MAHONEY: Yeah, I really appreciate that  
18 Commissioner, and you know, I think the policies and  
19 procedures that have been used, you know, over the years  
20 makes sense, like I said in 99 percent of the situations.

21 You know they're really driven at you know, the  
22 equity of all shippers, which I think is you know, obviously  
23 appropriate, but in this unprecedented situation, you know,  
24 again I just ask for flexibility so I really appreciate the  
25 opportunity to work with you on that because it is a

1 challenge. And you know as I mentioned in one of my other  
2 comments, there's a lot of uncertainty around when it's  
3 going to recover and when we're going to need access.

4 So you know, working with you and working with  
5 the pipeline companies on just having that dialogue and  
6 having that flexibility, I think is extremely key, so I  
7 appreciate you bringing that up. Thank you.

8 COMMISSIONER GLICK: Thank you.

9 MR. CABRALES: Commissioner, Mr. Lewandowski has  
10 his hand up. Okay.

11 MR. LEWANDOWSKI: Yes Commissioner, to go back to  
12 your previous question, you know something that we think  
13 about in the PGC and elsewhere is if you were to get  
14 visibility to export unfettered natural gas really around  
15 the world and gas prices were to go from say \$3.00 to  
16 \$10.00, then are you put in the position to curtail or  
17 shutdown a multi-billion dollar export facility because you  
18 know, the U.S. is now uncompetitive with the rest of the  
19 world because of higher natural gas prices.

20 So you know that's one of the things that we  
21 think about when that question comes up.

22 COMMISSIONER GLICK: That's a good point Mr.  
23 Lewandowski and you know, I know that it's not FERC, but  
24 it's a part of energy that really has the primary authority  
25 to roll in terms of examining from a public interest

1 perspective, whether the actual export of gas is having --  
2 what kind of impact it's having on domestic prices and  
3 companies like yours and so on.

4 I think and the Department of Energy has been  
5 looking at that. But it's like a capacity of new LNG  
6 project that has been approved recently and again, as we had  
7 this discussion this morning it's pretty obviously to me  
8 that a lot of excess is not going to get built.

9 But nonetheless, if it were to get built, it  
10 might have that particular impact of pressure of raising  
11 prices significantly higher and that's something that you  
12 know, again, that's for more the Department of Energy but  
13 it's worth FERC to consider as well.

14 MR. CABRALES: Commissioner, we have Dr. Brooks  
15 and Mr. Rice have their hands up.

16 COMMISSIONER GLICK: Okay.

17 MR. CABRALES: Dr. Brooks?

18 DR. BROOKS: Okay. I'll go ahead. You know I  
19 think this was and Mr. Lewandowski is concerned, you know,  
20 fortunately and unfortunately, both ways. The gas market is  
21 now becoming global so there are limits on how high North  
22 American Gas prices could go in a global market. There are  
23 many, many more competitors than there have been in the  
24 past.

25 So I don't think the scenario that you're talking

1 about is very likely. Under those circumstances typically  
2 LNG export projects or terminals would be operating at the  
3 minimum percentage that was required according to the  
4 contracting schemes.

5 But whatever those minimums might be, you would  
6 find that for example spot cargos would be essentially very  
7 uncompetitive in the global market. So you know that's  
8 actually one of the good points of sort of having a globally  
9 connected marketplace is that there are essentially  
10 restraints on the market in how high and how low prices are  
11 likely to go.

12 MR. CABRALES: Mr. Rice?

13 MR. RICE: Yeah, this is Toby. I would just like  
14 to alleviate any fears that natural gas prices would ever  
15 get to a level even close to \$10.00. So I would like to  
16 remind the Commission that you guys have an industry that  
17 has taken -- that has grown supply from 60 bcf a day to over  
18 90 bcf a day. We did that in less than a few years.

19 So what that means when gas prices go up, the  
20 amount of economic development prospects that we have, goes  
21 up as well. We've done in addition to that supply growth,  
22 there's been a massive amount of technology and explanation.  
23 So a lot of that uncertainty that comes in with normal oil  
24 and gas has been captured with data and we understand to a  
25 pretty decent degree what the economics are in this specific



1 corner of this county.

2           And that resource potential is huge, and it gets  
3 -- it's very small in a \$2.50 gas price environment. EQT is  
4 probably one of the few operators that has economic supply  
5 at those level, but that pie grows almost exponentially from  
6 \$2.50 to \$3.00 or really from \$3.00 to \$4.00 and \$5.00.

7           So I would not let the fear of commodity prices  
8 going up you know, north of you know \$4.00 in a long-term  
9 basis to sway anybody from wanting to bring new markets to  
10 the United States.

11           MR. CABRALES: Mr. Feygin has his hand up.

12           MR. FEYGIN: Thank you. Just to follow along on  
13 a couple of comments that have been made. As Dr. Brooks  
14 said this is at the facilities in the U.S. are built with  
15 sink or pay contracts. I obviously don't know the specifics  
16 of the notch in your facilities, but as we have seen over  
17 the last few months, the facilities continue to operate at  
18 reduced rates and certainly the U.S. case will continue to  
19 collect the fees that underpinned our economics investment  
20 decision and more importantly the finance.

21           What happens in the commodity market is because  
22 of this kind of activity, there's a very rapid rebalancing.  
23 So for example, as our volumes came down, as demand in  
24 Europe came down for a couple of months, the global gas  
25 pricing first became relatively flat at about \$2.00. And

1 then we actually found ourselves in the situation where U.S.  
2 prices were meaningfully higher than international prices,  
3 especially in Europe.

4 Europe was trading around a dollar in mid-June  
5 given the COVID dynamics which effectively peaked right  
6 around Easter weekend and has rebounded immediately from  
7 that point. But that point, whether if you had LNG cargos  
8 on the water or if you were a capacity holder at a facility  
9 like Trinidad Tobago at Atlantic LNG, it made no sense for  
10 you to move those volumes to Europe where U.S. was offering  
11 substantially higher prices.

12 Fortunately, we have still a lot of operational  
13 import infrastructure, a lot of it along the east coast has  
14 been continuously operational and we did in fact see both BP  
15 and Shell bring in cargos into Cove Point and Elba Island  
16 respectively during that period.

17 So it's a -- not the beauty of the global market  
18 that will respond very quickly to price signals will divert  
19 cargos of this flexible LNG supply what it would undermine  
20 in the highly -- I'm very happy with Mr. Rice's comments,  
21 was that it was underlying in this meaningfully higher  
22 sustained price environment with the additional  
23 infrastructure that would be built.

24 The global demand will not support as we  
25 discussed earlier that kind of price level, but the

1 operational facilities both export and import will allow for  
2 the very rapid response to a price signal. For example,  
3 just two winters ago we saw prices in the winter spike to  
4 the \$5.00 plus range, and if we were in a similar  
5 environment and the rest of the world did not have the same  
6 kind of weather effects that we were having at that point in  
7 time, clearly you would see a substantial supply response of  
8 imports into the U.S.

9           So I'm very happy to hear the supply comments and  
10 the responsiveness of the system which we expect, but also  
11 the -- in the unlikely scenario that we do have meaningfully  
12 higher prices will avail ourselves of global gas via LNG  
13 imports as well.

14           MR. CABRALES: Commissioner, there are no more  
15 hands up at this time.

16           COMMISSIONER GLICK: Thank you Omar. I only have  
17 one other question. Mr. Rice, fully separate subject, but  
18 during your statement you mentioned that we should try to  
19 avoid propping up uncompetitive companies. I didn't quite  
20 get what you were trying to say, could you maybe elaborate  
21 on that?

22           MR. RICE: Yes. So you know, during bankruptcy,  
23 one of the things that companies look to do is they shed  
24 liabilities and a lot of producers, upstream operators have  
25 signed up for long-term FC contracts on FERC regulated

1 pipelines.

2           So the opportunity -- one of the things that  
3 could happen would be you know, a relief of those  
4 obligations and while I would love to see that, you know, we  
5 find ways to reduce the costs that we have to pay to  
6 transport our fuel, or the energy that we produce. I think  
7 in that situation if there was going to be any  
8 consideration on loosening some of those liabilities that  
9 companies may have, it should be applied to all operators,  
10 not just the ones that are going through a bankruptcy  
11 process.

12           So that's probably the biggest issue that I see  
13 related to that comment.

14           COMMISSIONER GLICK: Okay, thanks. I appreciate  
15 that. I understand. That's all I have Mr. Chairman.

16           CHAIRMAN CHATTERJEE: Commissioner McNamee?

17           COMMISSIONER MCNAMEE: All right. There we go.  
18 You can hear me.

19           MR. CABRALES: I can hear you just fine.

20           COMMISSIONER MCNAMEE: Thank you. I appreciate  
21 the comments so far and we've covered a lot of the issues  
22 and one of the things I'm interested in is and we touched on  
23 a little bit and that is how it seems to me there's a  
24 consistent theme about the client price comes to equilibrium  
25 even if it's, you know, obviously in the short period of

1 time you're not -- you're never in direct equilibrium, but  
2 usually over the mid and long-term you come to it.

3           And just with further observation it seems to me  
4 that before the shale revolution, you know, obviously the  
5 price of natural gas and oil -- those tended to follow suit  
6 and we were relying on you know, oil that was imported  
7 primarily, natural gas coming from the Gulf Coast. Now we  
8 have diversity in supply, and I think some have commented,  
9 you know, worldwide supply and now we have a lot more  
10 clarity on hub pricing.

11           So is it -- it seems to me that there's a couple  
12 of things going on, but I'd like some clarity on it. And  
13 that is there's been statements that there's really no  
14 danger of lack of supply, at least domestically. There's  
15 plenty of gas in the ground in the U.S. and Canada.

16           But the issue is at what price is it economic to  
17 get the gas out of the ground. Two -- what's been the  
18 demand for the gas to justify taking it out of the ground  
19 and then also the ultimate price is impacted by do you have  
20 the infrastructure to get that gas. And obviously, that's  
21 something that really the focus of FERC jurisdiction.

22           So I'd like to go throw that out for anybody who  
23 wants to comment about how should -- how does the general  
24 economics of natural gas working? And this goes for, you  
25 know, the airlines, or for the fertilizer developers, other

1 manufacturers, but also for the producers for the LNG  
2 export, for the midstream, you know, if I could just get a  
3 better understanding of how all this works and what you see  
4 as FERC's role in making sure that production can take  
5 place, demand can access that production with the price and  
6 how we can play a role.

7 MR. CABRALES: Mr. Rice has his hand up. Mr.  
8 Rice please.

9 MR. RICE: Real quick on the supply demand. I  
10 think having those two things balance I'd say now with  
11 shale, I think you're going to see those balances take place  
12 a lot faster on the supply side of things. You know, we've  
13 evolved from projects that are you know, take three --  
14 optional projects that take three years to put together and  
15 projects now from a significant supply, shale projects we  
16 can put on in a matter of months.

17 So supply can respond to higher prices fast. On  
18 the contrary, if prices get too low, we can also see a  
19 pretty fast balancing on supply decline. What we're seeing  
20 right now -- and that's just the nature of shale you know,  
21 across the U.S., call -- I'm sure Dr. Brooks has a perfect  
22 percentage on this, but you know, shale is going to decline  
23 around, you know, 40 percent of our production with shale  
24 decline.

25 So any short-term low prices, operators will stop

1 drilling and prices will decline or supply will decline,  
2 prices will go up. That's what we're dealing with right  
3 now. As far as you know, what price is going to generate  
4 demand. I mean it's important to realize, you know, there's  
5 a big difference for operators in the option segment, you  
6 know.

7           This industry doesn't make a lot of sense at  
8 \$2.50 gas price. You know, we don't need a \$5.00 gas price  
9 to become economic. We're talking about, you know, 25 to 50  
10 cents. So being in that \$3.00 range would be good. And so  
11 you look at well what does \$3.00 gas price do to customers?

12           You know I think you know for the general public,  
13 the American citizen, that's not going to be a significant  
14 increase in their gas bills, and to be honest with you, we'd  
15 still be able to continue to tell the story that we've  
16 lowered gas bills and utility bills for American citizens  
17 across the country.

18           What can the FERC do to help support that? One  
19 -- help facilitate, you know, pipeline projects so we can  
20 connect to markets and relieve some of the inefficiencies we  
21 mentioned with, you know, higher basis areas. And then the  
22 second thing is you know, help continue to facilitate  
23 exports through the form of LNG and also through exports in  
24 Mexico is another vehicle that we'd like to see to be opened  
25 up.

1           MR. CABRALES: Thank you Mr. Rice. Mr. Feygin?

2           MR. FEYGIN: Thank you Commissioner. You said in  
3 your opening remarks paid homage to George Mitchell and I  
4 think a lot of what we have been discussing here today goes  
5 back to that invention and scaling up of that invention by  
6 the Chesapeake and of course the Rice and EQT's of this  
7 world.

8           A very quick anecdote. I met Mr. Rice for the  
9 first time about a decade ago. At that point I was wearing  
10 a different hat and we were operating in the EP business in  
11 West Texas that was producing about 200 million cubic feet a  
12 day on a little over 4,000 wells. And at that point Mr.  
13 Rice told me that they're about to bring on one pad of I  
14 think 5 or 6 wells that was going to do the same thing.

15           At that point I knew our days as an E&P operator  
16 were numbers. What's also changed dramatically and that  
17 makes probably Dr. Brook's job a lot harder is the oil to  
18 gas paradigm that you mentioned.

19           15 years ago we could sort of count on that given  
20 the petrol chemical complex. They do require power plants  
21 to switch and keep those. That domestic system wells that  
22 were balanced. Now the equation is much more difficult as  
23 to your questions about how the supply demand balance will  
24 play out.

25           It is increasingly a global question and one that



1 makes the calculating world of economics a lot more  
2 difficult. We've unleashed the constraint that was the North  
3 American marketplace as Mr. Rice mentioned. With that comes  
4 security, supply, increased reliability to the global gas  
5 market, reduced emissions that we've seen in places like  
6 China, like India and like Western Europe.

7           Much more meaningful reductions in emissions over  
8 the last two years given its additional consumption of gas  
9 and LNG even with everything that you have passed on the  
10 renewable front. In terms of economics and how that plays  
11 out, I'll give you one example on that front.

12           The UK implemented a carbon pricing mechanism  
13 with a score of 19,000 ton. And over the last  
14 implementation of that, has effectively displaced all of its  
15 coal. We've had now months of coal free power in the EPA  
16 for the first time since late 19th Century.

17           The economics of gas prices are absolutely set by  
18 the combination of that CO2 price floor and the water borne  
19 coal price. So you give me those two and I will tell you  
20 exactly what the U.K. is paying for gas and hence LNG on the  
21 water that's going into that system.

22           So it is a global system and we are blessed with  
23 the resource and what the FERC I think contributes to that  
24 and will continue to contribute to that is this partnership  
25 and the transparency and the excellent staff that works with

1 producers and consumers to make sure that the right  
2 infrastructure is built in a responsible way, but  
3 transparently and relatively efficiently. Thank you.

4 MR. CABRALES: Thank you Mr. Feygin. Dr. Brooks  
5 has his hand up.

6 DR. BROOKS: Thank you very much. What concerns  
7 me in the long-run as part of the health in the long-run of  
8 the natural gas industry globally, and of course that would  
9 include the LNG industry, is that it's not clear to me that  
10 this industry has addressed the issues as much as the world  
11 is very interested in to earn what is sometimes called the  
12 social license.

13 In particular, of course, we have a story to tell  
14 in this industry which is largely that we can improve the  
15 environment through the substitution of gas for coal in many  
16 applications, not just power generation, but other  
17 applications as well. And I think that's a true story.

18 However, it doesn't appear to be enough of a  
19 story to actually turn the tide of sentiment that we are  
20 seeing in various places around the world and in particular  
21 in young people that are in college or are just starting  
22 their careers, that this impact is the way to go, rather  
23 than the alternative which is to oppose not just coal, but  
24 to oppose gas as well because in the past, natural gas when  
25 burned creates carbon dioxide just like coal.

1           Maybe not the same quantity but it does produce  
2 it nonetheless. So one of the factors that have become, I  
3 think, much more of an issue recently and it's a strong  
4 promotional tool on behalf of environmental interests and  
5 others who are concerned about the future of the planet, in  
6 particular, very concerned about climate change potential,  
7 is methane emissions.

8           And when I first starting hearing this I actually  
9 was quite glad, strangely enough, perversely perhaps, but I  
10 thought that this was actually something that I would like  
11 to see the environmental push more and more and more because  
12 it appears to me that that is something that the industry  
13 can actually do something about.

14           Methane emissions are controllable to a much  
15 greater extent and more economically than carbon dioxide  
16 emissions. So I think anything that the Commission would  
17 do, and anything that the industry would do to rather than  
18 oppose concerns about methane emissions to actually address  
19 them, to find them. This is another thing that, you know,  
20 that we have seen is that there are perhaps a limited number  
21 of very bad actors as far as methane emissions are  
22 concerned.

23           Those actors mean companies -- could be  
24 pipelines, could be processing plants, could be various  
25 specific places. But these were engineering issues more

1 than they are the let's say dynamic issues or chemical  
2 issues. They're engineering issues and there are things  
3 that the industry can address.

4           So to the extent that FERC could also forward  
5 this and the industry could also forward the handling of  
6 that particular issue, I think the better off the industry  
7 itself will be and the more deserving of the social  
8 licensing the more sellable, the idea of gas as part of the  
9 solution rather than part of the problem will be.

10           There are other things that the industry can do  
11 and you know, from my visits to Europe I think Europe is  
12 attempting to deal with these things more than we have seen  
13 so far in the United States. And that is you know we do  
14 also have this potential that's becoming much more strongly  
15 discussed and actually real actions taking place regarding  
16 hydrogen.

17           So hydrogen can be produced from natural gas.  
18 They call this blue hydrogen and I think that any processes  
19 that involve production of let's say, making the production  
20 of hydrogen from natural gas and the associated capture of  
21 the carbon dioxide that is produced in those processes more  
22 efficient and more cost effective because it isn't  
23 particularly right now, but that would be also something  
24 that would be extremely good for the industry.

25           We know that you can in fact insert something

1 like 10 -- maybe even up to 20 percent hydrogen into a  
2 natural gas pipeline without having dire effects on the  
3 materials and the equipment that are involved in  
4 transporting. So it appears that there is some potential  
5 there, but also again, the industry can improve its image  
6 by participating in these kinds of programs and trying to  
7 move those technologies forward.

8           So I think a lot of this is up to the industry  
9 and it does need to recognize that it's not just a matter of  
10 operating in the usual way but more efficiently. But it  
11 does require, and it will require more and more every single  
12 year proving that it deserves the social license to actually  
13 operate in the way that we know it could.

14           MR. CABRALES: Thank you Dr. Brooks. Mr.  
15 O'Mahoney you have your hand up.

16           MR. O'MAHONEY: Yes, thank you. And thank you  
17 Commissioner for the question. I think it's really a good  
18 one. As a, you know, airline industry we consume a  
19 significant amount of refined products from oil. So you  
20 know, if there's any sort of positives that have happened  
21 over the last few months for us, you know, as consumers of  
22 those refined products, it's that oil prices have been  
23 relatively low.

24           Delta alone in normal times, consumed about 4  
25 billion gallons of jet fuel annually, so a one cent per

1 gallon change is 40 million to our bottom line each year.  
2 What's very important to us above and beyond just the price  
3 of oil is also the stability of it. You know we've seen in  
4 decades past where there have been real shocks to the  
5 system, which is very challenging for our business model  
6 because we sell tickets in advance -- you know, up to a year  
7 in advance.

8           Our peak in our booking curve, as we call it, is  
9 about 60 to 90 days prior to departure. So if passengers  
10 are buying tickets, you know, with the presumption you know,  
11 in our models of what a price will be 60 to 90 days out, if  
12 there's a lot of volatility and instability in oil prices,  
13 and we come to that day of departure, fuel prices are  
14 significantly higher than we anticipate when we sold that  
15 ticket. It can obviously have economic consequences for  
16 us.

17           So the stability of oil prices is very key. And  
18 we're seeing more or less relative stability over the last,  
19 you know, 5 to 10 years as a result of increased shale  
20 production in the U.S. So that's been very helpful for our  
21 business, having that stability. So whatever the FERC can  
22 do to ensure that that, you know, continues within their you  
23 know, purview, and within what they're able to do is very  
24 helpful for our industry.

25           And then the second point that I wanted to make

1 is that you know, the access and the cost associated with  
2 transporting on pipelines is very key for our business.  
3 Being able to ensure that we've got that supply into our  
4 airports is very important to us, but then also what those  
5 pipeline tariffs, you know, look like. Again, a penny a  
6 gallon is worth for just Delta alone, 40 million a year.

7           So if we see a significant increase in tariffs,  
8 that obviously affects our business model in pretty dramatic  
9 ways. So again, I appreciate the question Commissioner, and  
10 hopefully my comments have helped you a bit.

