

Ohio Gas Association

What Happens When You Dangle Cheap Carrots?

Mike Zenker, Managing Director of Research

NextEra Energy Resources

July 16, 2014

NextEra Energy is comprised of two strong businesses supported by a common platform



\$39.6 B market capitalization⁽¹⁾
42,576 MW in operation
\$69 B in total assets
750 Bcf/yr in gas consumption



One of the largest U.S. electric utilities
4.7 MM customer accounts
24,273 MW in operation

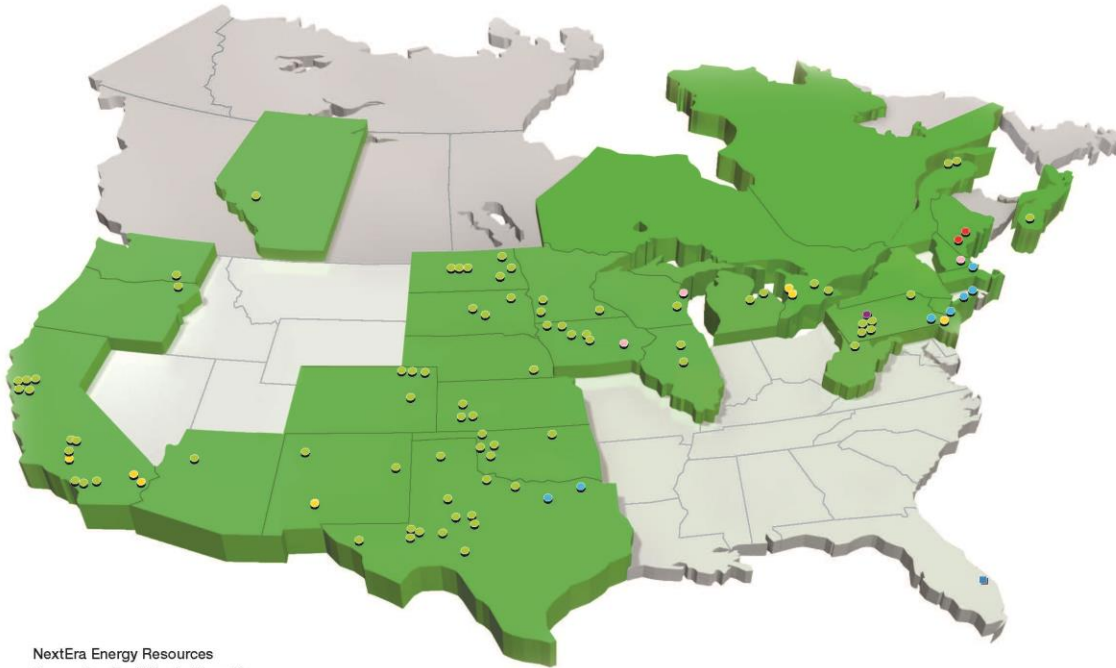


U.S. leader in renewable generation
Assets primarily in 24 states and Canada
18,200 MW in operation

(1) Market capitalization as of February 25, 2014; source: FactSet
Note: All other data as of December 31, 2013

Our generation portfolio includes over 18,000 MW of generation assets

Energy Resources Generation Assets⁽¹⁾



NextEra Energy Resources
Generation Facilities In Operation:

- Wind
- Solar
- Natural Gas
- Nuclear
- Oil
- Other
- NextEra Energy Resources Corporate Office
- U.S. states and Canadian provinces with projects in operation

*Partial commissioning of the Genesis and Desert Sunlight Solar Energy Projects in California

Technology	MW
Wind	10,210
Nuclear	2,721
Solar	477
Natural Gas	3,991
Total:	18,200

Why would the CIA care about US natural gas?

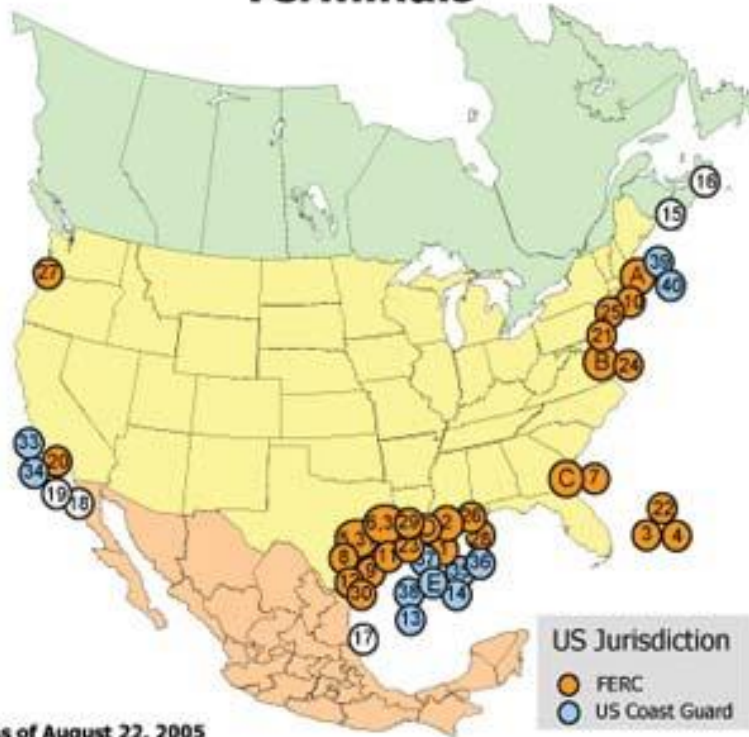


Source: CIA

Remember When...Proposed Import Terminals in 2005

FERC

Existing and Proposed North American LNG Terminals



As of August 22, 2005

* US pipeline approved; LNG terminal pending in Bahamas

CONSTRUCTED

- A. Everett, MA : 1.035 Bcfd (Tractebel - DOMAC)
- B. Cove Point, MD : 1.0 Bcfd (Dominion - Cove Point LNG)
- C. Elba Island, GA : 0.66 Bcfd (El Paso - Southern LNG)
- D. Lake Charles, LA : 1.0 Bcfd (Southern Union - Trunkline LNG)
- E. Gulf of Mexico: 0.5 Bcfd, (Gulf Gateway Energy Bridge - Accelerate Energy)

APPROVED BY FERC

- 1. Lake Charles, LA: 1.1 Bcfd (Southern Union - Trunkline LNG)
- 2. Hackberry, LA : 1.5 Bcfd, (Sempra Energy)
- 3. Bahamas : 0.84 Bcfd, (AES Ocean Express)*
- 4. Bahamas : 0.83 Bcfd, (Calypso Tractebel)*
- 5. Freeport, TX : 1.5 Bcfd, (Cheniere/Freeport LNG Dev.)
- 6. Sabine, LA : 2.6 Bcfd (Cheniere LNG)
- 7. Elba Island, GA: 0.54 Bcfd (El Paso - Southern LNG)
- 8. Corpus Christi, TX: 2.6 Bcfd, (Cheniere LNG)
- 9. Corpus Christi, TX : 1.0 Bcfd (Vista Del Sol - ExxonMobil)
- 10. Fall River, MA : 0.8 Bcfd, (Weaver's Cove Energy/Hess LNG)
- 11. Sabine, TX : 1.0 Bcfd (Golden Pass - ExxonMobil)
- 12. Corpus Christi, TX: 1.0 Bcfd (Ingerside Energy - Occidental Energy Ventures)

APPROVED BY MARAD/COAST GUARD

- 13. Port Pelican: 1.6 Bcfd, (Chevron Texaco)
- 14. Louisiana Offshore : 1.0 Bcfd (Gulf Landing - Shell)

CANADIAN APPROVED TERMINALS

- 15. St. John, NB : 1.0 Bcfd, (Canaport - Irving Oil)
- 16. Point Tupper, NS 1.0 Bcfd (Bear Head LNG - Anadarko)

MEXICAN APPROVED TERMINALS

- 17. Altamira, Tamulipas : 0.7 Bcfd, (Shell/Total/Mitsui)
- 18. Baja California, MX : 1.0 Bcfd, (Sempra)
- 19. Baja California - Offshore : 1.4 Bcfd, (Chevron Texaco)

