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America's Natural Gas Alliance

October 2, 2015

VIA Electronic Mail

Honorable Andre T. Porter, Chairman
Honorable Asim Z. Haque, Commissioner
Honorable Lynn Slaby, Commissioner
Honorable M. Beth Trombold, Commissioner
Honorable Thomas W. Johnson, Commissioner

The Public Utilities Commission of Ohio
180 East Broad Street Columbus, Ohio 43215

Re: Case Numbers: 13-2385-EL-SSO, 14-1693-EL-RDR, 14-0841-EL-SSO, 14-1297-EL-SSO

Dear Chairman Porter and Commissioners:

I write on behalf of America's Natural Gas Alliance (ANGA)[1] regarding additional evidence substantiating our December 2014 letter to the Commission outlining the abundance of our natural gas resources. The data and discussion below use production and price data from 2014 and 2015 to show production response to price signals from the 2013/2014 winter and the rapid market reaction to that production response. This provides further evidence of natural gas supply's ability to support a major shift to natural gas use for power generation and provide reliable, affordable generation supplies, reducing electricity prices in Ohio. ANGA appreciates this opportunity to inform the Public Utilities Commission of Ohio (the "Commission" or "PUCO"), particularly as the Commission considers whether out-of-market subsidies for generation sources are in the public interest.

Representing gas producers, ANGA's most valuable contribution to this discussion is to provide information on our nation's gas supply and production. An understanding of the resource abundance and the ability of producers to respond to increases in demand will help provide the context for the benefits Ohio will incur by taking advantage of this abundant, affordable and reliable energy resource.

Since 2009, the United States has been experiencing an upward trajectory of both natural gas production and overall supply. At that time, the Potential Gas Committee had just released a revised assessment of the nation's technically recoverable natural gas resource—amounting to 1,837 Tcf. Meanwhile, annual natural gas consumption stood at 23.2 Tcf.

Today, the Potential Gas Committee's (PGC) resource assessment has increased to 2,850 Tcf. We expect this figure will continue to rise with the ongoing technological innovation and improvements in operating efficiency that the natural gas industry continues to achieve. Meanwhile, U.S. natural gas consumption has risen to 27 Tcf. ICF International (ICF) has shown similar reserve estimate increases from 2,102 Tcf in 2009 to 3,933 Tcf in 2015.

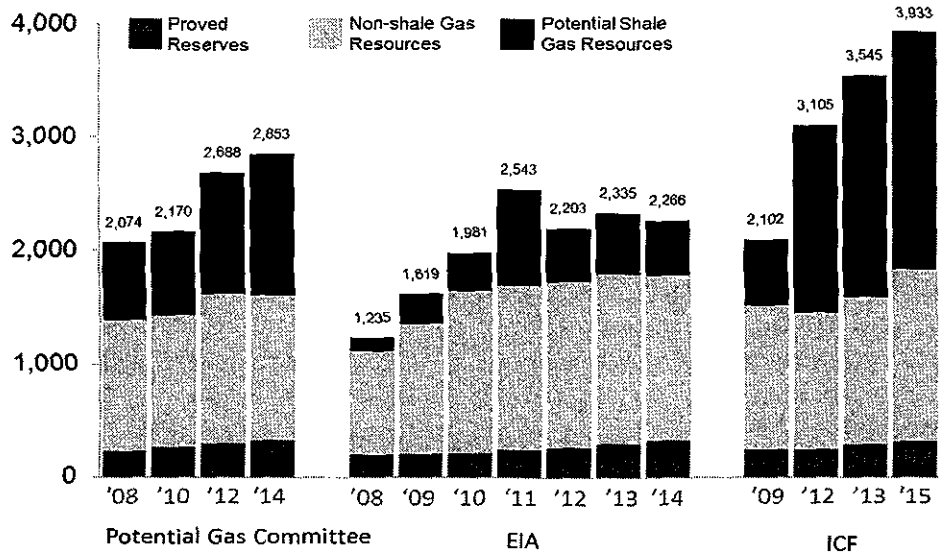
[1] Representing North America's leading independent natural gas exploration and production companies, America's Natural Gas Alliance (ANGA) works with industry, government and customer stakeholders to promote increased demand for and availability of our nation's abundant natural gas resource for a cleaner and more secure energy future.

Across this time period, the PGC, EIA and ICF have increased their reserve estimates by 38%, 83% and 87% respectively.

