

Pipeline to Mexico Project

Presentation to MVEDA – Business in the Borderplex

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New Mexico Gas Company



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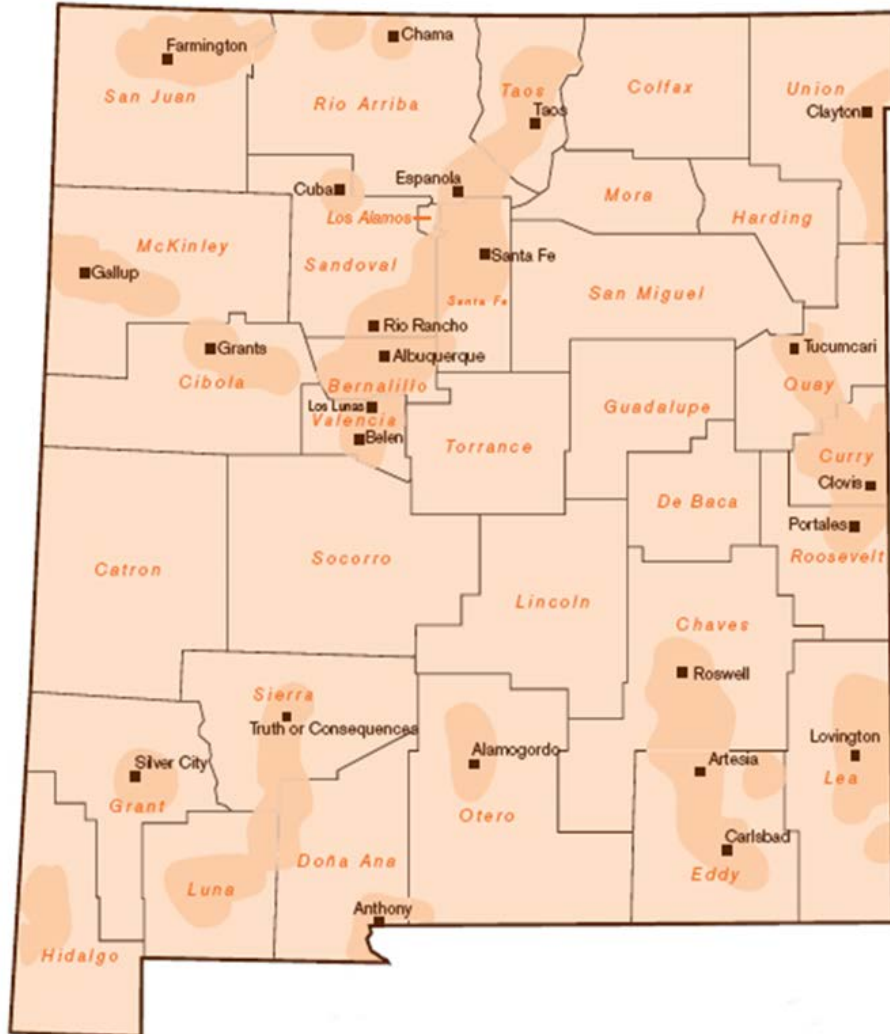
New Mexico Gas Company

- Natural gas distribution utility serving 524,000 sales and transportation customers in New Mexico.
- On July 1, 2016, New Mexico Gas Company (NMGC) was acquired by Emera Inc., a geographically diverse energy and services company headquartered in Halifax, Nova Scotia.
- Emera is a Top 20 North American Utility. Its companies and investments are working in Canada, the USA and in four Caribbean countries.
- Following the acquisition of TECO Energy - which had previously owned NMGC - the combined companies have approximately \$27.5 billion (CAD) in assets and 2015 pro-forma revenues of \$6.3 billion.



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New Mexico Gas Company – Service Territory



- The NMGC natural gas service territory covers 6,501 square miles
- NMGC maintains 12,000 miles of transmission/distribution pipelines
- NMGC serves 26 of the state's 33 counties, more than 60% of our population
- Residential customers comprise 92% of the customer base
- NMGC has 22 regional offices





From our origins as a single electrical utility in Nova Scotia, Emera has grown to become a North American Energy leader serving customers in Canada, the United States, and the Caribbean. Our companies include electrical and natural gas utilities, natural gas pipelines, independent power producers, energy marketing & trading, and utility services.