PROPOSED TO FERC

- 20. Long Beach, CA : 0.7 Bcfd, (Mitsubishi/ConocoPhillips - Sound Energy Solutions)
- 21. Logan Township, NJ : 1.2 Bcfd (Crown Landing LNG - BP)
- 22. Bahamas : 0.5 Bcfd, (Seafarer - El Paso, PPL)
- 23. Port Arthur, TX: 1.5 Bcfd (Sempra)
- 24. Cove Point, MD : 0.8 Bcfd (Dominion)
- 25. LI Sound, NY: 1.0 Bcfd (Broadwater Energy - TransCanada/Shell)
- 26. Pascagoula, MS: 1.0 Bcfd (Gulf LNG Energy LLC)
- 27. Bradwood, OR: 1.0 Bcfd (Northern Star LNG - Northern Star Natural Gas LLC)
- 28. Pascagoula, MS: 1.3 Bcfd (Casotte Landing - ChevronTexaco)
- 29. Cameron, LA: 3.3 Bcfd (Creole Trail LNG - Cheniere LNG)
- 30. Port Lavaca, TX: 1.0 Bcfd (Calhoun LNG - Gulf Coast LNG Partners)
- 31. Freeport, TX: 2.5 Bcfd (Cheniere/Freeport LNG Dev. - Expansion)
- 32. Sabine, LA: 1.4 Bcfd (Cheniere LNG - Expansion)

PROPOSED TO MARAD/COAST GUARD

- 33. California Offshore: 1.5 Bcfd (Cabrillo Port - BHP Billiton)
- 34. So. California Offshore : 0.5 Bcfd, (Crystal Energy)
- 35. Louisiana Offshore : 1.0 Bcfd (Main Pass McMoran Exp.)
- 36. Gulf of Mexico: 1.0 Bcfd (Compass Port - ConocoPhillips)
- 37. Gulf of Mexico: 2.8 Bcfd (Pearl Crossing - ExxonMobil)
- 38. Gulf of Mexico: 1.5 Bcfd (Beacon Port Clean Energy Terminal - ConocoPhillips)
- 39. Offshore Boston, MA: 0.4 Bcfd (Neptune LNG - Tractebel)
- 40. Offshore Boston, MA: 0.8 Bcfd (Northeast Gateway - Accelerate Energy)

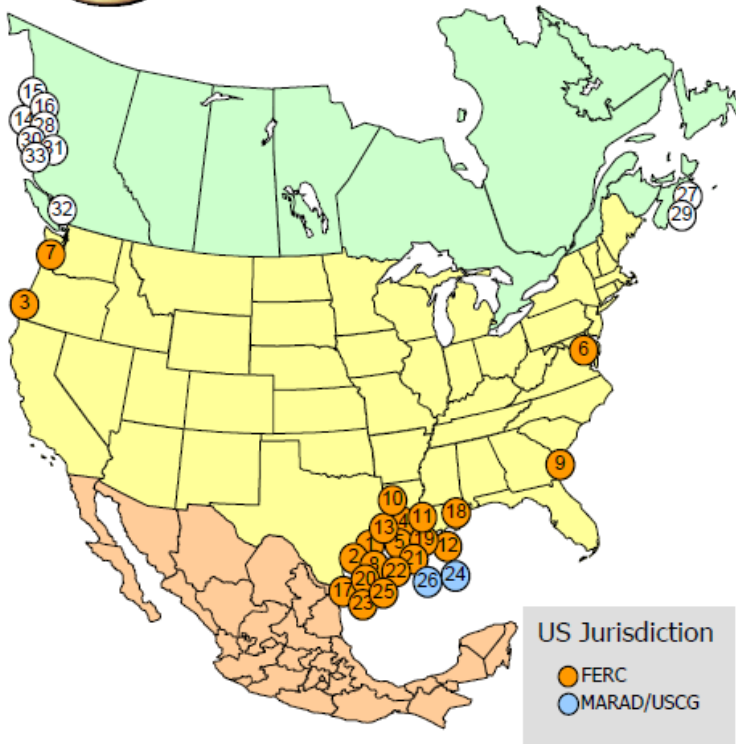
Office of Energy Projects

Source: FERC/US Dept of Energy

Believe in Shale Gas: Proposed Export Terminals in 2014



North American LNG Export Terminals *Proposed/Potential*



As of November 12, 2013

* Filed Certificate Application

Export Terminal PROPOSED TO FERC

1. Freeport, TX: 1.8 Bcfd (Freeport LNG Dev/Freeport LNG Expansion/FLNG Liquefaction)*
2. Corpus Christi, TX: 2.1 Bcfd (Cheniere – Corpus Christi LNG)*
3. Coos Bay, OR: 0.9 Bcfd (Jordan Cove Energy Project)*
4. Lake Charles, LA: 2.4 Bcfd (Southern Union - Trunkline LNG)
5. Hackberry, LA: 1.7 Bcfd (Sempra – Cameron LNG)*
6. Cove Point, MD: 0.82 Bcfd (Dominion – Cove Point LNG)*
7. Astoria, OR: 1.25 Bcfd (Oregon LNG)*
8. Lavaca Bay, TX: 1.38 Bcfd (Excelerate Liquefaction)
9. Elba Island, GA: 0.35 Bcfd (Southern LNG Company)
10. Sabine Pass, LA: 1.96 Bcfd (Sabine Pass Liquefaction)*
11. Lake Charles, LA: 1.07 Bcfd (Magnolia LNG)
12. Plaquemines Parish, LA: 1.07 Bcfd (CE FLNG)
13. Sabine Pass, TX: 2.1 Bcfd (ExxonMobil – Golden Pass)

PROPOSED CANADIAN SITES IDENTIFIED BY PROJECT SPONSORS

14. Kitimat, BC: 0.7 Bcfd (Apache Canada Ltd.)
15. Douglas Island, BC: 0.25 Bcfd (BC LNG Export Cooperative)
16. Kitimat, BC: 3.23 Bcfd (LNG Canada)

POTENTIAL U.S. SITES IDENTIFIED BY PROJECT SPONSORS

17. Brownsville, TX: 2.8 Bcfd (Gulf Coast LNG Export)
18. Pascagoula, MS: 1.5 Bcfd (Gulf LNG Liquefaction)
19. Cameron Parish, LA: 0.16 Bcfd (Waller LNG Services)
20. Ingleside, TX: 1.09 Bcfd (Pangea LNG (North America))
21. Cameron Parish, LA: 0.20 Bcfd (Gasfin Development)
22. Cameron Parish, LA: 0.67 Bcfd (Venture Global)
23. Brownsville, TX: 3.2 Bcfd (Eos LNG & Barca LNG)
24. Gulf of Mexico: 3.22 Bcfd (Main Pass - Freeport-McMoran)
25. Brownsville, TX: 0.3 Bcfd (Annova LNG)
26. Gulf of Mexico: 1.8 Bcfd (Delfin LNG)