11           MR. CABRALES: Thank you Mr. O'Mahoney. Mr.  
12 Gibson, please you have the mic.

13           MR. GIBSON: Thank you. The big concern here is  
14 we have really had lower natural gas prices over the last  
15 couple of years and echo what Mr. Rice said. I think our  
16 consumers at the \$2.50 - \$3.00 level was very reasonable for  
17 those customers, but to echo Mr. O'Mahoney, consistency is  
18 very important too.

19           So once they get used to those prices, a swing  
20 from \$3.00 to \$4.00 becomes very detrimental for those  
21 customers. So what I think FERC can do is just generally be  
22 supportive of pipeline modernization projects which help  
23 keep the pipelines modern and replace aged equipment so that  
24 we don't have short-term disruptions just because of aging  
25 equipment.

1           I would say that has to be done in a reasonable  
2 manner and we would also encourage the Commission as they  
3 treat those types of projects to continue to do Section 5  
4 reviews, just to make sure that the pipelines are getting a  
5 reasonable rate of return but in general we're really  
6 supportive of those modernization projects.

7           MR. CABRALES: Thank you Mr. Gibson. Mr. Feygin,  
8 you had your hand up. Would you like to address the  
9 question again?

10           MR. FEYGIN: I'd just like to add a little bit  
11 probably to go back to Dr. Brooks mentioned on the social  
12 license to operate and you know, we are both the  
13 unconventional upstream space and especially the U.S. LNG  
14 space of relatively new industries.

15           We became -- we Cheniere, became an operating  
16 company in February of 2016. So just four years ago was our  
17 first train came online at the Sabine Pass, obviously joined  
18 by a number of others over the last couple of years. We are  
19 -- we just issued our ESG report, I think it's especially  
20 critical for the upstream, the midstream and the downstream  
21 industries domestically and especially since we are now on a  
22 world stage to spend a lot of time and effort focusing on  
23 the environmental impacts and earning that social license to  
24 operate.

25           We have heeded that space for a long time to --



1 especially to our friends in the European Union that are  
2 operating with at times, or at least are operating largely  
3 without our information and our involvement, and we need to  
4 do everything we can as an industry to improve our  
5 footprints, improve the educational process, improve the  
6 transparency that it would bring to the table and we  
7 mentioned we had an inaugural, meaningful step in that  
8 direction.

9           We actually just published that this week and  
10 obviously it's an annual commitment and we think that the  
11 opportunity is there to really change the dialogue when it  
12 comes to the environmental footprint of unconventionally  
13 developed hydro carbons in North America and the lifecycle  
14 analysis that goes along with that as we continue to compete  
15 on that global stage and displace higher emitting hydro  
16 carbons from the system.

17           So I just wanted to follow-up on that and say  
18 that we look forward to working with the FERC on those  
19 efforts, and creating that level playing field, that  
20 transparency and improving our standing in the global gas  
21 community.

22           MR. CABRALES: Thank you Mr. Feygin.  
23 Commissioner McNamee, we don't have any other hands raised  
24 at this point.

25           COMMISSIONER MCNAMEE: All right. Those answers

1 were very helpful into the insight to really give me a lot  
2 to think about. One thing, and on a more specific issue, the  
3 issue of storage, we've heard all the problems at least on  
4 the oil side about the low costs in Saudi Arabia and Russia  
5 flooding the market and then COVID hitting and everything,  
6 the flood of oil, and there were challenges with storage.

7           Of course natural gas also needs storage and my  
8 recollection is that if it's a relatively mild winter, I  
9 don't know if as much gas was used that was usually put in  
10 storage and of course when we're not having as much demand,  
11 there's probably a greater desire for storage for gas that's  
12 not being used.

13           I'd just like to get some perspectives even from  
14 a non-FERC jurisdictional perspective on oil, but primarily  
15 on natural gas what you're seeing on the issue of storage,  
16 short-term and long-term?

17           MR. CABRALES: Mr. Rice please proceed.

18           MR. RICE: Yeah. So storage is our biggest  
19 buffer to volatility. The mild winter we had is going to  
20 have us at sort of record high storage levels and so I mean  
21 what's going to happen, and we believe in the same is you  
22 know, we are on pace to fill storage, that's what is going  
23 to happen at the end of the summer.

24           And then you know as it relates to LNG, partly  
25 just the anecdotal cover, but storage in Europe is something

1 that can happen as well. I mean this is one of the things  
2 we talk about where you know, reacting to significant  
3 disruptions and supply or demand you know, storage is one of  
4 those things that during the price war where the market was  
5 getting glutted, it was a great buying opportunity to buy,  
6 to buy, to put more oil in storage, we just didn't have much  
7 capacity.

8           So when you think about some things that the FERC  
9 can do to provide more efficiency to the market, adding more  
10 storage is certainly going to help. If we have a robust  
11 export business, you know, natural gas is going to be  
12 produced in the United States, if that rises, I think the  
13 amount of storage that we have in the system relative should  
14 be relative to the amount of gas that we're producing  
15 ultimately to get some level of number of days buffer we  
16 have in the system.

17           So I mean I think that's another opportunity for  
18 the FERC to assist with this is to increase more and more  
19 storage, the ability that I think all of us would like to  
20 have more of.

21           MR. CABRALES: Thank you, thank you very much Mr.  
22 Rice. Mr. O'Mahoney you have the mic?

23           MR. O'MAHONEY: Yes. I want to echo what Mr.  
24 Rice said about storage being a buffer. You know for the  
25 airline industry it's key too, as a consumer. So we only

1 have physically 5 to 10 days of storage on hand at airports.  
2 So any sort of, you know, uptick in the uplifts of demand or  
3 reduction, really puts a lot of pressure on the airport  
4 storage simply because you don't have that much.

5           So again, back to access to pipelines is key to  
6 us, but the question around storage is storage upstream of  
7 the airports is also critical to just give you that buffer.  
8 And I think in this pandemic, given the fact that flight  
9 plans are very uncertain and will remain uncertain for the  
10 next couple years, access to storage gives you that comfort  
11 level that you're going to have that supply readily  
12 available that can be pulled back into the airport whenever  
13 needed.

14           So access to storage I think is critical for our  
15 industry, especially here given these pandemic times.

16           MR. CABRALES: Thank you Mr. O'Mahoney. Mr.  
17 Feygin, you have the floor.

18           MR. FEYGIN: Thank you. Just to add a little bit  
19 of color from a global standpoint Commissioner. We are  
20 today the most American gas market today is a little less  
21 than 25 percent of the global gas market, but our storage  
22 infrastructure is over 60 percent of global gas storage  
23 infrastructure.

24           Europe is rather meaningful and very transparent  
25 at a little under 3 bcf. The U.S. complex in the aggregate,

1 the data about the exact number, but it's between 4.3 and  
2 4.4 bcf. China is in the process of being the number -- is  
3 the number three storage center globally, not at all  
4 transparent at a little over -- we think a little over 500  
5 bcf today.

6           So plans to increase that as Mr. Rice said, the  
7 algorithm for, most markets is to keep the storage  
8 facilities in step with the size of the market and expand  
9 them accordingly as the market grows. But what we're going  
10 to find ourselves in again, given the availability of export  
11 infrastructure and the responsiveness of the U.S. system, is  
12 that that capacitor function that Mr. Mahoney is -- and Mr.  
13 Rice spoke to is in part going to fall on the U.S. market.

14           We have a very responsive system, especially the  
15 salt facilities along the U.S. Gulf Coast. We're also  
16 blessed with the fact that those facilities naturally  
17 continue to increase over time and while the residential  
18 commercial market -- the main swing, summer winter swing and  
19 demand domestically, is not a big driver of that additional  
20 capacity. All of these new industrial and of course LNG  
21 export facilities, do rely on high deliverability and high  
22 injection rate storage along the coast.

23           So the system is continuing to improve and become  
24 more reliable and more integrated and the U.S. storage  
25 system will be on the global stage this winter and

1 throughout as again as the global access to that storage  
2 infrastructure is readily available.

3           So we need to continue to work together to make  
4 sure that the system is properly sized, and that  
5 infrastructure is able to properly access storage facilities  
6 and of course, FERC will be absolutely key in insuring that  
7 that is done on a level playing field in a transparent and  
8 environmentally sound way. So those are my additional  
9 comments, thank you.

10           MR. CABRALES: Thank you Mr. Feygin. Dr. Brooks  
11 you have the floor.

12           DR. BROOKS: Thank you. Storage is a simple  
13 word, but it means many, many different things depending on  
14 what you're talking about. So as Mr. O'Mahoney said he was  
15 concerned about days-worth of storage. So he's thinking in  
16 terms of days. When we talk to natural gas generally,  
17 especially when we're talking about gas that is being stored  
18 away for the winter, we're talking months, that's the  
19 timeframe.

20           On the other hand, when we're talking electricity  
21 storage, people are often confused because now we're talking  
22 about seconds and maybe minutes, and possibly hours-worth of  
23 storage which is about all this available technologically  
24 for electricity. So I think that's important to understand.

25           I think what Mr. Feygin said also about the

1 different kinds of storage available in the industry for  
2 natural gas is quite important as well. What you have in  
3 the Northeast is very different when you're talking about  
4 depleted reservoir storage compared to what you have in the  
5 Gulf Coast with salt dome storage which offers much greater  
6 flexibility.

7           So we've been kind of surprised actually, at how  
8 little storage activity there has been building new  
9 facilities since the shale gas revolution started, but I  
10 think it's actually reasonable. There were some projects  
11 that were started that had been a few things built. But I  
12 think the industry as a whole does not see this as being a  
13 very economic investment.

14           And so it hasn't really happened. If you look up  
15 in the Northeast, one of the things that we saw was that in  
16 our models that if we used traditional storage injection  
17 withdrawal patterns in our models, we ended up with  
18 strangely enough price collapses in the middle of the  
19 wintertime, and why was that?

20           Well, because we had such increases -- such large  
21 increases in Marcellus gas production in particular, that  
22 essentially if you had the standard patterns of injection  
23 and withdrawals historically out of these storage facilities  
24 in the Northeast, essentially what would happen would be  
25 that you would be flooding the market with gas during the

1 wintertime.

2           So we saw actually fairly early on when we were  
3 running these scenarios that we had to change the way that  
4 our models were allowing gas storage to be used. Because  
5 that additional production capacity up in the Marcellus was  
6 enabling a lot of the gas demand -- winter demand, to be met  
7 by wells -- by production rather than by storage as had been  
8 done previously when there was very little connection to  
9 Marcellus in the Appalachian area.

10           Nowadays, of course these other issues that take  
11 place which are perhaps beyond the scope of this particular  
12 FERC Conference, but the issue of gas-powered generation.  
13 And in particular, the ability of the gas pipeline delivery  
14 system to meet hourly changing demands for a national -- for  
15 electricity availability through gas-powered generation is  
16 something that has been discussed at various times, but you  
17 know, one of the answers has been to develop some kind of  
18 storage mechanism near let's say a cluster of gas-fired  
19 power plants to be able to handle those loads that could  
20 come on at certain times of the day.

21           So you'd have a more daily or hourly type profile  
22 as opposed to daily type profile that the industry is more  
23 often historically been designed to handle. So storage is  
24 an issue, as to your question Commissioner McNamee, storage  
25 is a very big issue and it really is quite important. And



1 it depends on what commodity you're talking about how this  
2 could be potentially addressed.

3 But again, perhaps some of these issues would be  
4 more appropriately handled at a conference which dealt  
5 specifically with storage.

6 MR. CABRALES: Thank you Dr. Brooks.  
7 Commissioner McNamee, there are no more hands up.

8 COMMISSIONER MCNAMEE: Okay. Thank you. That's  
9 really interesting to hear just how the changes have taken  
10 place from when I even started working dealing with storage  
11 issues and representing natural gas companies, ac's and just  
12 in a short timeframe to see how that's changed.

13 This will be my last question but it's one that's  
14 going to be a little bit difficult to answer because it's  
15 talking about -- a little bit about what happened before the  
16 pandemic, what's happening now and what you see as the  
17 future, but it's about access to capital.

18 Obviously, a lot of the business here, whether  
19 you're a producer, a pipeline, or you know, an airline or a  
20 manufacturer, your access to capital is really important and  
21 I know I've read that there are pressures on industries that  
22 use natural gas or oil, having access to capital. And I  
23 just wanted to hear has that been a problem for anybody? Do  
24 you perceive that it's a future problem?

25 MR. CABRERA: Mr. Rice has his hand up. Go

1 ahead Mr. Rice.

2 MR. RICE: Yeah. So this is certainly one of the  
3 things, access to capital that I think is an issue. I think  
4 look at the number of bankruptcies that have been  
5 announced. These are people that cannot meet the notes that  
6 they signed up for, you know, for largely in the period of  
7 time that was used to fuel the growth in shale.

8 Yeah, so it is something real and this is part of  
9 my supporting statements that I made at the beginning. You  
10 know, we're going to see a pretty significant number of  
11 operators bankrupted because of capital debt. And you know,  
12 the point that I made before, what is going to get us out of  
13 this is going to be to bring the investors back to the  
14 space, energy.

15 It's going to be proving that we're generating  
16 real cash on cash returns and doing it responsibly,  
17 strengthening our social license to operate and really  
18 promoting our ESEC issues, you know, check the box and  
19 really hope that the aspect the influence on investors right  
20 now.

21 MR. CABRERA: Thank you Mr. Rice. Mr. Feygin?

22 MR. FEYGIN: Thank you Commissioner. We're in a  
23 world now where the availability of capital appears to be  
24 quite bifurcated. As Mr. Rice said, there are parts of the  
25 industry that have very challenging times, it is a

1 combination of ESG legacy returns, general biases that have  
2 been developed over the last few years and yet there are  
3 parts of the industry that fall under the infrastructure  
4 umbrella in a low interest rate environment have tremendous  
5 amounts of capital competing for those investments and some  
6 of the private transactions and the hundreds of billions of  
7 dollars which have been raised on the infrastructure side of  
8 our world, are looking for those de-risk projects that have  
9 the right footprint and check the right boxes in terms of  
10 ESG attractiveness, de-risk capacity type payments, et  
11 cetera.

12           So we're in a position now where the value chain  
13 of the industry needs to find ways to access those pools of  
14 capital because as we've discussed before, some of the pools  
15 of capital like the risk capital that was available for  
16 early stage development upstream ENP that was driven by the  
17 types of growth trajectories that were assumed you know, 3,  
18 4, 5 years ago, maybe 10 years ago, no longer exist in the  
19 kind of scale that is needed to maintain the health of the  
20 industry.

21           So what we've seen is as always industry is  
22 finding those creative solutions and the upstream space is  
23 working to warp its business model and its economics at  
24 times into something that does check those ESG boxes, the  
25 infrastructure type investments and offer the types of

1 returns that are attractive.

2           At times record low interest rates for bonds  
3 while the underlying risks really haven't changed  
4 meaningfully from the types of sort of upstream risks that  
5 they had before. So we're in a difficult transition and the  
6 industry is going to have to find ways to respond to that,  
7 but there is capital available, you know. We are fortunate  
8 as Cheniere, to be in a position where we are, an  
9 established operator with these take or pay type contracts  
10 with investment grade counterparties and even at the depth  
11 of the financial stress that we experienced in March and  
12 April really didn't have much of initial access in capital.

13           At our Sabine Pass facility in that timeframe, we  
14 issued a bond that had the second lowest interest rate that  
15 we've ever issued. So it's a challenging and bifurcated  
16 world that the North American upstream and infrastructure  
17 space is going to have to continue to navigate.

18           MR. CABRERA: There are no other hands raised  
19 Commissioner.

20           COMMISSIONER MCNAMEE: All right. Well thank you  
21 all. This has been incredibly informative to me and it's a  
22 lot to think about and a lot of I think, all this is  
23 Commissioners and staff need to think about, so I appreciate  
24 all of you all's time and because I know your time is  
25 important and it really helps us so thank you.

1                   MR. CABRERA: Thank you Commissioner McNamee.  
2 Mr. Chairman, the floor is yours.

3                   CHAIRMAN CHATTERJEE: Yes sir, I don't have any  
4 further questions. So with the remaining time I think we  
5 should turn to staff for any questions.

6                   MR. CABRERA: Thank you Mr. Chairman. I will now  
7 pass it on to Aileen Roder and Kimberly Horner who are with  
8 staff, they will convey some questions from their staff. Go  
9 ahead Kimberly and Aileen.

10                  MS. HORNER : Good morning everyone. I have a  
11 question for FERC staff. It's a consumer question it goes  
12 out to Mr. Lewandowski and Mr. O'Mahoney. The question is  
13 from a consumer perspective, what lessons should energy  
14 industry and regulators take away from this COVID-19  
15 experience?

16                  MR. O'MAHONEY: Perhaps I can start. This is  
17 Matt O'Mahoney. So I think it's just -- its flexibility.  
18 And I keep coming back to that word. We've talked about it  
19 a number of times.

20    You know the policies and  
21 regulations that were in place were very appropriate and  
22 worked out, but this unprecedented nature of COVID-19 I  
23 think makes us need to just take a step back and under the  
24 lens of flexibility, you know, take a look and make sure  
25 that some of the things that have been in place are still

1 practical and reasonable to allow businesses and industries,  
2 especially the airline industry, to recover from this  
3 unprecedented challenge that we face right now.

4 MR. CABRERA: Thank you Mr. O'Mahoney. Mr.  
5 Lewandowski, do you have something to add?

6 MR. LEWANDOWSKI: Yeah actually you know, I think  
7 you all have done a great job as I said earlier and you  
8 know, if I could pick one thing that's been difficult is you  
9 know, the use of technology isn't smooth and that's no fault  
10 --

11 MR. CABRERA: Your audio.

12 MR. LEWANDOWSKI: Can you hear me?

13 MR. CABRERA: Yes. I'm not hearing you.

14 CHAIRMAN CHATTERJEE: I can hear you.

15 MR. LEWANDOWSKI: Okay, so what I was saying was  
16 I think you all have done a great job and in the difficult  
17 part, the frustrating part, not just with you, has been the  
18 technology and that's probably at least my complaint. But  
19 one thing that we also have had a little bit of difficulty  
20 with is some of these Section 4 and Section 5 rate cases,  
21 you know, just not being able to sit in the same room and  
22 put an agreement together or collaborate with each other to  
23 get an agreement.

24 And these rate cases seem to drag on and on, but  
25 again it's no fault of FERC. I think it's just due to the

1 circumstances that we find ourselves in today. But overall,  
2 I think you've done an excellent job.

3 MS. HOMER: Okay. If there are no more answers  
4 to that question, I will pass on to Aileen Roder.

5 MR. RODER: Good morning everybody. Thank you so  
6 much. We really appreciate the discussion today and we hope  
7 Commissioner McNamee will not mind, we're going to sort of  
8 ramp off of one of his questions from yesterday on Panel 2.  
9 I thought it was a really great way to end the panel asking  
10 panelists for obviously it's been a very, very difficult  
11 time during the COVID emergency, but what positive takeaways  
12 can you share with us and as we finish up this panel for the  
13 day, thank you. Please go ahead Mr. Gibson.

14 MR. GIBSON: Well one positive takeaway and I'd  
15 be remiss if I didn't mention it, is just the incredible  
16 dedication and work that our employees on the front line  
17 have done. We appreciate everyone considering the utilities  
18 sector is difficult and essential employees.

19 But they're on the front lines day in and day  
20 out, going into people's homes, interacting with the public  
21 whether it's a customer service agent or a field service  
22 technician, having to reline someone's home or somebody in  
23 construction to make sure the lights are still on and the  
24 gas is flowing.

25 So as one positive note is just how I've seen

1 everybody in the industry step up to support our  
2 communities.

3 MS. RODER: Thank you Mr. Gibson. Mr. Feygin,  
4 would you like to go ahead please.

5 MR. FEYGIN: Yeah, I'd just like to echo those  
6 comments. If somebody said to me you know at the beginning  
7 of this year that the majority of the workforce will work  
8 remotely, obviously key personnel at the facilities will  
9 modify the way they do business. We at Chenier responded in  
10 early March with deploying various teams at the executive  
11 management level, at the business support level and made  
12 modifications to keep our employees healthy and safe and  
13 keep the facilities up and running with reduced staff.

14 And continued to interact with the world,  
15 including the FERC on various issues and projects. You know  
16 one of the things that's obviously changed, it's no longer  
17 socially unacceptable to hear barking in the background  
18 while we're on a call or have, you know, the kids come into  
19 the room, but we collectively have kept the gas flowing,  
20 kept the permitting process moving, kept the construction  
21 efforts going and really the level that everybody has  
22 responded across the system to me has been astounding.

23 So I thank the FERC for its continued dedication.  
24 We always have a number of issues in front of you guys and  
25 the engagement and partnerships which strange during these



1 challenging times and new communication methods. I counted  
2 no fewer than a dozen ways that I communicate these days,  
3 including the Webex and Zooms of today, but it is amazing  
4 how much we collectively have been able to do and keep  
5 people safe and keep the facilities operating.

