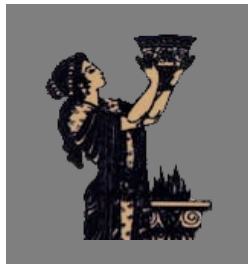




PORTER ENERGY ADVISORS

Porter Energy Advisors Strategic Solutions for Energy Providers



Key Issues

Pipeline Asset Realignment / Earnings Enhancement

ISSUES

- ➔ A pipeline was operating at less than ten percent of its capacity and system abandonment was not an option due to firm shipper contracts.
- ➔ The fully depreciated rate base and multiple negotiated rate contracts seemed to limit any financial upside.
- ➔ The assets required increased integrity expenses.

SOLUTIONS

- ➔ Created and implemented a strategy to restructure the system, permitting an increase in revenues and margins.
- ➔ Developed the overall rate case strategy, directing and coordinating the company staff in the preparation of exhibits and testimony.
- ➔ Prepared analysis and supporting testimony for new tariff recovery mechanisms, depreciable lives and negative salvage.

RESOLUTION

- ➔ The case was successfully settled, and the pipeline realized increased operating.
- ➔ The pipeline was subsequently determined to be a non-core asset and sold.



Key Issues

Oil Pipeline Peer Group Analysis / Rate Case / Regulatory Analysis

ISSUES

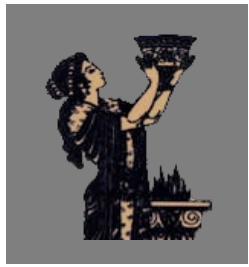
- ➔ A producer restructured leaving the oil pipeline system, with both intrastate and interstate routes, as a standalone financial entity.
- ➔ Operating expenses were increasing annually by double digits; transport volumes were flat; the system was nearly fully depreciated and producing negative operating margins.
- ➔ Third party consultants had opined that the pipeline could not justify an increase in rates.

SOLUTIONS

- ➔ Evaluated the operations and financial performance of the pipeline relative to an industry peer group and developed studies supporting revenue enhancement strategies and rate case filings before federal and state regulatory agencies.
- ➔ Implemented settlement strategies and managed the interstate settlement processes.
- ➔ Filed an intrastate case, managed the proceeding and testified before the State Regulatory Commission, developing a new methodology to mitigate the risk of the reduced rate base and increase operating margins.

RESOLUTION

- ➔ The interstate case produced a significant revenue increase in a non-contested settlement.
- ➔ The intrastate proceeding also settled with acceptance of our proposed methodology, increasing the pipeline's operating margins and virtually eliminating future rate filing obligations.
- ➔ The improved earnings outlook allowed the company to sell this non-core asset to a third party.



Key Issues

Shale Basin Infrastructure / NGPA §311

ISSUES

- ➔ This midstream company was developing infrastructure to evacuate shale natural gas production, initially negotiating agreements with Anchor shippers to justify the project.
- ➔ The desire was to preserve the intrastate status of the entity, yet provide connectivity to the interstate markets and capitalize on higher value services.

SOLUTIONS

- ➔ Developed a pipeline economic model to simultaneously solve for the regulatory, financial and project solutions.
- ➔ Regularly modeled project economics with the project team to ensure that the fluctuating project costs and pricing continued to meet commercial targets.
- ➔ Supported the costs and rates before the FERC and intervenors.

RESOLUTION

- ➔ The parent company pipeline retained its intrastate status, constructing the additional facilities under Section 311 of the Natural Gas Policy Act and establishing new rates for service.
- ➔ The case was successfully settled and the commercial goals were achieved.



Key Issues

Residue Line / Market Hub Greenfield Project

ISSUES

- ➔ An integrated midstream company with gas gathering assets in a developing gas supply basin planned a processing plant and residue line into a proposed interstate market hub.
- ➔ The company desired to contract with its shippers from the wellhead through the plant, the hub and into the connected downstream pipelines.
- ➔ Under then existing FERC policy this type of arrangement was not possible.

SOLUTIONS

- ➔ Developed an interstate gas pipeline service permitting the gathering/processing company to hold firm hub capacity, acting as the nominating, scheduling and billing agent for its customers.
- ➔ Directed the initial regulatory and economic analysis for the project; participated in the negotiation of precedent agreements and service rates; oversaw the development of terms of service and recourse rates.
- ➔ Responsible for negotiating and filing for approval of the terms of service and rates at the FERC.

