



# Pipeline Leadership Conference




## 2019 Executive Roundtable

Mark Bridgers  
Continuum Capital  
Houston, TX  
November 6, 2018

# 2019 Sponsors



## Meet the Panel

- ▶ Shawn Lyon, President - Marathon Pipe Line LLC  **Marathon Pipe Line LLC**
- ▶ Alan K. Mayberry, Associate Administrator for Pipeline Safety - Pipeline and Hazardous Materials Safety Administration (PHMSA)  **PHMSA**
- ▶ Patrick Lamb, Officer, The Pipeliners Association of Houston (Director of Business Development, Midstream - Chet Morrison Contractors) 

# Pipeline & Gas Distribution Market Overview

## ► Objectives

- Introduce the audience to a set of topics the Executive Roundtable panel members will address

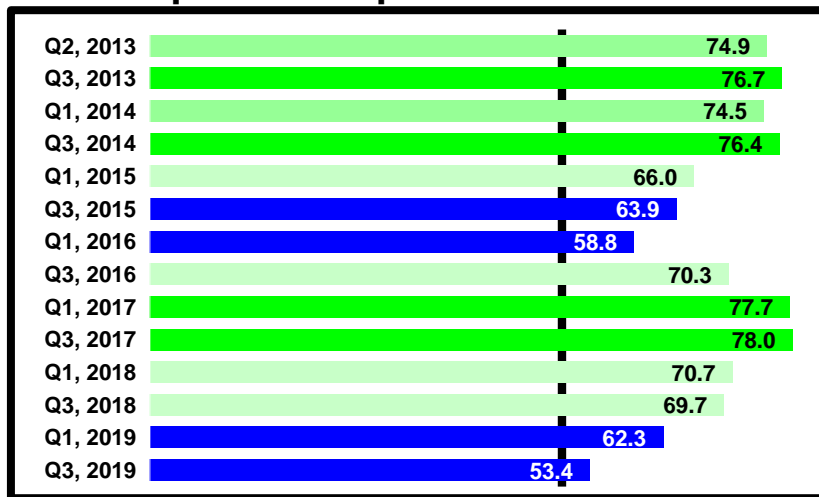
## ► Agenda

- Industry Perspectives
- Commodity Market Performance
- Regulatory Activity
- Tariff Impacts
- Capital Construction Spending
- Contractor Financial Performance
- Market Summary

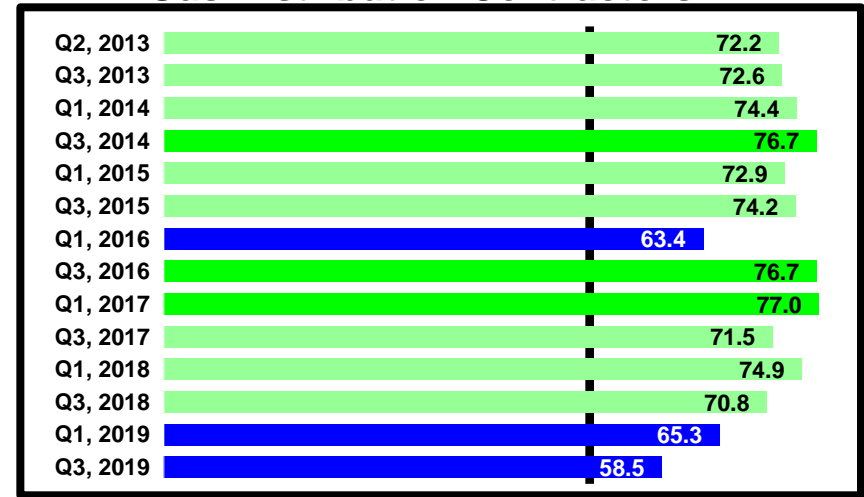
# Industry Perceptions *(1 of 2)*

- ▶ Liquid/Gas pipeline perspectives peaked in 2014 and 2017; they remain positive but are cooling since the 2017 peak
- ▶ Gas Distribution perspectives also peaked in 2017 and while they remain positive, they are cooling

## Liquid/Gas Pipeline Contractors



## Gas Distribution Contractors



### Pipeline Construction Index

> 50 Indicates Growth (Better)

< 50 Indicates Slowing (Worse)