Our investments are in:

- Electricity generation, transmission & distribution
- Gas transmission & distribution
- Utility energy services



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New Mexico Gas Company – Economic Development

As part of its acquisition of NMGC, the Emera Acquisition Stipulation contained economic development initiatives that include a \$5 million fund for economic development projects or programs throughout the state of New Mexico.



Economic Development Funds Distribution Southern New Mexico 2016-17

- MVEDA
- NMSU – Arrowhead Center
- Border Industrial Association
- New Mexico Tech

*Overall distribution in two years is more than \$2.5 million



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New Mexico Gas Company – Market Development

Additionally, NMGC has established a \$10 million matching fund to extend its natural gas infrastructure to existing communities in New Mexico that are unserved or underserved. This funding, provided by Emera, is at shareholder expense, and does not impact the rate base.



In 16 months, NMGC has dispersed almost \$900k and added 1,200 new customers with the help of the matching fund. Nearly 40 neighborhoods throughout NM are in the process of submitting their applications to the matching fund.



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Pipeline to Mexico

The Emera Acquisition Stipulation also earmarked \$5 million to evaluate and construct, at shareholder expense, an enlarged pipeline from its current system to the New Mexico/Mexican border to enhance the state's ability to export gas to Mexico.



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Energy Reform in Mexico

- In 2014, energy reform legislation became law
- Energy reform ended 75 years of federally owned oil and natural gas sector (PEMEX)
- Intended to attract private capital and technical expertise to build the Mexican energy industry, maximize oil and gas revenue and boost economic growth through 2025.

The VISION of Reform:

- New models for each segment, with the objective of reducing prices for final users:
 - Increase conventional and non-conventional E&P, maintaining reserve levels
 - Improve production processes for refined and petrochemical products
 - Enhance transportation, storage, and distribution networks
- Attract foreign investment and new players to develop competitive markets
- Maintain oil resources ownership, increase fiscal income to be redistributed



Mexico Natural Gas Market Drivers

- PEMEX transferred its gas transmission pipelines to CENAGAS
- The reform will increase natural gas supply through more pipelines from the U.S.
- Reform allows private companies to build, own, & operate gas pipelines in Mexico
- Currently, 70,000 MWs of CFE electric generation; 40% oil fired
- CFE wants to reduce its fuel oil generation by 90% in the future
- CFE plans for 55,000 MWs of new gas-fired generation in next 15 years
- Current U.S. natural gas exports to Mexico are 3 Bcf/d
- By 2020, natural gas exports are expected to increase by 6 Bcf/d



CENAGAS Transmission System



Supply

- 3.2 Bcf/d Mexico Production
- 3.0 Bcf/d Imports from U.S.