6           So lots of lessons learned and lots of positives  
7 on the resiliency of the system, thank you.

8           MS. RODER: Thank you very much Mr. Feygin. Let  
9 me call on Mr. Bryson please, go ahead.

10           MR. BRYSON: Yes, thank you. I won't belabor the  
11 points because they're very consistent, but obviously with a  
12 company like ours with over 10,000 employees operating  
13 thousands and thousands of miles of crude natural gas  
14 pipeline, serving communities, critical refineries, et  
15 cetera, if somebody had told me six months ago we would have  
16 been doing this all remotely, and seamlessly, I wouldn't  
17 have believe them.

18           For the employees across our system, our  
19 contractors to rise to the occasion, our ability to work  
20 with regulators, proceed with rate cases, proceed with  
21 construction projects and continue to deliver the energy we  
22 need to deliver has been outstanding.

23           And it's a testament to the people that are  
24 working in our industry, our employees and everybody  
25 involved, so that's my comment. Thank you.

1 MS. RODER: Thank you Mr. Bryson. Mr. O'Mahoney  
2 please?

3 MR. O'MAHONEY: Yeah, I would like to echo what  
4 some of the other panelists have said about employees. For  
5 us in particular, our front line employees, the pilots and  
6 flight attendants, our gate and ramp agents have done a  
7 phenomenal job helping our customers feel safe as they, you  
8 know, make their way through the airport and onto our  
9 airplanes.

10 The other thing I would like to say is just the  
11 collaboration, you know, specifically with the government.  
12 Really appreciative, and a huge lifeline that was able to be  
13 given to the airline industry the 25 billion through the  
14 Cares Grant was incredible. And so all the collaborative,  
15 you know, beyond that with various levels of government has  
16 been phenomenal and it's been great to see the response.  
17 And I really appreciate this Conference and the opportunity  
18 potentially to work closer together and continue that  
19 spirit of collaboration. So thank you so much for the time  
20 this morning.

21 MS. RODER: Thank you Mr. O'Mahoney. Dr. Brooks  
22 please go ahead.

23 DR. BROOKS: Thank you. Well I hate to you know  
24 continue echoing, but I think it's really I do agree with  
25 the sentiments that have been expressed. It is rather

1 amazing. I consider it a testimony to you know, it's not  
2 just the American spirit, I think it's actually global in  
3 response to the situation where so much work has actually  
4 gotten done on a basis that nobody ever thought was  
5 possible.

6           The people that I deal with, you know, you might  
7 think of us as I don't know, thought lifters or something.  
8 You know, we are very fortunate in many ways in that in our  
9 case we were operating remotely 2 or 3 years ago, so you  
10 know, we're used to this. But we have found the ability to  
11 talk with our customers, to talk with others who might be  
12 interested in our product to talk with government officials,  
13 actually throughout the United States, but actually around  
14 the world has been pretty amazing.

15           So I again, second all the comments that have  
16 been made so far that it's really pretty astonishing what  
17 has been done. And I wanted to thank those of you who are  
18 involved in the industry itself for the work that you people  
19 have done in keeping the wheels rolling, you know, during  
20 this time, as well as FERC and what you've been doing as  
21 well, so thank you all very much.

22           MS. RODER: Thank you Dr. Brooks. And Mr. Rice  
23 please, go ahead. I believe your mic is muted Mr. Rice.

24           MR. RICE: All right, sorry about that. Yeah I  
25 think in this pandemic I think it's an opportunity for us to

1 reflect and look at you know, really what are we dependent  
2 on? What's most important to us in these really tough  
3 times?

4           You know, certainly Americans enjoy abundant  
5 cheap energy, but I think that you know, we think about the  
6 energy we should be focused on. You know we've been able to  
7 get by without the oil, without the driving and  
8 transportation. We've been able to do that just fine.

9           Our company has worked from home. Every other  
10 CEO I've talked to has not really had the issues or the  
11 challenges presented from working from home. And for us,  
12 that's well in our carbon footprint. We're eliminating  
13 20,000 miles driven -- not being driven, through our daily  
14 commute there.

15           So but I think what is important is you know,  
16 natural gas has been extremely resilient. You know it's  
17 actually maintained demand fairly well for this period of  
18 time and so this means, you know, that American citizens  
19 relying on the infrastructure in the markets that we created  
20 deliver this energy in this form I think is just showing --  
21 COVID is showing how critical that is.

22           So and the FERC sort of focused on what's going  
23 to have the biggest impact on the public, it's helping us to  
24 continue to create markets for our products, connect  
25 markets, and then hopefully offer markets with storage and

1 other issues like that. So that was sort of my high-level  
2 perspective on this issue.

3 MS. RODER: Thank you very much Mr. Rice.  
4 Handing it back to Omar.

5 MR. CABRERA: Thank you Aileen and Kimberly. Mr.  
6 Chairman, we are done with staff questions and we are ready  
7 to close if that is okay with you.

8 CHAIRMAN CHATTERJEE: Yes. Again, thank you to  
9 the panelists and my colleagues and FERC staff. It was an  
10 excellent discussion and I look forward to resuming the  
11 conversation with Panel 4.

12 MR. CABRERA: Thank you Mr. Chairman. And thank  
13 you to all of our panelists again for your participation.  
14 We will now have an hour and 30 minute lunch break. We will  
15 begin Panel 4 at 1:30 p.m. and we ask our current panelists  
16 again, thank you very much to all of our panelists. Please  
17 sign out of Webex to the extent that you would like to  
18 continue viewing the Technical Conference, please do so  
19 through livestreaming on the Commission event calendar.  
20 Thanks again to everyone involved in this panel.

21 (Lunch break.)

22 Panel 4: Access to Capital - Credit, Liquidity and Return  
23 on Equity

24 MR. CABRALES: Welcome back everyone to the  
25 fourth and final panel of this Technical Conference. This

1 panel is entitled, "Access to Capital - Credit, Liquidity  
2 and Return on Equity." Each panelist will have four minutes  
3 to give an initial opening statement. After the statements  
4 we will begin the question and answer session.

5 We may call for a 15 minute break partway through  
6 this panel, but as the Chairman mentioned, we may forego  
7 that if it looks like we are moving along very well. A few  
8 things with opening remarks. Please I need to remind all  
9 participants to refrain from any discussion of pending  
10 proceedings.

11 If anyone engages in these kinds of discussions,  
12 a FERC staff member will interrupt the proceedings and ask  
13 the speaker to avoid that topic. I will call each panelist  
14 in turn to give his or her opening statement. Could I ask  
15 everyone that is not speaking to please mute their  
16 microphone. Very well, thank you.

17 Well first we have Roger Collanton, he is the Vice President  
18 and General Counsel, California Independent system operator,  
19 on behalf of the ISO/RTO Council. Please go ahead Mr.  
20 Collanton.

21 MR. COLLANTON: Good afternoon, or I guess good  
22 morning for those of us that are on the west coast.  
23 Chairman Chatterjee, Commissioners Danly, Glick, McNamee,  
24 staff and fellow panelists, I'm Roger Collanton, Vice  
25 President, General Counsel and Chief Compliance Officer for

1 the California ISO and I want to thank you first for hosting  
2 this important Technical Conference and for allowing me the  
3 opportunity to participate in this panel discussing access  
4 to capital, credit, liquidity and return on equity issues.

5           First let me start with a brief overview of the  
6 California ISO's response to the COVID-19 crisis and  
7 pandemic. From the start of the news of the COVID-19 crisis  
8 as things started to develop earlier in the year, the  
9 California ISO took steps and all possible steps to first  
10 and foremost protect our people and all the while maintain  
11 grid reliability and well-functioning markets.

12           I'm proud to have overseen that effort and to  
13 still be overseeing that effort. The full credit goes to  
14 our business continuity team and our staff. Our business  
15 continuity team had previously created and now,  
16 unfortunately, implemented the plans for business continuity  
17 including pandemic, and our staff has continued their  
18 dedication, resiliency and vigilance during these uncertain  
19 times and have really done a spectacular job -- very, very  
20 proud of the people here.

21           As events unfolded, we took all steps and  
22 followed all recommendations by the CDC and federal and  
23 state medical experts to keep our employees safe at work.  
24 We segregated critical control room personnel to ensure that  
25 in the case of an outbreak we minimized any impact on the

1 control room operation. And we're pleased to report that  
2 there has been no such impact.

3           We have maintained normal operations. When stay  
4 at home orders started being issued, we successfully  
5 transitioned all employees who could work from home to do  
6 so. And frankly, the company has never skipped a beat.

7           We continue to monitor the situation for our  
8 employees and for our markets, monitoring federal and state  
9 guidance and will do, and continue to do everything in our  
10 power to keep our employees safe and maintain our critical  
11 operation.

12           With regard to today's panel, I'd like to make  
13 three main points for the ISO and RTO markets. The question  
14 for us is whether there are any additional credit risks in  
15 these markets arising from the COVID-19 Pandemic. And to  
16 that issue first, let me say that the practices and  
17 procedures that are in place and have been in place, some  
18 for some time and others based on recent developments, are  
19 working as intended to assess the credit risk and they're  
20 working during the COVID-19 Pandemic.

21           We review various factors to assess our credit  
22 risk and to ensure either that our market participants are  
23 qualified for unsecured credit, or that adequate collateral  
24 exists relative to market systems positions. This includes  
25 our tariff rules for creditworthiness and in addition



1 continue our monitoring to try to make sure that we avoid  
2 any surprises in the markets and so that we stay on top of  
3 things as they develop, again trying to protect our market  
4 from undue exposure to the fall risk.

5           Second, we have not seen increased credit risk  
6 among our market participants from the COVID-19 Pandemic,  
7 nor have we observed heightened risk profiles in connection  
8 with specific types of market participants, IOUs, ESPs, et  
9 cetera.

10           Third, we are not relaxing -- even though we have  
11 not seen an increased credit risk. We need to be in these  
12 times even more vigilant because we understand that the  
13 long-term economic impacts of the COVID-19 Pandemic are  
14 likely not yet realized and we are keenly aware of that.

15           We're paying attention to liquidity, which we  
16 think is probably the most immediate concern and we  
17 understand the fact that COVID-19 has disrupted financial  
18 markets -- could affect the liquidity sources for our market  
19 participants and make it more difficult for them to cover  
20 their positions in the electricity markets.

21           But again to date, we have not seen that impact  
22 come to fruition in the ISO and RTO markets. So what are  
23 we doing? We're increasing our monitoring. All the ISOs  
24 and RTOs are doing so, and again as I noted, to avoid  
25 surprises. And we are staying ever rigidly on that.

1           But generally as an industry, I think we need to  
2 emphasize the importance of maintaining our credit  
3 protections. The Commission has recently provided increased  
4 discretion to certain ISOs and RTOs to provide for more  
5 stringent credit requirements. And we believe that the  
6 flexibility for each ISO and RTO to assess the risks in  
7 their regions and markets is important.

8           And overall, we need to continue to assess and  
9 improve our monitoring detecting practices, and adapt if  
10 necessary, to advanced credit risk issues as they come,  
11 however they come.

12           So again, thank you for the opportunity and I  
13 look forward to the remainder of the panel.

14           MR. CABRALES: Thank you Mr. Collanton. Next we  
15 have Kimberly Dang, President of Kinder Morgan. Please  
16 proceed Miss Dang.

17           MS. DANG: Okay, thank you. My name is Kimberly  
18 Dang. I'm President of Kinder Morgan. We own and operate  
19 approximately 70,000 miles of natural gas pipelines, about  
20 12,000 miles of liquids pipelines and one operational LNG  
21 facility.

22           Pipelines remain the safest and most  
23 environmentally friendly, and most efficient means of  
24 delivering many natural gas resources and petroleum -- and  
25 refined petroleum products. Thank you for inviting me to

1 participate on this panel.

2           Since March of this year, most Kinder Morgan  
3 employees have been working remotely. The primary  
4 exceptions are those physically operating our assets, and  
5 those in the field maintaining that infrastructure. For  
6 those employees, we are adhering to guidance from the CDC,  
7 including temperature screening, deep cleanings for  
8 facilities, social distancing and masks.

9           As we continue to deliver critical services our  
10 priorities have remained clear. One -- keep our family,  
11 coworkers and communities safe and two -- continue operating  
12 our assets to deliver the energy that our country needs.  
13 Here is what we are seeing in our FERC-regulated businesses.

14           For natural gas industrial demand and exports to  
15 Mexico and LNG have decreased, but demand from local  
16 distribution companies and power generators have remained  
17 steady and seasonal.

18           One of our primary challenges in the current  
19 environment is working with our distressed shippers to  
20 ensure our pipelines are sufficiently secure so we can  
21 continue to attract capital. Under the FERC's credit  
22 policies, which place an arbitrary three month cap on credit  
23 support, for all but new expansion capacity, we cannot  
24 sufficiently secure our multi-year credit risk.

25           Rather than being limited to a one size fits all

1 three month cap, pipelines and customers should be able to  
2 freely negotiate credit requirements based on a particular  
3 shipper's unique credit worthiness in the market.

4           Natural gas pipelines continue to experience  
5 significant challenges constructing needed infrastructure  
6 due to issues and requirements that pre-existed, but are  
7 exacerbated by the current economic recession. For example,  
8 there are organizations across the country willing to use  
9 any and all venues to disrupt, delay and stop projects  
10 regardless of those projects' significant benefits.

11           As you know, linear infrastructure is uniquely  
12 vulnerable to these attacks without a strong lead agency  
13 like FERC. Clear rules, efficient reviews, and reasonable  
14 schedules with predictable finality are all contemplated by  
15 the Natural Gas Act and are more crucial now than ever.

16           I commend the FERC on its efforts recently to act  
17 more quickly on requests for rehearing. However, the  
18 pipeline industry was caught off guard by the recent Instant  
19 Rule, and projects were thrown into limbo. Now that the DC  
20 Court has confirmed that the FERC cannot issue  
21 non-substantive tolling orders, Kinder Morgan encourages the  
22 Commission to withdraw the Instant Rule or at very least  
23 modify it, through a formal notice and comment process.

24           Uncertainty and delay increase project  
25 development costs significantly and can make needed projects

1 untenable. By switching to refined products, overall  
2 volumes on our refined product pipelines went down in April  
3 approximately 40 percent. Since then, volumes have  
4 stabilized for gasoline and diesel, but jet fuel remains  
5 very weak.

6           We expect continued improvement as the economy  
7 recovers, but there are many impacts of this current  
8 pandemic that remain uncertain. If new outbreaks and  
9 economic contractions continue, there could be permanent  
10 changes in the way we work -- more telecommuting, less air  
11 travel, so we could have permanent volume metric decreases.

12           Here, as with our natural gas pipelines, we also  
13 face opposition, challenges and uncertainties that  
14 pre-existed COVID but that are exacerbated by the current  
15 situation. For example, the Commission recently began its  
16 five year review of the annual index for liquids pipelines.  
17 At a time when demand for petroleum products is being  
18 significantly impacted, it is especially important for the  
19 Commission to ensure that the improved inflation adjustment  
20 for the next five years reflects the actual inflation being  
21 experienced.

22           We encourage the Commission to differentiate  
23 between policy changes that do not reflect the inflationary  
24 cost changes and the actual inflation faced by the liquids  
25 pipeline industry.

1           For both the gas and liquids pipelines, the  
2 growing risks and uncertainties dictate the investors  
3 require higher returns. We are in a competitive industry.  
4 We do not operate in a franchise territory. We're not  
5 guaranteed recover of our cost of capital. We happily  
6 compete and thrive in this environment, but our greatest  
7 risk remains regulatory.

8           Investors simply will not continue to invest in a  
9 pipeline portfolio where FERC cuts our rates on performing  
10 assets while we cannot recover our costs of service on  
11 underperforming assets.

12           Several weeks ago, the Commission issued a policy  
13 statement on return on equity for oil and gas pipelines. We  
14 believe the Commission correctly stressed flexibility, but  
15 the Commission should go further by one -- accepting more  
16 representative and rational proxy groups for natural gas  
17 pipelines. Two -- supporting returns that enable pipelines  
18 to raise capital. Three -- ensuring that return decisions  
19 properly consider the impacts of COVID-19, including the  
20 increased credit risk, and four -- by developing a return  
21 component for heavily depreciated pipelines.

22           We want to continue to partner with FERC, our  
23 customers and other stakeholders. Thank you and I look  
24 forward to your questions in this discussion.

25           MR. CABRERA: Thank you very much Miss Dang. Our

1 next panelist is Mauricio Gutierrez, President and Chief  
2 Executive Officer NRG. Please go ahead Mr. Gutierrez.

3 MR. GUTIERREZ: Thank you. Mr. Chairman,  
4 Commissioners, my name is Mauricio Gutierrez, CEO of NRG. I  
5 appreciate the opportunity to address this Technical  
6 Conference. From the beginning of the COVID-19 Pandemic,  
7 NRG has taken aggressive steps to keep our employees safe  
8 and healthy while providing continuous service to our  
9 customers.

10 We successfully moved 95 percent of our in-office  
11 workforce to remote status and I am glad to share that we  
12 were able to maintain full operational capabilities  
13 throughout the crisis. Over the last few years, we have  
14 been focused on improving the balance sheet and financial  
15 position of our company.

16 We sold non-core businesses and reduced our total  
17 debt by 70 percent to best position the company to perform  
18 through all market cycles. When the COVID-19 Pandemic  
19 struck, we relied on our strengthened financial position to  
20 ensure we had sufficient liquidity to continue serving our  
21 customers and operating our power plants without  
22 interruption.

23 Our diversified sources of liquidity allow us to  
24 avoid short-term market disruptions and higher financing  
25 costs. NRG is a competitive producer and retailer of power.

1 As such, we are subject to losses and increased costs that  
2 results from COVID-19.

3 We are not allowed by state or federal regulation  
4 to record regulatory assets on our books to offset COVID-19  
5 losses. We have no ability to defer losses on the  
6 assumption that regulation will subsequently reimburse us.  
7 That is fair. As a company that serves the wider economy,  
8 we expect to feel its ups and its downs. The firms on  
9 transactions you regulate are commercially sophisticated.

10 There is a universal financial instrument  
11 available to them to hedge risk. Ad hoc intervention by the  
12 Commission risks amplifying the moral hazards already  
13 present in the industry, like out of market payments to  
14 specific market participants, but jeopardizes the integrity  
15 and well-functioning of competitive markets.

16 In the many places the Commission regulates, it  
17 has used competitive marks to fulfill its mandate to set  
18 just and reasonable rates. We operate extensively in those  
19 markets. Our revenues depend on our ability to compete  
20 against our peers and to earn the business of our customers  
21 with compelling and innovating products and services.

22 We do not ask the Commission to establish a  
23 return on our investment. We expect the market to set an  
24 appropriate return, and provide the necessary pricing as to  
25 make investments in the most efficient manner.



1           What is important to us is the efficient  
2 regulation of those markets. This means the timely  
3 resolution of contested proceedings, consistent regulation  
4 across markets and the Commission's rejection of special  
5 pleadings that seek favorable treatment for particular  
6 market participants.

7           The Commission could do nothing more important at  
8 this time than pursuing its caseload in an efficient manner,  
9 and to ensure that market operators will implement the  
10 Commission's orders, do so in an expeditious fashion.

11           I want to thank the Commission in its efforts so  
12 far on these points. The Commission does set prices  
13 directly for transmission and I hope it is cognizant of two  
14 things before it considers adjustments to ratemaking policy  
15 in response to COVID-19 Pandemic and the economic downturn.

16           First, investors in the power sector have a  
17 choice of where to invest their capital. If the Commission  
18 is too generous to project regulated returns and therefore  
19 lower risk, it will diminish the willingness of the  
20 investors to invest in our business, which relies solely on  
21 the competitive market to set prices.

22           Second, the Commission's competition policy has  
23 driven down energy prices and returns for those of us in the  
24 competitive power-generation business. Market clearing  
25 prices for energy continues to fall while transmission rates

1 continue to rise at a concerning pace. Now may be an  
2 appropriate time to apply the principles of competition to  
3 transmission projects so we can ensure consumers receive a  
4 fair deal.

5 Thank you for your time today and this afternoon,  
6 my three takeaways from you are straight forward. COVID-19  
7 should not be used as an excuse to adopt unrelated  
8 regulatory policies. Competition is working in the electric  
9 power sector. Lowering costs while protecting consumers  
10 from COVID-19 related risk and regulatory uncertainty  
11 remains a major threat to competitive parts of the sector.

12 The Commission's efficient work on the dockets  
13 can help resolve those concerns. It should also insist that  
14 its orders are carried out in a timely manner by the market  
15 operators responsible for executing them. Thank you Mr.  
16 Chairman and Commission.

17 MR. CABRERA: Thank you Mr. Gutierrez. Up next  
18 is Charles Jones, Chief Executive Officer and Member of  
19 Board of Directors FirstEnergy Corp. Please proceed Mr.  
20 Jones.