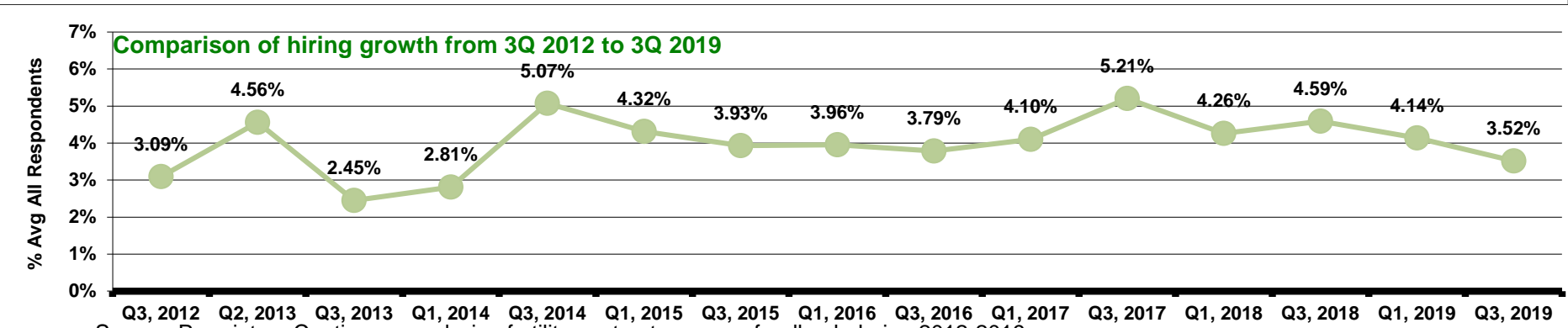
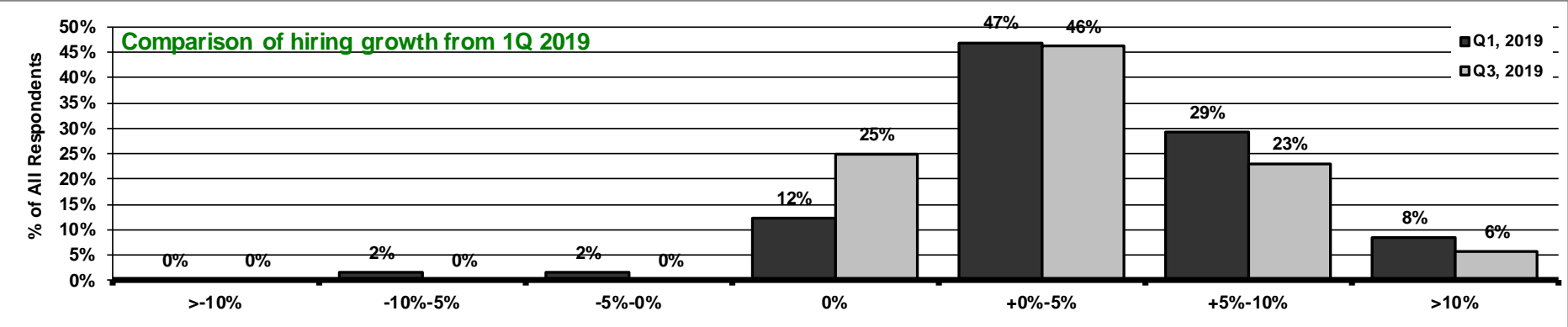
Interpretation: A reduction from 76.4 to 66.0 down to 58.8 for Liquid/Gas Pipeline Contractors indicates that while perceptions of the market are still positive, they are much less positive than they were prior to 2015. An increase from 58.5 to 77.7 indicates that market perceptions have improved dramatically.

Source: Proprietary Continuum analysis of pipeline contractor perceptions over 2012-2019.

# Industry Perceptions (2 of 2)

- ▶ Pipeline contractor utility survey 2012-2019
  - Hiring growth rate peaked in 2014 and again in 2017 – is now slowing
  - Natural growth rate of workforce is 1.5%

**Exhibit x** What changes do you foresee in the number of fulltime direct employees in your organization for 2019? (excluding natural attrition, retirements, etc.)

