EXHIBIT NO. 3

CONFIDENTIAL DECLASSIFIED PAL 10-29-06 (Entire DN)

DOCKET NO: 041414-EI

WITNESS: VARIOUS

PARTY: PROGRESS ENERGY FLORIDA

DESCRIPTION: COMPOSITE CONFIDENTIAL STIP 3:

1) Transcript and exhibits of April 19, 2005, panel deposition of Pamela Murphy, Robert Caldwell, Bruce Hughes, and Sam Waters;
2) Progress Energy Florida's (PEF) responses to Staff's First Set of Interrogatories (Nos. 3, 11, 17-27, 30-35, 37, 42, 46, and 47);
3) PEF's responses to Staff's Third Set of Interrogatories (No. 59);
4) PEF's responses to Staff's Fourth Set of Interrogatories (Nos. 64, 71 (including attachment B), 76, 77, 79, 83 (including attachments C, D, and E), 84, 87 (including attachment F), 95, 96, 99, 106, 107, 115-120, 132, 134, 136, 140, 141, 144, and 146,);
5) PEF's responses to Staff's Fifth Set of Interrogatories (Nos. 149, 150, 151, 154, and 162);
6) PEF's responses to Staff's First Request for Production of Documents (Nos. 3 and 4); and
7) PEF's responses to Staff's Fourth Request for Production of Documents (Nos. 16, 17 (only Bates stamp pages 1015-1022), 23 (only Bates stamp pages 1063-1109 and 1277-1291), 28, 30, 31, 32, 35-37, and 41).

PROFERRED BY: STAFF

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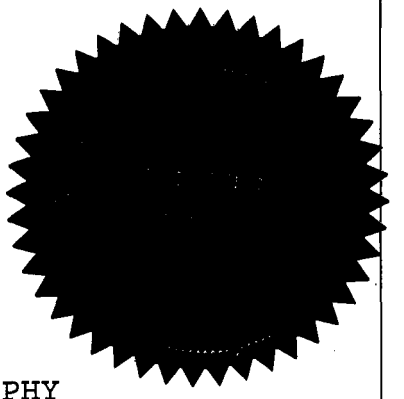
CONFIDENTIAL

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of long-term fuel supply and transportation contracts for Hines Unit 4 and additional system supply and transportation, by Progress Energy Florida, Inc.
_____/

DOCKET NO. 041414-EI



CONFIDENTIAL TRANSCRIPT

PANEL DEPOSITION OF:	PAMELA R. MURPHY ROBERT F. CALDWELL BRUCE H. HUGHES SAMUEL S. WATERS
TAKEN AT THE INSTANCE OF:	FPSC Staff
DATE:	April 19, 2005
TIME:	Commenced at 10:31 a.m. Concluded at 1:47 p.m.
LOCATION:	Room 154, Gunter Building 2540 Shumard Oak Boulevard Tallahassee, Florida
REPORTED BY:	MARY ALLEN NEEL, RPR Notary Public, State of Florida at Large

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PROCEEDINGS

The following deposition was taken on oral examination, pursuant to notice, for purposes of discovery, for use as evidence, and for such other uses and purposes as may be permitted by the applicable and governing rules. Reading and signing of the deposition transcript by the witnesses is not waived.

* * *

Thereupon,

PAMELA R. MURPHY,

ROBERT F. CALDWELL,

BRUCE H. HUGHES, and

SAMUEL S. WATERS

the witnesses herein, having been first duly sworn, were examined and testified as follows:

DIRECT EXAMINATION

BY MS. VINING:

Q Could I please get each of you to state your name and business address for the record.

A (By Mr. Waters) Samuel S. Waters, Progress Energy, 410 South Wilmington Street, Raleigh, North Carolina 27602.

A (By Mr. Caldwell) Robert F. Caldwell, Progress Energy, 410 South Wilmington Street, Raleigh, North Carolina 27602.

A (By Ms. Murphy) Pamela R. Murphy, Progress Energy Carolinas, 410 South Wilmington Street, Raleigh, North Carolina 27602.

A (By Mr. Hughes) Bruce H. Hughes, Southern Natural Gas Company, P.O. Box 2563, Birmingham, Alabama.

Q And have all of you filed testimony in Docket 041414? And please answer individually. Don't answer together.

A (By Mr. Waters) Yes.

A (By Mr. Caldwell) Yes.

A (By Ms. Murphy) Yes.

A (By Mr. Hughes) Yes.

Q Thank you. Now, I'm going to start with Mr. Hughes. And I notice you don't have your testimony in front of you. Or do you have it?

A I do have it.

Q Okay. And I don't think that the next line of questions will elicit confidential information, but let me know if I'm incorrect.

Okay. Referring to page 4 of your testimony at lines 5 through 8 -- do you have that?

A I do.

Q What are the benefits and detriments, if any, to Progress's gas supply contract being served from the existing rather than expanded terminal capacity at Elba

Island?

A The distinction there is that we have an operating terminal. We're currently receiving shipments from the terminal. We're also in the process of expanding the terminal. And I just made the distinction that the Progress contract is with British Gas, who has capacity in the operating terminal.

Q Okay. Turning to page 6 of your testimony, lines 2 through 4 -- do you have it?

A Yes.

Q Can you please describe the primary obstacles to pipeline construction on SONAT'S selected route?

A Page 6, lines 2 through 4?

Q Yes.

A Referring to our previous application?

Q Well, but you're using the same route; correct?

A Correct.

Q So you have -- you say here that you've fully evaluated the route.

A Right.

Q So do you have a sense of what the primary obstacles would be to the pipeline being constructed on that route?

A In our original application, we had proposed to start our pipeline in the Savannah area, and the initial

10 miles or so of that route was what we referred to as a greenfield project. There was not a utility corridor at that point. Beyond the initial 10 miles, we proposed to route the line adjacent to an existing utility corridor for the balance of the project. With this application, we have rerouted that portion of the project, and we are now collocating the entire route.

As far as issues related to our proposed route, we have begun the process of filing our certificate application with the Federal Energy Regulatory Commission. We feel very good about the route that we have selected. The entire route, the entire 165 miles for Phase I of our project is adjacent to the existing utility corridor. And we are obviously working with the Federal Energy Regulatory Commission and all the other federal and state permitting agencies to have the route that we've selected approved. But we feel very good about the route because of the existing utility corridor.