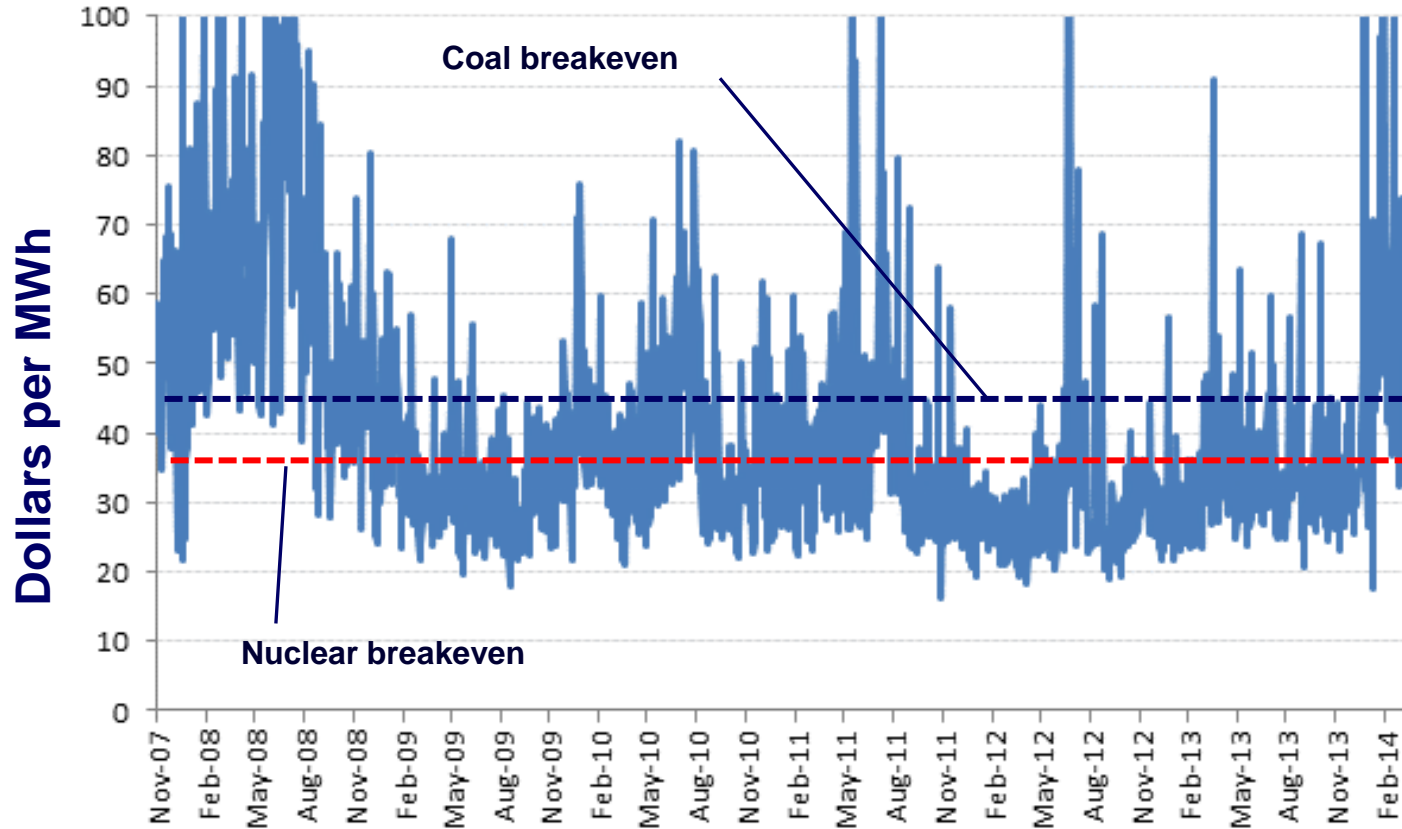
POTENTIAL CANADIAN SITES IDENTIFIED BY PROJECT SPONSORS

27. Goldboro, NS: 0.67 Bcfd (Pieridae Energy Canada)
28. Prince Rupert Island, BC: 4.2 Bcfd (BG Group)
29. Melford, NS: 1.8 Bcfd (H-Energy)
30. Prince Rupert Island, BC: 2.5 Bcfd (Pacific Northwest LNG)
31. Prince Rupert Island, BC: 3.8 Bcfd (ExxonMobil – Imperial)
32. Squamish, BC: 0.27 Bcfd (Woodfibre LNG Export)
33. Kitimat/Prince Rupert, BC: 0.3 Bcfd (Triton LNG)

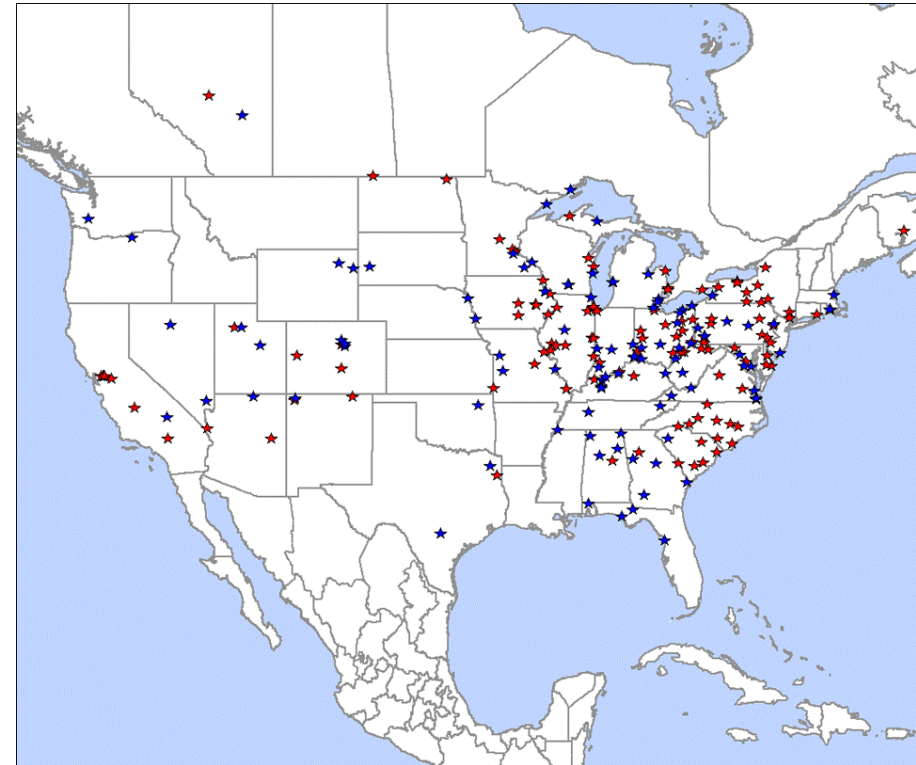
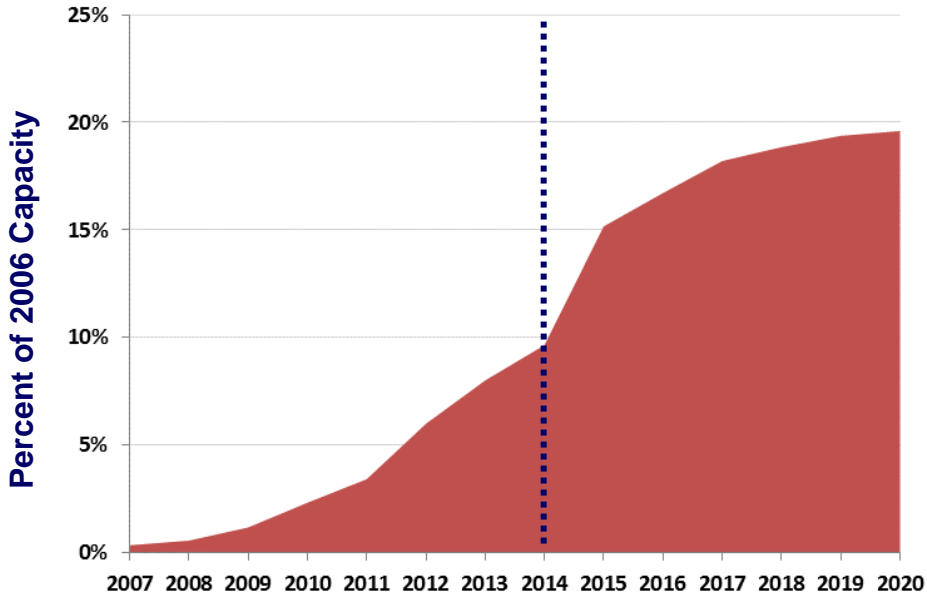
Office of Energy Projects





Midwest Wholesale Power Prices (dollars per megawatt-hour)



