



National Fuel Gas Company

Q4 2021 National Fuel Gas Company Earnings Conference Call

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C O R P O R A T E P A R T I C I P A N T S

Brandon Haspett, *Director of Investor Relations*

David Bauer, *President, and Chief Executive Officer*

Justin Loweth, *President, Seneca Resources Company, LLC*

Karen Camiolo, *Treasurer and Principal Financial Officer*

C O N F E R E N C E C A L L P A R T I C I P A N T S

Holly Stewart, *Scotia Howard Weil*

Umang Choudhary, *Goldman Sachs*

Timothy Winter, *Gabelli Funds*

Trafford Lamar, *Raymond James*

P R E S E N T A T I O N

Operator

Welcome to the Quarter Four 2021 National Fuel Gas Company Earnings Conference Call.

Please be advised that today's conference is being recorded.

I would now like to hand the conference over to your first speaker, Mr. Brandon Haspett, Director of Investor Relations. Sir, please go ahead.

Brandon Haspett

Thank you, Rachel.

Good morning. We appreciate you joining us on today's conference call for a discussion of last evening's earnings release.

With us on the call from National Fuel Gas Company are Dave Bauer, President and Chief Executive Officer; Karen Camiolo, Treasurer and Principal Financial Officer; and Justin Loweth, President of Seneca Resources. At the end of the prepared remarks, we will open the discussion to questions.

The Fourth Quarter Fiscal 2021 Earnings Release and November Investor Presentation have been posted on our Investor Relations website. We may refer to these materials during today's call.

We would like to remind you that today's teleconference will contain forward-looking statements. While National Fuel's expectations, beliefs, and projections are made in good faith and are believed to have a reasonable basis, actual results may differ materially. These statements speak only as of the date on which they are made, and you may refer to last evening's earnings release for a listing of certain specific risk factors.

With that, I'll turn it over to Dave Bauer.

David Bauer

Thanks, Brandon. Good morning, everyone.

National Fuel had a great fourth quarter with operating results of \$0.95 per share, up 138% over last year. The value of our integrated model and the underlying strength of our business were both clearly evident, with each of our reporting segments contributing to the increase. The improvement in commodity prices, the ongoing benefits of our Appalachian acquisition, and the continued investment in the expansion of our interstate pipeline system drove the increase and will remain as tailwinds into Fiscal '22.

The fourth quarter capped an outstanding year for the Company, one in which the underlying fundamentals of our business continued to strengthen. Against the backdrop of capital discipline by producers, and strong domestic and global demand for natural gas, the long-term outlook for pricing has improved substantially to levels where we expect to generate increasing amounts of free cash flow from our upstream and gathering businesses.

On the pipeline side of the business, our recent Empire North and FM100 projects are two of the largest interstate pipeline expansions in the Company's history. Combined, these projects represent incremental pipeline revenues of more than \$75 million and provide much needed capacity out of the basin. Lastly, at the Utility, we continue to see customer and demand growth, which supports the need for further investment in our distribution system. To that end, in August, the New York Commission approved an extension of our System Modernization Tracker, which will allow us to add the cost of new replacement projects to that mechanism through March 2023. This is a great program that enhances the safety and reliability of our system and reduces emissions.

Construction of the FM100 expansion and modernization project is nearly complete. Earlier this week we made a filing with FERC which would allow us to place this project fully in service on December 1. This is an important project for us. In addition to growing our regulated pipeline earnings and cash flows, FM100, when combined with Transco's Leidy South expansion project, creates a path to attractive markets in the Mid-Atlantic for production from each of Seneca's major development areas. This path gives Seneca considerable flexibility in its development plans and supports growth in both Seneca's production and our gathering system's throughput. Without a doubt, this project is the perfect example of the inherent benefits of our integrated approach to development.

The project team has done a terrific job meeting an aggressive in-service timeline amid the global pandemic and supply chain disruptions. Total project costs are expected to come in nearly 15% under budget. Getting the project built on time and under budget is truly a fantastic outcome and I'd like to give a big thank you to the project team, including our construction contractors, for a job well done.