21 MR. JONES: Chairman Chatterjee and  
22 Commissioners, thank you for hosting this important  
23 Conference to discuss COVID-19's impact on the energy  
24 industry. I want to recognize up front that the topics you  
25 have asked us to address today necessarily raise a number of

1 important policy issues being considered in a variety of  
2 FERC proceedings.

3           To the extent the Commission thinks my remarks  
4 today address issues and specific cases, please let us know  
5 and I will be glad to submit my remarks and relevant  
6 portions of today's transcript into the dockets of the  
7 relevant cases.

8           2020 has been quite a year so far. No one could  
9 have foreseen what has happened to our country. The U.S.  
10 economy was shuttered in less than three weeks. That was  
11 unimaginable. Our country was then upended by horrifying  
12 images of racial discrimination and violence.

13           I wanted to associate myself and FirstEnergy with  
14 Chairman Chatterjee's comments at the start of FERC's last  
15 open meeting. We condemn these acts. They have no place in  
16 our society and never will in our company. We stand with  
17 our employees, customers and communities in strengthening  
18 our commitment to diversity, inclusion and social  
19 responsibility. We must strive to make our country a  
20 better place now and for future generations.

21           As we've continued to provide the energy our  
22 customers and communities need during this health emergency,  
23 my first priority has been to keep our employees, our  
24 families and our customers safe. We're going to continue to  
25 put health and safety first, and do what's necessary to keep

1 the lights on for our customers throughout this ongoing  
2 crisis. That includes investing and maintaining our vast  
3 transmission system. As we all know, the transmission  
4 system is the backbone of the nation's electric grid,  
5 ensuring that infrastructure remains up to date and in top  
6 condition is critical to keeping safe, reliable power  
7 flowing to customers around the clock.

8           Over the past few decades, however, there's been  
9 a lack of investment in the bulk electric system. As a  
10 result, we are facing an urgent need to replace widespread  
11 aging infrastructure in order to avoid putting reliability  
12 at risk.

13           In PJM, two-thirds of the transmission assets in  
14 the region are more than 40 years old and approximately half  
15 of those assets are over 50 years old. At First Energy,  
16 about one-third of our transmission line miles have already  
17 exceeded their 60-year useful life.

18           The age and condition of the transmission system  
19 in the PJM region poses a significant risk to reliability.  
20 That's why a central component of our "Energizing the Future  
21 Program," is focused on modernizing and strengthening the  
22 system by replacing aging transmission lines and equipment  
23 to enhance reliability for our customers.

24           These infrastructure investments are particularly  
25 critical now as our industry faces a rapidly changing energy

1 mix, marked by smaller, distributed generating sources. As  
2 centralized, baseload sources like coal and nuclear  
3 generation retire and are replaced by more renewables, it's  
4 crucial that the transmission system is prepared to handle  
5 intermittent generating sources and more fluctuation in  
6 output.

7           I have a serious concern that without access to  
8 capital, these transmission projects cannot be undertaken.  
9 Financial markets have long been concerned about the  
10 uncertainty created by the lack of a long-term and durable  
11 ROE policy. The complications brought about by COVID-19  
12 only compound this situation.

13           It's critically important for FERC to remove that  
14 uncertainty and give investors confidence that utilities  
15 will have an opportunity to earn reasonable returns on their  
16 transmission investments. While I won't go into specifics,  
17 there is more work to be done to establish ROEs that are  
18 sufficient enough to attract necessary and sustainable  
19 investments in the bulk electric system -- investments that  
20 not only benefit customers by improving local reliability,  
21 resiliency and security, but can also help fuel the  
22 economic recover from the COVID-19.

23           If there was ever a time when we needed immediate  
24 FERC action to stimulate investment, it's now. In addition,  
25 transmission owners' ability to manage their own assets and

1 plan much-needed transmission projects is equally important.  
2 Transmission owners are best positioned to understand the  
3 condition of their assets and determine the need for  
4 maintenance, replacement and improvement.

5           Asset management is a living, breathing,  
6 every-changing process and transmission owners who operate  
7 their systems every day and carry the legacy knowledge  
8 required to make decisions that impact the performance of  
9 the electric grid. It's essential that we continue to  
10 depend on their expertise and asset management and  
11 cost-effective transmission planning.

12           The transmission system continues to provide  
13 reliable service for customers in the COVID-19 Pandemic.  
14 Now, more than ever, our focus should be on continued  
15 provision of safe, reliable transmission service.

16           To enable that, we need to concentrate on  
17 regulatory treatments and policies that can help ensure  
18 access to capital, sufficient cash flow and adequate ROE and  
19 ROI for utilities. And we've got to ensure that  
20 transmission owners continue to manage their own assets and  
21 plan projects essential to providing reliable service to  
22 customers. Thank you.

23           MR. CABRALES: Thank you, 30 more seconds,  
24 perfect. Thank you Mr. Jones. Next is Phil Moeller,  
25 Executive Vice President, Business Operations Group and

1 Regulatory Affairs of Edison Electric Institute. Please go  
2 ahead Commissioner Moeller.

3 COMMISSIONER MOELLER: Well thank you Omar. And  
4 Chairman Chatterjee, Commissioners Glick, McNamee and Danly,  
5 thank you and the staff for holding this Conference and  
6 thank you for inviting EIs to testify in front of you. I  
7 look forward to this discussion today. In my time I'm going  
8 to cover four areas pretty briefly.

9 First of all, appreciation to the Commission for  
10 all you've done in the crisis. I'll talk a little bit about  
11 the shutoff moratorium and the process that we're going  
12 through on that nationwide. A little bit about CFO survey  
13 that we conducted related to bad debts and uncollectibles  
14 and then very generally talk about issues, hopefully we  
15 don't get into any sensitive areas.

16 So we want to thank the entire Commission for the  
17 way you've responded to this crisis. From the very  
18 beginning, pointing here before the contact, the  
19 flexibilities in some of the requirements that you talked  
20 about yesterday, the letter that you sent to the Federal  
21 Reserve, along with President Presley of NEHRU, the  
22 short-term commercial paper issue.

23 Encouraging us to just file if we have questions,  
24 very good. And then even the detail of the accounting order  
25 from a few weeks ago, the AFUDC that the accounting staff

1 worked on, all very helpful. So thank you for your  
2 responsiveness to our industry. I think you know that EEI  
3 is the Association of Energy Companies in the United States  
4 serving all 50 states, plus D.C., 220 million Americans.

5           So there's a lot at stake here. Moving to the  
6 shutoff moratorium, in March all of our member companies  
7 voluntarily agreed to a moratorium on shutoffs. And a big  
8 focus of this has been on working with customers, making  
9 sure that they can develop payment plans, having all kinds  
10 of other options that are state Commission can improve so  
11 that we can help people through this.

12           Now some of the states have started to lift those  
13 moratoriums, but again, it's in the context of allowing our  
14 existing customers to deal with existing programs that will  
15 help them through it that's kind of the key and it is really  
16 on a state by state basis. So we're very concerned, and I  
17 think you should be aware of the fact that there's some  
18 language out of Congress that would deal -- would  
19 potentially mandate a moratorium nationwide, and that has  
20 your colleagues at NARUC and your friends at NACIKA very  
21 concerned as are we because that would take a lot of  
22 flexibility out of the ability of our companies to deal with  
23 our customers.

24           Are we going to see it goes through on a monthly  
25 basis of bad debts and uncollectibles, and we're still



1 getting the numbers in from June, but preliminarily I think  
2 it's fair to say that there's been a meaningful and  
3 increasing amount of delinquent customer accounts, less so  
4 on a residential level, more so on industrial and  
5 commercial.

6 But it does represent a bit of a threat going  
7 forward -- a risk essentially. So moving to the ROE issues,  
8 there's a lot of talk -- we'll talk about it on this panel,  
9 and I know you want me to stay very general about it, but  
10 it's the policies that have been put in place before the  
11 pandemic that allows for the infrastructure to be there to  
12 serve people during the pandemic.

13 So again, stability, making sure that those  
14 returns can continue to attract capital is the key, because  
15 even though the long-term rates are very low right now, our  
16 implied cost of equity has increased. So the market  
17 perception of risk in our industry has increased  
18 significantly by the ingredients that I've talked about.

19 Again, thank you for having me. Thank you for  
20 inviting me. Thanks for this Conference. I look forward to  
21 the Q and A session.

22 MR. CABRERA: Thank you Commissioner Moeller. Up  
23 next is Antonio P. Smyth, Senior Vice President,  
24 Transmission Ventures Strategy and Policy American Electric  
25 Power. Please proceed Mr. Smyth.

1           MR. SMYTH: Thank you Omar. Chairman Chatterjee,  
2 Commissioners Glick, McNamee, Danly and FERC staff, thank  
3 you for the opportunity to participate in this important  
4 dialogue. My name is Antonio Smyth, and I'm Senior Vice  
5 President of Transmission Strategy and Policy at American  
6 Electric Power.

7           AEP is one of the largest electric utilities in  
8 the United States, serving more than 5.5 million customers  
9 across an 11 state footprint. AET also owns the nation's  
10 largest high-voltage electric transmission system, a more  
11 than 40,000 mile network that serves a large portion of the  
12 electricity demand in the Eastern Interconnection in ERCOT.

13           The electric transmission grid in North America  
14 is considered the largest machine in the world. Our modern  
15 society depends on a reliable grid as an essential resource  
16 supporting the nation's health, welfare and security. The  
17 power grid is at the heart of our systems for  
18 communications, finance, transportation, healthcare, food  
19 and water supply.

20           Recent experiences demonstrated the foundational  
21 importance of having a power grid in the power sector that  
22 is robust and capable of seamlessly serving customers in  
23 the face of unexpected stresses like the COVID-19 pandemic.

24           The economic downturn caused by COVID-19 and the  
25 resulting impacts on our load and our customers' ability to

1 pay their bills, are the most acute pandemic-related  
2 financial risk factors AEP faces. Moreover, market  
3 volatility has returned in a significant manner.

4           Although we do not currently face liquidity  
5 issues at this time, at the beginning of the crisis, AEP and  
6 other utilities had to act outside of normal business course  
7 to ensure adequate liquidity. As a reaction to the lack of  
8 liquidity in the commercial paper markets, AEP and a number  
9 of other utilities quickly entered into term loans to reduce  
10 reliance on commercial paper to meet short-term funding  
11 needs.

12           In March, AEP and other utilities had to cancel  
13 announced long-term debt issuances and re-enter the market  
14 at a later point in time. We are currently managing around  
15 slowdowns in key supply chains. Thus far, we have managed  
16 to mitigate significant grid project delays or financial  
17 stain due to delays of getting transmission projects into  
18 service and eligible for cost recovery.

19           However, given load reductions and economic  
20 uncertainty, AEP has made revisions to certain operations  
21 and maintenance programs and capital investment plans as  
22 precautionary measures.

23           Our 2020 revised load estimates are down 3.4  
24 percent. Moreover, more of our retail customers have had  
25 and will continue to have difficulty paying utility bills.

1 State regulators have typically authorized deferral of bad  
2 debt costs through regulatory asset mechanisms. Thus, we  
3 expect that most of the increased bad debt costs will be  
4 recovered on a deferred basis, but the timing of recovery is  
5 not yet known.

6           With respect to FERC-jurisdictional rates, AEP  
7 has transmission formal rates in place that are annually  
8 trued-up for changes in actual costs and loads. However,  
9 the volatility in the financial markets, the challenges  
10 posed by shifting demand and uncertainty relating to the  
11 pace and shape of future economic recovery remain a  
12 significant threat to the sector.

13           Investment and transition infrastructure benefits  
14 customers by ensuring reliable electric service in very  
15 important ways by lowering energy market prices by enabling  
16 the next most cost-effective megawatt to be dispatched into  
17 the markets. This infrastructure investment also supports  
18 jobs, tax revenues and the economy as the nation works to  
19 recover from the economic downturn caused by the pandemic.

20           The Commission and staff have done a remarkable  
21 job during the pandemic by properly focusing on how its  
22 policies can most effectively support the financial health  
23 and continue infrastructure investment capabilities of the  
24 electric sector. The Commission's ratemaking policy and in  
25 particular, its return on equity policies, play a critical

1 role in supporting stable cash flows and credit ratings of  
2 utilities, which in turn enable robust grid infrastructure  
3 investment.

4 Thus, the most important action the commission  
5 can take is to ensure that returns on equity are stable over  
6 the long-term and are adequate to raise capital and maintain  
7 credit quality so utilities can continue to invest in vital  
8 grid infrastructure.

9 Additionally, the Commission should continue to  
10 work to develop an incentive rate policy that supports the  
11 needed levels of transmission investment in an uncertain  
12 future. In conclusion, sound Commission ratemaking policies  
13 are particularly important at this time as the electric  
14 sector continues to work hard to provide critical services  
15 to the nation. Thank you for organizing this Conference,  
16 and for inviting me to participate. I'll look forward to  
17 any questions that you might have, thank you.

18 MR. CABRERA: Thank you Mr. Smyth. Our next  
19 panelist is Christine Tezak, Managing Director Clearview  
20 Energy Partners. Please go ahead Miss Tezak.

21 MS. TEZAK: Good afternoon. I'm Christine Tezak,  
22 Managing Director of Clearview Energy Partners. We thank  
23 the Commission for its invitation to participate in today's  
24 Technical Conference.

25 Clearview is an independent research firm based

1 in Washington, D.C. We assist financial investors and  
2 corporate strategists by identifying how legislation,  
3 regulation and politics impact investment in the energy  
4 sector. We are analysts, not lobbyists, not consultants,  
5 and we do not represent corporate or partisan interest in  
6 any fashion.

7           Let's focus our comments on two areas. First  
8 return on equity policies and outlook we are observing for  
9 LNG export projects. Regulatory consistency and continuity  
10 are critical through this unprecedented period of economic  
11 uncertainty. We share the view that regulatory policy  
12 stability helps energy infrastructure investors, as well as  
13 the credit rating agencies and the equity analysts advising  
14 them to look through market volatility and focus on the  
15 fundamentals of the underlying businesses.

16           We provided examples of our REO analyses in the  
17 written version of our comments, but don't translate very  
18 well in oral delivery. But our analyses indicate that the  
19 Commission's REO models have and are likely to continue to  
20 indicate lower required returns for electric utilities  
21 compared to pipeline companies.

22           We would also suggest that this difference is an  
23 appropriate reflection of the relative risks and the  
24 underlying stress for the businesses, and the nature of the  
25 customers they serve. Investor's appetites are not uniform

1 and investment changes -- investment does change with market  
2 conditions. Investor's risk tolerances also vary.

3           A flight to quality as the market responds to  
4 economic stress is like lower relative returns for the most  
5 stable businesses. Indeed, the applied ROE is indicated by  
6 the models for electric utilities remained essentially  
7 stable over the last six months of this year even though the  
8 equity market took quite a relative divide.

9           In our view, if the Commission policy is to rely  
10 on market-based information, then regulatory stability is  
11 strengthened when that information is used. This includes  
12 recognition of structured lower interest rates since the  
13 2007-2009 financial crisis, consideration of changes to the  
14 spread between the return of higher and lower risk  
15 companies.

16           To put it more simply, we would argue that there  
17 is no right or wrong ROE level in absolute terms that the  
18 Commission should be trying to back into. Beyond the  
19 COVID-19 crisis, secular shifts challenged the prospects for  
20 natural gas and liquid pipeline infrastructure. Many states  
21 are lowering the carbon emissions of their electric  
22 generation portfolios and in some cases, full carbonization  
23 by a date certain.

24           This calls into question longer-term demand  
25 growth rates for natural gas and by extension, natural gas

1 pipeline infrastructure. Municipalities are enacting bans  
2 on new natural gas for customer homes and businesses in  
3 favor of electrification supplies by non-GHG emitting  
4 resources.

5           Similarly, the growing interest in  
6 electrification of transportation to lower greenhouse gas  
7 emissions in the economy generally challenge the long-term  
8 growth prospects of the products carried by liquid  
9 pipelines. In contrast to these trends, these are not  
10 negative for the electric transmission sector, which we  
11 expect will continue to be vetted and authorized by  
12 regulators to replace aging infrastructure to accommodate  
13 new, lower carbon generation resources and potential  
14 incremental demand in transportation electrification.

15           On the LNG side, we also see a challenging  
16 environment. Through June 30, we've tallied 12.2 bcf per  
17 day of capacity in the United States and 8.3 bcf per day of  
18 international process that has delayed financial investment  
19 -- final investment decisions.

20           At present, the U.S. present sponsors that have  
21 deferred their planned FID have pushed them out 12 months,  
22 but some international sponsors have adopted more open-ended  
23 delays, which we think underscores the significant  
24 uncertainty for a market that is underpinned by multi-year,  
25 multi-billion dollar investments.



1 Reuters has reported cancellation of LNG cargos  
2 in excess of 1 per day, that's 40 to 45 cargos, for both  
3 July and August. As indicated, the pipeline facilities, the  
4 credit worthiness and the financial health of the shippers  
5 and the demand outlooks to the end use market shapes the  
6 rich horizons for individual terminal operators and will  
7 likely have the underlying contract structures for their  
8 down price protection in the take or pay construct.

9 As was addressed in the last panel, the medium  
10 and long-term outlooks for this sector is particularly  
11 uncertain. On behalf of Clearview, I thank you for this  
12 opportunity and I look forward to your questions.

13 MR. CABRERA: Thank you Miss Tezak. Our next  
14 panelist is Steve Young, Executive Vice President and Chief  
15 Financial Officer of Duke Energy. Please go ahead Mr.  
16 Young.

17 MR. YOUNG: Thank you. Good afternoon Mr.  
18 Chairman, Commissioners, FERC staff and my fellow panelists.  
19 I appreciate the opportunity to participate in the  
20 discussion today. The background on Duke Energy, we are one  
21 of the largest regulated providers of energy utility  
22 service, serving roughly 25 million electric and natural gas  
23 customers in the Midwest, and Southeast United States.

24 The provision of these essential services to our  
25 customers is accomplish through investing approximately 10

1 billion dollars of capital each year. 2020 has presented  
2 challenges for many industries across the globe and the  
3 energy and the utility industries are not immune. Duke  
4 Energy, along with many utilities, must account for the  
5 capital-intensive nature of our business and we continue to  
6 make significant investments to modernize the energy grid,  
7 generate cleaner energy and expand natural gas  
8 infrastructure -- all of which position the company to serve  
9 customers with reliable, affordable and increasingly clean  
10 energy now and well into the future.

11           As a consequence of the essential services we  
12 provide and the capital intensity of these services -- the  
13 rates we are permitted to charge for those services are  
14 overseen by this Commission and by state Public Utility  
15 Commissions. We have a five year capital investment plan of  
16 56 billion dollars, virtually all of which is in our  
17 electric and gas utilities.

18           To fund these significant capital investments, it  
19 is essential that we are able to attract debt and equity  
20 capital in the same financial markets utilized by our peers  
21 and by other non-regulated businesses to provide effective  
22 service to the public. If access to the capital markets is  
23 unduly impaired, our ability to provide customers the safe  
24 and reliable energy at a reasonable cost is jeopardized.

25           In early 2020, particularly beginning in March of

1 this year, the debt and equity markets experienced  
2 significant volatility creating concerns about access to  
3 reasonably priced capital across the industry. In fact,  
4 access to markets was severely restricted and if access  
5 could be obtained, the cost was quite high on a relative  
6 basis.

7           To illustrate the magnitude of this year's  
8 volatility in the 48-day period between February and April  
9 2020, there were 24 days when the equity market moved more  
10 than 3 percent. In the prior three years, there were only  
11 six such days with market moves of 3 percent or greater. In  
12 addition, short and long-term borrowing rates nearly doubled  
13 in a two-week period in March.

14           The Treasury Department supported credit markets  
15 and the impacts of federal stimulus legislation funding were  
16 critical to stabilize the situation. You cannot become  
17 complacent. And given the COVID-19 virus is not yet under  
18 control, we continue to see high unemployment rates, the  
19 economy could face additional problems. The oncoming  
20 hurricane season only exacerbates the situation for  
21 utilities, particularly those electric utilities that serve  
22 Southeastern franchises.

23           Duke Energy, like many utilities I suspect is  
24 cash flow negative and projects to be so throughout our  
25 five-year planning horizon. This is not a new phenomenon

1 and is due to the significant capital investment  
2 requirements. As I stated earlier, Duke Energy's capital  
3 plan of over 10 billion per year is needed to maintain,  
4 modernize and expand our infrastructure to meet the  
5 customer demands and growth.

6           We must make investments in new transmission  
7 infrastructure as customer base grows. We must make  
8 investments to bolster the transmission grid with strong  
9 equipment to better withstand extreme weather events. We  
10 must invest in technologies that facilitate the ability to  
11 de-carbonize our generation fleet. In order to meet these  
12 demands, we must have confidence in the ability to access  
13 capital markets.