Already Retired & Announced Retirements of Coal Plants

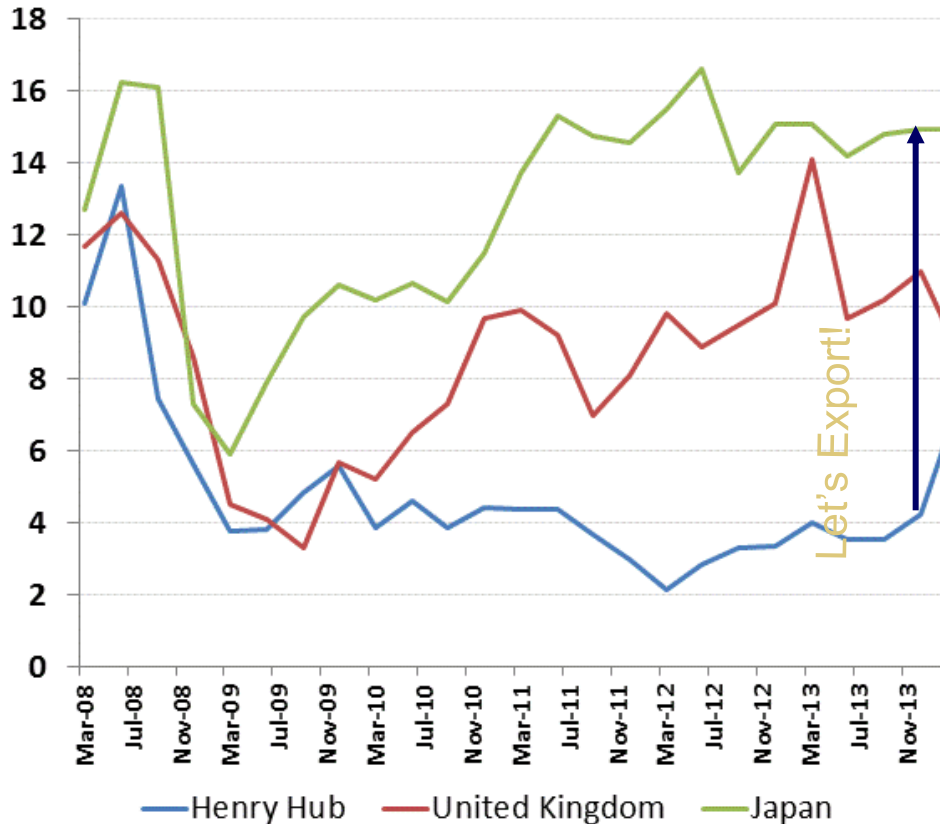


-  Proposed retirements
-  Already retired

Global Gas Prices

Natural Gas Prices

\$/MMBtu



World LNG Estimated Landing

Prices

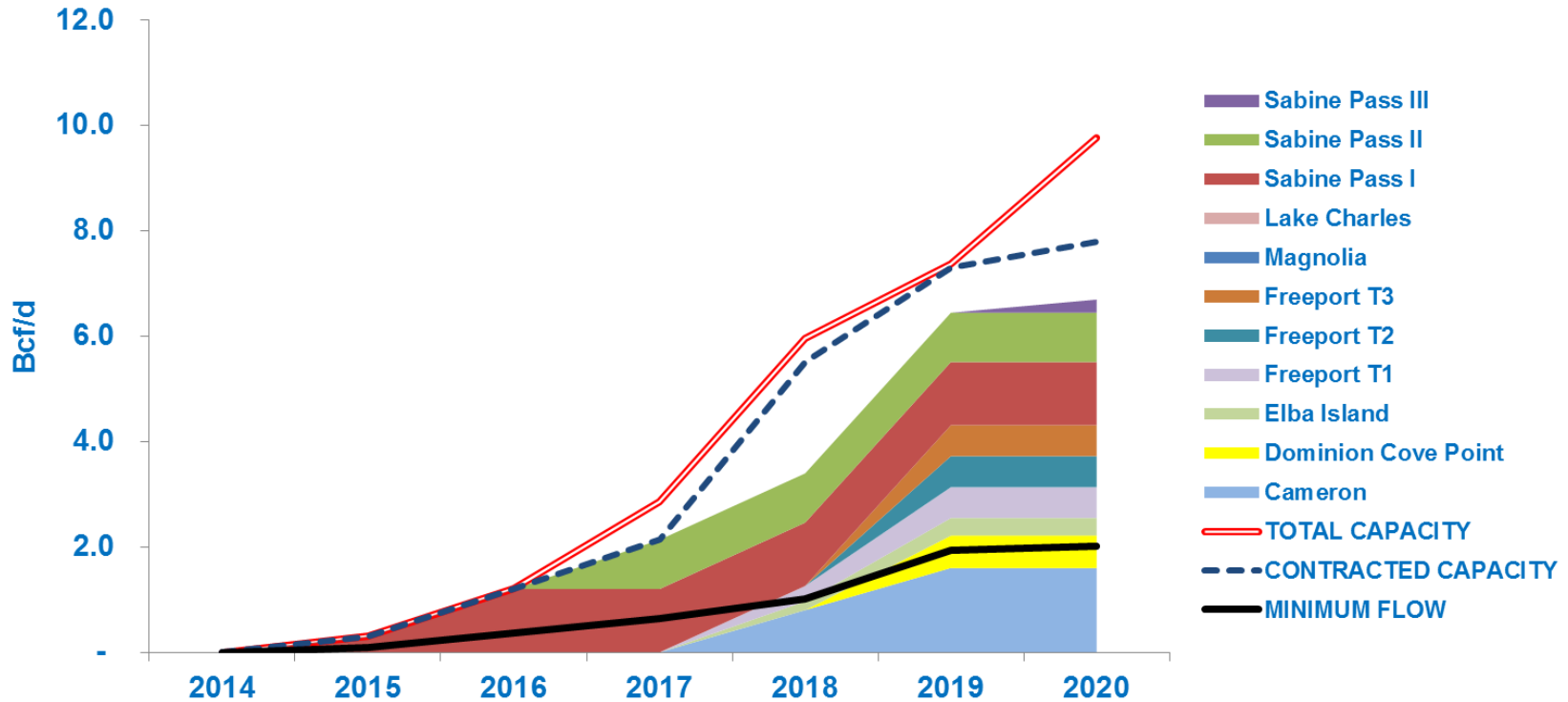
\$/MMBtu

World LNG Estimated October 2013 Landed Prices



LNG Export Forecast by Terminal

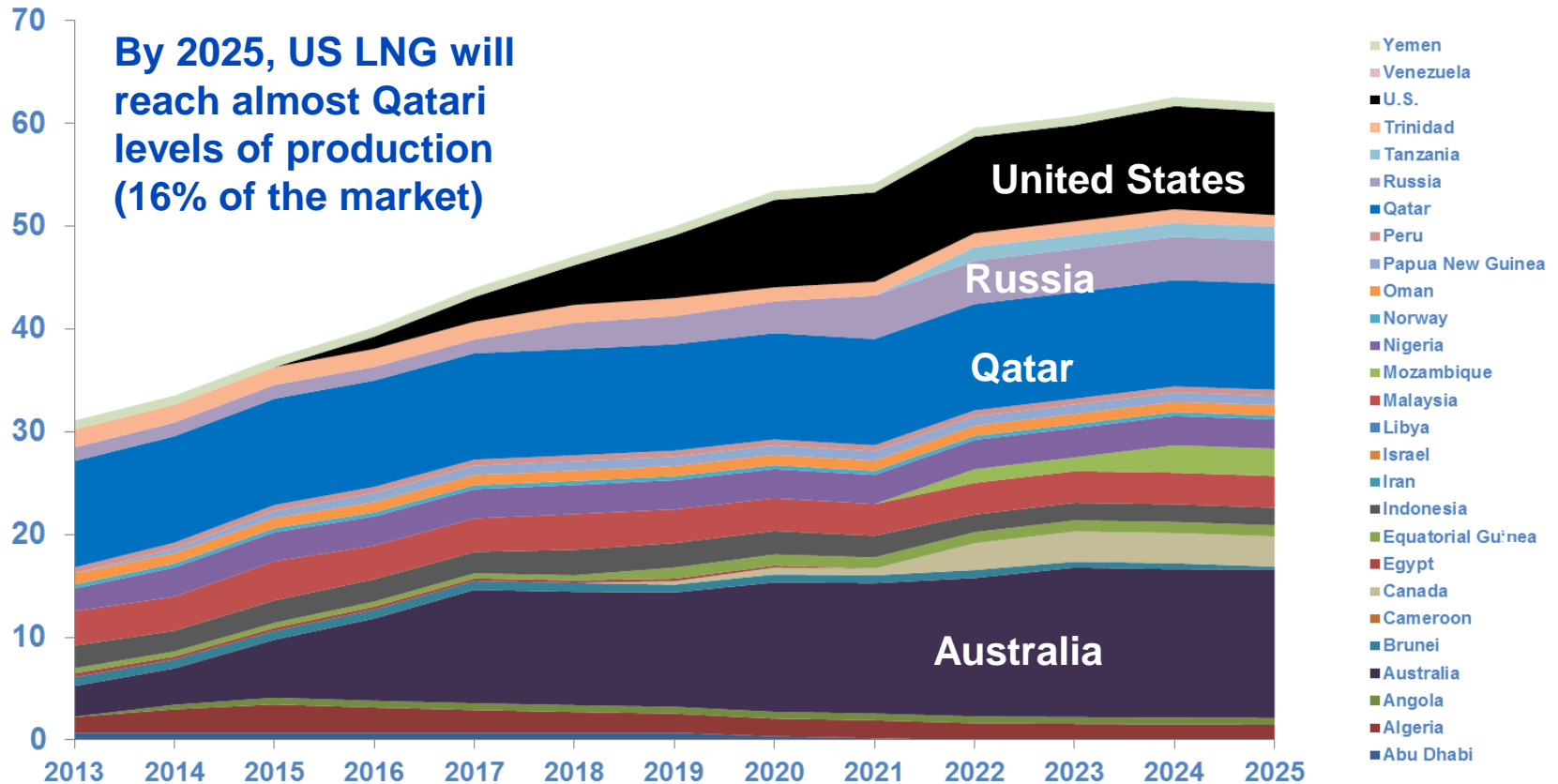
Projected Levels of LNG Exports



- 1) Magnolia LNG is a full portfolio terminal as of yet thus is not included in the projected flow numbers. Magnolia is 1.1 Bcf/d in 2018.
- 2) No information on Lake Charles contracts thus is not included in the projected flow numbers. Proposed 1.3 Bcf/d.
- 3) LNG terminals are assumed to have a 50% run-rate in the first year of operation
- 4) Based on the current global spreads, US LNG exports are fully in-the-money and thus full capacity flow is assumed
- 5) Minimum flow assumes a 30% rate of flow required to keep the terminal cool, but this ranged between 25% to 50% depending on terminal
- 6) Magnolia and Sabine Pass III remain under-contracted
- 7) TOTAL CONTRACTED CAPACITY by 2020 = 7.8 Bcf/d
- 8) TOTAL CAPACITY by 2020 = 9.1 Bcf/d
- 9) ESTIMATED FLOW by 2020 = 6.9 Bcf/d