Those of you who have followed us for a while know that safety is a top priority at National Fuel. We strive to have a strong safety culture, where everyone in the Organization, from me at the top, to our newest

employee, sees the value of a safe work environment. I'm happy to say that in Fiscal '21 our systemwide DART Injury Rate was the lowest its been since we've been keeping track. This is a great accomplishment and I'd like to congratulate the team on our continued improvement.

As we look to the future, it's clear that natural gas will play an important role in meeting the world's energy needs. As is evident from recent events in Europe and Asia, global demand for natural gas is growing and we see continued growth here in Western New York and Northwest Pennsylvania, where natural gas' resilience, reliability, and affordability compared with other alternatives make it the energy of choice for both space heating needs and commercial and industrial processes. But as the world decarbonizes, we too must lower the carbon footprint of both our customers and our own operations. Doing so will require us to embrace low carbon fuels like renewable natural gas and hydrogen, and new solutions, like hybrid heating. At the same time, through our conservation incentive programs, we have to encourage our customers to use less.

Lastly, we have to improve the emissions profile of our own operations. To that end, in December, coincident with the publication of our 2020 Corporate Responsibility Report, we announced aggressive emissions reduction targets. In particular, we committed to reduce methane intensity at our major operating segments by 30% to 50% from 2020 levels, by 2030. In addition, we pledged to reduce absolute greenhouse gas emissions by 25%, again by 2030. Importantly, unlike the aspirational goals that have become commonplace, these targets, while challenging, are based on tangible projects that use today's technology. This is an important step for the Company, one that demonstrates our commitment to sustainably operating our assets for the long term.

Before closing, I want to spend a minute on our expectations for free cash flow. As you can see from Page 7 of our current IR deck, at \$4.50 natural gas prices, we project free cash flow of approximately \$320 million in Fiscal '22. Looking beyond 2022, I expect that to trend even higher as capital moderates and FFO continues to grow across the system. Our first priority for that free cash flow will be our dividend, which we paid for the last 119 years and grown for the last 51. After paying the dividend, we'll still have considerable free cash, and I see three options for redeploying that capital.

First is reducing leverage on the balance sheet, with the goal of gaining an upgrade from the rating agencies. While our credit metrics will likely improve with the recent rise in pricing, we need to be able to sustain those metrics through the cycles, and to do so will probably require a reduction in our absolute debt levels. We see the ability to start that deleveraging over the next few quarters. Ideally, we'd also use that capital to fund growth projects.

We continue to pursue expansions of our pipeline system, and while projects the size of FM100 aren't likely in the near future, I do see the opportunity for us to build more modestly-sized projects. In addition, should Seneca secure additional firm transportation or long-term firm sales, it certainly has the acreage to continue to grow production. M&A is also a possibility. If the right assets come on the market, we'd certainly take a look at them.

Lastly, should those growth opportunities not materialize, we'd look to return capital to shareholders.

In closing, National Fuel had a great quarter and a great fiscal year. Our integrated model continues to deliver considerable benefits that are clearly evident in our financial and operating results. Looking forward, we expect to transition to a period of substantial free cash flow, which will give us significant financial flexibility. Our focus on ongoing emissions reductions will improve the sustainability of our operations and position us well for the future.

With that, I'll turn the call over to Justin.

Justin Loweth

Thanks, Dave, and good morning, everyone.

The fourth quarter concluded a great year for Seneca Resources. Production came in at 79.6 Bcfe, nearly a 20% increase from the prior year's fourth quarter. This increase was driven by strong operational performance from our two-rig development program as well as an additional month of production from our Appalachian acquisition that closed in July 2020.

For the full year, production increased 36%, which, along with significant realized synergies from our acquisition, helped drive a 7% reduction in cash operating unit costs. We've also updated our reserve estimates, with proved reserves increasing nearly 400 Bcfe to 3.9 Tcfe, up 11% from last year. We remain conservative in our approach to reserve bookings, with 84% of our reserves being proved developed.

Before diving into some operational and marketing updates, I wanted to hit on the growing benefits of last year's Appalachian acquisition. The growth in production and related drop in unit costs has helped expand operating margins and deliver significant accretion to Seneca's earnings and cash flows. Additionally, as we've talked about in the past, given the depressed natural gas price environment at the time of the acquisition, we ascribe no value in our purchase price to the significant undeveloped acreage. However, we viewed this acreage as providing substantial long-term upside.