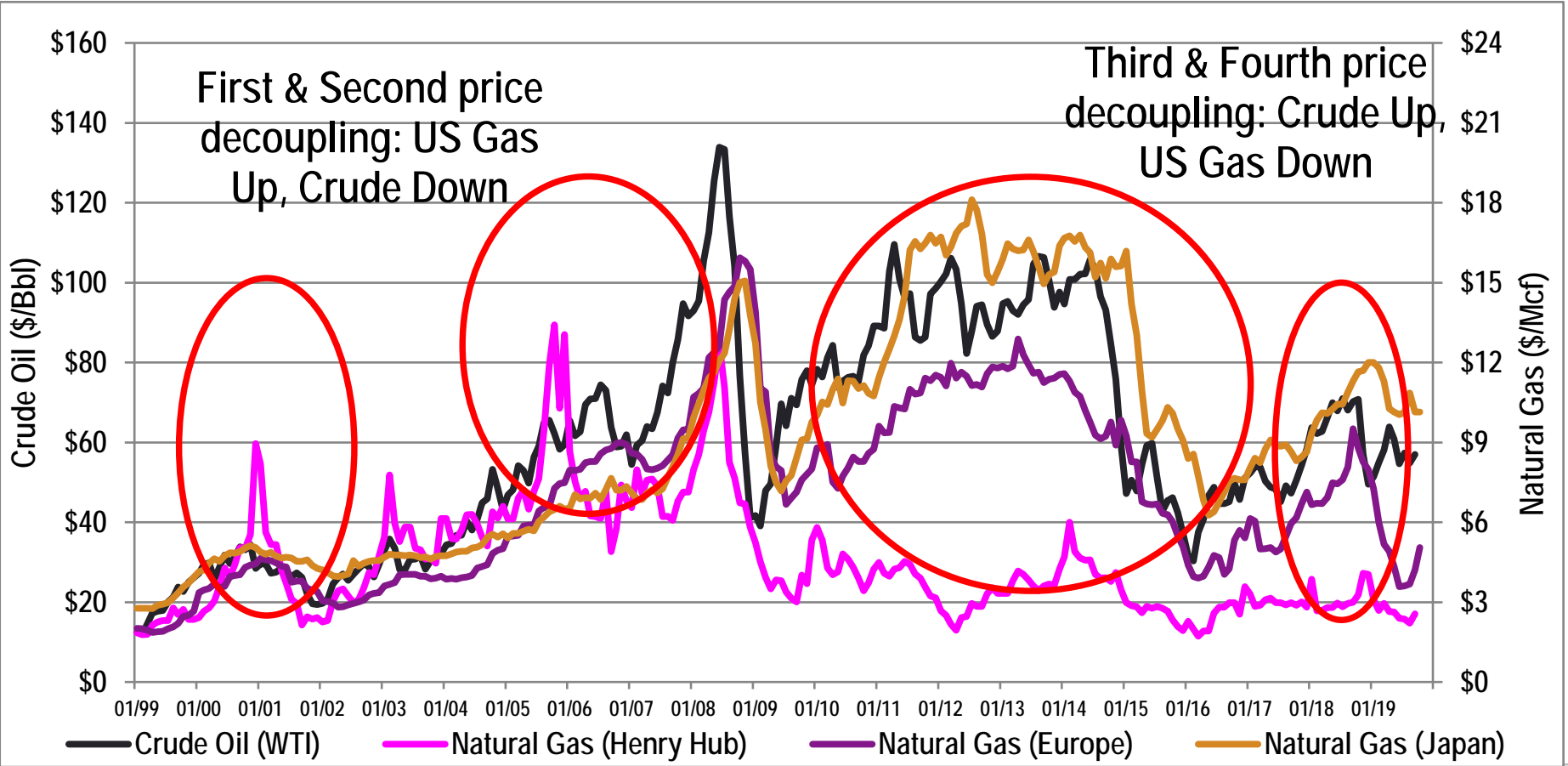


Source: Proprietary Continuum analysis of utility contractor survey feedback during 2012-2019.