Q So you're not anticipating much dissent from the public in that area because it's in an existing right-of-way?

A That's correct.

Q Are you still on target to file the application with FERC at the beginning of May?

A We have met a number of times with the FERC since we submitted the testimony. We have agreed to participate in a NEPA prefiling process, and as a result of that decision, we feel like it's going to be the latter part of May before we make the application. But we've been advised by the Commission staff that rather than the 12 to 14 months to process our application that was included in my testimony, they are of the opinion that because we've agreed to participate in this prefiling process that the time to process our application can be shortened to nine to 12 months. So we feel like we may be a month delayed in filing the application, but we feel like we'll get perhaps three to four months of time savings on the processing of the application.

Q Is this a procedure that they've only recently started doing, or is this something that has been available routinely?

A It is a procedure that the Commission initiated perhaps six to nine months ago. It's a voluntary procedure, but one they strongly encouraged us when we had our prefiling meeting with FERC to participate in.

Q And was that urging that FERC gave you to go ahead and do this shortened time period because the route was an existing utility right-of-way and they felt

there wouldn't be many barriers to them granting a certificate for you?

A No. I think their rationale is -- it's more of a preferred process for FERC. It will require an environmental impact statement, and FERC is the lead agency for processing an environmental impact statement. And they feel this process will enable them to collaborate and coordinate it with the other federal and state regulatory agencies in processing the application.

Q At this point in time, have there been any interest groups, and I'm using that as a broad term, particularly environmental interest groups, for example, that have expressed concerns about the construction of this pipeline?

A As a result of the process that we've initiated, we have had open houses along the pipeline corridor in Savannah, Brunswick, and Jacksonville in mid-February, February 17, 18, and 19, I believe. Those meetings were sparsely attended in Brunswick and Jacksonville. There was a slightly larger turnout or a larger turnout in the Savannah area. But it was principally informational only.

There were a number of commentors, landowners that encouraged us to collocate with the power line as

much as possible. Our proposal is to have 50 feet of easement immediately adjacent to the power line. Most of the comments that we received from the open houses were, "Gee, we would like to see you collocate as much as possible."

Three weeks after our open houses, FERC actually held their scoping meetings, which typically are not held until the applicant files their application. But because of this process we agreed to participate in, FERC announced their scoping meetings and held their scoping meetings March, 8th, 9th, and 10th.

Again, the meetings were lightly -- there was light attendance at the meetings. There were a number of environmentalists at the Brunswick meeting that -- the principal comments again echoed the landowner preferences for collocation as much as possible, and also that the Commission staff monitor our compliance and construction techniques to be as sensitive as possible to the river crossings, which we've proposed to directionally drill to minimize impact. We didn't sense any outright opposition to the project at those meetings that I recall.

Q So someone hasn't changed any of their planning with regard to the siting as a result of those meetings?

A No.

Q Let's look at page 7 of your testimony, lines 6 and 7. Do you have it?

A I do.

Q There you say that SONAT has agreed to supply monthly progress reports to Progress; correct?

A Correct.

Q And has SONAT been providing those progress reports?

A Yes, we have.

Q And I think you've already given staff some of those progress reports.

MR. BURNETT: That's correct. Those would be the documents I delivered to you yesterday.

MRS. VINING: And I would like to mark those as an exhibit.

(Deposition Exhibit 1 was marked for identification.)

BY MS. VINING:

Q Now, moving on to page 7, lines 8 through 12.

A I've got it.

Q Regarding the $9 million that SONAT has spent on the Cypress project to date, what types of expenses are included in that $9 million?

A The $9 million -- I previously mentioned in the

testimony that we had filed an application for this route in 2001. Most of the $9 million was spent for title searches along the route, for right-of-way surveys, for environmental surveys, both archaeological and biological surveys. We prepared a FERC application in 2001 which requires extensive resource reports to comply with the environmental impact statement. Most of those expenditures were spent at that time for the surveys.

Q So were most of those expenses incurred pre-2001 then?

A Starting in August of 2000 and extending through July of 2001.

Q Okay. I think that's all I have for Mr. Hughes right now. I do have another question on this topic, but it's in Ms. Murphy's testimony.

Do you have your testimony?

Before I ask the question, this should elicit confidential information, or -- well, I'll say this. It depends on how you answer it. I'll just go ahead and ask the question, and then we'll see how it goes.

A (By Ms. Murphy) Okay.

Q Let me look at this. I think we'll be fine.

Okay. At page 11, lines 10 through 16 of your testimony --

A Do you have one that's not redacted?
Q Hold on. I think we have a separate copy.
A I think we do.
Q Let's see. This is redacted.
MR. BURNETT: I think we have it, Adrienne.
MS. VINING: Oh, do you? Okay.
BY MS. VINING:
Q Okay. Can you provide an update at this time as to what SONAT's progress is in achieving receipt and acceptance of the items listed there?
A With regard to line 11, the XXX,XXX --
MR. BURNETT: Hold on one second. Do you think we'll be getting into confidential information if you answer that question? Do you think we need to --
MS. VINING: That number is redacted, I think, on there.
MR. BURNETT: Do we want to --
WITNESS MURPHY: The one I have here doesn't show --
MS. VINING: Oh, you don't have -- so you don't have any idea what has been highlighted on that one?
WITNESS MURPHY: Not on this copy.
MS. VINING: That's a problem then.
MR. BURNETT: You guys want to step out for

just this question, and then I think we'll be okay. I'll come right out and --

MR. CRUTHIRDS: Sure.

(BG representatives exit the conference room.)

MS. VINING: I think the number you said before we could probably strike, and the reason I say that is because I know that particular condition precedent has been waived now.

MR. BURNETT: Certainly.

MS. VINING: So the number that she said earlier --

THE REPORTER: XXX?

MS. VINING: Yes, please.

MR. BURNETT: Yes.

BY MS. VINING:

Q Okay. Do you need me to repeat the question?

A Please.

Q With regard to lines 10 through 16, can you provide an update as to what SONAT's progress has been in achieving receipt and acceptance of the items listed there?

A With regard to lines 11 and 12, we received a letter from Southern Natural waiving that provision. I believe it was April 1st, and it was submitted to you in one of the responses.

With regard to the preliminary determination, they're still on track, with the monthly reports that we're seeing, in order to get the preliminary determination from FERC on or before -- and this is confidential -- January 31, 2006.