Since closing the acquisition last July, our team has continued to evaluate the undeveloped potential from a geologic, operational, and midstream synergy perspective. This highly economic inventory has been more fully incorporated into our development plans, both this year and into the future, resulting in a shift of more drilling activity to Tioga County. In Fiscal '22, we expect to bring online three pads in Tioga, with two targeting the Utica and the other in the Marcellus. Incorporating more of this inventory into our program enhances capital efficiency, further improving consolidated upstream and gathering returns.

Our ability to shift activity across our three major operating areas is supported by our diverse marketing portfolio, including the incremental 330,000 per day of new Leidy South capacity expected to come online in December. As we've discussed previously, Leidy South will provide an outlet to valuable Mid-Atlantic markets for each of our three major operating areas, giving us additional flexibility to optimize our development activity and maximize returns. As Dave mentioned, the project is on track and we should be able to start using this capacity next month.

With more clarity on the Leidy South in-service date, we've been very active on the marketing front. Since last quarter we've converted a significant portion of our existing Leidy South firm sales from a Transco Zone 6 Index sale to a NYMEX based sale, providing basis certainty on those volumes. Overall, at this point we have hedges and fixed price firm sales in place for about three quarters of our expected Fiscal '22 natural gas production. We have another 17% with basis protection that is not hedged, which leaves less than 10% of expected production exposed to in-basin pricing. This is a great spot to be in and allows us to be opportunistic in our marketing and hedging activities over the remainder of the year.

Shifting gears, our operating and spending plans for the year remain largely unchanged. As I've talked about previously, our plan to ramp up production over the course of the year to fill our new Leidy South capacity is right on track. I expect Q1 production to be sequentially flat and we are timing several pads to come online during the quarter in conjunction with the new Leidy South capacity. From there, production should ramp up in Q2 and Q3, then level out around 1 Bcf a day net towards the end of the fiscal year. Capital is the opposite with extensive completion activity driving capital higher in Q1 and Q2, then decreasing over the second half of the year.

Also on capital, there has been a lot of industry discussion around cost inflation and service availability. On the latter point, we think we are well positioned to avoid meaningful impacts. We've been in regular communication with our key vendors and do not expect service availability will pose any issues. However, we do see some modest headwinds on the cost front. As is the case with most industries, labor challenges, supply chain issues, and increased fuel costs are impacting our service providers. Cost of certain materials such as tubulars are up as well. All that being said, we expect these increases to be largely offset by continued operational efficiencies. In aggregate, drilling complete costs are likely going to rise a few percent, but this is all accounted for in our capital guidance range, which remains unchanged from last quarter.

In California, our team has done a great job managing through the last 18 months and we are forecasting relatively flat oil production from Fiscal '21 to Fiscal '22. This is a result of long-term planning for permits for our drilling program and a more active work over program in the second half of Fiscal '21 that will carry into Fiscal '22. While we are facing some modest cost headwinds, largely from increasing steam fuel costs, those are more than offset by rising oil prices and we expect to generate significant free cash flow this year. Also, our new solar facility at South Midway is substantially complete and should go in service very soon. We are moving full speed ahead with our next solar facility at South Lost Hills, which is expected to go in service late next year.

Lastly, I want to provide an update on Seneca's sustainability efforts. As I mentioned last quarter, we're undertaking a comprehensive study of emissions generated by various types of completion equipment. We have completed all testing and are working with our completion service providers, as well as Air Hygiene and West Virginia University, to evaluate the data and develop a comprehensive report. This is a landmark study that will provide truly comparative data across a wide array of completions equipment, including e-frac technology. Most importantly, with this data, we will be able to make more informed decisions in selecting completions equipment that aligns with our sustainability values as well as our cost and performance requirements.