LNG Global Supply Mix

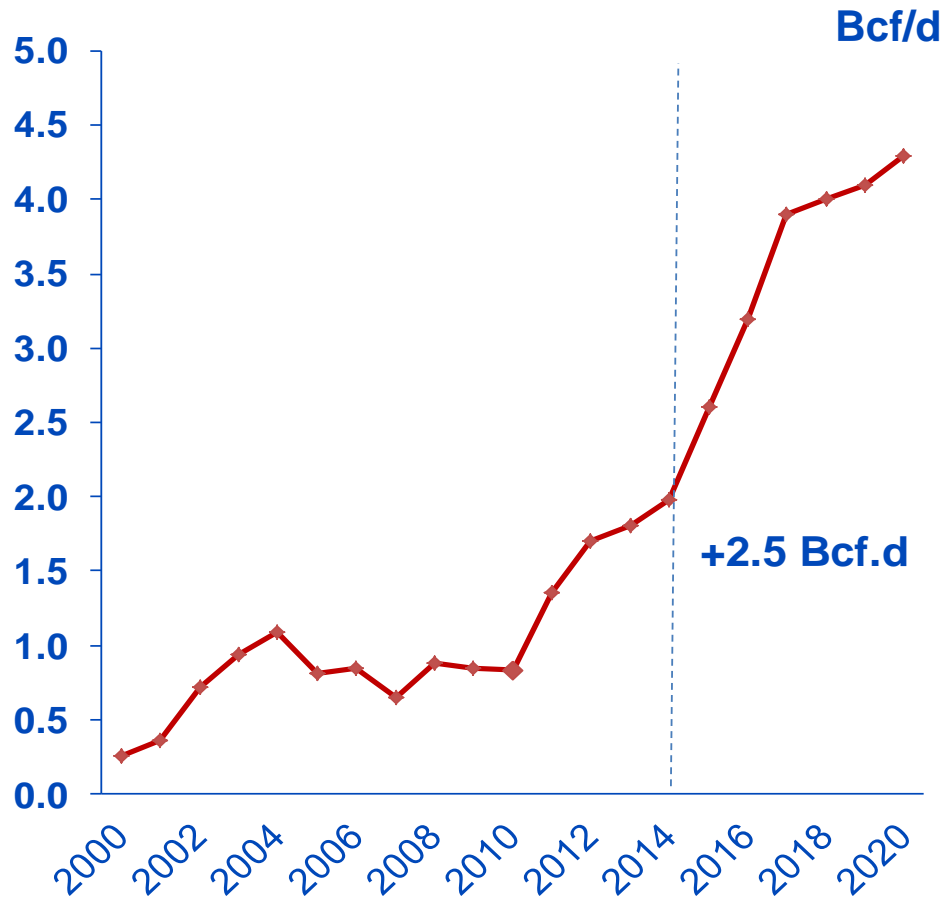
Bcf/d



“I don’t know who is going to invest in new liquefaction projects in Australia.” - IEA

By the end of 2014, net export capacity to Mexico will exceed 5 Bcf/d, just under the same projected volume of 2018 LNG exports

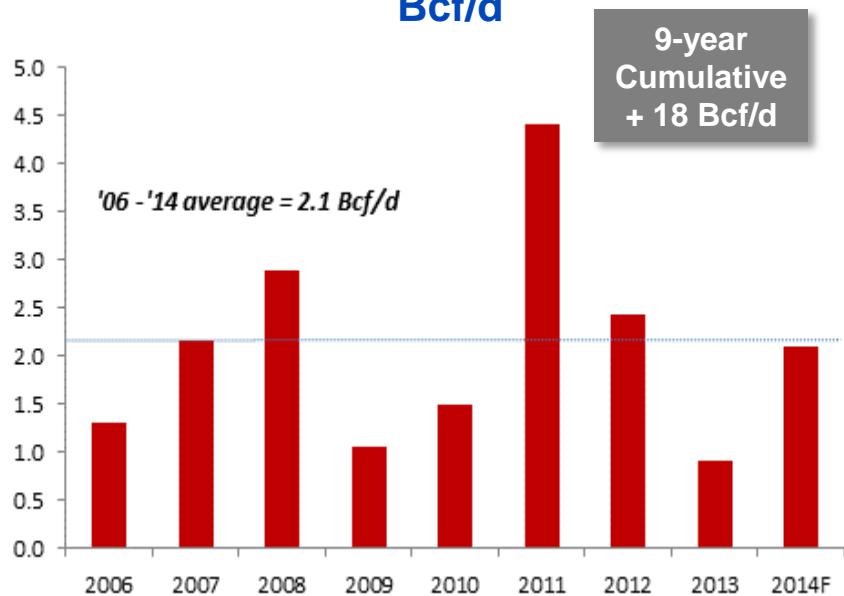
Pipe Exports To Mexico



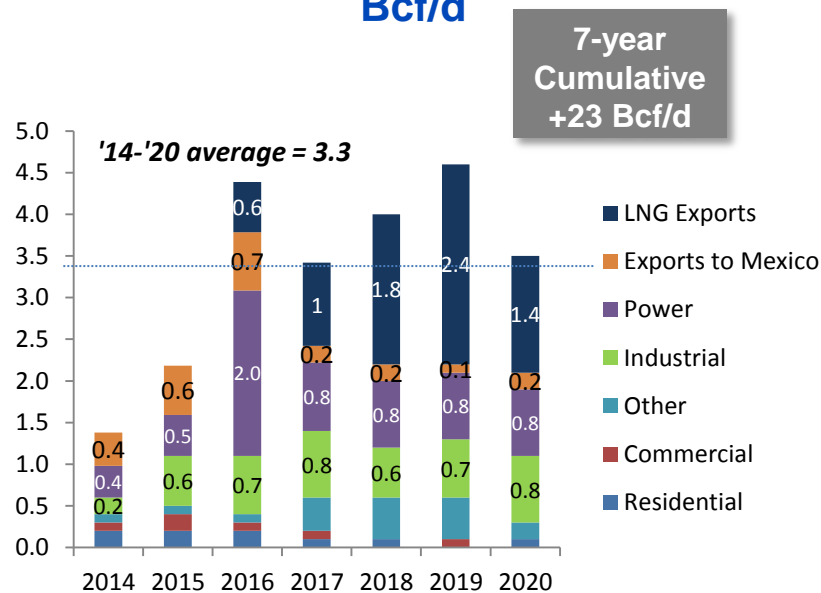
- Lack of shale gas development from PEMEX is hampering production
- Energy reforms are long process; likely oil focused
- Demand increasing from the gas fired generation sector
- Long term lack of development in future nuclear shifts entire generation burden to natural gas
- Mexico has 4 LNG terminals but LNG is oil indexed and therefore expensive relative to US gas

The market is shifting from accommodating surplus supply, to reacting to demand growth, which will require a greater pace of gas-directed drilling

