Topics

• NYSEG / RG&E System Overview
• Franchising Activity 1987 – Present
• Shifting Supply, Basis & CapEx
• IUSA Strategy
• Expansion of Gas Service
System Overview

• Customers
  – NYSEG ~ 260,000
  – RG&E ~ 300,000

• Design Day Throughput
  – NYSEG ~ 500,000 Dth/day
  – RG&E ~ 500,000 Dth/day

• Delivered Capacity
  – NYSEG ~ 400,000 Dth/day
  – RG&E ~ 400,000 Dth/day

• Third Party Shippers
  – NYSEG - 37
  – RG&E - 37
Iberdrola USA
- New York -
GAS FRANCHISE MAP
and
Other Gas Utilities

LEGEND
- NYSEG/RG&E Gas Franchise (Pre 1987)
- NYSEG/RG&E Gas Franchise (1987 and Newer)
- Other Utilities Gas Franchise **
- Third Party Transmission Pipelines

* Other Gas Utility data supplied by NYS Department of Public Service December 2009

Produced by NYSEG GIS & MAPPING
"Mapping the Company's Future"
New Franchises Since 1987

- 39 Communities
- Most Activity in 1990s
- Limited Activity in Last Decade
Traditional Franchising Strategy

• Identify towns near source of supply
• Identify anchor customers & total load
• Obtain local franchise
• Contract w/ anchor customers
• File PSC franchise petition
Existing Franchise Growth

• New Services
  – NYSEG / RG&E
    • ~ 3,000 Annually

• Main Extensions
  – NYSEG / RG&E
    • ~ 100 Annually
Expected Change in Pipeline Flows

Reductions in Pipeline Flows from Canada and GoM Production (MMcf/d)

Increases in Pipeline Flows (MMcf/d)
Spot Price Dynamics
Dominion Southpoint Average

- 2008: $9.30 /MMBTU
- 2012: $2.77 /MMBTU

Dominion Southpoint to Henry Hub Basis Spread

- 2008: $0.48 /MMBTU
- 2017: $(0.18) /MMBTU

Oil to Gas Price Relationship

- 2008: 2x
- 2012: 6x
Potential Marcellus CapEx
(Billions of Dollars)

Through 2016
- Gathering/Processing: 3
- Pipeline: 5
- Gas Separation: 2

Through 2035
- Gathering/Processing: 6
- Pipeline: 13
- Gas Separation: 6
• Dynamic Environment Creates Opportunity

• Actively pursue investments that will bring gas to new customers and lower cost to existing customers
Expansion of Gas Service

• Cost effective policy enhancements (e.g.)
  • Incremental tariff pricing
  • Broader environmental review

• Funding / Sources of Incentive (e.g.)
  • Rural initiatives
  • Tax Increment Financing (TIF)
  • Government grants
  • Rebates