# Commodity Price Drivers

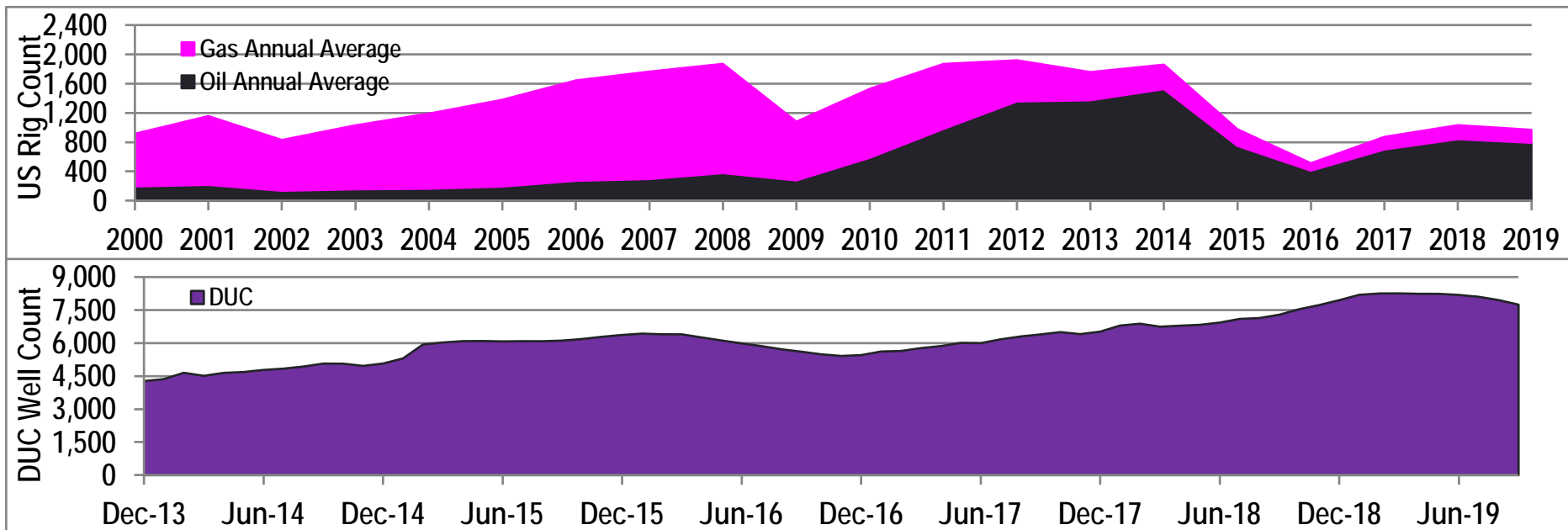
► Conclusion

- Slow global economic growth, increasing supply lowering oil prices; slowing liquid pipeline construction
- Low natural gas prices in US slowly increase demand for gas as heating fuel, fuel switching to gas, coal to gas conversion, etc.; Global LNG and movement to higher gas use in Asia increasing global gas demand



# Domestic Oil & Gas Production

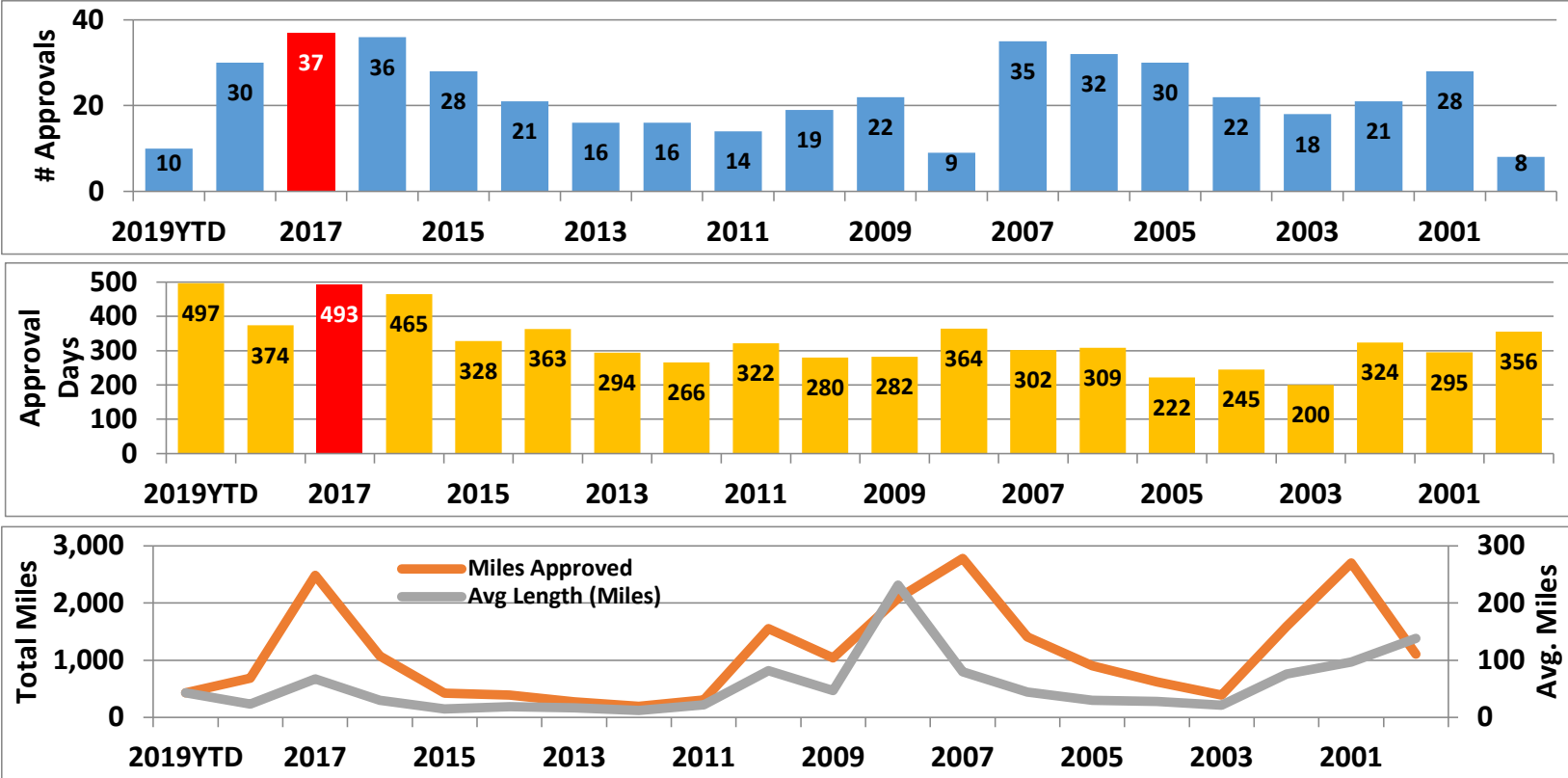
- ▶ U.S. is out producing competing countries
- ▶ \$60 oil is still in the sweet spot where it is high enough to help producers and not so high as to slow economy – rig counts moving down slowly
- ▶ DUC well count peaked in early 2019 now falling – Possibly overstated?