RESOLUTION

- ➔ The midstream, company implemented its business strategy and became an anchor shipper on the hub project.
- ➔ Without the ability to enter into these contracts in this manner, the project would have lacked sufficient anchor shippers.
- ➔ This hub has become an integral part of the natural gas infrastructure in this region.



Key Issues

Pipeline Earnings Stabilization / EARNINGS Enhancement

ISSUES

- ➔ A low annual load factor pipeline with increasing integrity and other maintenance expenses.
- ➔ Major natural disasters severely damaged the system, requiring significant expenditures to restore service.
- ➔ The Asset Retirement Obligation could not be funded under the current regulatory model.

SOLUTIONS

- ➔ As the project lead, developed the overall rate case strategy, directing and coordinating the company staff in the preparation of exhibits and testimony.
- ➔ Prepared analysis and supporting testimony for new tariff recovery mechanisms, depreciable lives and negative salvage.
- ➔ Developed studies and presentations for the client to illustrate and correct deficiencies in historic capital recovery mechanisms.

RESOLUTION

- ➔ The pipeline filed a significant increase in its rates and the case was successfully settled.
- ➔ The pipeline realized increased operating margins from increased revenues and the recovery of previously unrecoverable expenses.
- ➔ The stability in operating margins enabled the sale of this non-core asset to a third party.



Key Issues

Competitive Disadvantage / NGPA §311

ISSUES

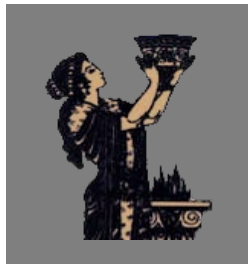
- ➔ As part of a compliance filing in a rate proceeding, the FERC ordered this intrastate pipeline to fully unbundle its NGPA §311 services in accordance with Orders 636 and 637.
- ➔ In compliance the pipeline re-contracted with all its shippers to separate its gathering, transmission and storage contracts.
- ➔ The inability to provide integrated services placed the pipeline at a significant competitive disadvantage in the market.

SOLUTIONS

- ➔ Prepared analysis to demonstrate that the cost of compliance was unduly penalizing the company vis-à-vis its competitors and that it was losing market share due to the restrictions.
- ➔ Worked with Counsel to develop new arguments to file with the FERC.

RESOLUTION

- ➔ The FERC reversed its decision and permitted the pipeline to bundle its services



Key Issues

Pipeline Acquisition / Permitting / Earnings Maximization

ISSUES

- ➔ A start-up's initial application to acquire natural gas gathering and transmission assets was rejected by the FERC.
- ➔ The assets were significantly depreciated, with potential for significant unfunded future abandonment liability and the owners forecast increasing operating expenses.
- ➔ The limited market demand for transport capacity was reflected in steeply discounted rates.

SOLUTIONS

- ➔ Directed the oversight and preparation of all exhibits, including the analysis and design of service rates, service development, and tariff preparation.
- ➔ Developed specific services offerings to promote flexibility for shippers, including tariff mechanisms to insure recovery of significant expenditures for items such as natural disasters.
- ➔ Designed mechanisms to simultaneously maintain funding obligations consistent with the purchase agreement and protect the financial interest of the company.

RESOLUTION

- ➔ The company acquired the assets and implemented the services and rates largely as filed.
- ➔ Based upon recent filings with the FERC the pipeline is approximately earning its cost of service, despite a continuing slump in the regional transportation market.



Key Issues

Pipeline Earnings Stabilization, Abandonment / Asset Realignment

ISSUES

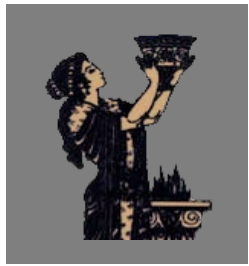
- ➔ This pipeline was operating at a fraction of its design capacity; low throughput made system operations financially unrealistic.
- ➔ The company had made numerous attempts to abandon the asset by sale to the shippers.
- ➔ The assets faced increased integrity expenses and the recognition of an Asset Retirement Obligation created a significant unfunded liability.

SOLUTIONS

- ➔ Developed the overall rate case strategy, directing and coordinating the company staff in the preparation of exhibits and testimony.
- ➔ Prepared analysis and supporting testimony for new tariff recovery mechanisms, depreciable lives and negative salvage.
- ➔ Developed and implemented strategies to engage the shippers in negotiations regarding optionality for services to enable the abandonment of the system.

RESOLUTION

- ➔ The case was successfully settled; the pipeline realized increased operating margins in the short run as shippers transitioned to new pipelines for their services.
- ➔ At the end of a defined period all services terminated, and the pipeline was removed from service.
- ➔ The pipeline was subsequently contributed to a new partnership with third parties.