14           Correspondingly lenders, meaning bond holders and  
15 shareholders must have confidence that utilities will be  
16 able to recover these financing costs in rates. We  
17 recognize the challenge our customers and employees face in  
18 times like these, and have responded by suspending  
19 disconnections, waiving late fees, granting employee  
20 stipends and contributing to community shareable  
21 organizations.

22           These are the right things to do, but they also  
23 increase funding pressures. Customer accounts in arrears  
24 have increased 68 percent when comparing May of 2019 to May  
25 of 2020, and that's directly tied to the COVID pandemic.

1           Duke Energy, and many of our peer utilities are  
2 tightening our belts to help ease the financial stress, but  
3 regulatory support is critical to continue to provide  
4 adequate service. Specifically, we're looking for our  
5 regulators to provide adequate and timely recovery of costs.

6           This means setting returns that are appropriate  
7 given the increased risk in the marketplace. And recovery  
8 periods that are not overly expanded. This will instill  
9 confidence in investors who are critical to funding the  
10 projects required to provide reliable service.

11           As a result of the COVID-19 Pandemic, our  
12 customers have effectively become -- our customers homes  
13 have effectively become their offices, their restaurants,  
14 their schools, so we recognize the importance of providing  
15 reliable service while we all adjust to this current  
16 environment.

17           At the same time we must maintain our financial  
18 strength, access to capital, credit ratings and liquidity  
19 position to attract investors and keep rates affordable. I  
20 look forward to the continued dialogue around this  
21 Conference today and the many perspectives that will be  
22 shared as part of the panel discussion. Thank you.

23           MR. CABRERA: Thank you Mr. Young and thank you  
24 to all the panelists. Now we will begin the question and  
25 answer session. If a panelist would like to answer a

1 question, please use the Webex raise your hand function.  
2 Following with the raise your hand function, please turn on  
3 your microphone and indicate that you would like to respond.  
4 I will call panelists that raise your virtual hand or  
5 otherwise indicate that they would like to answer in turn.

6           Once I do so, please turn on your microphone and  
7 respond to the question. Turn off your microphone and lower  
8 your virtual hand when you have completed your answer. I  
9 will now turn it over to Chairman Chatterjee for questions.  
10 Mr. Chairman.

11           CHAIRMAN CHATTERJEE: Thank you and thank you to  
12 all the panelists for a great discussion. For my first  
13 question I'll start with Miss Dang. I appreciate you being  
14 here today. What is the most important takeaway for my  
15 colleagues and I that you would have us remember regarding  
16 access to capital and infrastructure development during  
17 COVID-19?

18           MS. DANG: Yeah. On access to capital, I think  
19 that the main point is credit. And so you know, the credit  
20 policy of the FERC by only allowing three months, I think is  
21 -- makes it difficult for us to manage during significant  
22 periods of stress like COVID-19. And so I think that we  
23 need a policy where we can negotiate with shippers, given  
24 their unique circumstances, their unique credit profile and  
25 market conditions in order to achieve the right credit and

1 support to protect our businesses during uncertain time.

2 CHAIRMAN CHATTERJEE: Thank you for that.

3 Opening it up to others. What are the risk factors from the  
4 COVID-19 emergency that in your view are the most acute with  
5 respect to potential credit rating downgrades and other  
6 credit deterioration? Any anyone feel free to jump in on  
7 that.

8 MR. CABARALES: Miss Tezak, you have the floor.

9 MS. TEZAK: Thank you. I think one of the things  
10 that we've observed most recently is the importance of state  
11 regulatory policies that Commissioner Moeller mentioned  
12 earlier and when those are clear, when the state regulators  
13 in a constructed posture, then that keeps the distribution  
14 utilities healthy, both for electricity and natural gas.  
15 And that has constructed a spillover effect that you know,  
16 contribute to both natural gas pipeline environment as well  
17 as the electric transmission environment and the overall  
18 health of utility holding companies.

19 And so you know, what we've seen is that so far  
20 the ratings agencies if you're comfortable with how that  
21 interaction between the state regulators and utilities and  
22 the regulators is going, and as that continues to move  
23 forward, that seems to set a nice sort of background  
24 environment for a continued constructive posture on a  
25 regulated group as a whole.

1           MR. CABRALES: Thank you Ms. Tezak. Mr. Smyth, I  
2 saw you hand your hand up for a second. Would you like to  
3 address the question?

4           MR. SMYTH: Yes Omar. Thank you and Mr.  
5 Chairman, thank you for your question. As I mentioned in my  
6 opening, you know the factors that present the most acute  
7 financial risks to our business today are you know, reduce  
8 load and our customer's ability to pay their bills now and  
9 really in the foreseeable future.

10           And you know various panelists be it yesterday or  
11 today, have touched upon key supply chains and the to date  
12 there have been minimal impacts on our basic supplies of  
13 material and labor that's used in the construction of our  
14 transmission projects. We've seen so many times extended,  
15 but we have quickly adjusted our inventory levels, you know,  
16 to account for this and we have not experienced major supply  
17 concerns thus far.

18           However, one thing I did want to point out too,  
19 which is the related risk factor in the construction process  
20 that we're really navigating now is our ability to secure  
21 permits, obtain access to land owners, rights of way, court  
22 systems, court office and really other required resources  
23 that are outside of the supply chain itself.

24           So you know, there can be a meaningful effect  
25 when the required local aspects of project development are



1 held up. So again, it's more than just the supply chain  
2 that we have to manage in order to get projects completed  
3 and eligible for cost recovery, and we're working closely  
4 with, you know, states and counties and local agencies to  
5 work through it.

6 And you know, we're also thinking through, you  
7 know, the paths by which demand receives issues on a going  
8 forward basis. We shouldn't be seeing any additional  
9 closures or delays, you know, caused by continuance of  
10 disruptions here. So, I mean it goes beyond you know,  
11 supply chain and really goes all the way to the local level.

12 So we're managing that, we're watching that very  
13 closely.

14 MR. CABRALES: Thank you very much Mr. Smyth.  
15 Mr. Young, you had your hand up?

16 MR. YOUNG: Yes. Just quickly. I would add also  
17 from a financial standpoint the top risk, or top line  
18 revenues are going to decline as a result of this. We've  
19 seen that. We estimate between you know, 3 and 5 percent  
20 this year and it's hard to predict where it will go from  
21 there. Bad debts are going to go up. So both of those are  
22 going to hit the cash flows and cause issues in terms of  
23 credit metrics at that bow, which is so critical to rating  
24 agency assessment of utilities.

25 So I think timely support by regulators of

1 unusual costs, fair ROEs, not just looking at fed benchmarks  
2 which are trying to offset added risk we're seeing a true  
3 assessment of market risk and those types of things are very  
4 critical. Thank you.

5 MR. CABRERA: Thank you Mr. Young. Mr.  
6 Gutierrez, you have the mic.

7 MR. GUTIERREZ: Thank you Mr. Chairman. The  
8 major risks that I am observing, I put them in three big  
9 buckets, and I think they've been addressed, but I'd like to  
10 provide you just some optic on what we're seeing.

11 The first one is you know, lower customer demand  
12 and customer payments on bad debt. What we originally  
13 expected at the beginning of the pandemic, we have seen much  
14 better numbers than that, both on bad debt and customer  
15 demand has already increased and we saw in many placed,  
16 pre-COVID-19 levels.

17 The second one is the access to capital, why  
18 there was some uncertainty at the outset of the pandemic  
19 that said intervention was very, very effective and really  
20 stabilized the capital markets and I can tell you today that  
21 access to capital is pretty wide open. And then finally,  
22 just the risk of possible regulatory intervention and lack  
23 of regulatory certainty.

24 So, you know, as you can see all these three have  
25 been mentioned but you know, some of them were very temporal

1 and I will say that they have more than recovered to  
2 pre-COVID-19 levels.

3 MR. CABRERA: Thank you Mr. Gutierrez. Mr.  
4 Jones, please proceed.

5 MR. JONES: So most of what I was going to say  
6 has been covered. I think the moratorium on shutoffs and  
7 the increase of uncollectible expenses has already been said  
8 as a risk to cash flow to our business. And while the fed  
9 has taken action -- that action to press inter-straight has  
10 an unintended consequence.

11 Those of us at our business still have divine  
12 benefit pension plans and an unintended consequence is that  
13 we are going to have to make larger contributions sooner  
14 than were otherwise contemplated because of the affect of  
15 the discount rate on how those pension plan calculations are  
16 made.

17 I know this isn't necessarily an issue that the  
18 FERC can help us with, but it's an issue I think the FERC  
19 needs to be aware of because it continues -- it will  
20 continue to put pressure on our credit efforts because those  
21 mandatory pension contributions also influence our rating  
22 issues look at the credit for our industry.

23 MR. CABRERA: Thank you Mr. Young. Commissioner  
24 Moeller, you have the floor.

25 COMMISSIONER MOELLER: Thanks Omar. I will

1 reiterate what's already been said that the main  
2 instruction. I would note those in terms of the risk  
3 categories that we are entering the cooling season, it was a  
4 hot summer. And in most areas of the country it's summer  
5 peaking and so to the extent that this is a risk in  
6 collectibles, that would be a factor that's facing us.

7 MR. CABRERA: Mr. Chairman, we don't have any  
8 other hands up at this time.

9 CHAIRMAN CHATTERJEE: Right. Thank you all for  
10 that response. The second question, I'm going to start with  
11 Ms. Tezak, but I want other panelists to weigh in as well.  
12 How has COVID affected the counterparty mix at pipeline  
13 space from natural gas and oil shippers, in that RTO and ISO  
14 space from power market participants?

15 And what are those counterparty risks? And what  
16 new measures, if any, are needed to potentially address  
17 those risks?

18 MS. TEZAK: Well Chairman Chatterjee, thank you  
19 for the question. But I think you actually have some folks  
20 on the panel here that are better positioned to answer that.  
21 Ms. Dang is dealing with the deterioration in her shipper's  
22 financial health and how that's challenging them.

23 And think that the increase request to the  
24 Commission to weight in on bankruptcy proceedings that are  
25 arising from the financial crisis is an indicator of how

1 important those credit issues are. And I believe that Mr.  
2 Collanton is the right person to ask about what the ROTs are  
3 doing.

4 MR. CABRALES: You're okay to weigh in?

5 MS. DANG: Sure. I can weigh in. Let me just  
6 turn on my video for you. You know the counterparty credit  
7 that we're dealing with -- I mean I think we covered it, but  
8 I'll go back to it you know, again. So we've got  
9 deteriorating credit from existing shippers and so we're  
10 working with those existing shippers to try to secure credit  
11 that they're required to post.

12 That can be difficult at time. We've also got a  
13 number of shippers that have gone bankrupt, and you know,  
14 when you have 10-year contracts and you have a shipper that  
15 goes bankrupt, and you're earning a regulated rate of  
16 return, that is painful. And I think you know, one of the  
17 things that I would say about COVID-19 is -- and this is  
18 true for a lot of different industries, but you know, it has  
19 introduced risk into our business that, you know, people did  
20 not see before.

21 And so for example, in our refined products  
22 pipeline, that demand was always very, very stable. And  
23 because of that, there was a certain level of return that  
24 people expected to earn. Well if we can have, you know, a  
25 40 percent reduction in demand, and you know, and then that

1 reduction on some of those products expand potentially for  
2 years, you know, the risk profile is going to increase on  
3 those assets. And so they're going to -- people are going  
4 to need high rates of return.

5           You know, so it's really demand obstruction that  
6 we're seeing on the product side. On the natural gas side,  
7 that's where the credit concerns really come in and being  
8 able to secure the appropriate credit support because you  
9 know, we don't -- in our pipes the way it's set up, we are  
10 operating in very competitive environments.

11           And you know, and we're getting tapped out on our  
12 returns in good markets and then in other markets where we  
13 have pipes where we can't earn our cost of service, you  
14 know, we just don't earn it. And we have a portfolio of  
15 assets. What's supposed to happen is you're supposed to be  
16 able to earn you know, your good projects make up for some  
17 of your bad projects.

18           And what happens with in our environment with the  
19 regulated return is you know, when we have the good stuff,  
20 it gets chopped off in a rate case, but on the back stop,  
21 you know, we can't recover that. And then you introduce  
22 COVID-19 on top of that and introduce more risk it just  
23 makes it, you know, a difficult business to be in in the  
24 long-term, unless we make some changes here to credit and to  
25 expected -- and to regulated rates over time.

1           MR. CABRERA: Thank you Miss Dang. We have Mr.  
2 Collanton had his hand up.

3           MR. COLLANTON: Well yeah, thank you. With  
4 regard to the risk that we've seen as I said, because it is  
5 not an observed increase credit risk currently among our  
6 market participants from the COVID-19 Pandemic, whether  
7 they're investor-owned utilities, ESP units on these  
8 financial marketers, and this is consistent with the  
9 information I have received from other ISOs and RTOs and ISO  
10 RTO council.

11           So to date, this has not come to fruition, but we  
12 are maintaining vigilance and monitoring and to assess the  
13 credit risk, we're relying on the information from financial  
14 credit reporting agencies, the financial energy press as  
15 well as information that's provided to us directly from  
16 markets and spreads.

17           And examples of that that could reflect increased  
18 credit risk would include negative reports from credit  
19 rating agencies, increases in expected default frequencies,  
20 and a decline and hence will that work or the net assets,  
21 and difficulty of our markets responding to collateral  
22 demands and market maintenance.

23           So we're keeping an eye -- a close eye on that.  
24 With respect to expected default treatments, when we  
25 subscribe to services in an attempt to predict that and

1 again, you know, looking at current events that impact the  
2 economy and specific companies, you make -- they calculate  
3 the expected default frequencies and we make decisions based  
4 on that and other data regarding unsecured credit and  
5 collateral.

6           And this allows us to be more proactive in our  
7 credit analysis. With regard to what the Commission could  
8 do. I think that one thing that is important is for the  
9 Commission to conduct outreach to the state regulatory  
10 commissions that oversee the financial health of the load  
11 serving entities, because that's where we see private big  
12 insurance would come from is whether the issues of  
13 non-payment or reduced loads that impact the cash flow and  
14 revenues for the loads that we have.

15           MR. CABRERA: Thank you Mr. Collanton. Mr.  
16 Gutierrez I see that you have your hand up. Would you like  
17 to address this question?

18           MR. GUTIERREZ: No. Sorry I left it up, thank  
19 you.

20           MR. CABRERA: Okay, thank you. Mr. Young, you  
21 also have your hand up. Would you like to address this  
22 question?

23           MR. YOUNG: I'm sorry. I did the same thing. I  
24 left my hand up, I apologize.

25           MR. CABRERA: Thank you. Mr. Chairman, we don't



1 have any other hands up at this point.

2 CHAIRMAN CHATTERJEE: Great. Thank you all for  
3 touching on questions around credit issues. I want to now  
4 pivot to liquidity and access to capital. Again, I open  
5 this up to any panelist that wants to weigh in. Are  
6 utilities experiencing cash flow issues because  
7 infrastructure projects are delayed due to the COVID-19  
8 emergency and they can't recover costs until the project  
9 goes into service?

10 And if that is the case, are there actions the  
11 Commission should take such issues such as the allowance for  
12 construction work in progress in wait space? We all are  
13 going to hear my full question, sorry my thing beeped.

14 MR. CABRERA: Mr. Young, please proceed.

15 MR. YOUNG: Yes, thank you. Let me try to get  
16 this video on here. Yes. In terms of access to capital,  
17 this is a very good question. Most of our infrastructure  
18 projects at this time we've been able to find ways to  
19 proceed at a reasonable pace. But if this situation extends  
20 for a longer period and the second wave becomes more of a  
21 problem for the workforce, or the supply chain, then we may  
22 find ourselves with a needed piece of infrastructure that  
23 has to be delayed.

24 One piece of infrastructure that we did have to  
25 delay because of COVID was inputting some computer equipment

1 at some of our transmission and fossil plants. We're  
2 getting that back on track, but you could see further delays  
3 of that nature.

4 So I do think the Commission would be wise to  
5 think about various aspects of allowing even a suspended  
6 project to continue AFUDC. I know there's rules around  
7 there, but in these circumstances, I think that would be a  
8 valuable tool to utilize, thank you.

9 MR. CABRERA: Thank you Mr. Young. Mr. Smyth you  
10 have the mic.

11 MR. SMYTH: Yes. Thank you Omar and thank you  
12 Mr. Chairman for your question. You know on the AEP end  
13 thus far we've been able to manage through supply chain and  
14 other issues like I've mentioned. And we do not see a need  
15 for broad adoption of construction work in process in rate  
16 base. That said, I do agree with Steve's point in so far as  
17 working throughout this over trial. And we continue to  
18 work with key suppliers and the applicable federal, state  
19 and local agencies that are key to delivering projects like  
20 I mentioned as well.

21 You know really as a critical infrastructure  
22 provider. We need to have a very high degree of situational  
23 awareness related to what our suppliers are doing to  
24 maintain service to us. We earlier in the pandemic, we  
25 asked 240 of our major suppliers to provide us the

1 highlights of their business continuity plans and to provide  
2 us with a single point of contact, so our procurement team  
3 can coordinate activities with them during the crisis and  
4 get out ahead of any oil supply chain issues.

5           That process has served us very well. We've had  
6 good cooperation with our suppliers. We've been able to get  
7 ahead of issues and shifts and adjust when suppliers have  
8 not been able to meet their commitments in a timely manner.  
9 So I think we're finding other ways to adjust. You know,  
10 it's on our end, a very, very large exercise that we go  
11 through to do this, like many of the other panelists here  
12 are working through as well.

13           But thus far we don't see a need for equipment  
14 rate base at this point.

15           MR. CABRERA: Thank you Mr. Smyth. We have Mr.  
16 Jones next.

17           MR. JONES: Thank you Omar. And I just want to  
18 echo the situation for FirstEnergy is very similar to what  
19 you heard from Duke and AEP. We have about 1,000 projects  
20 in pipeline to execute on this year. We're doing fine with  
21 keeping those on track. The supply chain has been pretty  
22 durable.

23           Much of the major equipment that's required for  
24 these types of projects we purchase a year in advance, so we  
25 already had available. But as Steve said, if there's a

1 second round of this virus that's worse than the first  
2 round, and those supply chains get disrupted, then we need  
3 to look at what are we going to do for projects that are in  
4 the pipeline started but can't be finished as a result of  
5 the pandemic.

6 So right now things are fine. I think you plan  
7 for the future when you can. So I think we need to be  
8 thinking about what are the things that could go wrong down  
9 the road.

10 MR. CABRALES: Thank you Mr. Jones. Miss Dang  
11 you are up next.

12 MS. DANG: Okay, thanks. Just I want to talk  
13 about year two issues, access to capital and projects from a  
14 pipeline perspective. From you know, on access to capital,  
15 and you've heard a lot on this panel you know, debt access  
16 was limited prior to the fed coming in back in March, but I  
17 think since that time has been pretty readily available and  
18 readily available at reasonable rates.

19 Equity capital is obviously very expensive, you  
20 know, and you know, our stock is down over 30 percent. And  
21 you know, I think that's similar for the entire pipeline  
22 industry. So equity capital has gotten very expensive.  
23 From the projects, you know, there's some things that has  
24 come out -- it's not necessarily COVID related, but there  
25 have been a number of -- you know, or two specifically

1 recent court rulings on Keystone and on Daffle and here is a  
2 lot of uncertainty into the industry and the ability to get  
3 projects done.

4           And we saw, you know, the ACP cancellation. And  
5 so I think the projects are more difficult to get done in  
6 this environment. It's you know, that's going to drive --  
7 that's going to drive our returns up. That's going to, you  
8 know, raise the need of risk share and potentially it  
9 results in needed projects not getting built, which I think,  
10 you know, from my perspective what the FERC can do there is  
11 for its part of the equation when it comes to new  
12 construction that we need as much certainty as possible with  
13 respect to deadlines.

14           And that goes to my comments earlier, you know,  
15 on the instant rule. We need certainty on the timeframe in  
16 which those rehearing requests will get processed and  
17 therefore we can get started on construction. Because it is  
18 -- we cannot have contractors sitting out there on the right  
19 of way that costs hundreds of millions of dollars if we  
20 mobilize and de-mobilize or have to pay stand-by charges.

21           So you know, anything that the FERC can do to  
22 give certainty to the process and the timeframe in which  
23 that process can get accomplished, is helpful given  
24 everything else that's going on.

25           MR. CABRERA: Thank you Ms. Dang. Mr. Chairman,

1 we don't have any other hands up at this point.

2 CHAIRMAN CHATTERJEE: Great. Thank you all for  
3 addressing those questions and in that move to ROE and issue  
4 questions. We'll start with Mr. Moeller. How has the  
5 COVID-19 emergency affected financial market conditions in  
6 the return needed by regulated entities?

7 And should the Commission consider changes to its  
8 ROE policy in light of any such affects? And if so, how?

9 COMMISSIONER MOELLER: Well thank you Mr.  
10 Chairman. Yes. As we've talked about the most distinct  
11 areas of concern are demand destruction, how long it will go  
12 on. I think most of the panelists have raised that as an  
13 issue. And of course the bad debts and uncollectibles as  
14 has been noted. They're out there, particularly with  
15 commercial and industrial.