With regard to all the other governmental authorizations from FERC, the United States Army Corps of Engineers, the U.S. Fish and Wildlife Service, we're continuing to pursue those, and as far as we know, based on the monthly reports, they're still on track.

Q Now, I guess back to Mr. Hughes. Do you have anything additional to add to Ms. Murphy's sense of what Progress has gotten from these progress reports from SONAT?

A (By Mr. Hughes) No. I fully concur with Ms. Murphy's interpretation of the reports that we've submitted.

MS. VINING: Thank you. Off the record.

(Discussion off the record.)

(Mr. Hughes exits the conference room and is absent for the remainder of the deposition.)

(BG representatives return to the conference room.)

MS. VINING: The next questions Ms. Murphy most likely will be answering, and I think she'll be

answering the bulk of the questions from here on out, but there will be a few instances where I'll address Mr. Waters' and Mr. Caldwell's testimony. But obviously, that still leaves you guys free to answer as well.

WITNESS WATERS: Chime in?

MS. VINING: Yes, please do so.

BY MS. VINING:

Q Do you believe that the FGT and the Gulfstream pipelines do have sufficient capacity to provide the necessary gas supply for peninsular Florida over the 20-year term of the contracts?

A (By Ms. Murphy) I believe the Gulf of Mexico has at least 20 to 30 years of supply available in existence right now to deliver into FGT or Gulfstream.

Q Do you think that the pipelines do or have projects in the works that would allow both of those pipelines to handle the capacity in the Gulf of Mexico over the next 20 years?

A I'm really unaware of all the enhancements that FGT and Gulfstream are doing right now in order to -- not all the gas coming out of the Gulf of Mexico is going into FGT or Gulfstream.

A (By Mr. Caldwell) May I jump in? Is your question does FGT have sufficient capacity today?

Q Why don't we start there, yes.

A If that's the question, I'm not aware that Florida Gas Transmission today has sufficient capacity, because I believe they're fairly fully subscribed and would probably have to expand to meet our needs or the State of Florida's needs going forward.

Q How about Gulfstream?

A Gulfstream is significantly subscribed, as I know it today. I think there is some capacity available. I don't believe that it's sufficient to meet all of the needs of the State of Florida or Progress Energy Florida.

Q How about -- does Gulfstream have sufficient capacity to serve Hines 4?

A We looked at the Gulfstream option, and --

A (By Ms. Murphy) Yes, they do. They have open capacity right now. We could go out and subscribe to their capacity today to serve Hines 4.

Q Now, the next question is going to relate to Progress's response to staff's interrogatory 72. It might be easier -- I can just show it to you, and then the questions should be pretty quick.

A Okay.

Q You're ready?

A Sure.

Q In this response, Progress -- and correct me if my characterization is incorrect. Progress says that the supply disruption associated with hurricanes is important enough to make geographic diversity one of your criteria for selecting a natural gas supplier.

A That's correct. It is one criterion out of four.

Q Now, has Progress ever been unable to maintain reliable service to its customers due to a hurricane in the Gulf of Mexico? And when I say a hurricane in the Gulf of Mexico, I'm specifically thinking of one that's in the Gulf of Mexico, but doesn't hit directly in Progress's territory. Has that ever caused reliable service to be curtailed, shall we say?

A Since I really don't do that for the company, I don't -- I'm not in the Energy Control Center. I can't really say whether we had to get into some kind demand type management or voltage reduction or whatever. I don't really know. But from a reliability standpoint, have we been able to, to the extent that we could, provide fuel, meaning gas and oil to the plant? We have tried to do so, but not without severe force majeure conditions being imposed on it.

A (By Mr. Waters) And if I could just address part of that, I think the premise of your question is

really a hurricane hitting the gas fields without hitting any of Progress Energy's service territory. We haven't experienced that. We have had gas interruptions. And I think as everyone knows, one of the unfortunate side effects is that load is down at the same time the gas fields are curtailed when the hurricane hits your service territory.

So if we were to deal a little bit in the hypothetical, because of what we've seen with gas interruptions, it's entirely possible that reliable service could be jeopardized if we have full load and we're basically unaffected by the hurricanes and gas supply is interrupted, because even under the best of circumstances, when we add these combined cycle units -- they do have backup fuel, so for a short period, we can maintain service, but it would really depend on how long the gas interruption is. If it's longer than, I would say, a day or two, then I think there would be -- we would have to scramble. It's hard to say what we would have to do, but I think it would definitely require some emergency action to maintain load.

Q But as far as you know, there has never been an instance where there has been curtailment of load because of that sort of situation?

A Not to my knowledge, no.

Q Let me follow up with you, Mr. Waters, on what you just said. To your knowledge, there has never been a curtailment in that situation. Do you think there's a greater likelihood that that might happen in the future, and that's part of the reason for entering into these contracts?

A I don't know that there's a greater likelihood. I don't know that that's the proper way to look at it.

I need to add too that I don't think hurricanes are the only thing you need to worry about. I think those of us who go back a few years remember a compressor station fire on the pipeline that fortunately, I guess, occurred on the weekend. If that had happened in the middle of the week, there might have been some load curtailments due to that.

But there is more exposure, obviously, when you have fewer pipelines or fewer sources for a concentrated source in a single pipeline, certainly. In the case of having an alternate source from a completely different direction, I think all other things being equal, it would be obvious that it's more reliable than having everything fed from a single area.

So I think that's really the issue. It's not that we're looking at probabilities of occurrence. We're just looking at basically the system as it is

versus the system with an enhanced supply from a different direction and having different sources of gas would, obviously, be more reliable.

A (By Ms. Murphy) And as we go down further, our dependence on natural gas is going to make that even more critical than what it has been in the past for Progress Energy Florida, I would add.

Q Okay. Thank you.

Now, Mr. Waters, if you could refer to page 8 of your testimony, or how about I just -- page 8, line 23?

A (By Mr. Waters) Okay. I have that.

Q What we would like to know is, what did you mean by other catastrophes?

A Well, one of the references I just made was to the compressor station fire. Any number of things could happen. And I hate to hypothesize on catastrophes. Planes go down, things happen, bad things happen. They usually happen at the worst possible time. So I don't want to limit the discussion just to hurricanes, although that has been primarily the focus. Other things have happened that have interrupted gas supply, whether it has been just for a short period or a couple of days. And I think, as I said before, when you concentrate your supply and when you have limited

delivery options, you're much more at risk than when you have an alternate path and alternate supplies that can, in a sense, back up the system when these catastrophes occur.