We also announced our plans to seek a responsible natural gas certification for 100% of our Appalachian production through Equitable Origin. This ISO based framework evaluates our operations under a rigorous set of ESG performance criteria with independent verification. The third-party verification is ongoing, and we expect to conclude the process in the next couple months. Additionally, we are working with Project Canary towards a responsibly sourced gas designation for approximately 300 million a day of our production, utilizing their TrustWell process. As part of our relationship with Project Canary, we are also installing continuous emissions monitoring devices on three of our well pads. We expect these installations to be completed by the end of the year.

In addition, since June of this year we have committed to the use of compressed air or electric powered pneumatics on every new Seneca development pad, and we are retrofitting existing natural gas pneumatics on return trip pads to also run on compressed air. This will continue to reduce our already low methane emissions intensity as we strive to meet our long-term emissions reduction goals. All of these initiatives are key steps that demonstrate our commitment to sustainability, and we will remain focused on furthering and building upon these efforts throughout the coming years.

In closing, Seneca's business is fundamentally sound with a great outlook. The added scale and synergies from our 2020 acquisition and recent growth have reduced operating costs and strengthened our margins. Our larger scale and increased inventory has given us the opportunity to further optimize our development program, leading to improved capital efficiency and driving earnings and cash flows higher. We also operate in one of the lowest emissions intensity basins in the world and work hard to be on the leading edge of the industry's sustainability initiatives. This dual focus on enhancing free cash flow while reducing our environmental footprint positions us well for ongoing success.

With that, I'll turn it over to Karen.

Karen Camiolo

Thanks, Justin, and good morning, everyone.

National Fuel closed out its fiscal year on a strong note with earnings coming in at \$0.95 per share. For the full year, after adjusting for several items impacting comparability, operating results were \$4.29 per share. This is well above the high end of our guidance range and was driven by several factors. First, the significant improvement in natural gas and crude oil prices during the quarter drove higher after hedging price realizations. Second, operating costs came in below expectations as we continue to find ways to optimize our cost structure across all of our businesses. Lastly, we completed some tax planning around intangible drilling costs. This resulted in an adjustment to estate tax valuation allowance, reducing our effective tax rate.

Turning to Fiscal '22, we now expect earnings to be in the range of \$5.05 to \$5.45 per share, an increase of \$0.65 per share, or 14% at the midpoint from our preliminary guidance. A few items are driving this change.

First, we have increased our commodity price assumptions. We're now forecasting NYMEX natural gas prices of \$5.50 per MMBtu for the first half of our fiscal year, and \$3.75 from April through September. We've also increased our NYMEX crude oil price assumption to \$75 per barrel. While we're well hedged for the year, approximately 25% of forecasted production remains unhedged. For reference, a \$0.25 change in our natural gas price assumption is now expected to impact earnings by \$0.12 per share. Given the cadence of our production profile, roughly two thirds of this price impact would occur in the second half of the year. On the oil side, our sensitivities remain unchanged with a \$5 change oil impacting earnings by \$0.03 per share.

The second major driver is a modest increase in Seneca's LOE. We've increased our range a penny, now projecting \$0.83 to \$0.86 per Mcfe for the year. This is entirely driven by steaming operations in California. The higher price of natural gas will lead to higher steam fuel costs. However, this increase will be more than offset by the forecasted increase in oil revenues.

The last major driver is the impact of the System Modernization Tracker extension in our New York utility. We expect this to increase margin at the Utility by approximately \$4 million for the year.

One other major item of note related to a recent proceeding in our Pennsylvania Utility jurisdiction. While this doesn't impact earnings or cash flow, it will have an impact on the Utility's EBITDA. It's a bit complex, so I'll hit the high points. Due to the overfunded status of our Pennsylvania jurisdiction's post-employment benefit plans, we made a regulatory filing to stop recovering these costs from our customers each year. Using money previously set aside in a trust, we also agreed to pass back a regulatory liability through one-time and ongoing bill credits. This outcome is great for customers, and has no material impact to our ongoing earnings or cash flows.

The point of note here is that the annual collection of OPEB funding costs is reflected as margin in the utility's financial statements, while the vast majority of the OPEB expense is related to non-service costs, which sit below operating income. By reducing our OPEB collections from approximately \$10 million to zero, we expect to see an equivalent reduction in utility EBITDA. This doesn't fundamentally change the business in any way, but we wanted to point out the negative impact to EBITDA, despite no change to our expected earnings or cash flows.