16 We don't know how long the economy will take to  
17 recover and so to the extent that commercial and industrial  
18 demand is paid lower for an extended period of time, that  
19 presents again as added risk. And as even Ms. Dang said,  
20 and I tried to reiterate it earlier, the cost of equity is  
21 higher.

22 So despite the fact that we have very little  
23 restraints right now, that is a risk that the market has put  
24 into the price capital. So to the extent that FERC  
25 obviously, has a very big role in ROEs for our sector on the

1 transmission side. You've got the notice of inquiry. We  
2 have submitted extensive comments in that generic  
3 proceeding and would hope that the Commission could come up  
4 with a policy that allows for the stability and the  
5 predictability at rates that can continue to attract the  
6 capital that's necessary to build the infrastructure.

7           And again it's been alluded by several of our  
8 panelists, it's getting more and more difficult to build  
9 major energy infrastructure projects, whether it's  
10 pipelines, or in our case, electric transmission and that in  
11 itself is something that is worthy of focus given the quick  
12 transition to a cleaner and greater grid.

13           And I'll just finally note that there is also a  
14 lot of talk about competition and transmission and I think  
15 what's worth remembering is that all transmission projects  
16 with all the secluded development and certainly by our  
17 members, goes through a vigorous process whether it's the  
18 engineer contract, the construction contract, labor, those  
19 are all competitive processes in themselves before a project  
20 is actually greenlighted and gone ahead.

21           So thank you for the chance to answer the  
22 question Mr. Chairman.

23           CHAIRMAN CHATTERJEE: Thank you Phil for that.  
24 Opening this up to the broader panel. Are there rate design  
25 changes the Commission should consider under which a public

1 utility or pipeline could provide short-term rate relief to  
2 its customers to include a mechanism that would keep the  
3 public utility or pipeline financially whole over the  
4 long-term? Should the Commission consider accounting  
5 guidance to reflect jurisdictional entities actions in  
6 response to liquidity concerns under financial market  
7 uncertainty? Anyone and everyone feel free to weigh in on  
8 that.

9 MS. DANG: Can you repeat the second part of that  
10 question?

11 CHAIRMAN CHATTERJEE: Should the Commission  
12 consider accounting guidance to reflect jurisdictional  
13 entities actions in response to liquidity concerns and  
14 financial market uncertainty?

15 MR. CABRERA: Mr. Gutierrez has his hand up. Mr.  
16 Gutierrez please proceed.

17 MR. GUITIERREZ: Chairman Chatterjee, I mean let  
18 me just I had my hand up on the previous question, but I  
19 wanted to provide you a different prospective on the ROE.  
20 Obviously I represent a competitive power company. We don't  
21 have a guarantee of return on equity. Our return on equity  
22 is based on competitive power markets.

23 One thing that we have observed is, you know,  
24 given the intervention of the fed and the very almost near  
25 all-time low rates that we're experiencing, one thing to



1 consider is the spread between that return on equity and the  
2 treasury rates. I think it's important that you know, as I  
3 said on my opening remarks, if the spread is too large, you  
4 know, we compete for capital. We depend on competitive  
5 power prices, so if that spread, if that premium is too  
6 large, then it would create a you know, a different  
7 incentive for investors that could potentially have an  
8 impact on competitive power companies.

9           CHAIRMAN CHATTERJEE: Thank you. Would anyone  
10 like to weigh in on the rate design question?

11           MR. YOUNG: Yes. This is Steve Young here. A  
12 couple of comments. On rate design issues, I think the  
13 Commission could utilize some of the standard regulatory  
14 tools that have been in place in the past and that is the  
15 use of deferral accounts with preset times for recovery  
16 periods.

17           This gives comfort to investors if these  
18 incremental costs are ultimately recoverable with return.  
19 And I think that is very useful in the markets. What people  
20 are concerned about is just abandoning in a tough situation  
21 like this, and how do you provide these regulated services  
22 and continue to move forward if you don't have some  
23 regulatory certainty.

24           The one thing I would say in regards to the ROE  
25 in talking about the previous dialogue, the gap between an

1 ROE and a fed fund rate, as I mentioned earlier, I get a  
2 little concerned with that because I think the -- although  
3 the fed fund rate is low, it's low because there's a risk  
4 environment here that they're trying to offset.

5           The actual credit spreads are pretty expansive  
6 and although the fed has stepped in and backstopped CP and  
7 corporate bonds, that's great. But I don't know that that's  
8 going to last forever. I don't know where the economy is  
9 going to go with this second wave. So I wouldn't be jumping  
10 through mathematical theory on ROEs. I would take a broader  
11 look at the picture of the risk profile taken by an entity  
12 that has such a capital obligation to serve as a utility.  
13 So thank you for that opportunity.

14           MR. CABRALES: Thank you Mr. Young. Miss Tezak  
15 has her hand up. Go ahead Miss Tezak.

16           MS. TEZAK: Yeah, I'd like to definitely agree  
17 with Mr. Young's remarks that it's not just about the fed's  
18 fund rate. It really is about where the spreads are for  
19 various types of corporate credit and if whether or not  
20 utilities are falling behind on other similarly rated credit  
21 quality companies.

22           And so, you know, it's a bit of you know, I think  
23 one of the big challenges for the Commission is just to be  
24 cognizant of the matter of degree is basically a separation  
25 still within sort of expectations and not so much worry

1 about up and downs.

2           You know, we have seen you know, we saw our ROE  
3 model dip, you know, as the equity markets went through  
4 tremendous distress, but the -- you know, it has come back  
5 along with the market. So I think that being vigilant is  
6 helpful and provides a good, you know, a good starting  
7 point.

8           I think rushing to adopt wholesome new rate  
9 designs could actually be problematic if it has something  
10 historical and then it inhibits the ability of the  
11 Commission to respond when market conditions change. If  
12 you're going to rely on market based fundamentals to feed  
13 your ROE model, then you know, you don't want to hang too  
14 many administrative restrictions on them because then they  
15 won't move as you need them to to respond to capital market  
16 conditions.

17           So I think the point is well taken that it's not  
18 the fed fund rate that's controlling here, it's the  
19 corporate rates and those spreads and that is certainly what  
20 we were referring to when we look at our you know, when we  
21 look at our models and when we look at the overall situation  
22 for you know, the electric transmission and pipeline group.

23           MR. CABRERA: Thank you Miss Tezak. Mr. Jones,  
24 you have the floor.

25           MR. JONES: Thank you Omar. I just want to add

1 that as I said in my opening remarks, no specifics on rate  
2 design, but I think a federal rate policy that is durable  
3 and provides certainty for investors is needed. I think  
4 over the next decade, you know, my time in this industry is  
5 going to be coming to an end.

6           But we're going to be talking about  
7 infrastructure in this country. It's going to be a prime  
8 topic regardless of what happens in November. Bridges,  
9 highways, sewer water systems, and the transmission and  
10 distribution networks of this country need investment.

11           And the transmission and distribution networks in  
12 this country are all regulated still. That's the world we  
13 live in. There is a universe of investors who look for  
14 those types of investments, but every single investor  
15 meeting I have now I get a question about what is going to  
16 happen with the FERC, and what is going to happen with  
17 long-term ROEs. And it's an issue that we have to at least  
18 make a decision one way or another on and provide the  
19 information that investors need in order to be able to  
20 decide where they want to continue to invest in that  
21 infrastructure.

22           And I said in my comments how old this system is  
23 and it needs modernization. It needs resiliency. You know  
24 the competitive generation market has re-engineered how the  
25 transmission system is used by eliminating large based load

1 power stations for the most part and replacing them with  
2 distributed generation.

3 That has required the transmission planners and  
4 the RTOs to step up and ensure reliability. But they only  
5 bring the grid back to the minimum reliability. We need to  
6 add resiliency back into it too. So whatever we can do to  
7 provide a certainty into the future for what investments in  
8 our transmission system are going to look like, I think that  
9 should be the number one priority.

10 MR. CABRALES: Thank you Mr. Jones. If I could  
11 remind all the speakers to please put their virtual hands  
12 down once they finish answering the question that makes  
13 things run smoothly for all of us. Mr. Chairman, there is  
14 no other hands up at this point.

15 CHAIRMAN CHATTERJEE: Great. Moving on my next  
16 question is for Mr. Young and potentially Mr. Gutierrez if  
17 you'd like to weigh in. Are there retail risks in rate  
18 freezes combined with falling load imposing significant  
19 risks on utilities? And what impact does this have on  
20 operations or planned impacts?

21 MR. YOUNG: Well I think there are risks  
22 associated with some of those types of structures. I think  
23 there are risks with also the lack of what I'd call  
24 modernized regulatory constructs that the traditional just  
25 file base rate cases due to the timeframes involved in

1 processing through those rate cases.

2 That absorption of the lag is very difficult and  
3 that's very similar to having a rate freeze, when you've got  
4 falling load and changing circumstances. So I think that  
5 the modern types of investments made on the electric side  
6 are as mentioned earlier, we've got smaller generation  
7 investments. We've got a lot more grid. Grid used to be  
8 lesser than generation investment, but our 5 year and 10  
9 year plans, grid is the dominant investment portfolio.

10 And grid is a series of small projects, smaller  
11 projects that are going into service and begin depreciating  
12 and incurring property taxes and so forth, very quickly. So  
13 modernized regulatory mechanisms, the coupling forward test  
14 years and those kinds of things are needed. I think  
15 standard rate freezes and traditional based planning can  
16 cause some problems here. Thank you.

17 MR. GUTIERREZ: Yes Chairman, so I think we  
18 already alluded to some of the risks that we've had,  
19 particularly lower load and payments. But you know, we  
20 don't have the ability to pass through the cost because  
21 we're a competitive entity. We actually voluntarily took a  
22 lot of steps to help out where our customer gave us a pile  
23 of debt.

24 You know we instituted deferred payments, we  
25 suspended disconnects and supported our communities. You

1 know one thing that I'm very proud of is you know we work  
2 very closely with our public utility commission of Texas to  
3 create a mechanism to share the cost, but not to make us  
4 fall.

5 I think in a time when, you know, consumers are  
6 feeling the pinch of this economic downturn, it is  
7 inappropriate, you know, to make companies whole for you  
8 know, for these things. So I think this is one way how  
9 competition protects consumers during these economic  
10 downturns.

11 CHAIRMAN CHATTERJEE: Thank you both for weighing  
12 in. For my next question I'm going to move back to Miss  
13 Tezak. We had an extensive discussion this morning about  
14 gas and LNG issues, and I was curious in your view, how  
15 COVID-19 is affecting the ability of the international  
16 customers of U.S. LNG terminals to continue honoring their  
17 agreements. And how this could affect the ability of U.S.  
18 LNG companies to continue moving forward with their  
19 operations or ability to execute infrastructure projects.

20 Is it possible that any loss of or changes to  
21 agreements as a result of a shift in the market from  
22 long-term contracts to more liquid short-term contracts, and  
23 are these challenges short, mid or long-term? Now it's a  
24 lot to unpack there so my apologies.

25 MS. TEZAK: That's all right. I think it was

1 very well covered this morning and for those who weren't  
2 able to tune in for that, what we're seeing of course is a  
3 significant drop in demand for LNG globally by about -- our  
4 current estimates show it's down about 1.1 bcf per day.

5           And that's a lot. And that's a change in demand  
6 just from what EIA has been projecting from their January  
7 short-term energy outlook to their July short-term energy  
8 outlook. So that's pretty material. One of the things that  
9 I think is constructive though for U.S. terminal operators,  
10 those who hold, who are fortunate enough to already hold  
11 long-term take or pay arrangements, their terms are not  
12 usually disclosed publicly, but those structures help them  
13 preserve their cash flows.

14           So that if companies are experiencing low demand  
15 and can't make use of the opportunity to procure you know,  
16 U.S. gas that is now trading at very attractive levels from  
17 the customer perspective, then those terminals are in better  
18 shape than they would be if they were solely volumetrically  
19 dependent.

20           So I think that certain existing LNG terminals  
21 have a better structural position at the moment. Now you  
22 asked a very important question about what does this mean  
23 for new terminal developers. And I think that this is being  
24 reflected in those delays to final investment decisions.  
25 That ideal construct of take or pay, is very elusive right



1 now. And that is not something that the Commission really  
2 can do anything about, it's a commercial reality.

3           And it's being reflected in the market itself  
4 when contracts that when you have developers who have  
5 received their certificate from the Commission, and they've  
6 received their daily authorization and are still not jumping  
7 off right where they can go FIG.

8           So I think that in that respect, you know, we are  
9 seeing that really come home to roost and the customers  
10 shifting away from their willingness to commit to the U.S.  
11 market and long-term natural gas is not what it was in you  
12 know, 2012 and 2014.

13           CHAIRMAN CHATTERJEE: Thank you. My next  
14 question is for Mr. Collanton. I recognize that there  
15 continue to be open dockets related to RTO and ISO credit  
16 filings that we have to stay away from. However, to the  
17 extent that you can without going into the specific  
18 proceedings, can you give us some key points that RTOs and  
19 ISOs are thinking about regarding credit and other access to  
20 capital issues during the COVID-19 and going forward?  
21 Roger, were you able to hear my question?

22           MR. COLLANTON: I did hear your question. I'm  
23 sorry, I was actually having some technical difficulties in  
24 getting myself unmuted. So you know on this I think at this  
25 point Commissioner, I probably need to defer and maybe reach

1 out to my colleagues and the other ISOs and RTOs. I think  
2 it is really probably more of a PJM issue.

3           You know I think one of the issues we've looked  
4 at and needed some more detection and abilities in that  
5 area, but I'd like to be able to give you a more complete  
6 answer and I apologize I don't have one at this point.

7           CHAIRMAN CHATTERJEE: Not a problem. The next  
8 question is for Mr. Gutierrez. You have a diverse portfolio  
9 with regional diversity. What aspects of your portfolio has  
10 been most impacted by COVID-19?

11           MR. GUTIERREZ: Chairman, so we have both -- we  
12 participate on competitive generation outside of the value  
13 chain of the power sector and then the regional side. So  
14 let me start with the regional because I think that will be  
15 actually more for impact and I mean this actually has been  
16 already alluded a couple of times.

17           The first one is the risk of non-payment of bad  
18 debt and as I said, in the outset we were -- we thought that  
19 it was going to be worse than it actually has been, and I  
20 think that's very positive. As you know as a competitive  
21 retailer, we actually bad debt -- we internalize that. You  
22 know we don't pass through that cost -- we try to estimate  
23 it.

24           And its been, I mean we are -- we're very  
25 comfortable managing that, you know, as we have seen that

1 trend actually get better. The second one is the lower  
2 demand and it was -- the lower demand was very regional and  
3 very specific depending on the customer segment. You know  
4 we saw the most significant around New York City, New York  
5 area, very significant in Texas.

6           That demand has started to come back very  
7 quickly, and I think we all can appreciate that since we're  
8 all working from home, actually the national demand has been  
9 very healthy compared to the small business in CNI. Small  
10 business have been the most impacted by it.

11           But in both cases, you know, we're seeing very  
12 positive signs that are coming back to our normal levels.  
13 On the supply side, you know, we maintain complete  
14 operational ability during this time. Power plants have,  
15 you know, run reliably. Some of the projects that we have  
16 they got some delays in construction, but you know, nothing  
17 that I would consider very concerning.

18           So I would say that that's the main -- that has  
19 been the main impact. We never had any liquidity issues,  
20 you know. We prepare for it, you know, we got into this  
21 pandemic in a very strong financial position but has turned  
22 out well. We had recent access to our liquidity. We  
23 actually shored up our liquidity in the early days without  
24 any additional costs.

25           Since then, what I have seen is you know, the

1 prevention has been very effective, covers a lot that's  
2 opened up and actually access to capital today is you know,  
3 some of the bankers are folding up long ago. It's basically  
4 wide open. I mean the yield market is completely wide open  
5 for access to capital. So you know, I feel very comfortable  
6 where, you know, where we sit today and very optimistic that  
7 things are turning around this quick.

8 CHAIRMAN CHATTERJEE: Thank you. These are all  
9 such critical issues and I want to allow plenty of time for  
10 my colleagues to weigh in. So I would ask one final  
11 question. Mr. Moeller, you mentioned in your opening  
12 statement that you're not aware of significant delays in  
13 infrastructure projects as a result of the COVID-19  
14 emergency.

15 But you note that if issues persist going  
16 forward, some utilities may reduce their operations and  
17 maintenance, defer planned capital expenditure, or in some  
18 cases, cancel when Cap X or change the dividend policies  
19 which could negatively impact the costs of and access to  
20 capital. Please expand on what type of issues could cause  
21 these changes to in particular, infrastructure development.

22 COMMISSIONER MOELLER: Well thank you Mr.  
23 Chairman. I think it's generally speaking what we've  
24 already been talking about. How long is this going to go  
25 on. How long before we see as Mr. Gutierrez said, small

1 business, commercial demand staying lower than what was  
2 expected, same with industrial demand.

3           So there's just a lot of uncertainty going  
4 forward where we get through this and whatever wave we're in  
5 right now, when does the economy come back? When do things  
6 get back? Almost closer to what we're used to as normal.  
7 So it's a little early to project as you mentioned in the  
8 statement, or to some of the possibilities. We're not there  
9 yet, but this is an unprecedented situation and we have to  
10 be flexible in what if it continues for a long time how to  
11 respond.

12           CHAIRMAN CHATTERJEE: Thank you and thank all of  
13 you for your remarks and contributions and with that, I'd  
14 like to turn it over to Commissioner Glick.

15           COMMISSIONER GLICK: Thank you Mr. Chairman. And  
16 thanks to the panel for staying today. I wanted to start  
17 with a question for Mr. Gutierrez. I noticed in your  
18 written statement you also had a chart or two, something  
19 about the benefits of competition and generation sector and  
20 how significant the benefits have been for consumers.

21           And you mentioned the costs have gone up pretty  
22 significantly in New England at least, with regard to  
23 transmission. Are you suggesting -- do you think that if we  
24 had more competition in the transmission sector, that we'd  
25 see those kind of cost studies that we've seen in the

1 generation sector?

2 MR. GUTIERREZ: Yes hi Commissioner, and thank  
3 you for your question. And I think our policies led by the  
4 Commission has some, you know, incredible results on the  
5 competitive side of the industry.

6 I mean we're seeing energy prices significantly  
7 reduced not just in New England, but just across the you  
8 know, across the country. One of the consequences, you  
9 know, we are not seeing is transmission. Transmission has  
10 increased significantly over the past 10 years not just in  
11 New England, but this is a trend that we're seeing you know,  
12 in many other markets.

13 As a matter of fact in some places that if you  
14 look at the customer bills, you know, PME charges are now  
15 you know, higher than the initial cost. And I think that's  
16 a you know, that's the predicament of COVID working on the  
17 generation side. Now when I referred to in my opening is  
18 you know, we absolutely have an opportunity to modernize the  
19 grid, but we cannot just think that transmission solutions  
20 are the beginning and end of everything.

21 And you know, I think we're starting to see a  
22 break from evidence of initial bias, because traditional  
23 solutions for everything that is you know, a means operating  
24 on modernizing the grid. I think we need to have a  
25 framework that evaluates solutions across the entire value

1 chain of the power sector, not just on the transmission and  
2 the traditions which we certainly need to make investments  
3 to make it more resilient and to integrate into needs and  
4 resources.

5 But also the supply side, you know, perhaps you  
6 know, in no power generation, you know, building so much  
7 distributed generation, battery storage, importantly  
8 technology is now allowing us to control demand like never  
9 before. And onsite management is real, and it now counts.

10 So we need to look at all three. Everything that  
11 we have at our disposal to see what is the most effective  
12 way so we can, you know, modernize the grid and at the same  
13 time do it by creating value for our consumers, our  
14 customers.

15 I mean that should be the guiding principal. Not  
16 whether we may call one company or the other one, but I  
17 think the most important thing is how we create a solution  
18 that really casts, you know, customers at the center, you  
19 know, customer's, you know, needs and values at the center  
20 of this decision making.

21 COMMISSIONER GLICK: Thanks Mr. Gutierrez.  
22 That's a very helpful answer. I wanted to turn now to the  
23 topic that's been discussed a lot.

24 MR. CABRALES: Commissioner Glick, Mr. Moeller  
25 has his hand up.

1                   COMMISSIONER GLICK: Oh, I apologize. I  
2 apologize, go ahead Commissioner Moeller.

3                   COMMISSIONER MOELLER: Thank you Commissioner  
4 Glick. I think you know where I'm going on this. I think  
5 transmission, I don't mean to be tone deaf to the people who  
6 are concerned about costs, but I still think it's a bargain.  
7 It's still a relatively small part of the customer's end  
8 bill, but the lack of transmission adjustment leads to  
9 higher congestion costs on the commodity's side.