Q Thank you. Now, in the event of an LNG supply disruption at Elba Island, what assurance does Progress have that it will be able to obtain replacement supply for the contracted volume of gas on Cypress?

A (By Ms. Murphy) The assurances, if it is an actual force majeure event where BG can claim force majeure under the contract, we would go out and try to secure additional gas supply either on Southern Natural to try to get delivered supply on FGT or delivered supply on Gulfstream in order to continue to maintain the volumes necessary to keep load.

Q To thereby avoid a negative impact on the reliability of the system?

A That's correct.

Q Has PEF calculated the incremental cost of obtaining replacement gas supply in an instance where LNG is not available from Elba Island?

A No, we have not.

Q I don't know if you want to answer this, since you said you haven't calculated what the incremental cost would be. Have you perhaps thought about where

replacement gas would originate in that instance?

A Yes.

Q Okay. And where would that be?

A On the Southern Natural system, we would try to segment the capacity that we would have on the Cypress pipeline back to Zone 0 and move it through a secondary basis through the existing capacity we would have on Cypress and then deliver it into FGT to Hines. Or we would look at Gulfstream and move gas on Gulfstream, deliver it to the Osceola point, and then we would segment our existing Phase 4 capacity back to Hines to the tune of about 50,000 decatherms a day for the summer period. We could buy delivered gas from the Gulf from a third party that has transport in the path to Hines, deliver it to Hines, or we would use backup fuel oil if needed.

Q How many days can you run on the backup fuel oil?

A If all four units -- with the installation of Hines 4 and the million-gallon tank we're going to put in for Hines 4, we calculated 47 usable hours per unit available at that site, so almost two days.

Q Okay. So based on what you just said, would you say then that there's a very small likelihood that you would have to get a replacement gas supply from

sources farther away than the State of Florida, basically?

A Could you repeat the question?

Q I guess based on all the --

A Risks?

Q The arrangements you've made or thought through if you can't get the gas supply from Elba, then what I'm saying is, based on what you just said, you believe that the likelihood is quite small that you would have to get gas that originates from, let's say, outside the State of Florida in terms of pipeline delivery, or let's say Transco Zone 4?

A That would depend on the situation that's presented to us and how many times it's presented to us. For example, the four hurricanes experienced last year were totally an anomaly. So I would say under normal conditions, it's probably very, very small, but a catastrophic event -- and bad things do happen, and so therefore it's hard to predict that it would always be a small risk associated for Progress Energy Florida. But we're anticipating not four storms again in the Gulf of Mexico as well, at least we're hoping not.

Q Now, do the contracts allow for recovery of purchased power costs if replacement gas can't be found?

A No. The only thing that they provide for is if

we would use an alternate fuel oil, or an alternate fuel such as No. 2.

Q So then it does allow for recovery of backup fuel costs?

A Yes, under the cover standard provision in the contract.

Q That's public now?

A Well, we can say there's a cover standard. I didn't tell you what was --

MR. BURNETT: I think to that level of detail, that's --

WITNESS MURPHY: It's okay.

MR. BURNETT: Yes.

BY MS. VINING:

Q So the contracts wouldn't compensate PEF for costs due to changes in dispatch that might result if you had to go to a replacement gas supply?

A The contract does not cover that.

Q Would it be your position that the cover standard provision helps to provide some protection for Progress's ratepayers from a scenario where Progress was forced to go out and get a replacement gas supply?

A Yes, I do.

Q Except in the scenarios that you said that it doesn't cover, i.e., backup -- well, no, backup fuel

costs it did cover. Purchased power costs it didn't cover, and changes in dispatch.

A That's correct. It does not cover that.

Q So the ratepayers wouldn't be protected in those instances?

A That's correct.

Q I believe earlier, Mr. Caldwell, you said that it was your assessment that FGT was pretty much fully committed over the 20-year term of the contract?

A (By Mr. Caldwell) Well, currently.

Q Currently. Do you have a sense for the SONAT system in terms of the commitment on the system?

A The total SONAT system?

Q Yes.

A I don't right offhand. Typically Southern Natural Gas runs a pretty full system, but I don't know about the whole system. Now, with respect to Cypress, it will be fully subscribed, to the best of our knowledge, by ourselves and British Gas, at least in the first phase.

Q So 100%?

A I believe it's very close to 100% subscribed.

A (By Ms. Murphy) We're going to be about 32%, and the remainder is going to be with BG. And you're right, 32% is confidential.

Q Well, I was trying to -- I don't know if the 90% plus -- I don't think that's confidential. I think it was in your testimony. It's public that between BG and Progress, Cypress would be more than 90%.

A (By Mr. Caldwell) Right. Our understanding is that Southern Natural wanted a relatively full subscription, almost a full subscription to that pipe before they would move forward with the project, and the combination of British Gas's commitment and Progress Energy Florida's commitment has gotten Southern to the point that they're comfortable moving forward with the project at this point.

Q Do you know at this point if SONAT is planning to serve any end users in Georgia on Cypress at any point in time?

A I don't know.

Q That was my one question that I thought Bruce might answer.

Now, follow me on this one. Does unavailability of LNG supply and unavailability of replacement gas transportation capacity, even in the small chance that that might happen, constitute a reliability risk for Progress in the same way that sole sourcing natural gas from the Gulf of Mexico supply region due to hurricanes might be a reliability risk for

Progress?

A (By Ms. Murphy) Would you repeat the question?

Q The point being that if your sole source on Cypress, in other words, for Hines 4 is at LNG and it is unavailable, and let's say you can't get replacement gas easily, is that also a similar type risk to having a huge amount of your gas coming from the Gulf of Mexico and that being curtailed by hurricanes?

A If I'm understanding, if they're unavailable at the same time, or if one is unavailable first and then later another one? What are you asking?

Q I'm looking at if they're comparable risks. And you could either say they're comparable based on the likelihood of it happening or comparable in terms of something you want to try and contract away or avoid. And I think based on something you said earlier, they're probably not equivalent risks, because I think you said earlier that the risk of curtailment in the Gulf of Mexico is much higher than the risk of not being able to find replacement gas supply if Elba is curtailed.