Switching over to capital, Fiscal '21 came in at \$770 million for the year, which was towards the lower end of our guidance range. This was primarily driven by costs coming in below expectations in our midstream businesses, including the FM100 project Dave mentioned earlier. For Fiscal '22, our guidance of \$640 million to \$760 million remains unchanged. Bringing this all together, our balance sheet is in a great position and our free cash flow outlook is strong.

In Fiscal '21, funds from operations exceeded cash capital expenditures by approximately \$120 million for the year. Adding to that the proceeds from the sale of our timber assets, which closed in December, we generated free cash flow in excess of our \$165 million dividend payment for the year. As we look to Fiscal '22, we would expect our funds from operations to exceed capital spending by \$300 million to \$350 million. At this level of free cash flow, we are projecting more than \$150 million of excess cash after funding our dividend for the year. This provides additional cash flow that can be directed towards the debt reduction efforts Dave referenced to earlier.

While free cash flow is in line with previous expectations, I did want to spend a minute talking about one item on the balance sheet. Given the recent run up in prices, we recorded a \$600 million mark-to-market liability associated with our hedge portfolio. While this is a rather large liability, our investment grade balance sheet minimized collateral requirements such that we were limited to approximately \$90 million posted with counterparties at the end of September. Today, the collateral amount has been further reduced, now sitting closer to \$25 million. As we progress through the winter, most of those hedges driving the current liability will settle, and as a result we expect to have minimal, if any, collateral requirements.

In conclusion and echoing Dave's earlier comments, we're in a great spot. The outlook for the business is strong and our ability to generate significant and sustainable free cash flow positions us well to deliver shareholder value well into the future.

With that, I'll ask the Operator to open the line for questions.

Operator

Thank you. Your first question comes from the line of Holly Stewart from Scotia Howard Weil. Please proceed with your question.

Holly Stewart

Good morning, gentlemen, Karen.

David Bauer

Hi, Holly.

Justin Loweth

Good morning.

Holly Stewart

Maybe, Dave, Karen, just to better understand the capital allocation. You've got a 3% yield and growing dividend. The leverage is trending down. Your share count is already very low, and you've got growing free cash flow. The big pipeline spend appears to be behind you at this point. You mentioned kind of

further debt reduction and potentially seeking a credit upgrade, which we think would be a great use of capital.

But any further comments on maybe those other opportunities between growth at Seneca and M&A and further returns to shareholders?

David Bauer

Yes, not really, Holly. We're going to be in a position where we're going to have a lot of flexibility, and we're going to look to use that flexibility in the best way possible.

Holly Stewart

I get it. It's a high-class problem but...

David Bauer

Yes.

Holly Stewart

All right, well that's helpful.

Maybe moving on, Justin, I remember last quarter you mentioned accelerating some completions and you thought that Capex would probably be at the high end of the range. It looks like it wasn't. Any color on those completions that maybe were supposed to happen during the quarter or maybe are happening here in the first quarter of the year? Just any kind of color on that 1Q guide.

Justin Loweth

Sure, you know, we accomplished what we wanted to accomplish in Q4 from a completions activity, and we came in towards the middle of the range we put out, you know, just a little high in the middle there. I was pretty happy with how that ended up. I noted and then as we look to Q1 and two, you know, absolutely. We should have a full-time spot crew running pretty much flat out. We do now. We have had one since the beginning of the fiscal year, and that activity should really continue through the rest of the winter and well into Q2. Definitely expect capital to be—if you just took our full year capital, I mean, expect that to be very much weighted towards Q1, Q2 to be higher and then trending down into Q3, Q4.

Holly Stewart

Okay, that's helpful. All right, that's all I had. Thank you, guys.

David Bauer

All right.

Operator

Thank you. The next question comes from the line of Umang Choudhary from Goldman Sachs. Your line is open.

Umang Choudhary

Hi, good morning, and thank you for taking my questions.

David Bauer

You bet.

Justin Loweth

Good morning.

Umang Choudhary

Good morning.