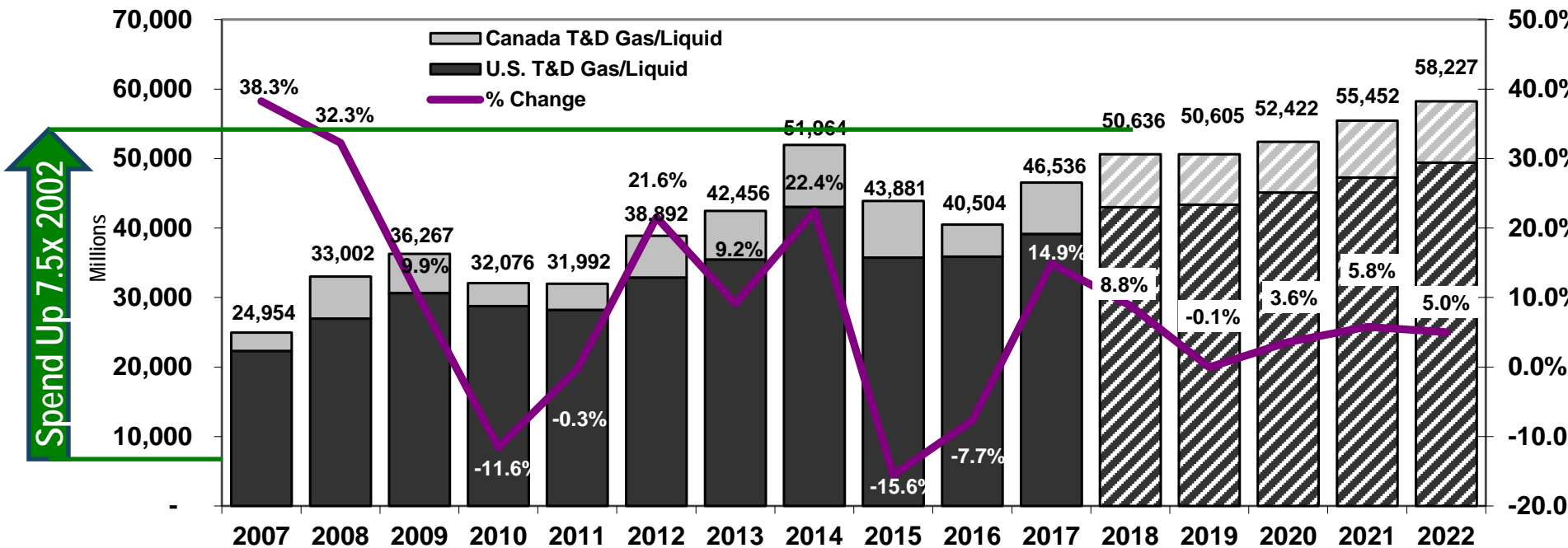
# FERC Activity

- ▶ FERC activity peaked in 2017, even with lack of quorum for 6 months
- ▶ FERC approval pace and activity continues to slow however
- ▶ Are days of long distance pipelines over?