A (By Mr. Caldwell) Let me take a shot at --

A (By Mr. Waters) I was going to -- go ahead.

A (By Mr. Caldwell) The reliability is enhanced with a system generally by having more than one supply alternative. The relative risks between them are hard

to speculate on. The fact that we have multiple places to get gas and multiple pipelines to bring gas to the state overall enhances reliability.

As Pam mentioned, we think the probability of interruptions of LNG supply or long interruptions of LNG supply are pretty small. We think the chance of interruptions -- we hope the chance of interruptions in the Gulf due to hurricanes is relatively small, but we cannot predict either of those. And we believe that it's in the customers' best interest to be able to diversify those risks across multiple supply sources. It's very hard to articulate.

A (By Mr. Waters) I was just going to say, if I properly understand your question, I see the risks as very different. If you're taking all of your supply from one region, even if it's coming in through two pipelines, remember that we're supplying the system. The LNG is coming in primarily for Hines 4, and there will be some system supply. If I interrupt the LNG, yes, I may lose Hines 4 if I can't arrange for backup gas, and I may lose some supply to the system.

If I lose the Gulf, I lose the system. It's not comparable at all. The risks are, in my mind, enormously different, because if I lose that Gulf supply and I basically am losing all my gas supply, it's not

just Hines 4 I'll be worried about. I've got a whole bunch of units out there that I'm going to have to figure out what to do with, whether it's backup fuel or whatever.

And on top of that, if I've lost the Gulf and I only have that as my source of supply, there is no backup. Where am I going to get backup fuel from? I mean, that was my primary supply. So I see them as very different levels. You know, I think the system -- I'm hoping neither happens, but I think the system will be a little more tolerant of losing the LNG supply, or even losing the Gulf, assuming we don't lose everything at the same time. I can operate around that a little better than if I've concentrated everything in one place and I lose that.

Q Thank you.

A (By Ms. Murphy) And I would add that in 2007, the LNG gas coming in is going to be representative of about 12% of our needs versus what's in the Gulf of Mexico is going to be closer to 88%. So it's relative, in that we're just trying to diversify the portfolio and enhance the reliability of the system.

Q Is that confidential?

A No.

Q Okay. I would like you guys to take a look at

your response to staff interrogatory 71, Attachment B.

It's not going to be in there. It's never going to be easy.

Does this interrogatory response indicate that a significant portion of the incremental gas costs associated with Hurricane Ivan were due to the cost of additional gas supplies beyond that which was originally contracted? And I'm looking specifically at the bottom of the second to last column relative to the total in the last column.

A The gas cost to replace the term was $4.6 million, but the additional gas supply over and above the term gas was about $2 million.

Now, ask the question again so I can make sure I was looking at the right column.

Q So, yes, then a significant portion of the incremental gas costs with Hurricane Ivan were due to cost of additional gas supplies you had to go out and get over what you already contracted for?

A No. I think the gas cost to replace the term, if I remember this correctly, was $4.6 million. The cost of our additional gas supplies was just $2 million. So to the extent we're replacing the term gas because it was force majeured, it was higher than the cost of going out and buying additional supplies over

and above that.

MR. BURNETT: And were those numbers confidential?

WITNESS MURPHY: Yes, those are confidential.

MR. BURNETT: I'm just noting that for the record periodically.

WITNESS MURPHY: You guys are watching me.

BY MS. VINING:

Q Now, based on what we just discussed, would the proposed contract allow Progress to avoid similar costs in the future?

A Yes.

Q How so?

A Because if the Gulf of Mexico -- if we were force majeured in the Gulf of Mexico, we could turn around and use that gas coming in to supplement any force majeure conditions that are imposed upon us by our contracted suppliers.

Q Now, in that instance, would the price be at market?

A The price of the LNG is going to be whatever it was based on the first of the month index that was chosen under the contract.

Q But it would be at a higher price, because there would be a price spike that would result from the

hurricane?

A No, because it's based on the first of the month index. So if it occurred in the middle of the month, it would not be subject to a gas daily price, but the first of the month price that was established in the contract.

Q So in that instance, there would be a cost savings then?

A That's correct.

Q Okay. Moving on to the response to interrogatory number 154.

MR. BURNETT: We can dig these out. We've got them. If that's more helpful for you, just let me know.

MS. VINING: Not so far.

MR. BURNETT: Okay.

BY MS. VINING:

Q I pointed out this interrogatory to you because what we're interested in is the detail for the calculation of the incremental cost savings of the contracts during the Hurricane Ivan event, which is what I believe you guys have already provided. I just want to double-check.

A That's correct.

MS. VINING: I would like to have it marked as

an exhibit. I believe it would be Exhibit 2. This is what you provided.

(Deposition Exhibit 2 was marked for identification.)

BY MS. VINING:

Q Now, I would like to move to Mr. Caldwell's testimony.

A (By Mr. Caldwell) Which I now have.

Q Page 4, lines 10 through 13. On those lines, what did you mean by firm supply?

A Firm supply means it will be under contract, committed to by the supplier to deliver it pursuant to the contract terms so that we can meet our needs.

A (By Ms. Murphy) And I would add that firm means not subject to interruption. It is firm, 365 days out of the year, and they cannot interrupt it for any reasons other than a force majeure condition.

Q Now, could a three-year contract for gas supply under a take-or-pay contract be considered firm supply in the sense you meant in your testimony?

A (By Mr. Caldwell) Yes, for that period, that would be a firm supply, but it would not be firm for any period beyond the contract term.

Q Now, you also said that the proposed natural gas supply and pipeline transportation contracts that

Progress has proposed here provide the greatest degree of certainty that Progress will have firm supply and pipeline transportation ready when Hines 4 comes on line in December of 2007.

A That's correct.

Q My question to you is, though, would Gulfstream not present a more certain source for pipeline transportation than Cypress?

A Well, given the fact that Gulfstream is a pipeline that's in existence, to the extent that we could contract for capacity on that pipe and there was capacity available, that pipe is in existence and could be considered a higher degree of certainty. With respect to the Southern Natural Gas pipeline, as Mr. Hughes alluded to, given the schedule and the process they've gone through, the pipeline route they've selected and the commitment that they've made and the work that they've done, I believe that there's a great degree of certainty that that pipe will be there in time to meet our needs, particularly in the time frame between now and December 2007.

