

# Williams: What should a pipeline proposal have to prove?

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**Audience:** MBA students and working professionals

## Tulsa, March 2024

Williams had built its strategy around natural-gas infrastructure: gathering gas from producing areas, processing it, and moving it through interstate pipelines to utilities, power generators, industrial users, and export-related markets. At year-end 2023, the company reported nearly 18 Bcf/d of gathering volumes and 32.3 Bcf/d of contracted transmission capacity. The latter was up 32% from 2022. Management said its interstate pipeline strategy was to maximize use of pipeline capacity by providing high-quality, low-cost transportation to large and growing markets. [P1, Item 1, p.10; Item 7, p.49; P2]

Williams' Transco system ran approximately 9,700 miles from the Gulf Coast through the Southeast and Atlantic seaboard to the New York metropolitan area. At December 31, 2023, the company reported about 19.1 million dekatherms per day of Transco design capacity. These system figures describe scale; they do not show how much capacity was available at a particular location or when customers needed it. [P1, Item 1, p.10]

Williams' February 2024 earnings release reported 2023 GAAP net income of \$3.273 billion, adjusted EBITDA of \$6.779 billion, cash from operations of \$6.055 billion, and available funds from operations (AFFO) of \$5.213 billion. Adjusted EBITDA and AFFO are company-defined non-GAAP measures. Management attributed part of net-income growth to a litigation gain and a favorable year-over-year change in unrealized commodity-derivative gains and losses. [P2]

## A large, staged project portfolio

On February 14, Williams presented eight Transco expansion projects in execution. Its slide showed a project-portfolio label of approximately \$2.7 billion and a separate headline of approximately 3.1 Bcf/d of Transco expansions. The displayed project rows sum to 3,599.8 MMcf/d, or about 3.6 Bcf/d; the slide footnote excludes the Carolina Market Link already in service and the in-service portion of Regional Energy Access from the approximately 3.1 Bcf/d headline. The measures have different scopes. The \$2.7 billion label refers to the execution portfolio, not to any one project. [P3, slide 47]

| Transco project        | Capacity shown | Status on Feb. 14, 2024                             | Target in-service    |
|------------------------|----------------|-----------------------------------------------------|----------------------|
| Regional Energy Access | 829 MMcf/d     | About half in service; remainder under construction | Full service 4Q 2024 |

| Transco project                   | Capacity shown | Status on Feb. 14, 2024         | Target in-service |
|-----------------------------------|----------------|---------------------------------|-------------------|
| Southeast Supply Enhancement      | 1,587 MMcf/d   | Pre-filed FERC application      | 4Q 2027           |
| Commonwealth Energy Connector     | 105 MMcf/d     | FERC certificate received       | 4Q 2025           |
| Southside Reliability Enhancement | 423 MMcf/d     | Under construction              | 4Q 2024           |
| Carolina Market Link              | 78 MMcf/d      | In service                      | 1Q 2024           |
| Alabama Georgia Connector         | 63.8 MMcf/d    | Environmental assessment issued | 4Q 2025           |
| Southeast Energy Connector        | 150 MMcf/d     | Under construction              | 2Q 2025           |
| Texas to Louisiana Energy Pathway | 364 MMcf/d     | FERC certificate received       | 1Q 2025           |

*Source: Williams 2024 Analyst Day, slide 47. Capacities and dates are company-reported. Dates are targets, not outcomes. The table's row sum is not the same scope as the slide's approximately 3.1 Bcf/d headline.*

The Southeast Supply Enhancement (SSE) illustrates the staged nature of a proposal. The February 14 presentation listed it as “pre-filed” and showed 1,587 MMcf/d of capacity, with a fourth-quarter 2027 target. In its Form 10-K filed February 21, Williams said it planned to file the application with FERC as early as the third quarter of 2024. The filing described receipt points in Virginia and North Carolina and delivery points in Virginia, North Carolina, South Carolina, Georgia, and Alabama. The company's target depended on timely receipt of necessary regulatory approvals. [P1, Item 7, “Expansion Projects-Southeast Supply Enhancement,” p.53; P3, slide 47]