Historical U.S. Supply Growth (YoY) Bcf/d



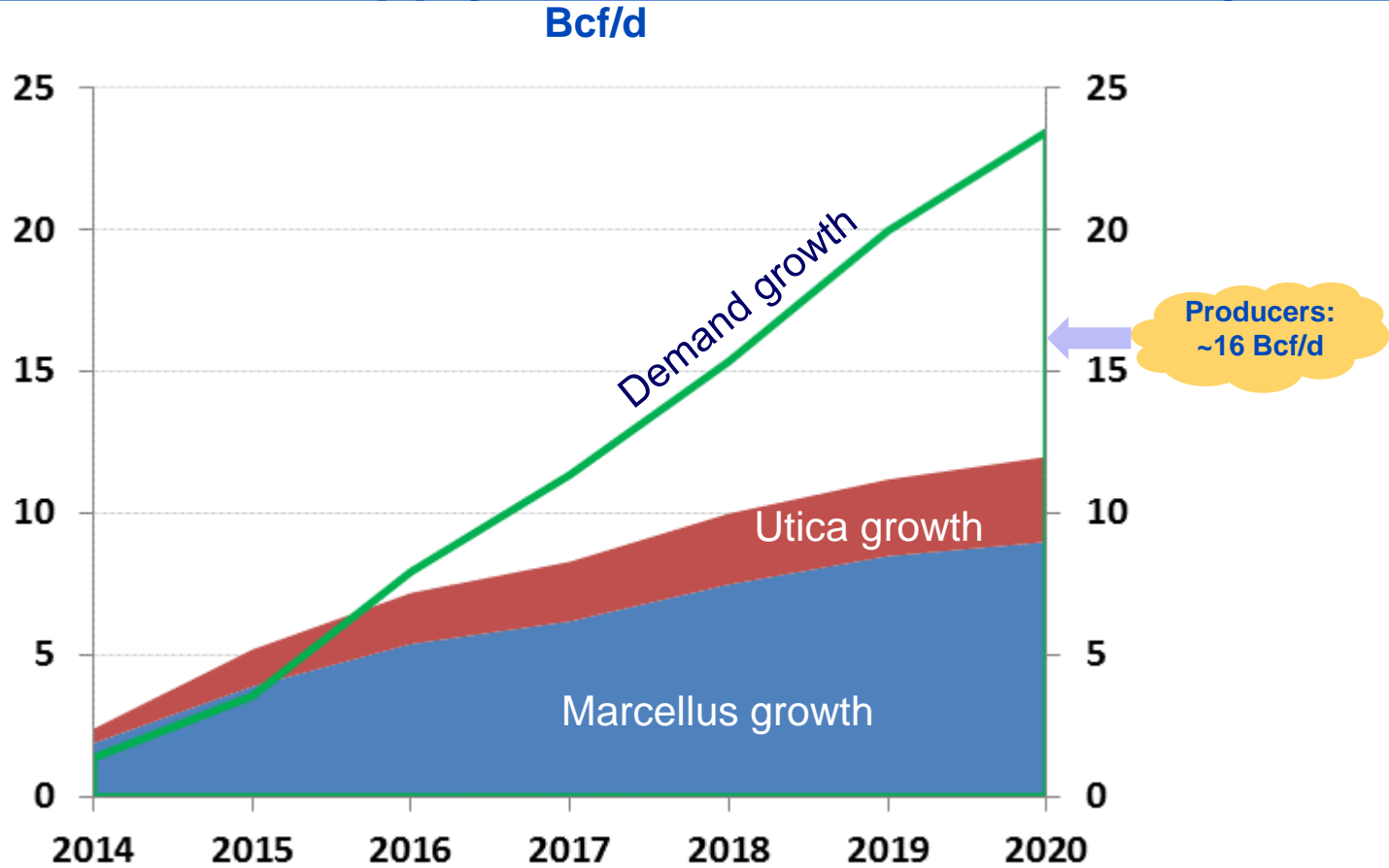
Projected Future Demand YoY Bcf/d



Only in 2011 (Haynesville surge) did supply grow at the pace needed in 2016-2020. There is upside risk to LNG exports

Marcellus and Utica growth, while impressive, will not meet long-term demand growth...

Marcellus + Utica Supply vs. Demand Growth Projection

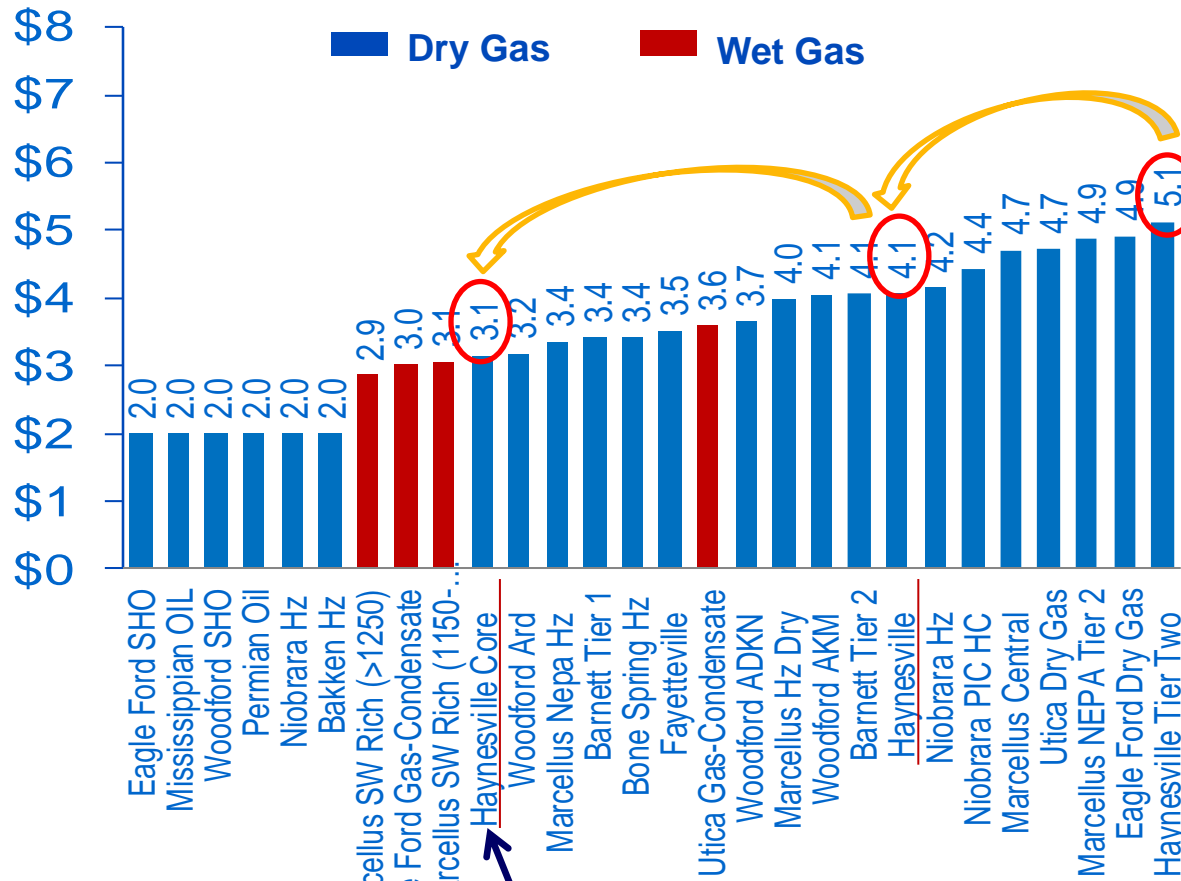


Source: Wood Mackenzie, NextEra Energy

Growth of Marcellus/Utica

Deferring the Need for More Expensive Gas

2017 Break Even Costs (Shale plays only)

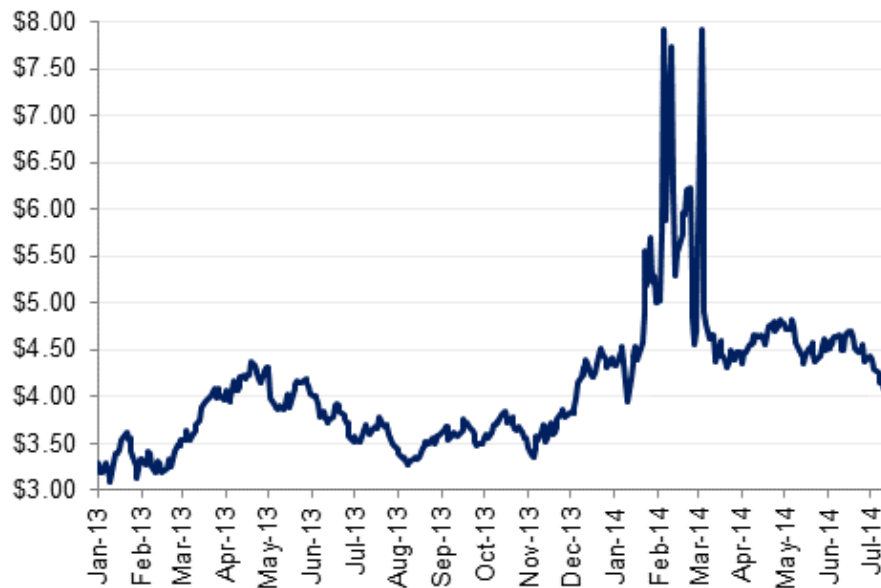


Our estimate:
Haynesville core:
\$3.64 (0% ROR);
\$4.19 (10% ROR)