My first question was on cost inflation. In your prepared remarks, you mentioned seeing some inflationary pressures and you're actively looking to mitigate it. Can you talk about the steps you are taking to offset the cost increases and what do you think the net impact would be to your both operating cost as well as capital costs heading into next year?

Justin Loweth

Sure, happy to. There's two pieces to it, right. There's the how much we expect overall in terms of the increases, and we have a very robust procurement supply chain group who is in regular dialog and actively bids out all of our key services. Through that communication, we have a view that probably overall service costs will see kind of trend into the maybe the upper single digits over the course of the year. But when we look at some of the offsets to that, and I'll hit them in a second, we think that our all-in kind of D&C capital might be up by a couple, 3%, maybe 4%, when we think about overall net kind of cost structure. That is all accounted for in our capital guidance, and just note again, we did not change our capital guidance. Feel comfortable with it.

The main drivers of what's improving that, some of it has to do with—I spoke a little bit about integrating more of this Tioga development opportunity into our plans. We just drilled a pad where in our planning we thought it would take us about 95 days, and we completed all the wells on the pad in about 75 days. It's pretty meaningful savings when we're doing that if you think about the spread cost per day. Then on the other side where we continue to drive benefits is around managing our water.

We recently acquired a water storage facility in Tioga County, straddles Tioga and Lycoming, which serves as a hub for our EDA operations. We already have extensive water infrastructure in our WDA. That allows us to have continued reduction in our water handling costs, particularly as we're getting our water to our completion operations. On point to those as just a couple examples of we're continuing to see improved efficiencies on the drilling side. We're continuing to find ways to reduce our overall cost on the completion side, and that has a meaningful impact on largely muting any sort of increases we see coming.

Umang Choudhary

Got it. That's helpful. I guess on the next question, I just wanted to get your updated thoughts on the natural gas macro. You talked about seeing the increases in demand, and I was wondering if you can provide some more color in terms of is there any opportunities to increase the capacity on the takeaway side, on the pipes, to kind of meet that incremental demand?

Justin Loweth

Well, I can hit a little just macro on gas and then we can dig on the second one, too, you know, if needed. Specifically, what we see is continued very strong backdrop. Seemingly producers continue to be towing the line on maintaining kind of maintenance levels of capital and production. Obviously, on the privates you're seeing a little bit of creep in that, and we think there will be a little bit of growth. Obviously in gas, whether it's associated or dry gas, but the demand side is very robust. We continue to see improvements.

Obviously, LNG has very much materialized this year, and we see it continuing. Our overall view is that we're pretty constructive on where pricing is going from a macro perspective. I feel very good about the levels where it is now and, frankly, are pleased to see the long-term curve come up into the \$3 to \$3.10 range. It's been a meaningful improvement, and I think we see some continued potential for that to go up a bit higher.

One other note I'll just mention, to the extent you were curious about how Seneca could get more gas to market. We're absolutely continuing to speak with pipeline companies around opportunities, and definitely look to find opportunities to do that within the National Fuel family, so at Empire and Supply. We'll look to develop opportunities to do that there, and then in addition, you know, given our size, we can still augment our long-term opportunity to grow by entering into long-term firm sales. Working with some of our marketing counterparties to effectively utilize capacity that they control through AMAs or otherwise. That's been a very successful option for us in the past and something we continue to look at as we go forward. It's really a combination on reaching the markets.

Umang Choudhary

Perfect. That's helpful. If I may ask one more, I was very interested in your sustainability report, and it raises a discussion about studying the feasibility of spot hydrogen, CCUS and RNG. Can you provide any color around these? What are you looking from a regulatory perspective or a technical perspective to kind of further pursue these opportunities longer term?

David Bauer

Sure. On the RNG front, the efforts are really threefold. One is connecting RNG producers to our system so that they can move the gas on our pipelines. The second is the utility incorporating RNG into its supply portfolio. Then the third thing we'd be looking at there is making direct investments in RNG, and we've got a team pursuing that but are in somewhat early stages there.