# North American Gas/Liquid T&D Construction Put-In-Place Spending Forecast

- ▶ Rebound of spending in 2018-2020 in transmission activity in US and Canada due to rising oil prices, regulatory activity, and 2020 US election
- ▶ Distribution activity in US continuing to grow, Canada possibly exhibit faster growth due to potential regulatory priorities
- ▶ Moderate growth in 2021-2022 currently forecast – waiting for next impetus to accelerate...integrity shift, vintage plastic replacement, Trump re-elected, etc.?



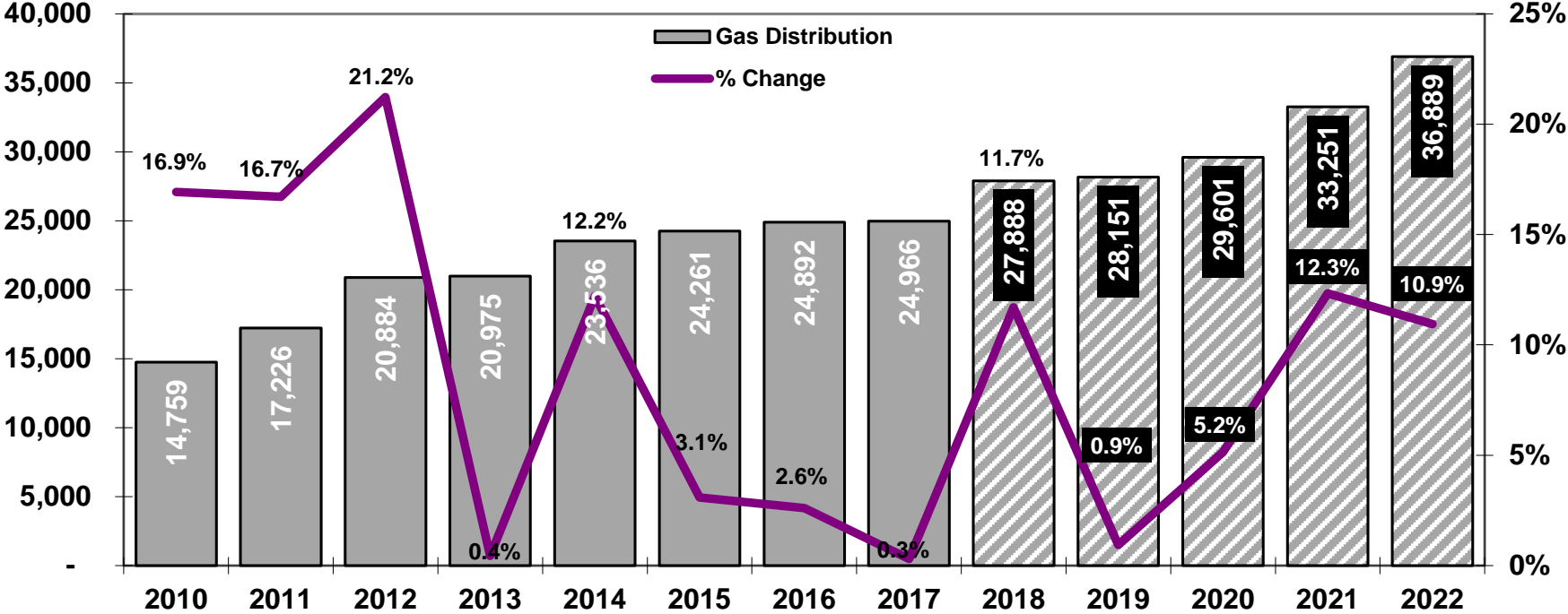
Source: Building permits, construction put in place, and trade sources. Continuum prepared forecasts for 2018-2022.