Total capacity: 6.2 Bcf/d

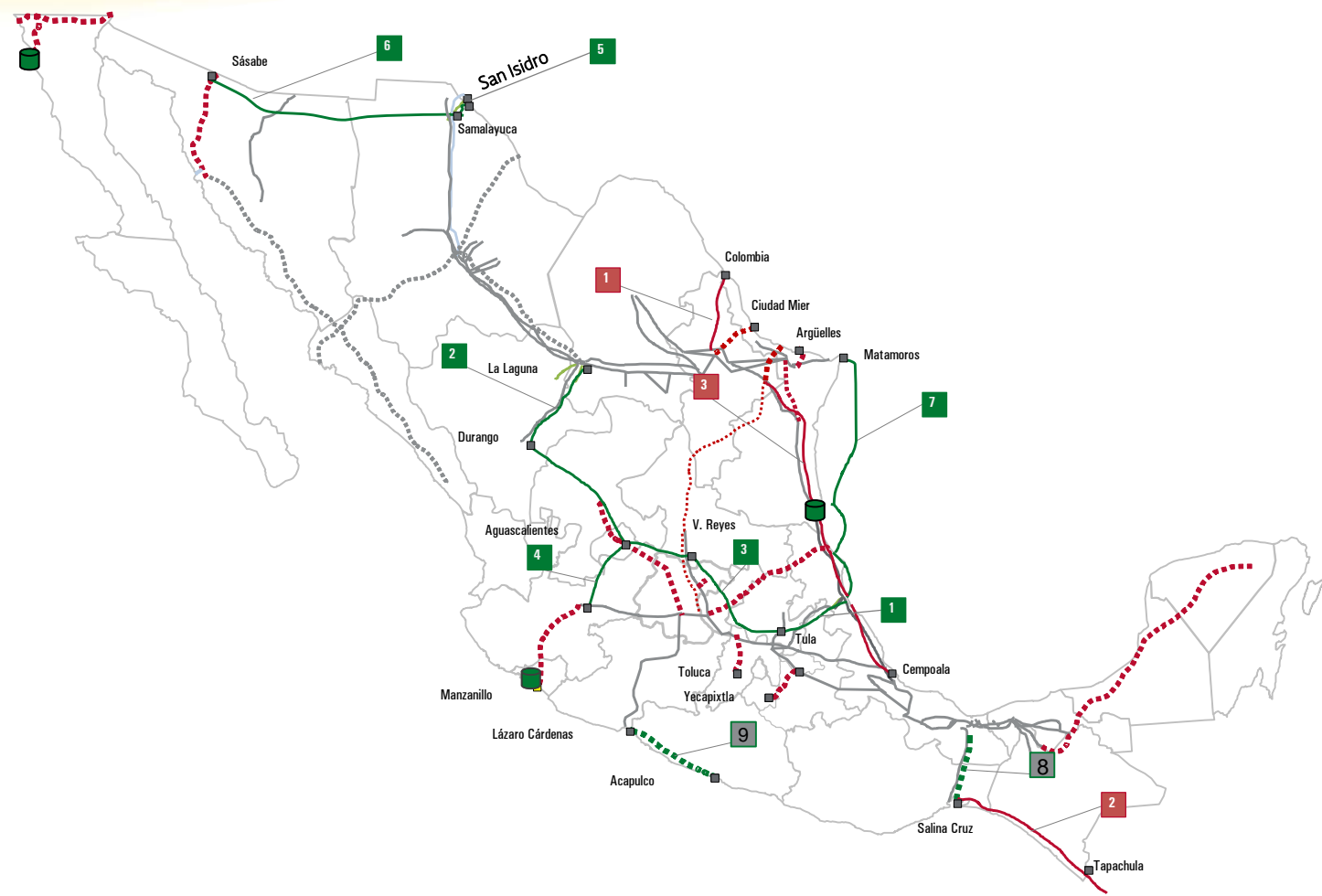


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Reform Allows for Private Pipelines - Northern Mexico