Key Issues

Pipeline Capacity Deficiency / Power Generation Services / Rates

ISSUES

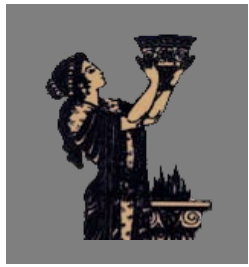
- ➔ The growing regional power generation load required new gas pipeline infrastructure to deliver power fuel.
- ➔ Building a greenfield pipeline solely for power generation load was challenging from an operational, service and pricing perspective, requiring innovative regulatory approaches.
- ➔ This project required delivery at non-uniform rates of flow and pricing that recognized the impact of stranded intra-day capacity due to short notice startups.

SOLUTIONS

- ➔ Created an innovative rate design methodology for pricing power generation services that required non-uniform rates of flow and considered impact of stranded pipeline capacity.
- ➔ Designed an entirely new tariff with innovative services and terms and conditions to serve the commercial needs of the market and meet the financial goals of the project.
- ➔ Coordinated the preparation and filing of the FERC certificate application for the pipeline project.

RESOLUTION

- ➔ The pipeline was successfully approved, built and placed in service.
- ➔ The rate design concept has proved to be financially successful and popular with the shipper community.



Key Issues

Return on Equity / Litigation Support at U.S. Court of Appeals for the DC Circuit

ISSUES

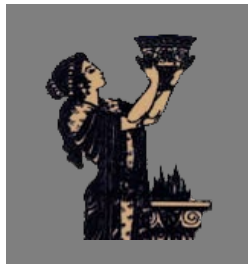
- ➔ A FERC Order adopted the proxy group proposed by Commission Staff finding the pipeline's proxy group to be inappropriate.
- ➔ The selection of Staff proxy group produced a significant deficiency in return on equity and total cost of service.
- ➔ In a case of importance to the entire natural gas pipeline industry, the pipeline appealed the Commission's order.

SOLUTIONS

- ➔ Participated in the original proceeding providing counsel with additional work papers and studies as necessary to develop the position.
- ➔ Worked with counsel to prepare the appeal and arguments to be presented before the court.

RESOLUTION

- ➔ The Court remanded the matter to the FERC and the pipeline negotiated a satisfactory settlement prior to the Commission action on the remand.
- ➔ The Court's remand of the FERC Order coincided with the issuance of a new FERC policy statement on the composition of pipeline proxy groups.



Strategic, Seasoned Regulatory Advisory Services

Key Issues

- Recovered \$80 million of stranded pipeline investment by creating a strategy to restructure a fully depreciated pipeline, increasing annual revenues by 20%.
- Achieved \$60M+ in EBIT in one year resulting from the development and delivery of a rate case filing, litigation, and settlement, which provided additional flexibility to market pipeline services.
- Promoted corporate profitability, enhancing pipeline margins and midstream service flexibility through the initiation of an innovative hub service which simplified wellhead to hub contracting.



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Richard W Porter is currently Managing Partner at Porter Energy Advisors. He is a highly experienced Senior Executive and currently serves on the Advisory Board of a pipeline integrity technology start-up.

Mr. Porter has 40 years of experience in the oil and gas industry and previously was a member of the Senior Team with a \$2B global consulting firm where he led the Houston Energy Group, a part of the global Economics team and the Energy, Power & Products (“EPP”) Industry Practice. In that role Mr. Porter was charged with expanding the scope and scale of the existing practice solutions. He was also tasked with developing cross practice collaborative business development efforts to foster advancement of the EPP Practice.

He was previously a member of the leadership team of the Oil, Gas & Mining vertical for the global management consulting arm of a \$3B EPC firm. To initiate his consulting career, he founded The Pythia Group, LLC to provide strategic and regulatory solutions to the energy industry. Prior to his consulting career, Mr. Porter was a member of the management teams at various natural gas pipeline and midstream companies including Enterprise Products, ANR Pipeline, Arkla Energy Resources, and Panhandle Eastern Pipe Line.

Mr. Porter has a reputation for producing practical solutions designed to increase shareholder value, improve operating margins, and mitigate risk. He has significant experience managing complex shipper regulatory and commercial negotiations to achieve financial goals; demonstrating industry knowledge, critical thinking, organization and communication skills as an expert witness; and developing new pipeline projects and services to capture market opportunities and promote earnings growth.



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