Additionally, in 2013 ICF estimated that 1,500 Tcf of natural gas exists that can be produced at a cost of less than $5/MMBTU (using 2012 technology). With the efficiencies the industry has developed over the past few years, we expect the amount of gas that can be produced for less than $5/MMBTU is much greater. The size and affordability of the underlying resource has created a very long and flat supply curve. This length and flatness will continue to contribute to robust production responses to both temporary and fundamental shifts in demand.

This market dynamic was fully demonstrated beginning in 2014 and has continued into the present. The 2013/2014 winter was the coldest winter in thirty years. Natural gas storage levels were at 822 Bcf, their lowest since 2003, and many analysts questioned producers' ability to fill storage to an acceptable level before the start of the 2014/2015 winter.

Figure 1: Estimates of U.S. Recoverable Natural Gas (trillion cubic feet)



During the first half of 2014 natural gas prices were supported by cold weather and record storage withdrawals. Henry Hub spot prices averaged $4.91/MMBTU for January through June, the highest average price since early 2010.

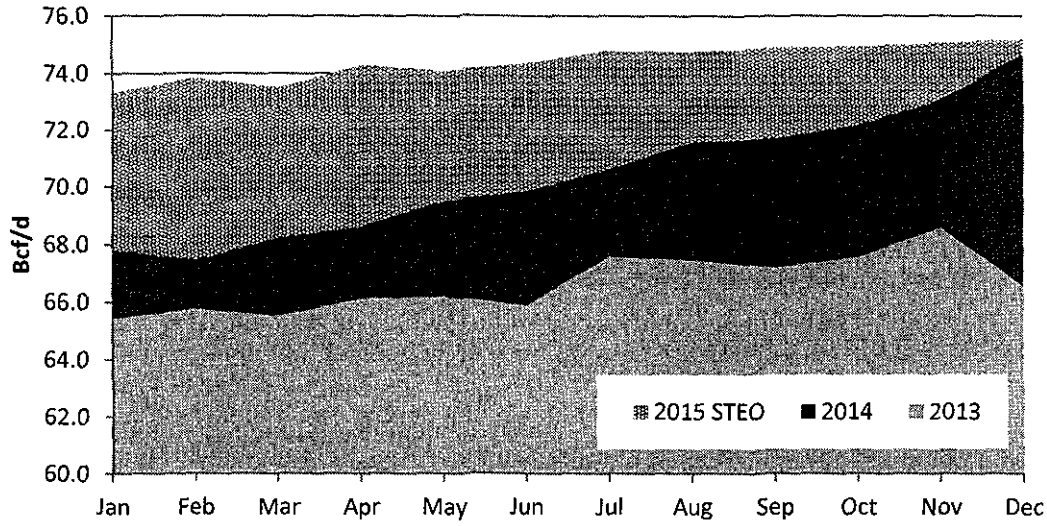
Notably, the moderate price signals in early 2014 stimulated significant production growth throughout the year. As the market witnessed week after week record storage fills, this price support quickly dissipated. In the latter half of 2014, Henry Hub prices averaged $3.88/MMBTU. By the beginning of January 2015, prices had retreated to less than $3/MMBTU and production had grown to 73.3 Bcf/d, which is 5.5 Bcf/d higher than January 2014 production.

Natural gas production levels continue to rise year-over- year. The average production level for 2015 is expected to be 4.0 Bcf/d higher than 2014. This is anticipated to be the second highest year over year production increase since 1985.

The significance of this production increase and what it implies about our overall supply picture and potential supply response cannot be overstated. Due to the severe 2013/2014 winter, the market signaled for more production through higher prices. However, when these prices are put into context, on average, they not only remained below $5/MMBTU, but they were only sustained for a few months. The size of the production response to these moderate prices was so large that market prices started to retreat almost immediately to discourage

continued production growth. During the entire winter of 2015 (a colder-than-normal winter) natural gas prices remained at or below $3/MMBTU. This market dynamic proves that we have a substantial amount of natural gas readily available at very affordable prices.

Figure 2: Natural Gas Production (Bcf/d)



Source: US Energy Information Administration, "Short-term Energy Outlook," June 2015.

As the state looks for reliable and affordable long-term power generation solutions, and the ability to heat homes and fuel industries, it is important that any analysis of costs or alternatives consider our natural gas resource reality. Ohio is situated in the middle of the shale gas revolution and is blessed with an abundance of gas resources that can serve the needs of Ohioans for decades to come. This home-grown resource can continue to be developed cleanly and affordably. Natural gas generation can provide clean, reliable, baseload generation and is the key to reducing electricity prices in Ohio.

ANGA appreciates the PUCO's consideration of these comments and welcomes any further questions.

Sincerely,

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