Q And is that time frame why Progress decided that a Bahamas-based supply would not have a high likelihood of certainty with regard to providing service by December 2007?

A That was one of the major considerations, that the uncertainty with respect to a Bahamas-based supply was significantly greater than an Elba/Cypress. The Elba facility is in operation. As Mr. Hughes mentioned, BG does have terminaling capacity that's in existence. And the certainty is with respect to building the pipeline expansions to the Hines 4 facility.

With respect to the Bahamas, the terminals have not been certificated. They've not been sited. The pipelines have not been started for construction. And we felt that there was just way too much uncertainty with respect to timing to meet our needs.

Q Do you have a sense of what the time horizon will be for the Bahamas, when they will be operational?

A My sense is that it's getting delayed as time goes by. It's a very complicated approval process that requires the Bahamian government and several agencies within that -- what I've read in the press is that the time frame seems to be moving out, which confirms our concerns that it would not be likely available to us in time to meet the need of Hines 4.

A (By Ms. Murphy) And I would add that FPL is the big driver as to when that Bahamas terminal probably is going to be built.

Q So is it your assessment now that perhaps 2010

might be a better time period for when it perhaps will be operational?

A (By Mr. Caldwell) I think that 2010 might still be an aggressive time frame, personally.

Q But it is possible that Progress may consider a Bahamas-based supply for future needs?

A Progress would be very interested in pursuing a Bahamas-based supply for our future needs. We think that it's in the best interest of the State of Florida, the customers of the State of Florida to have multiple supplies of gas. A Bahamas-based supply in addition to an Elba-based supply and the traditional Gulf of Mexico supply we think provides the best value for the customers of the State of Florida for the long term.

A (By Ms. Murphy) But one of our biggest concerns in working with one of the suppliers is that they've missed several deadlines trying to get the Bahamian government approval. And we've been working with them since August of 2003, and once again, they've missed several deadlines as to when they would say they would have that approval, and they still don't have it today.

Q I'm just curious then. At what point in the process of getting to signing these contracts did you sort of realize that the Bahamas would not be viable?

A After the third deadline was missed by -- one of the suppliers did not meet it in July of 2004. They said they would have Bahamian government approval. July came and went, and there was no Bahamian government approval. So that was the third try.

Q But before then, you had high hopes that perhaps a Bahamian-based supply could work for Progress for Hines 4?

A Yes, we did.

A (By Mr. Caldwell) But it was still contingent upon Florida Power & Light's needs, because we were not large enough to anchor a Bahamian-based project ourselves, in our opinion. But from what the suppliers were telling us, if they were committed to the project, they could have done it at that point.

A (By Ms. Murphy) We considered all the options.

Q And potentially, once that it is in service, Progress could support another train perhaps being built there?

A (By Mr. Caldwell) Yes. I think to the extent that we have future gas needs, we will again do an extensive process, go through an extensive process to make that we've looked at all the alternatives, and the Bahamas would be -- if it's in existence, it will be clearly one of the alternatives that we look at, in

addition to additional supplies out of Elba and again supplies out of the Gulf. We'll look at all of our options at the time.

Q How much capacity is needed from Hines 4 in the first six months that it's operational to meet reserve margin requirements?

A (By Mr. Waters) I'll have to try and answer that off the top of my head. I don't have the forms right in front of me, but I'm going to say on the order of 150 to 200 megawatts of the total capacity.

Q What about within the first year that Hines 4 is operational?

A It's roughly the same number. The forecast is for winter peaking. And as we've shown in the plan, Hines 4 is scheduled to come in in December. So it's primarily needed to meet that winter peak, and then it would probably serve about the same amount through the summer, since we expect slightly lower loads.

Q Now, Pam may have already answered this, but I'll go ahead and ask it anyway. How would Progress meet this reliability need if the in-service date of the plant is delayed?

A I'll take that one this time. From a system point of view, what I would do, I would probably go through a series of steps, and I think the answer to the

question really comes down to it depends on what the cause is and how long we expect it to be out. But the first thing I would look for, I would go to Pam and look for those alternative supplies of gas to Hines 4. And I assume you're talking about a delay caused by this project, the Cypress project, not a --

Q Correct.

A Okay. So assuming the plant is there and operable, the first thing I would do is look to see if there's any alternative gas supplies available and whether or not we could operate at least through the peak period. So for winter, I may not have the unit available every day, and I may not have it available around the clock. But if I can meet my peak conditions on those real cold days, for those few days I expect, then that may be sufficient.

If the outage were to run into the summer, we have more consistent loads, and I'll need the unit on a more consistent basis. Again, I would look to see if gas supplies could be arranged. If not, or if I was not confident enough in the alternative supply, I may go to the market and look to see if there's purchased power available through the summer.

So there would really be a series of steps that depend on what the contingency is, how long we expect it

to occur, and we would sort of have to set all those conditions before I would know exactly what I would do.

Q What would you do if, let's say, Cypress was operational, but for whatever reason, the plant itself was not on-line, if that was delayed?

A It's really a similar condition, although now I don't have the plant. So probably my first option in that case would be to look to some very short-term power purchases. If I know the plant is only going to be delayed a month in the winter season, if we're talking December -- let's say it's scheduled for December 1st, and I know it's going to come in in January. The risk there is obviously much smaller than if it's going to be out for three months and I know I'm going to miss the whole winter. I might look for power purchases. I might look to see what is out there on the market for a very short term.

If it's a longer term outage, again, I would probably go back to the market and see what's available, and I may sign up for six months of power instead of one. But again, it all depends on what situation I'm facing at the time.

And by that time, I guess I have to add, we're dealing with forecasts that now are several years off. By that time, I may have a better handle on the load

forecast. It may be a little lower than what I'm seeing now. It may be that it's not a crisis if it slips a couple of months. Or the forecast may be higher and they'll have to go out and get a little extra. So it will just depend on what we're facing.

Q Okay. The question I'm about to ask will have confidential information in it.

In the contract, one of the conditions precedent is that the Cypress and FGT pipelines must be operational by May 2009; am I correct?

A (By Ms. Murphy) No later than May 2009.

Q Okay. Does that mean then that two years is really the longest that Progress can bridge the gap of the lack of an Elba Island supply?

A The May 1, 2009 period was established so that we would have an out in the contract if it did prolong past that. We're not anticipating that it's going to occur for two years. But to the extent that something happens, we needed an out in the contract, and if it's past May 1, 2009, we can walk and make other arrangements. So that's the reason why we structured the contract that way.