10                  I remember probably 10-12 years ago, once PJM put  
11 a major line through this area, near D.C., the commodity  
12 cost -- largely because of a lack of congestion price of  
13 cost related to congestion went way down. And so with the  
14 incentives policy that you're considering in the docket,  
15 transmission again provides so much optionality and even the  
16 reliability benefits of it really are priced, but they're  
17 there.

18                  So you know where I've stood on this and I  
19 continue to stand. I appreciate you hearing me.

20                  MR. CABRALES: Commissioner Glick, Mr. Jones and  
21 Mr. Smyth both have their hands up.

22                  COMMISSIONER GLICK: Okay, thank you.

23                  MR. CABRALES: Go ahead Mr. Jones.

24                  MR. JONES: Okay. Thank you and I just want to  
25 piggyback on what Phil just said. And anybody who's paid



1 attention to my time as CEO knows I've not been a fan of  
2 competitive generating markets, mainly because I don't think  
3 they're really competitive.

4           And they don't account for all of the costs. And  
5 a real-life example that we went through at FirstEnergy is  
6 the closure of plants that were built by Cleveland Electric  
7 eliminating companies that served load in the City of  
8 Cleveland because they weren't competing fairly in the  
9 market.

10           It resulted in 1.3 billion dollars of  
11 transmission projects, 34 discreet transmission projects  
12 that the RTO ordered us to perform while those units were  
13 continued as reliability must run units. At 1.2 billion  
14 dollars that's being paid for by customers, there were costs  
15 that were necessary to rewire the bulk electric system so  
16 that it would operate minimum reliability requirements  
17 without these generators, and none of those costs get  
18 factored into the economics of the markets. So I've never  
19 been convinced that the market is working correctly.

20           Most of the major competitive generating  
21 companies out there have been through one or two rounds of  
22 bankruptcies already, so that's not necessarily the best  
23 thing for the investors who invested in those plants or loan  
24 money to them, including FirstEnergy Solutions which is no  
25 longer part of our company.

1           So I no longer have any interest in competitive  
2 generation. We're a fully regulated company. But I've been  
3 in this industry for 42 years and my first job was with  
4 instream submission planning and the ROTs are what's making  
5 this grid work, not the competitive markets, and we can't  
6 forget that, and we have to continue to invest.

7           It's aging and we all want a greener future as we  
8 try to integrate renewables more into this bulk electric  
9 system, it's going to be the RTOs that figure out how to do  
10 that too.

11           MR. CABRERA: Thank you Mr. Jones. Mr. Smyth?

12           MR. SMYTH: Yes, thank you Omar and Commissioner  
13 Glick. Just building upon what the last two panelists have  
14 combed out. You know on the AEP end we've supported  
15 competition in the transmission space when and where it  
16 makes sense. We have found that competition on cost alone  
17 doesn't really work. And we found far more value in so far  
18 as competition through the sponsorship model.

19           And really from a cost competition perspective,  
20 if you think about it from a revenue requirement standpoint,  
21 you have capital costs which are a big part of that revenue  
22 requirement, where there is a limited universe of labor and  
23 material providers that are out there that we all use.

24           So you know, and as Commissioner Moeller had  
25 previously pointed out, you know, we are typically bidding

1 those types of things out internally whether it's a  
2 "competitive project" or not. So that's on the capital cost  
3 end. On the cost of capital end, you know, large burns with  
4 efficient balance sheets having similar borrowing costs,  
5 really when it comes down to it.

6           And then you've got things like ONM which are  
7 smaller where large firms have, you know, very efficient you  
8 know, cost structures around ONM and taxes really are what  
9 they are. So you know, again we have actually found in the  
10 last 10 or so years that competition in the transmission  
11 space, when it comes to cost, really doesn't work, and  
12 nobody really has you know, a magic bullet or you know a  
13 secret code, or sauce by which they can apply to make it you  
14 know, to make them much more cost effective.

15           MR. CABRERA: Thank you Mr. Smyth. Commissioner  
16 Glick, we don't have any other hands up at this point.

17           COMMISSIONER GLICK: Thank you. This kind of  
18 relates to my next question. It's certainly a different  
19 subject. But there's been a lot of discussion today about  
20 regulatory certainty and it's certainly something that I  
21 talk about quite a bit and I wanted to ask all the panelists  
22 here, but maybe to start with Commissioner Moeller, because  
23 you Commissioner, you've had, obviously, experience in the  
24 FERC Commission substantial expense there, you've worked in  
25 the private sector, you know work for a trade association

1 that represents all the investor utilities in the country.

2           And I think it's something that kinds of gets  
3 lost on people sometimes is the desire for corporations and  
4 other stakeholders to have a little more certain regulatory  
5 environment so I kind of know how the guide path of where  
6 the regulatory environment is going to be over the next  
7 several years and the next several decades in some cases.

8           And sometimes we end up going from one end to the  
9 other and keep on changing our orders, and I don't want to  
10 talk about any specific orders, but I wanted you to comment,  
11 and others as well, to comment on what -- how important  
12 regulatory certainty is and what happens when regulators  
13 keep on changing their policies.

14           COMMISSIONER MOELLER: Well thank you  
15 Commissioner Glick. I note that again these -- especially  
16 when we talk about transmission investments, these are  
17 investments that will probably be useful for at least 40  
18 years and as you know, part of the challenge is cost  
19 allocation because flows change over those decades in terms  
20 of who's paying what for that infrastructure.

21           And they will change. So there's some science  
22 involved but there's also a lot of art involved in terms of  
23 dealing with cost allocations and setting the ROE. But  
24 because of the long-term nature of these investments, and  
25 our industry is the most capital intensive industry in

1 America, that certainty is extremely important and we  
2 appreciate the extent to which the Commission is working to  
3 provide that regulatory certainty in order to again,  
4 essentially deliver value, save electricity that's valuable  
5 to our customers. Thanks for the question.

6 MR. CABRERA: Thank you Commissioner Moeller.  
7 Miss Tezak is at the mic.

8 MS. TEZAK: Thank you. I think when one speaks  
9 of consistency and certainty, you have to think about what  
10 that actually means. It's not a request for intransigent or  
11 lack of flexibility, but it's -- I think a consistency in  
12 how decisions are evaluated, how records are made, how the  
13 Commission processes through its decision making, and the  
14 absence of surprises.

15 Several folks have mentioned throughout the  
16 course of this panel and some of the others, you know, being  
17 surprised by something that regulators do. Those are things  
18 that tend to unsettle investors and that drives up the cost  
19 of capital. So regulatory certainty and a certain  
20 consistency in the Commission's actions, in its processes,  
21 is something that helps keep the cost of capital reasonable  
22 for the market participants so that it is accurately  
23 reflected and passed on to customers.

24 And I think that those are -- that's some of the  
25 message that I think I would share with you from our client

1 base is that the -- when things are surprising, when they  
2 change frequently, when the direction is set and then six  
3 months later it's changed again, those are the things that  
4 are more difficult to do, to accommodate.

5           And those add risk to the sector that's usually  
6 in risk reduction, structure to it in terms of how costs are  
7 regulated for many participants, and so when you make those  
8 things more variable and more unpredictable, then that  
9 raises the cost of capital. So you know, that's what we see  
10 from our perspective. It's not an intransigence, but it's  
11 sort of a dependability in how the Commission works, how it  
12 processes through its obligations, thanks.

13           MR. CABRERA: Thank you Miss Tezak. Mr. Young,  
14 you have your hand up. Would you like to address the  
15 question?

16           MR. YOUNG: Yes, thank you. I want to echo  
17 completely Miss Tezak's comments. It is the consistency and  
18 reliability of how a Commission will process information and  
19 coming up with the result that's really valuable. It's  
20 valuable in capital allocation, in financial planning. It's  
21 very valuable in financial raising of funds. You can talk  
22 to investors about the profile going forward with the  
23 investments being made, and that's very important,  
24 particularly for a regulated utility.

25           Ultimately, what we're doing is trying to earn a

1 regulated return. We typically pay out, you know, 65 to 75  
2 percent of the earnings in the form of a dividend to our  
3 shareholders who are looking for that steady supplement to  
4 their income that's so vital.

5 And so consistent regulatory treatments I think  
6 are really important across the board, thank you.

7 MR. CABRERA: Commissioner Glick, we don't have  
8 any other hands up at this point.

9 COMMISSIONER GLICK: Okay. Thank you. Miss  
10 Tezak, I wanted to ask a question about ROE, and I want to  
11 be very careful here for obvious reasons when we have  
12 several pending cases. So more generically, but in your  
13 testimony, you had several charts and on page 6 of the  
14 testimony, you had -- in assessing the mid-point, it had  
15 numbers on reasonable estimates.

16 When you make line estimates were a lot higher,  
17 were significantly higher and noticeably higher as you say  
18 in June than they were in previous months. And I was  
19 wondering if you had a sense of what was driving those  
20 increases.

21 MS. TEZAK: Yeah, when we looked at those for --  
22 this is for the electric. I think what you're seeing there  
23 is the impact that the width of the range has on the core  
24 values. And those have been -- those have been more influx  
25 over the last couple of months. And in fact, if you look at

1 the capital asset typing models and the DCF results for  
2 June, you can see that they're materially better than they  
3 were in May.

4 The premium model is pretty stable because it's  
5 backwards looking and it has a lot of data points in it, so  
6 it doesn't change very quickly. But the capital asset  
7 pricing model really turned around as the market recovered  
8 in March and in -- you know, from being very, very low in  
9 April and coming back in May and June.

10 And we've seen you know, I would say a better --  
11 we're seeing it come back for the discounted cash flow model  
12 as well, coming back towards where it was in the beginning  
13 of the year. So what I think you're seeing here, is you're  
14 seeing that the capital asset pricing model which is less --  
15 it has inputs that are less utility specific, if you will,  
16 because they look at the whole market. That's the component  
17 that's reflecting more of the broader market changes as  
18 opposed to a sector specific DCF which focuses just on a  
19 particular sector.

20 So I think that is what is explaining that if you  
21 look at the table below the charts, that's where the real  
22 shift has been made, the top end of that group came up.

23 COMMISSIONER GLICK: Okay. Thank you. So  
24 basically, where the argument says that also risk level is  
25 reducing, is going down, that's why the numbers for that



1 particular CIPM model, that's why that's gone up.

2 MS. TEZAK: Yeah, we've seen improvement in those  
3 results and you know, that's helping it -- it's the rich  
4 premium levels that were changing in that model and when you  
5 apply those to the proxy group components for the electric  
6 groups, and what that does it sort of -- it evened it out.

7 So it's not that risk so much came down, but that  
8 the broader market indicators were returning to more normal  
9 levels.

10 COMMISSIONER GLICK: Okay, thanks, I appreciate  
11 that. In fact, Omar, is there anyone else who's raised  
12 their hand?

13 MR. CABRERA: No, not at this point.

14 COMMISSIONER GLICK: Okay thanks. Maybe Miss  
15 Tezak if we could stick with you a second on a totally  
16 different subject on LNG and as outlined you have a Chairman  
17 Chatterjee I don't know something he asked you a similar  
18 question I was going to ask you.

19 But you mentioned that -- you basically said it's  
20 not like it was in 2012 and 2014 in terms of it being able  
21 to have for these LNG facilities to be able to get their  
22 bias to take or pay contracts. I'm curious if you think  
23 it's going to eventually be like that, things are eventually  
24 going to come down and that LNG project developers in the  
25 U.S. are going to have the ability to have the same sort of

1 volumes and the type of contract that were designed back in  
2 2012-2014.

3 MS. TYZEK: Well that's very good for folks to  
4 say because you know we're seeing a lot of -- there's a lot  
5 of projects out there now. Back in 2012 and 2014 there  
6 weren't that many market participants and so you're seeing,  
7 you know, since then we've seen the entry of facilities in  
8 Australia, the development of facilities in Siberia that  
9 were mentioned in the earlier panel.

10 And so what you're seeing is you know, more  
11 supply enter the market. And so that tends to lessen the  
12 incentives from a buyer's perspective to commit long-term to  
13 a particular project. If they don't think that committing  
14 to that project is going to say them money in the long-term,  
15 because usually when you commit up front to the project,  
16 you're going to pay more than you know, than the prevailing  
17 spot price because you're acquiring the certainty to lock in  
18 that capability.

19 And so you have to believe that on the long-term  
20 prices are going to change. And I think that when we look  
21 at the EIA data and see that we're down 4 percent year over  
22 year in terms of demand and you look at the you know, the  
23 cargos that are being cancelled, you know, right now through  
24 the summer, it's definitely a weak-looking market.

25 And you know, the forecast that we follow are all

1 over the map. Maybe before the COVID episode, you know,  
2 maybe you know, 2024 was going to be the tipping point where  
3 you know, buyers would start to really start signing up for  
4 new capacity again in a robust fashion and be willing to  
5 commit to incremental projects.

6           And now all those forecasts have been, you know,  
7 substantively set aside while we wait and see where the  
8 market recuperates. I think that it's very difficult to say  
9 that really nice secure take or pay opportunity will be  
10 available in the same way that it was before. Now does that  
11 mean that nobody signs up for it?

12           No. But as one of the panelists mentioned on the  
13 earlier panel, one of the big wild cards was you know,  
14 Chinese demand. And right now we don't have a foreign  
15 policy where you know, we're in a trade war with China and  
16 those questions are very difficult to expect.

17           So when you look at a very capital intensive,  
18 heavily cyclical business, you're going to see ebbs and  
19 flows. The problem is it's really hard to forecast how long  
20 those ways last. And if things change if you know, we get a  
21 way of managing this virus and if you know, we get to the  
22 point where we have a different commercial relationship with  
23 China, then arguably the turnaround of that sort of demand  
24 sector towards back towards our market could be hugely  
25 material. Does that help?

1           COMMISSIONER GLICK: Yes, thank you very much.

2           MR. CABRERA: We don't have any other hands up at  
3 this point Commissioner.

4           COMMISSIONER GLICK: Okay. Great, I just have  
5 one more question for Mr. Young. In your comments you  
6 mentioned the desire for or one of the potential causes for  
7 liquidity involves regulators providing excessive tourist  
8 recovery -- not being able to recover your costs and your  
9 rate of return quickly enough.

10           I was wondering if you had any examples at least  
11 as to the FERC side where existing policy has overly  
12 extended these recovery periods.

13           MR. YOUNG: I really don't have any examples on  
14 the FERC side. It was a general thought about how the Tax  
15 Act in 2018 resulted in a desire by some regulators,  
16 primarily state regulators, to really accelerate the excess  
17 deferred tax reductions to customers where regulatory  
18 assets, other types of costs were being spread out over  
19 longer periods of time.

20           So it was a little bit of a reference to that.  
21 But that can affect cash flows. But I don't have anything  
22 specifically on the FERC side. I hope that helps.

23           MR. CABRERA: We don't have any other hands up  
24 Commissioner.

25           COMMISSIONER CLICK: Well thank you very much.

1 Mr. Chairman, that's all my questions.

2 COMMISSIONER MCNAMEE: This is Bernie, and I  
3 appreciate the time that all of you have provided so far so  
4 I only have a few questions. The first question is we  
5 talked a little bit about how you know, I was actually happy  
6 to hear that on the electric side that investment in  
7 projects really hasn't been hampered during this period  
8 probably because many projects were in the pipeline or that  
9 components had been bought ahead of time.

10 But what I am worried about is and would like to  
11 hear both from the gas and from the electric side, but first  
12 the thing I will be asking you is you know, is there a worry  
13 that if the pandemic continues that we won't be investing in  
14 pipeline infrastructure?

15 And of course, that's going to be influenced by a  
16 lot of court decisions as well. But is there going to be a  
17 delay in infrastructure investment that then will hurt us as  
18 we come out of the pandemic and hurt us from being able to  
19 capture economic development?

20 MS. DANG: Okay. Let me start and talk about our  
21 existing projects and generally we have been able to  
22 continue to build our existing projects. We've had to  
23 implement social distancing. The supply lines have been  
24 reasonable. They have not been impacted enough to cause  
25 delays on these projects.

1           We did have one project that we did have to delay  
2 because it was in a hot spot at the time, and concerned  
3 about being able to get it accomplished. But for the most  
4 part, we've been able to continue with construction.

5           Coming in and prior to the pandemic and the  
6 collapse in commodity prices, at Kinder Morgan we kind of  
7 said we thought we could spend 2 to 3 billion dollars per  
8 year to invest in energy infrastructure. And you know,  
9 while we don't have a new number today, I think you know,  
10 that is going to be, you know, it's going to be -- and what  
11 we've told investors is we expect it will be less than that  
12 2 to 3 billion going forward as a result of the lower  
13 commodity prices primarily.

14           And so we just won't require as much energy  
15 infrastructure. I think, you know, what that gets to a  
16 little bit from my perspective is some of the FERC policies  
17 can become even more important because we've got a number of  
18 pipelines in our portfolio where we've got contracts rolling  
19 off where we can't recontract to that capacity.

20           And so what that means is our cash flow will --  
21 while previously what was happening was we were getting  
22 enough growth for investing the 2 to 3 billion dollars per  
23 year, to cover that. And so you know, that's become a much  
24 bigger focus, the role of our pipelines where we can't  
25 collect because essentially the pipeline is not as needed.

1           That's becoming more of a focus for our  
2 investors. So I do -- I think that to the extent that  
3 commodity prices are going to take off, yes we would be  
4 behind the curve because there would be more demand. I do  
5 think that as a result of lower commodity prices, we'll be  
6 spending less capital, but I also think you get in the  
7 context of that you need to think about getting back to  
8 rates of return, and allowing us to earn -- not take away  
9 our good, make us keep our bad assets. We need to be able  
10 to keep some of our winnings.

11           COMMISSIONER MCNAMEE: Anybody else?

12           MR. CABRERA: Commissioner, Mr. Smyth has his  
13 hand up.

14           MR. SMYTH: Yes. And thank you Commissioner for  
15 that good question. You know on the AEP end we have shipped  
16 at 500 million dollars of planned capital investment out of  
17 2020 already and we've also made revisions to operations and  
18 maintenance programs as a precautionary measure to maintain  
19 our credit metrics.

20           So we've already taken proactive steps from a  
21 financial perspective to manage through this situation and  
22 other parts of our business. So again, we're not shifting  
23 any out of our transmission investment here. But in other  
24 parts of our business, we have shifted capital dollars out  
25 in 2020.

1           Those areas of the business don't have formula  
2 based rates like we do in FERC space. So this really  
3 highlights and underscores you know, the importance of you  
4 know, the Commission continuing to adopt a sound you know,  
5 ROE policies and mechanisms, you know, that are put in place  
6 that allow us to continue to invest.

7           Because we will find ourselves in a situation  
8 where you know, if we don't invest today, we will certainly  
9 suffer the consequences tomorrow to your point.

10           MR. CABRERA: Thank you Mr. Smyth. Miss Tezak,  
11 you have your hand up, Miss Tezak?

12           MS. TEZAK: Yeah, I think it's important to note  
13 that the energy sector is not going to be immune from the  
14 movements of the broader economy and you know, this  
15 unprecedented global COVID is something that is not leaving  
16 anyone untouched.

17           And I think where the Commission is going to need  
18 to exercise its discretion is to discern where there's  
19 really developing problems and where some of these deferrals  
20 and some of the longer lead times are moving forward with  
21 planned projects may be wise and appropriate and good for  
22 both the companies and the customers.

23           I mean there's -- it's great to be able to have  
24 the long live infrastructure that you would like at your  
25 disposal, you know, webbing in your hand when you need it,



1 but these aren't cyclical markets and they do have a certain  
2 cyclicity to them and I think that the connection needs to  
3 recognize that it would be really asking itself to  
4 accomplish a superhuman feat to try and predict ahead of  
5 time all cyclicity in various cyclical markets.

6           So a little bit of ying and yang I think is to be  
7 expected and I do think that investors expect to see that as  
8 well. So as long as the stock doesn't get over-extended, as  
9 Commissioner Moeller mentioned, like in terms of right now,  
10 I think that there's good faith on Wall Street that state  
11 regulators are going to work with their utilities and work  
12 out the recovery of you know, bad debt, over some reasonable  
13 period of time.

14           And the fact that it hasn't been settled yet with  
15 a question mark and not really a question mark of whether  
16 they're able to do it at all.

17           MR. CABRERA: Thank you Miss Tezak. Mr. Young  
18 you have your hand up, please proceed.

19           MR. YOUNG: I'm sorry, I do not have my hand up.  
20 I apologize.

21           MR. CABRERA: Okay. Commissioner, we don't have  
22 anyone else with their hand up at this point.

23           COMMISSIONER MCNAMEE: All right. One thing that  
24 I'm hearing and it sounds somewhat separate, but I see a  
25 certain common theme, that is Miss Dang, you've made the

1 point in your written testimony in here about how the  
2 challenge of you know, if you have a good pipeline, you can  
3 earn your return, but you're capped at that and then if  
4 there's a pipeline that's not performing as well, you don't  
5 get to make that up.