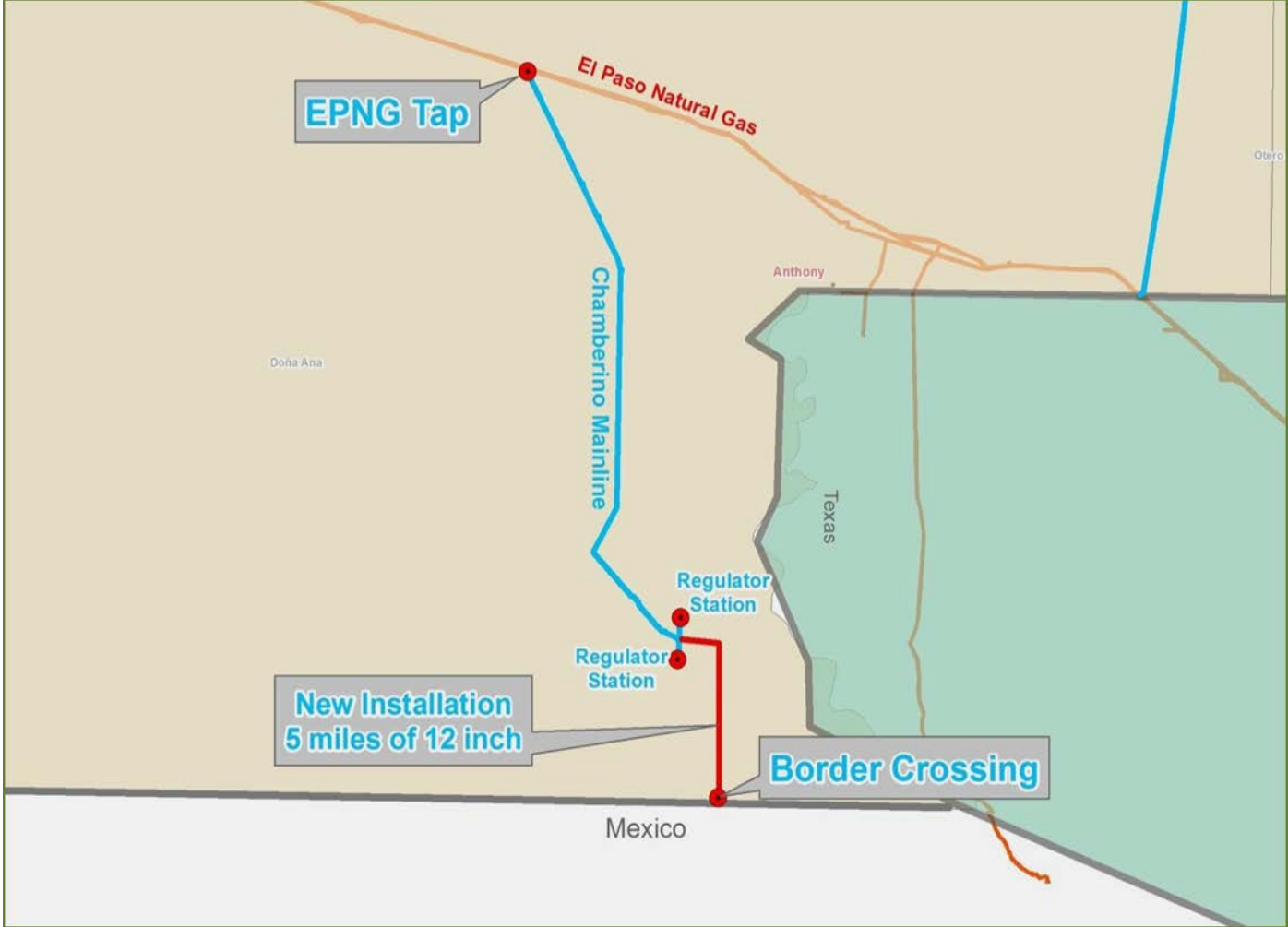


Private Pipelines – Southern Mexico



- CENAGAS pipelines
- Pipelines in construction
- Pipelines owned by privates
- LNG Terminals

New Mexico Gas Company – Chamberino Mainline



New Mexico Gas Company – Chamberino Mainline

- The Chamberino Mainline was installed in the mid 1990s & operates at EPNG/KM pressures (600-800 psig)
- The 12" steel pipeline extends 20 miles south from EPNG/KM tap to the railroad overpass on Pete Domenici Hwy.
- Last five miles to border is 4" polyethylene pipe operating at 60 psig
- NMGC's current border crossing located 2,000' east of Santa Teresa Port of Entry is 8" high pressure steel
- The crossing was installed in 2011 to serve Foxconn



New Mexico Gas Company – Chamberino Mainline

- NMGC's Presidential Permit allows for exporting 35,000 Mcf per day at the border crossing.
- Changes to pipe diameter or volume limitation requires an amendment to the Presidential Permit.
- A new location would require a new Presidential Permit
- Depending on design, volumes exported could exceed 100,000 Mcf per day.
- Limiting factor for exports is capacity availability on EPNG/KM interstate pipelines. KM has expansion plans.



Pipeline to Mexico Status

After many meetings, phone calls, emails, and trips to Mexico in the past year:

- ✓ Currently negotiating with 3 companies
- ✓ Signed 2 Non-Disclosure Agreements & Finalizing 3rd
- ✓ Now determining initial & future volume requirements
- ✓ Anticipate Letter of Intent by mid summer
- ✓ Contracts and agreements signed by late fall
- ✓ Obtaining permits & construction would take 12-15 months



Questions?

Thank you

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