Q So you can have other supplies to bridge the gap for two years? That's a reasonable time frame?

A Yes, because we were not anticipating that

Gulfstream would be full until -- and this is confidential. Our view isn't until 2009. So we would be able to go ahead and bridge that gap using Gulfstream gas or gas delivered on FGT if it was available.

In the winter period, we're not as much concerned with it, because it's not really fully used on FGT during the winter period, and the summer period is very fully subscribed. But Gulfstream is not.

Q Does Gulfstream deliver straight to Hines 4, or would there have to be transfer to --

A No. There are two meters sitting at the Hines Energy Complex, one for FGT and one for Gulfstream.

Q So it services all the units at Hines then, Gulfstream does?

A Gulfstream does, yes.

Q Are there any conditions precedent for the three contracts that have not been met at this time?

A For the -- and this may be confidential.

Q It probably is.

A With regard to Southern Natural, the preliminary determination and the final certificate has not been met. I believe all of the BG conditions precedent have been met. However, for Progress Energy Florida, obviously we're still waiting for the Commission approval June 15, 2005. And with regard to

the FGT, I believe all those conditions have been met for FGT, but we're still waiting for the June 15, 2005 pre-approval by the Florida Public Service Commission. And I do believe that the Hines 4 has been approved, so I think that condition has been met.

Q I just want to confirm something you said before. With regard to the fuel oil storage tank that will be built, the new one, the one-million-gallon tank at Hines 4, did you say before it would provide 47 hours?

A No, the total. Currently there are 90,000 barrels right now for Hines 1, 2, and 3, and then there's the additional one-million-gallon tank we're adding at Hines 4. If you look at it in total, because they're all connected to the oil tanks, it would provide 47 hours each for Hines 1, 2, 3, and 4, based on usable quantity in the tank.

Q Did you compare Cypress to a delayed Bahamas alternative, using another source of gas or purchased power to fill in the gap?

A (By Mr. Caldwell) We looked at alternatives for bridging the gap to a Bahamas project. The difficulty was that not knowing how long to bridge for made it -- made us unable to come up with an appropriate bridging arrangement, not knowing whether we had to

bridge for a year, two years, three years, or four years. So we looked at it, but we determined it was not feasible, given the uncertainty around the Bahamas project, to figure out how long to structure a bridging arrangement.

Q So you started the analysis, but never completed the analysis because you couldn't come up with what the actual term would --

A Right. We concluded that not knowing how long we would have to bridge for, and the information that we were gathering, made it not a viable solution for us, in our judgment.

A (By Ms. Murphy) Because by that time it had already passed. We were looking at totally our net combined cycle, where it's going to be sitting, and I certainly didn't want to have to look at trying to find two supplies associated with two combined cycles and not having one already confirmed for Hines 4.

Q You said earlier that there were at least 20 to 30 years of supply in the Gulf of Mexico at this point; is that correct? Is that what you said earlier?

A I read that in the 107-page article on the role of LNG in North America. It was one of their facts, I believe on page 54.

Q Does anybody else have a sense of how much

supply is left in the Gulf of Mexico?

A (By Mr. Waters) I do not.

A (By Ms. Murphy) The Department of Energy actually has put something out that there's 25 to 30 years worth of reserves sitting in the Gulf of Mexico, so they have also validated that.

Q Is one of the reasons that Progress selected the contract with BG because of concerns about the supply that's available in the Gulf of Mexico? I mean, if you're looking at a 20-year time horizon, is that a big concern?

A Well, part of the reason was because we couldn't get any suppliers in the Gulf of Mexico to give us a 20-year supply, and the ones that did give us a supply were for very shorter terms with extremely higher premiums than the BG contract.

A (By Mr. Caldwell) But, yes, the answer to your question is that one of the considerations was making sure we diversified our supply portfolio to make sure we had supply to meet our customers' needs.

Q I want to go back to what you just said, though. Isn't it really unreasonable, looking at the domestic market, to expect a domestic supplier to agree to a 20-year contract? Correct me if I'm wrong, but isn't the market now, at the most, two- to three-year

contracts?

A (By Ms. Murphy) I think that it's preferable that that's the contract that they would like to enter into. But with regard to the reasonableness, I can't answer that. I mean, I would have to look at it from their perspective as to what their reserves are in the ground, what their drilling program is going to be in the future, what's the expected level that they expect to find gas. And so I can't say it's unreasonable, but I can't say --

Q It's highly unusual?

A It's highly unusual. Still, we wanted to go out and canvass the market and find out whether there was someone out there that would give us a comparable deal associated with the Gulf of Mexico, and were they willing to negate the force majeure conditions and provide us with gas at other locations. None of them were willing to do that. That's an opportunity for trading for them, because they can force majeure on one end and then turn around and sell gas out of storage at a higher price spike. So from a trading perspective, they weren't willing to give us that optionality for a longer term contract.

Q I think what I'm about to ask you is confidential, so I'll just say that on the record.

There were 41 potential counterparties for the domestic supply contract; is that right?

A That's correct. We sent it to 41 participants.

Q And of those, only four responded?

A That's correct.

Q So that sort of lends credence that perhaps it's highly unusual for a domestic supply contract that would be 20 years in length?

A Well, actually, they didn't even provide 20 years in length, but there were four responses.

Q Did any of those supply a 20-year contract?

A No, they did not.

Q Would you characterize PEF's overall strategy as moving more toward long-term natural commodity contracts?

A Our long-term strategy versus short-term and intermediate, I think we believe that -- our position is that the company needs a mix of a portfolio in order to maintain load reliability. So to say that we're looking at 100% all long-term contracts, that's incorrect. We're looking at a proper mix as to how much needs to be short-term versus intermediate, short-term meaning a year or less, intermediate meaning probably greater than one year but less than three to five years, and then longer term greater than three to five years at this

point. So we like to have a portfolio mix where all the contracts are not coming up for renewal at the same time that we have to go out and look to -- you know, entering the market to try to find 85 BCF of gas, for example.

Q This question will be confidential. In the business analysis package, it was stated that Progress's goal or policy is to have 100% of transportation and 60% of supply on a firm basis for your base load.

A That's correct.

Q Now, that 60%, is that in long-term contracts? Is that the goal?