6           So it seems that there might be an issue in how  
7 we're regulating. On the flip side, there's been some  
8 commentary about how the investment in transmission that  
9 there may be overinvestment or at least there's been an  
10 assertion to that of overinvestment in transmission, not  
11 accounting for the investment that's needed in transmission  
12 that's hurting certain generation or are we siting  
13 generation in the proper places because it's being offset by  
14 transmission.

15           I know those are separate issues, but in my mind  
16 there's a certain commonality about are we looking at the  
17 whole picture when we make decisions, or are we being too  
18 narrow in how we look at things? So that might be caused by  
19 the Natural Gas Act, the Interstate Commerce Act and the  
20 Federal Power Act.

21           But just from a policy perspective, I'd like to  
22 kind of open the floor and let everybody comment if they  
23 think that there needs to be some broader thinking about how  
24 -- if we're going to regulate energy and if there's going to  
25 be BERC as the center of evaluating energy, should there be

1 a -- or are you thinking about how we look at the sectors,  
2 whether it's oil, gas, or electric in how we look at the  
3 whole bundle of sticks and how they achieve the best results  
4 for customers.

5 MR. CABRERA: If you would like to answer that  
6 question, Mr. Jones, please proceed.

7 MR. JONES: Well I want to tackle the topic of  
8 overinvestment, underinvestment and how we do it the right  
9 way for customers. First of all, I don't know how we could  
10 even think that we're overinvesting in a transmission system  
11 when 50 percent of it is 50 years or older in this country.

12 But at FirstEnergy I can tell you some actual  
13 results of the investments we've made. We have done  
14 investing in our transmission system now. We're in year 7,  
15 but the first four years of that were predominantly in our  
16 at sea transmission system, which is ROIO and power. During  
17 all of those investments we reduced the number of  
18 transmission equipment failure outages by more than 50  
19 percent.

20 And a transmission failure outage on that part of  
21 our system can impact up to 70,000 customers with one  
22 outage, so I think we're doing this in a smart way. I know  
23 that you know, my counterparts in the industry are following  
24 kind of the same principles, investing in the projects that  
25 really need to get done quickly and that are delivering

1 solid reliability results for our customers.

2 MR. CABRERA: Thank you Mr. Jones. Mr. Smyth,  
3 you have the mic.

4 MR. SMYTH: Yes and thank you for the question.  
5 You know, I'll address overinvestment and planning. You  
6 know, again to build upon what Mr. Jones said, you know, our  
7 system is very aged. I think just on the AEP system, we've  
8 got about 6,000 line miles of transmission that's over 70  
9 years old.

10 You know again, we evaluate our system not only  
11 on age, but we look at condition, performance and risk. You  
12 know, that goes into you know, figuring out how we go about  
13 doing system replacements and upgrades. But you know, the  
14 system serves customers too, so it's not just the supply  
15 side, it's also the load side as well that we've got to be  
16 cognizant of.

17 So it's not merely where you're putting that  
18 generation, it's where you have load. And so a lot of  
19 thinking goes into the RTO planning process. I know the RTO  
20 planning process doesn't necessarily transcend oil, gas and  
21 electric, however, it does account for the broad electric  
22 space.

23 And what I mean by that is, you know, they're  
24 looking at the transmission system, you're looking at energy  
25 efficiency. You're looking at new generation, be it you

1 know, fossil or renewable or what have you, and the location  
2 of the generation are within that queue.

3           So you know, again, that planning process at the  
4 RTO level is very robust. It goes through many and many  
5 gates of analysis and stakeholder processes and really does,  
6 I think a nice job of taking a broad view. Now to your  
7 point Commissioner, we do not account for necessarily  
8 directly account for things like oil and other aspects in  
9 that RTO planning process, but it is a pretty wide swath.

10           MR. CABRERA: Thank you Mr. Smyth. Commissioner  
11 Moeller, you have the floor.

12           COMMISSIONER MOELLER: Thank you Omar and  
13 Commissioner McNamee. Thank you for the question. When it  
14 comes to transmission I always like to think of some real  
15 world examples to highlight the risk. And when I was on the  
16 Commission we were going through Susquehanna, you know the  
17 lack of that project upgrade was costing hundreds of  
18 millions of dollars to customers in New Jersey and  
19 Pennsylvania for years, and it still took a long time to get  
20 the permits to go through one mile of park land.

21           And I think people have benefitting from that  
22 project and probably are unaware that they have. I think  
23 about out West, Pacific Gateway, I think Pat Wright and  
24 PacifiCorp put about 12 years of his life into that project  
25 which is finally coming around.

1           And I think back to the MVP projects that MISO  
2 promoted, they were very controversial at the time, but they  
3 almost immediately subscribed -- fully subscribed throughout  
4 the footprint and I give them as an example. I think given  
5 the vast renewable resources in the MISO footprint, whether  
6 it's wind in the North or the Central or solar in the South,  
7 and it's kind of like a new tranch of those projects need  
8 to be developed, and there needs to be kind of I'd say space  
9 in gubernatorial support because that's what made the first  
10 round of MVP projects possible.

11           So to the extent that the Commission can enhance  
12 those discussions with states who have an interest in  
13 building out the infrastructure and having that  
14 infrastructure then develop the benefits of renewable  
15 energy, I believe the Commission can play a very important  
16 role in that.

17           Because when governors are onboard, their state  
18 commissions and their state siting authorities are often a  
19 lot more tuned in to the need to address what are authority  
20 issues, whether it's siting more cap cost allocation.

21           And my last point on siting is this -- many  
22 states have a one-step siting authority. But several do  
23 not. Again, New Jersey, you have to go township by township  
24 to get approval. So again, it adds to the risk profile that  
25 I think needs to be reflected in ROEs, thank you for the

1 chance to answer.

2 MR. CABRERA: Thank you Commissioner Moeller.

3 Mr. Gutierrez, you have your hand up, please proceed.

4 MR. GUTIERREZ: Thank you Commissioner McNamee.

5 I agree with you, but I think we have an opportunity to look

6 at these in a more comprehensive way. I think it's clear

7 that in a digital economy electricity is going to have a

8 bigger market share of the total energy consumption of the

9 country and we do need to modernize the grid.

10 You know one area where I see perhaps not you

11 know, complete appreciation, and to be fair its changing

12 rapidly, is the demand side of the equation. You know, just

13 a few years ago we couldn't imagine to have a private

14 network of residential customers doing demand side

15 management with smart thermostats.

16 I mean the connective performing becoming a

17 reality. And it is significant. You can shift megawatts

18 around and the problem of having two peaks in one day is

19 changing significantly due to these smart devices.

20 So I think there is an opportunity to create a

21 framework where we look at all possible solutions. I mean

22 there is not a one size fits all, whether it is on the

23 supply side, transmission, or the demand side. But we need

24 to create a framework that allows us to evaluate every

25 single one of them to be able to you know, address the

1 specific issues that we are trying to solve, whether it's  
2 local reliability or whether it is you know, bringing  
3 additional generation or for transmitting networks from one  
4 side to the other one.

5           There has to be a process where we can actually  
6 evaluate them on a same store basis, so we can actually  
7 choose the most effective way of investing capital for the  
8 benefit of consumers. So I think your point of rethinking  
9 and reimagining it is a good one and it will be a welcome  
10 one in the power industry.

11           MR. CABRALES: Thank you very much Mr. Gutierrez.  
12 Miss Dang, you have the floor.

13           MS. DANG: Okay thanks. Just one comment on you  
14 know, regulatory policy from a pipeline perspective. I  
15 think you know, there needs to be a recognition on behalf of  
16 the FERC about the level of competition and market  
17 competitiveness that there is in the pipeline industry.

18           And sometimes I don't think that gets taken into  
19 account as you know, regulatory policy gets exercised. You  
20 know, generally our customers have one or two others, you  
21 know, choices when they're selecting a pipeline supplier.  
22 And so you know, the industry has evolved to become a very  
23 competitive one and I just think that needs to be taken into  
24 account as we proceed forward.

25           MR. CABRERA: Thank you Miss Dang. Commissioner



1     McNamee, we don't have any other hands up at this point.

2                   COMMISSIONER MCNAMEE: All right. Well I thank  
3 each of you for your time today. And this has been very  
4 informative and one of the things I enjoyed so much about  
5 this job is getting to listen to people who are actually in  
6 the industry and really you're the ones who make the energy  
7 economy work and it's good for me to actually hear from you  
8 all the challenges you have and the opportunities. So thank  
9 you for your time.

10                  MR. CABRERA: Thank you Commissioner McNamee.  
11 Mr. Chairman, it looks like we have time for maybe one  
12 question from the staff.

13                  CHAIRMAN CHATTERJEE: Yes, sir.

14                  MR. CABRERA: We have Zeny Magus who is going to  
15 relay a question from the staff, Zeny?

16                  MR. MAGUS: Hey everybody. My name is Zeny  
17 Magus. I'm not going to be on video because I have my  
18 normal just a t-shirt on. And I wanted to ask one wrap-up  
19 question. We've covered a lot of issues in this panel. And  
20 I've been trying to take a lot of notes.

21                  It's really run the gamut. So what we'd like to  
22 ask the panelists is -- is there one particular thing you'd  
23 like to leave with and emphasize for the Commission on the  
24 issues we've been discussing and/or I'd like to know what do  
25 you see in the future with regard to access to capital. So

1 either one of those questions, what's the one concern or  
2 issue you'd like to identify before leaving, and what do you  
3 see in the future with regard to access to capital. And  
4 I'll open it up to everybody and Omar, if you would go ahead  
5 and call on people, that would be great.

6 MR. CABRERA: Thank you Zeny. We have Mr.  
7 Gutierrez has his hand up. Go ahead Mr. Gutierrez.

8 MR. GUTIERREZ: Thank you. I think as a final  
9 thought you know I would summarize my comments today is that  
10 you know, when we're living in unprecedented time with  
11 COVID-19 and the power industry have done a phenomenal job  
12 in maintaining the reliability in keeping the lights on.

13 You know we need to make sure that I don't  
14 believe -- we have the tools to manage through right now.  
15 And I think we have demonstrated that over the past couple  
16 of months. The biggest risk when I speak with investors, is  
17 regulatory risk. And it's regulatory intervention.

18 So changing the rules of the game is the biggest  
19 threat and the biggest obstacle for you know, accessing  
20 capital markets in an efficient way and you know, attracting  
21 investors so we can continue investing in the power grid  
22 that is so necessary at this point. So I would wrap it up  
23 with that.

24 MR. CABRERA: Thank you Mr. Gutierrez. Miss  
25 Tezak, you have your hand up. Please proceed.

1                   MS. TEZAK: I think this has been a very  
2 instructive or set of sessions and I thank the Commission  
3 for having it. You know, my takeaway is that you know, we  
4 certainly are seeing an impact of the COVID-19 pandemic on  
5 the energy sectors and it is tangible. But I also think  
6 that it's important to recognize that changes in capital  
7 costs happen and that that does not mean that capital  
8 markets are necessarily closed.

9                   When producers are in bankruptcy, they have found  
10 capital markets closed. We don't have that as a routine  
11 problem for FERC jurisdictional entities in terms of  
12 bankruptcy because the capital markets aren't closed to  
13 them. But they could be changing, and they could have  
14 impacts that the Commission needs to keep an eye on and be  
15 informed of in terms of where credit spreads are moving, how  
16 the corporate bonds are behaving relative to the federal  
17 funds rate.

18                   Is the overall ROE consistent with enterprises of  
19 similar risk, not necessarily the market broadly? And I  
20 think the vigilance is appreciated and it's something that  
21 encourages investors that you're watching it and that you're  
22 keeping your eyes open for responding to it if necessary and  
23 to be the consistent regulator that I think Wall Street has  
24 generally hoped you intend to be. So thank you for having  
25 this Conference.

1                   MR. CABRERA: Thank you Miss Tezak. Miss Dang,  
2 you have your hand up. Would you like to address the  
3 question?

4                   MS. DANG: Sure. I think my hand was up from the  
5 prior, but I would be happy to address the question. So  
6 what I would leave the FERC with, the Commissioners with, is  
7 that you know this has gotten more difficult over time. You  
8 know the environmentalists are trying to stop pipes at every  
9 turn. You've got long-term demand uncertainty problem.

10                  The stop of -- you know, no fossil fuels  
11 agreement, and electric vehicles et cetera. We've seen some  
12 uncertainty on the regulatory side in the past with 501C's,  
13 the Instant Rule, other scenarios. And you add on top of  
14 that the uncertainty that's caused by COVID, with the demand  
15 impacts that we've seen on the products, credit and the fact  
16 that we see more on the natural gas side because of the  
17 nature of the take or pay contracts.

18                  And so I think the you know, the ROE policy needs  
19 to recognize that this adds more risk from it today than it  
20 has in the past. And that there is a lot of competition.  
21 And therefore, you know, the regulatory oversight needs to  
22 recognize that as well.

23                  MR. CABRERA: Thank you Miss Dang. Mr. Smyth,  
24 please proceed.

25                  MR. SMYTH: Yes. Thank you Omar. And you know,

1 again thank you to the Commission and fellow panelists for a  
2 great Conference here. You know what I would leave the  
3 Commission with you know, just a reminder that you know, the  
4 electric transmission system is vital to reliable service  
5 and efficient energy market pricing and you know, it really  
6 goes back to based on ROE and incentive policy and getting  
7 that right.

8           And you know, we believe that the Commission  
9 should continue its work to adopt sound ROE policy that you  
10 know, is styled with a long-term view like we've talked  
11 about and you know, results in ROE's that are not biased by  
12 volatile market conditions. So that's very important to us.

13           On the incentives front, you know, well crafted  
14 transmission incentive policies are also very important  
15 tools for the Commission so that you know to deploy, to  
16 ensure that the grid works for customers both today and  
17 really into the future.

18           We do like the Commission's proposed shift to  
19 focus on benefits to customers as opposed to risks and  
20 challenges to developers like had been done in the past.  
21 You know, we feel like a new direction there really can help  
22 a lot of incentives with a desired customer benefit outcome.  
23 So you know again, thank you again for your time today. I  
24 enjoyed participating in this.

25           MR. CABRALES: Thank you Mr. Smyth. Mr.

1 Collanton?

2 MR. COLLANTON: Yes if I can get the technology  
3 going here. Well thank you for to the Commission and for  
4 all the panelists. It kind of disappeared -- there we go.  
5 Let me try that again, I apologize. Thank you again for the  
6 invite and for the opportunity to participate.

7 It's really been an interesting Conference and  
8 very informative. I think what I'd like to leave the  
9 Commission with is just the you know, notion that as ISO and  
10 RTO, we tend to have shorter timelines in our settlement  
11 statements. And about one month of transaction time, so  
12 that's why our you know, credit timelines tend to be  
13 shorter. And I think the Commission recognizes that and it  
14 has supported that in its policies.

15 So I would urge the Commission to leave the  
16 Commission with the notion of to keeping supporting the ISOs  
17 and the RTOs and advancing our credit policies in light of  
18 our circumstances, and to foster the markets with  
19 financially healthy market assistance and adequate  
20 protections for the markets against default.

21 We continue to grow in that area whether it's  
22 COVID-19, which I think has at this point, displayed that  
23 our credit policies are working well, with whatever else  
24 hits us in the future, we have to continue to be vigilant.

25 MR. CABRALES: Thank you Mr. Collanton. Mr.

1 Young, you have the mic.

2 MR. YOUNG: Yes, thank you. I don't want to pile  
3 on here but I do want to state that what I would want to  
4 leave the Commission with is for them to continue the very  
5 fair and balanced view of the risk associated with building,  
6 constructing, owning, operating long-term infrastructure and  
7 the inherent risks that are associated with that.

8 We're going to go through crisis -- a financial  
9 crisis and now a pandemic crisis, and having a healthy  
10 respect for that risk as they set our leave and recovery  
11 policies, is very valuable. That allows us to effectively  
12 raise capital and gives investors confidence. I think the  
13 Commission has done a great job with this over the years and  
14 I would urge them to please continue, thank you.

15 MR. CABRALES: Thank you Mr. Young. And thank  
16 you all for the answers. Mr. Chairman we are done with  
17 staff questions and we are ready for the closing statement.

18 CHAIRMAN CHATTERJEE: Great. Well thank you all  
19 very much. I want to start by offering my heartfelt thanks  
20 to all of the panelists who joined us over the last two  
21 days. Our work will benefit greatly from the discussions  
22 we've had.

23 When I first announced this Conference, we heard  
24 from many stakeholders about these issues that are so  
25 important to the industries that the Commission regulates

1 and to the country as a whole. We want to keep the dialogue  
2 going, so we will be providing an opportunity for the public  
3 to submit post-Technical Conference comments.

4 We will be putting out a notice requesting  
5 comments soon. I also want to thank the public for joining  
6 us for our first virtual Commission led Technical  
7 Conference. I know I personally learned a lot and I hope  
8 everyone else did as well.

9 Finally, and most importantly, I'm so grateful to  
10 Commission staff for the tremendous work they put into  
11 making this Technical Conference a success. These are  
12 unprecedented times for everyone in the energy sector, and  
13 the staff at FERC have worked above and beyond to ensure  
14 that we complete our mission of critical work.

15 I would especially like to thank the team that  
16 put this Technical Conference together and ensured that it  
17 ran so smoothly. Aileen Roder, Adam Bednarczyk, and Thomas  
18 Kingston from the Office of Energy Policy and Innovation.  
19 David O'Connor from the Office of Electric Reliability,  
20 Aileen Lewis, the Office of Energy Infrastructure Security,  
21 Zeny Magus and Adam Pollack from the Office of Energy Market  
22 Regulation.

23 Ann Marie Hirshberger from the Office of General  
24 Counsel, Omar Cabrales from the Office of Energy Projects,  
25 Kimberly Horner from the Office of Enforcement, Emily



1 Pritchard and Sarah McKinley from the Office of External  
2 Affairs and Paul Signas, Bassom Moller, Tori Miller, Karen  
3 Williams and Phisol Minot from the Office of the Executive  
4 Director in IT. Thank you all so much for what you all did  
5 to make the past two days a success. With that I will turn  
6 it over to my colleagues for any closing remarks they may  
7 have, thank you all.

8           COMMISSIONER GLICK: Thank you Mr. Chairman. I  
9 don't really have a closing statement, but I wanted to  
10 reiterate what you just said. First of all I want to thank  
11 all the panelists who participated over the last two days.  
12 Very helpful and very informative discussion.

13           But more importantly, I wanted to thank all the  
14 staff. You mentioned them all by name, so I won't repeat  
15 them all, but it takes a lot of effort to put together these  
16 Conferences and how many people were working on it and they  
17 all did an amazing job, especially given the difficulties of  
18 everyone working from home, so thank you very much to the  
19 staff and thank you Mr. Chairman.

20           COMMISSIONER MCNAMEE: Likewise I want to thank  
21 you know, each of the panelists as I've said earlier. It  
22 was incredibly informative and it's good for me to hear the  
23 different perspectives, and it gives me a lot to think  
24 about.

25           And over the past two days we've heard a lot of

1 different information, a lot of different perspectives and  
2 we are going to thinking and digesting it and hopefully it  
3 will make all of our decisions better.

4 I also want to thank the staff and both the  
5 Chairman and Commissioner Glick have done. They've been  
6 fantastic, not only in this process, but throughout the  
7 pandemic they've really been exemplary in terms of their  
8 willingness to work hard, produce fantastic work and to help  
9 keep the Commission going and helping us as Commissioners  
10 keep the work. So I'm very grateful.

11 Most of all I'm grateful though to the panelists  
12 and your business who are keeping the energy infrastructure  
13 going in this country. The suffering that the American  
14 people are having through the economic crisis that goes with  
15 the pandemic, with the physical crisis that goes with the  
16 pandemic, would be far worse if it wasn't for your companies  
17 keeping the lights on, keeping the gas flowing, keeping the  
18 oil flowing, keeping the jet fuel flowing.

19 And we're very grateful for the work that you all  
20 do in leading those companies and for your employees. So  
21 thank you.

22 CHAIRMAN CHATTERJEE: Omar, I think that  
23 completes the remarks and completes the Technical  
24 Conference.

25 MR. CABRALES: Thank you Mr. Chairman. Thank you

1 all for being here today. Stay safe.

2 (Whereupon the Technical Conference adjourned at

3 4:04 p.m.)

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3 This is to certify that the attached proceeding  
4 before the FEDERAL ENERGY REGULATORY COMMISSION in the  
5 Matter of:

6 Name of Proceeding:

7 Impacts of COVID-19 on the Energy Industry

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15 Docket No.: AD20-17-000

16 Place: Washington, DC

17 Date: Thursday, July 9, 2020

18 were held as herein appears, and that this is the original  
19 transcript thereof for the file of the Federal Energy  
20 Regulatory Commission, and is a full correct transcription  
21 of the proceedings.

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24 Gaynell Catherine

25 Official Reporter