# Distribution Market Summary *(1 of 2)*

- ▶ Strong Market Fundamentals Attracting Competition
  - Continued acceleration in distribution replacement activity
  - Slow and unbalanced increase in new housing starts driving service and main construction activity
  - Aging infrastructure and safety concerns of gas distribution system are a primary driver of activity – think DIMP
  - Shale oil and gas availability and low commodity prices are a driver of increased natural gas demand and PUC's are able to grant riders and rate increases that are invisible to rate payers
  - Power generation regulation & market forces disadvantaging coal and is a driver of high pressure distribution and short segment transmission lateral activity
  - Qualified labor and experienced supervision availability will serve as a constraint to spending growth over the next 5-10 years
    - Build competitive advantage in control of scarce labor and supervisory resources
  - Competition will increase from well run, non-traditional pipeline contractors who are seeking to grow into the pipeline market and major existing national competitors who are trying to aggressively grow.

# Distribution Market Summary *(2 of 2)*

- ▶ US Gas distribution spending continuing to grow
- ▶ MA experience will drive some increase in spending
- ▶ Gas Mega Rule & DIMP programs continue to push spend



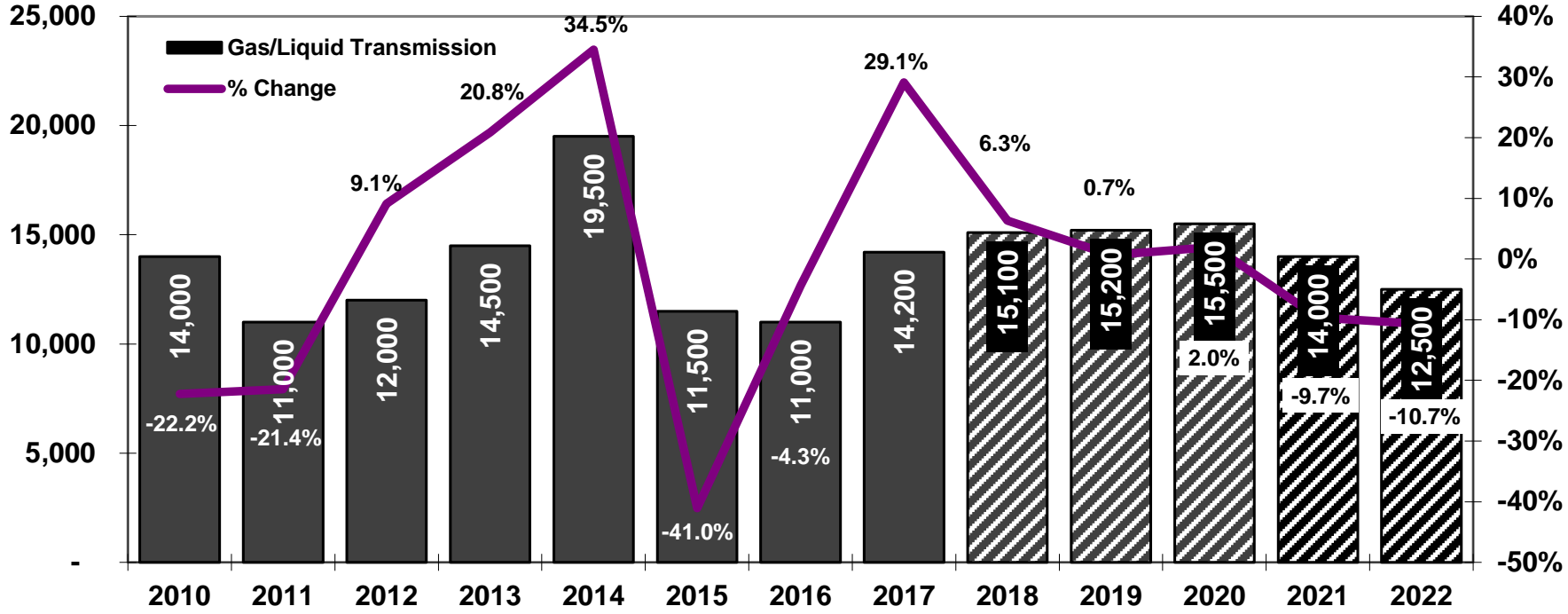
Source: Building permits, construction put in place, and trade sources. Continuum prepared forecasts for 2018-2022.

