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Hello, I am Matt Sallee, President of Tortoise.

Energy and power infrastructure continued to distance itself from energy performance in the third quarter, in midstream, the Alerian Midstream Energy Index was up 10% and the S&P Utilities Index up 19%, bringing their YTD returns to 27% and 31%, respectively. Meanwhile, refiners, producers, and oil field services all had a rough quarter with weak crude prices and softer refining margins. In our view, midstream and utility performance continues to be buoyed by the outlook for natural gas and electricity demand. It seems like each month, we get another data point supporting this trend. Most recently, Constellation Energy announced plans to bring a retired nuclear plant back into service, but more on that in a minute.

Back to performance, we are also encouraged to see midstream remain relatively immune to oil prices again this quarter, with a double-digit return despite crude falling 14%.

Crude has moved higher post-quarter-end due to the recent escalation of tensions between Israel and Iran. Iran launched around 180 missiles in response to Israel's military operations in Lebanon targeting Hezbollah. Amazingly, Israel's Iron Dome system intercepted most of the missiles, preventing major casualties. Israel retaliated further, with attacks in Tyre in the South of Lebanon increasing the risk of a broader regional conflict, though immediate large-scale war remains unlikely, in our view.

Moving on to the power market, as previously mentioned Constellation Energy announced the launch of the Crane Clean Energy Center (CCEC) and the restart of Three Mile Island (TMI) Unit 1 in Pennsylvania, backed by a 20-year power purchase agreement with Microsoft. The plant, originally shut down for economic reasons in 2019, will add 835 megawatts of carbon-free energy to the grid and create 3,400 jobs.

The Unit 1 reactor is located adjacent to TMI Unit 2, which shut down in 1979 after a partial meltdown. TMI Unit 1 is a fully independent facility, and its long-term operation was not impacted by Unit 2. The facility will undergo significant investments to restore its infrastructure and is expected to be operational by 2028, pending regulatory approvals.

The plant reflects a renewed focus on nuclear energy and follows the previously announced plan to restore the retired Palisades Nuclear plant located on Lake Michigan. We believe nuclear is crucial for meeting the growing demand for reliable, carbon-free power. This project will be key to meeting Microsoft's stated goal to power its data centers with carbon-free energy. However, the "dirty little secret" is that MSFT and other hyperscalers are contracting for carbon-free energy, but in many cases, the data centers are pulling energy from the grid instead of the contracted power. These contracts are called virtual PPAs, and in the meantime, utilities have plans to add over 130 new gas-fired generation units to keep the grid stable during this period of rapid growth in electricity demand.

Sticking with the theme of sharply increasing power load from AI, McKinsey recently released an updated forecast for electricity demand over the rest of the decade. In the report, they increased the estimate of power demand from data centers by 50% from the prior forecast. The key drivers of the revision are primarily due to a faster pace of digitization and AI adoption, as well as diminishing efficiency gains in hardware.

One last meaningful piece of company news is TC Energy's completion of the spin-off of its oil pipeline business, South Bow. The primary asset of the company is the Keystone Pipeline System, which moves roughly 20% of the oil Canada exports. This is a high-quality asset with fee-based cash flows that are 90% contracted. On the other hand, leverage is on the high end of peers at 5x, and there is limited visibility to cash flow growth at this point. It is a name worth owning, in our view, and just a question of valuation.

As we look at TC Energy going forward, it owns a highly attractive network of natural gas pipelines that will benefit from massive growth in gas demand through the decade and beyond. The other question we have debated is whether this is a catalyst for Enbridge to split up its oil and gas businesses. It will depend on how TRP and SOBO trade after the market digests the spin, but it's certainly a possibility.

Finally, Chesapeake and Southwestern completed their previously announced merger and has been rebranded as Expand Energy who is the largest natural gas producer in the country.

I'll leave it there. Thanks for listening.

Thank you for joining us. And stay tuned for our next episode. Have topics you want covered or other feedback to share? Write us at info@tortoiseecofin.com.

Midstream = The Alerian Midstream Energy Index[®] is a broad-based composite of North American energy infrastructure. The capped, float-adjusted, capitalization-weighted index, whose constituents earn the majority of their cash flow from midstream activities involving energy commodities, is disseminated real-time on a price-return basis (AMNA) and on a total-return basis (AMNAX).

The **S&P Utilities Select Sector Index** is a modified capitalization-weighted index. The Index is intended to track the movements of companies that are constituents of the S&P 500 in the utility sector (as defined by the Global Industry Classification Standard).

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