On the other, on hydrogen, you know, I think that's a bit of a longer-term play. Our focus on that is evaluating our system and its ability to blend hydrogen into the gas stream, looking at its impact on end users' equipment, and looking at ways that hydrogen could be used, say, in running the engines in our compressor stations to reduce our stack emissions. Right now, I'd say it's a lot of R&D. A goal would be to have a real demonstration project, you know, say, within the next 12 months or so. But in terms of a long-term application, I think it will take some time.

Then on the CCUS side, it's basically a learning exercise right now. Right, I mean you think of our business. We are really good at building pipes to move a gas. CO₂ is another gas that we could transport. We've got a lot of experience with reservoir engineering, both on the production side and on the storage side, so looking at ways that we might either reuse our assets or find new assets for carbon sequestration is something that we're interested in pursuing and learning more about.

Is that helpful?

Umang Choudhary

That's helpful. Thank you. Thank you for your answers.

David Bauer

Yes, you bet.

Operator

Thank you. The next question comes from the line of Tim Winter from Gabelli Funds. Your line is open.

Timothy Winter

Thank you, and congrats on great results and the successful acquisition.

I have two questions for you. The first one is, given the recent political changes in New York, do you expect any changes in the natural gas sentiment?

David Bauer

Yes, not in the near term. What we're seeing out of Albany is pretty much business as usual as it was under Cuomo.

Timothy Winter

Okay. Okay, and then on that note and given what's going on with the near-term outlook for gas, any further, or can you update us on your thinking regarding any asset monetization or financial engineering or something that may optimize the current near-term outlook for gas?

David Bauer

Yes, nothing in the near term, Tim, to report. I think our group of assets is working really well together. I don't see any near-term monetization efforts. In terms of financial engineering, you know, as we talked earlier, we're in a position where we're going to have a lot of free cash flow, and absent growth opportunities, would be returning capital to shareholders rather than raising it.

Timothy Winter

Okay, great. Thank you.

David Bauer

You bet.

Operator

Thank you. The next question comes from the line of Trafford Lamar from Raymond James. Please proceed with your question.

Trafford Lamar

Hi, guys. Thanks for taking my call.

First question, I wanted to ask on the Northern Access pipeline, I know that it passed Second Circuit litigation and it's one of two pipelines, I believe, on FERC's radar. I just want to get any color, additional commentary on the status of that project.

David Bauer

Yes, we're still working through some federal authorizations, right, various permits and studies and the like that need to be updated, which is going to take a bit of time. But from a practical standpoint, our certificate for the project expires in February, so we're going to have to file for an extension relatively soon. I guess we'll let you know more then. But as I said in the past, this isn't a project that's going to be built in '22. It's likely a longer-term prospect for us.

Trafford Lamar

Okay, perfect. Then my second question was on California. Producing about 600 to 800 Boe a day, generating meaningful free cash flow. Do you all feel like you are getting full value for your California assets, and have you all considered potentially a divestment of that asset?

Justin Loweth

Certainly, I mean, our business out there has done very well and very well for many years. One thing, a footnote I looked at here, or analysis, I looked at recently was just how much cash that business has generated over the last 10 years. Looking back to 2010 to present, we've generated \$1 billion of EBITDA less Capex, which is pretty incredible. The business today, it continues to do very well. We're producing about 7,000 barrels of oil equivalent per day. We'll generate free cash this year. With the increasing prices, our revenues are certainly headed in a really good direction. Cost structure is solid. It may go up a bit with higher steam fuel cost, but overall, we'll just continue to add to the margin. At this point, it's hard to say what exactly it is within the context of our share price, but certainly it adds to our earnings. It adds to our cash flows and remains a business that we're able to operate pretty successfully.

Trafford Lamar

Perfect. Thanks guys.

David Bauer

Yes.

Operator

There are no further questions. I will now turn the call back to Brandon. Please go ahead.

Brandon Haspett

Thank you, Rachel.

We'd like to thank everyone for taking the time to be with us today. A replay of this call will be available this afternoon on both our website and by telephone and will run through the close of business on Friday, November 12. To access the replay online, please visit our Investor Relations website at

investor.nationalfuelgas.com, and to access by telephone, call 1-800-585-8367 and enter conference ID number 1909399. This concludes our conference call for today. Thank you, and goodbye.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for participating.