# Transmission Market Summary *(1 of 2)*

- ▶ Transmission market slowing in total – driven by reduction in interstate pipeline work; Station and short haul or intrastate markets still robust
  - Strong long-term outlook for accelerated expenditures for gas/liquid transmission work driven by regulatory and economic conditions
  - Gathering assets largely constructed as basins are well developed
  - Short segment growth in laterals, capacity expansion projects, and facility (LNG, Chemical, etc.) needs
  - Gas pipeline sectors will continue slow growth as demand for gas and capacity resolutions continue to accelerate
  - Pump and compressor station sectors will remain slightly counter cyclical and show growth as long-haul pipeline market slows post 2020
  - Integrity and maintenance sectors will continue to slowly grow as pipeline systems expand, system continue to age, and regulatory demands more construction and construction like activity increase.
  - Safety Management System Implementation will reshape the market

# Transmission Market Summary *(2 of 2)*

- ▶ Long-haul market slowing post 2020
- ▶ Station and short-haul market remain robust



Source: Building permits, construction put in place, and trade sources. Continuum prepared forecasts for 2018-2022.

## Meet the Panel

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# WHAT WE DO

Morrison is an energy service company that delivers integrated solutions for infrastructure projects in the oil and gas and renewables industries across the globe.

Our core competencies include pipeline and facility construction, diving, decommissioning and abandonment for various types of environments.





## GLOBAL PRESENCE

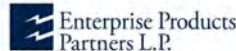
Established presence in US, Mexico and West Indies with strategically located facilities, focused on building local content

## PARTNERSHIP APPROACH

From project conception and front-end engineering to project planning and project execution

## CLIENTS & PARTNERS

Serve a loyal base of clients, many of the largest and most well-known in their respective industries



# Thank You

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# Mark Bridgers

Mark founded and leads a Utility Vertical Market team team at Continuum Capital. He works with gas/electric utilities, power generators, pipeline companies, and energy companies. As a recognized expert in capital construction and operational challenges, Mark was recently honored with membership in the Society of Gas Operators (SOGO) and the Gild of Ancient Suppliers.

Mark helps firms prepare for and successfully navigate “strategic transitions.” His passion is helping organizations achieve breakthrough innovations through collaborative or integrated relationships. He is the architect of an approach for integrated service provider management referred to as the “Extended Enterprise” among construction industry participants.

Mark is an avid educator, trainer, and writer with more than 20 years of industry expertise including financial performance analysis; development and implementation of tools to reduce construction cost, life-cycle cost, and operational friction; restructuring of processes and procedures - often times using LEAN Construction techniques; and leader development.. He is a recognized expert in capital construction and operational challenges . Mark is also author of over 150 articles and research papers published internationally in industry journals, including ENR, PE – The Magazine for Professional Engineers, Pipeline & Gas Journal, Utility Contractor (NUCA), Underground Contractor, Electric Energy (RMEL) and Electric Perspectives (EEI).

Mark holds a master’s degree in business administration from the University of Virginia’s Darden school of Business and a bachelor’s degree in financial management from Clemson University. In addition, he earned the designation of Chartered Property and Casualty Underwriter (CPCU) and Associate in Reinsurance (ARe).



# Jay Rendos

Jay Rendos is a consultant in the energy industry and Director within Continuum's Utility Vertical Market team. He works primarily with gas/electric utilities, power generators, pipeline companies, and energy companies to support the planning, design, construction, and operation of capital assets. He also works with the service providers and material/equipment suppliers that support these firms including mechanical contractors, engineering firms, overhead/underground utility contractors, and high value added material and equipment suppliers. Jay is a recognized expert in both natural gas utility construction, operations, and maintenance along with power generation facility construction and operations including very specialized experience in reduced and no carbon emission facilities powered by natural gas, nuclear, or renewable sources.



Jay brings 30 years of energy industry experience and his experiences include senior management positions in the energy industry, nuclear and non-nuclear power generation, and LDC facility construction and operations. His career highlights include transformative roles with NICOR Gas, PCI Energy Services, Westinghouse Electric Company, Williams Industrial Services, and most recently Holtec International. Jay's broad energy industry experience and participation in industry associations includes leadership roles with the American Gas Association (AGA) where he served as Vice-Chairman of the Distribution, Construction and Maintenance Committee; Midwest Energy Association (MEA) as an active member; Nuclear Energy Institute (NEI), American Welding Society (AWS), American Nuclear Society (ANS) and Electric Power Research Institute (EPRI).

Jay holds a Master of Business Administration degree in Finance & Marketing from Lewis University and a Bachelor of Science degree in Civil Engineering from Purdue University. He is a certified Six Sigma Green Belt for Development and Improvement. He earned and was recognized with the George Westinghouse Signature Award of Excellence for Spent Fuel Canister Welding Technology.