Williams' February 14 release identified demand growth tied to regional power reliability, data centers, electrification, renewables, and previously permitted LNG export growth. The Analyst Day presentation also described demand drivers along its footprint. These were management's explanations of opportunity, not project-specific forecasts of contracted demand. [P2; P3, slides 29, 36]

## **Evidence, regulation, and capital**

Interstate natural-gas transportation and storage, and expansion of jurisdictional facilities, are subject to FERC regulation. In February 2022, FERC published certificate and greenhouse-gas policy statements. In March 2022, the Commission converted them to draft statements, requested additional comment, and said the drafts would not apply to pending or new projects before final guidance. Thus, the 2022 statements were not binding certificate rules at this case cutoff. [P1, Item 1, “Regulatory Matters-FERC,” p.20; P4; P5]

FERC's February 2022 fact sheet described evidence it might consider when assessing project need, including the circumstances around shipper agreements, gas end use, demand projections, expected utilization, customer savings, regional assessments, and state or local utility input. It also discussed balancing public benefits against adverse impacts and potential mitigation. The later draft status matters: the fact sheet provides context for the kinds of questions stakeholders were debating, not a final approval checklist. [P4; P5]

Williams forecast 2024 growth capital and investment spending of \$1.45-\$1.75 billion, excluding acquisitions, and maintenance capital of \$1.1-\$1.3 billion. The maintenance range included about \$350 million at its midpoint for emissions-reduction and modernization initiatives. The company said it intended to fund substantially all planned 2024 capital after dividends and retained flexibility to adjust planned growth spending with economic conditions or opportunities. These are management forecasts and policies; they do not establish a binding capital ceiling or a trade-off with any specific proposal. [P1, Item 7, “Company Outlook,” pp.69-70; P2]

Demand and capacity needs were not Williams’ only external context. EIA reported in December 2023 that more than 20 Bcf/d of pipeline capacity was under construction, partly completed, or approved to serve five U.S. LNG export terminals then under construction. The figure was national; it did not identify competing capacity for a particular Transco corridor. [P6]

## The assignment

For this classroom exercise, assume you are part of a **hypothetical** internal screening group asked to recommend what evidence a future, uncommitted interstate-pipeline proposal should meet before Williams advances it from development toward a FERC filing. This is a case-design assumption, not a disclosed Williams committee or mandate. The named Transco projects above are already disclosed as in execution, under construction, certified, in service, or in a filing stage; do not treat them as choices to cancel or reopen.

Your group must present a practical screening framework and identify what evidence the company would need to compare proposals. Consider customer commitments and intended end use, corridor-level capacity and demand, expected utilization and customer benefits, regulation and community effects, cost and schedule confidence, and portfolio fit. Explain how you would handle uncertain or missing evidence. Do not assume a fixed budget, project return, or project-level demand that is not in the record.

## Discussion questions

1. Which evidence should be required before a future project moves from development toward a formal FERC application?
2. How should commercial commitments be weighed alongside demand, utilization, competing infrastructure, and customer benefits?
3. What information would you request from engineering, commercial, regulatory, and community teams before making a recommendation?
4. Which risks should stop a proposal, trigger redesign, or lead to further study?

## Source key

- **P1.** Williams FY2023 Form 10-K, filed Feb. 21, 2024, accession 0000107263-24-000019, SEC filing: [HTML](#). Key locators: Item 1 p.10, FERC regulation p.20; Item 7 strategy p.49, SSE p.53, Company Outlook pp.69-70.
- **P2.** Williams Feb. 14, 2024 FY2023 results release, Exhibit 99.1 to 8-K accession 0000107263-24-000015: [SEC exhibit](#). Key locators: highlights/financial results and guidance, release lines 134-198.
- **P3.** Williams 2024 Analyst Day presentation, Feb. 14, 2024: [official PDF](#). Key locators: slides 29, 36, 47.

- **P4.** FERC Feb. 17, 2022, Updated Certificate Policy Statement fact sheet: [FERC](#).
- **P5.** FERC, *Certification of New Interstate Natural Gas Facilities*, 178 FERC ¶ 61,197, docket PL18-1, Mar. 24, 2022, ¶2; [FERC notice](#).
- **P6.** EIA, “New pipelines will bring significant volumes of natural gas to new LNG export terminals,” Dec. 12, 2023: [EIA](#).