The key producer hedging years of 2015/2016 remain depressed

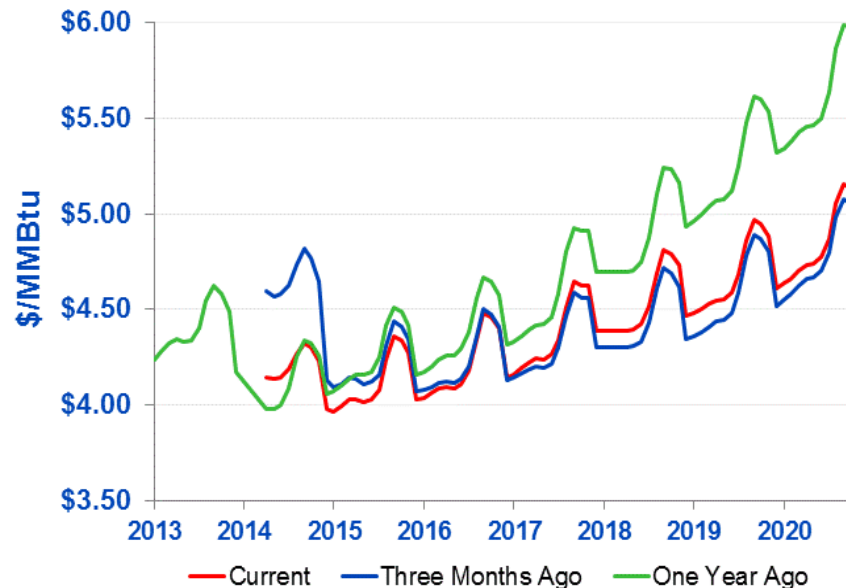
Henry Hub Spot Price

\$/MMBtu



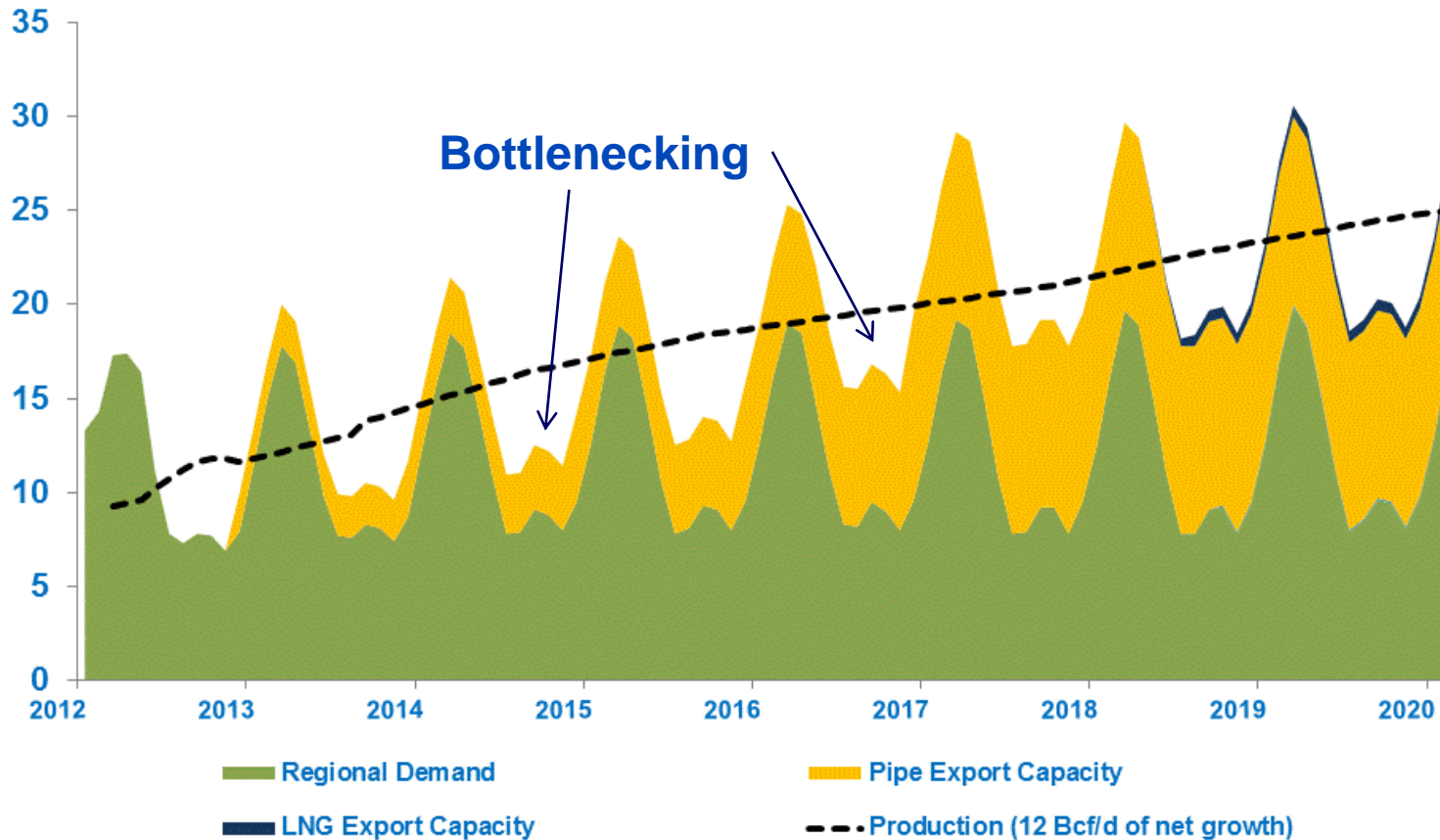
Forward Curve

\$/MMBtu



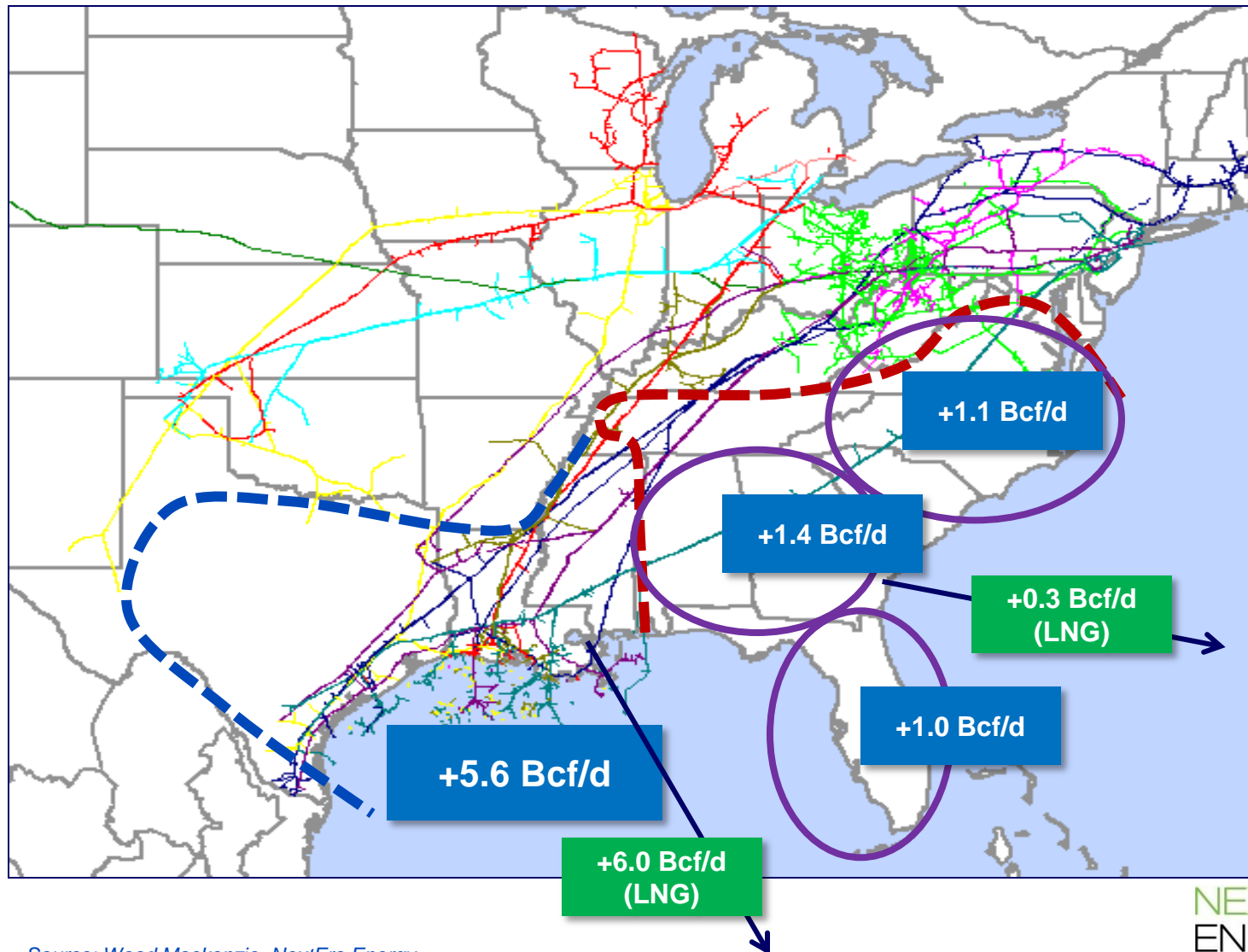
Northeast Becomes a Net Exporter All Year Long

Bcf/d



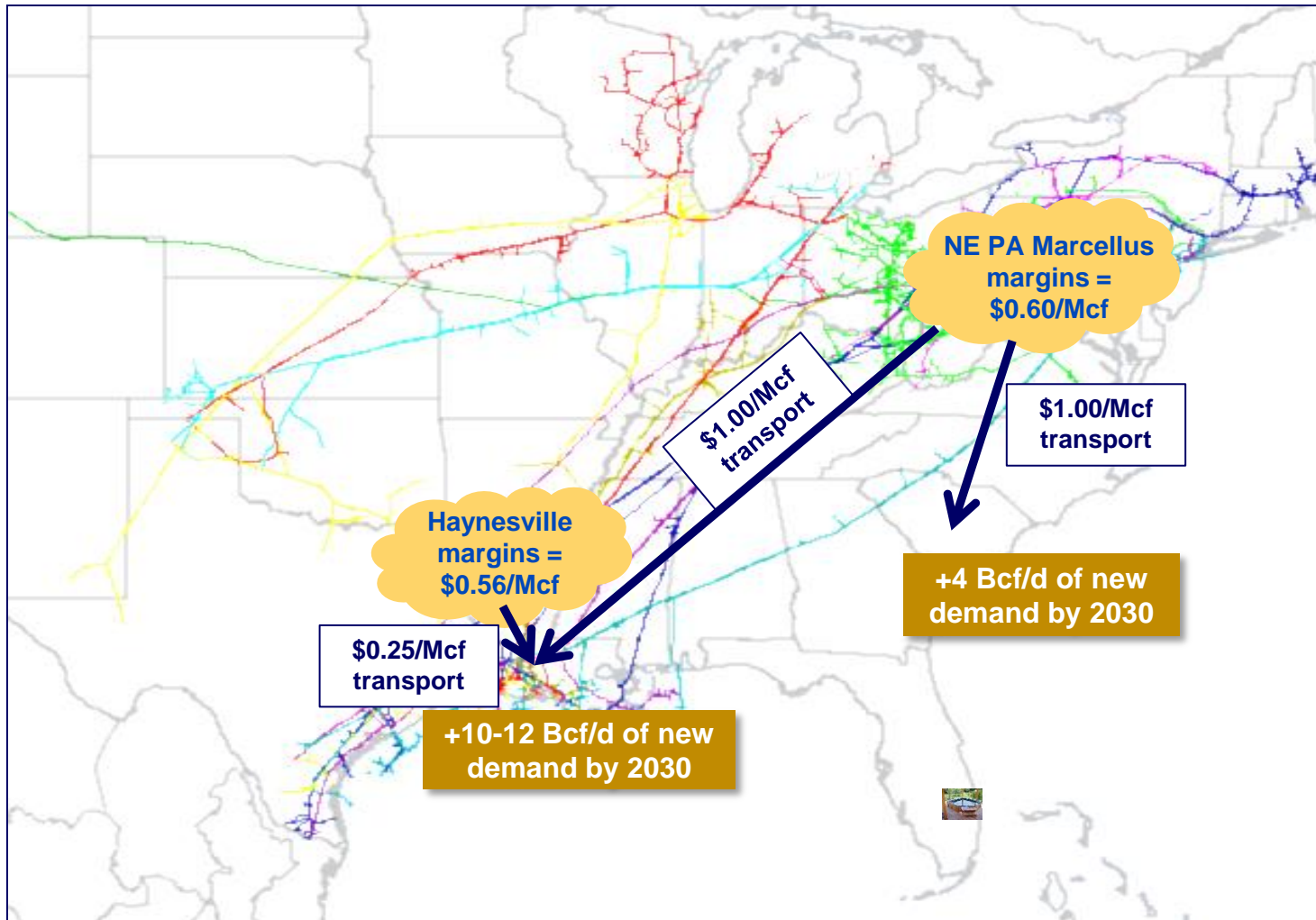
Source: Wood Mackenzie, Company Reports, Bentek, NextEra

The Gulf and Southeast Are the Growth Centers (Projected Growth, 2014-2030)



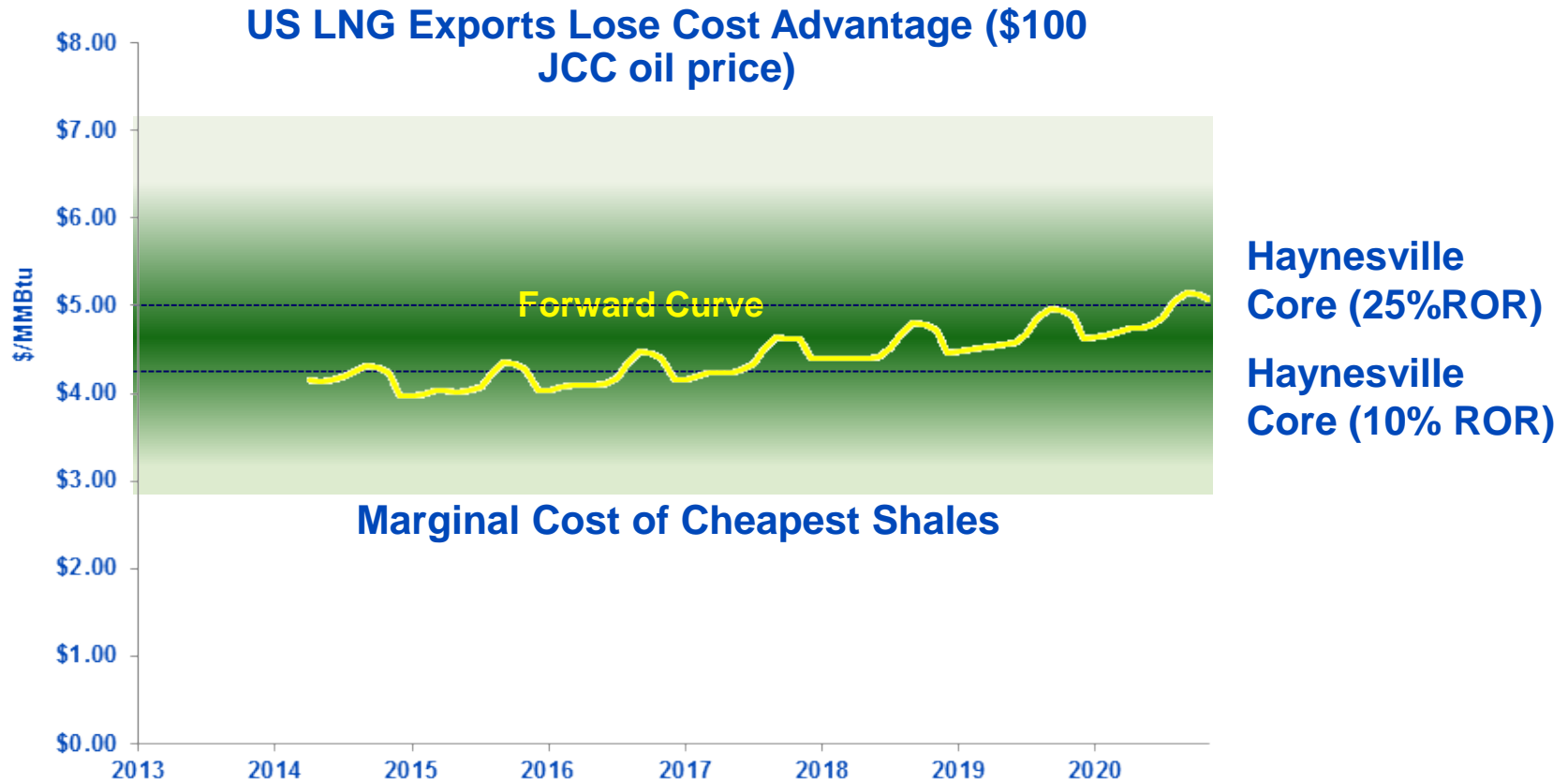
Source: Wood Mackenzie, NextEra Energy

Will Haynesville Rival Marcellus Margins? (\$5/Mcf Henry Hub)



Source: Wood Mackenzie, NextEra Energy

The Gas Price Future



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