A Yes, it's in the longer term contracts. But longer term doesn't mean 20 years. Longer term in the policy states, I believe, at least a minimum of two years associated with that, mostly because we found it difficult for the suppliers in the Gulf of Mexico to give us anything longer without extensive premiums being attached to them.

Q Okay. And again, this will be confidential. This contract with BG would account for about what, 20% of your supply needs?

A By 2009, I think looking at our total portfolio, we would reduce our reliance on Mobile Bay/Destin by about 20%. If you look at our total portfolio, it actually would be less than that. So if

you look at 2007 -- I think we ran the numbers in anticipation of this question -- we were looking at 12% of our gas supply coming from Elba. In 2008, it goes to 19%, and in 2009, it went to 22%.

Q So on average, over the length of the contract, I guess about 20 percent.

A Uh-huh.

Q Now, to get to that 60% level -- now, granted, you just said that all of those wouldn't be 20-year contracts.

A Uh-huh.

Q And you already expressed interest in perhaps going to the Bahamas at a future date for future needs. And I understand this is speculative, but do you foresee coming in again with another long-term LNG contract perhaps out of the Bahamas to layer on top of this contract to get you toward that 60%?

A That's a possibility, because some of our longer term contracts, and I won't mention names, actually expire in 2010. I think we have another one that expires two or three years after that. So once again, we're really marrying up the portfolio with another longer term contract, because we see that the other two contracts that we have that are long-term will be expiring in the next five to seven years, let's say.

Q And I guess my follow-up to that -- and this is confidential too, I believe. You're interested -- and correct me if I'm wrong. Progress is interested in perhaps acquiring further LNG supplied at Elba to supply another unit at Suwannee; is that correct?

A We have an option built into the BG contract that allows us, to the extent that it's available, to use it to supply Suwannee if it's deemed by the system planning and operations department that that's our next generation site for combined cycle, the next power block.

Q What time horizon would that be in?

A I think the next one is scheduled in 2009.

A (By Mr. Waters) Right. We just submitted our site plan, so I can recite a little bit of that. We're showing in the site plan Hines 5 and 6, so that would be scheduled in 2009 and 2010. Beyond that, we're showing unsited combined cycles, a series of those through the 2014 time period. So Suwannee could be a candidate site, but ultimately we'll make the decision not just on the gas supply, but whatever other factors.

Q So at that time horizon, then it's possible that Elba might not be the most cost-effective, so at that point you could get a Bahamas supply in that time frame, and so you don't -- when would you have to notify

BG on that option?

A (By Ms. Murphy) I would have to look at the contracts for the exact dates as to when we need to do that.

A (By Mr. Caldwell) But again, I think we will look, as we always do when we're siting generation, at the fuel availability and make sure that we're making the best decision at that time, given the facts that we know at that time.

Q I'm just trying to get a sense of perhaps what the likelihood is that you would layer another 20-year contract on top of this one. And I understand that's speculation. I'm just curious if --

A (By Mr. Waters) Yes. Ultimately, in the process, you have to remember that even though we've identified combined cycles in the plan, we'll have to go through an RFP, and we'll have to see if anything else is out there to purchase first. And then on down the road after we get through all the other processes, the gas decisions will be finalized at that point if we're going to be building those units.

Q Do you believe that procuring gas from a source outside the Gulf of Mexico will have a downward impact on gas prices or the availability of gas from Gulf of Mexico sources in the future?

A (By Mr. Caldwell) I think broadly speaking, the greater the supply of gas in the country, the less upward pressure there will be on gas prices. And if you look at a lot of the forecasts of future pricing, we see supplies increasing, and as a result, prices dropping a bit. So again, I think that enhancing the supply situation picture in the United States is good and will potentially have a favorable move on prices. But again, it's supply and demand. The more supply there is, the more likely the prices will be lower.

Q So then a possible benefit of entering into the long-term contract is that you would potentially get a -- you would be in a better bargaining position for the shorter term contracts with domestic supply from the Gulf of Mexico.

A That and the fact that the pricing within the BG price is based on an index price, so as the prices in the United States fall, the pricing under that contract falls as well. So we again think that enhancing the supply situation, the supply picture, particularly into the State of Florida, but also into the United States as a whole, is a good move for U.S. gas prices.

MR. BURNETT: Adrienne, whenever it's a good time, if we could have a short break.

MS. VINING: Sure. We can take a break.

(Short recess.)

BY MS. VINING:

Q I have the Schedule A-3 which was filed as part of last year's fuel proceeding, and if you could take a look at it. And it's going to be line 4 under actual, actual gas expenses. Would you agree that the total cost of natural gas presented to the Commission for cost recovery by Progress in 2004 was $416,244,073?

A (By Ms. Murphy) That's correct.

Q And again, as we've discussed before, Hurricane Ivan was a major hurricane that disrupted gas supplies in the Gulf of Mexico for several days?

A That's correct.

Q Now, in interrogatory 153, which you might still have --

A Yes, 153.

Q You stated there that the incremental cost of gas associated with Hurricane Ivan in 2004 was $6,631,796; is that correct?

A Yes, that is correct.

Q So, it's fair to say then that geographic diversity is important to Progress because a major hurricane could potentially increase the annual cost of natural gas by -- I calculated it as 1.59%. And what I did to get that was, I divided the 6.6 million of cost

from Hurricane Ivan by the total gas cost that Progress ran through the fuel clause of 416 million, and then multiplied by 100 to get the 1.59%.

A I would say if you did the math correct, that's correct.

Q I guess what I want to know from you is, is that 1.59% significant, in your estimation?

A It depends on how you define significant and the viewpoint that you're looking at it. When we were going through Hurricane Ivan and we were trying to find replacement supplies to keep load, because we still have an obligation to serve, regardless, it was extremely difficult. We were looking everywhere to try to find gas supply, because as you know, everybody exited the state, and they took all the gasoline with them, which means that by the time they came back, all the trucks were trying to fill back up the gas stations. Therefore, there was a limited amount of No. 2 fuel oil. We had disruptions in the Gulf of Mexico still. We couldn't get barges across for No. 6 fuel oil. So it was a very devastating time trying to keep the lights on. So significant, I would say yes.

From a cost perspective, the 1.59% doesn't seem like very much, but those 20 days were excruciatingly difficult to keep the lights on. I'm surprised when we

did the calculation, to be honest with you, that it was only $6.6 million, but that was just the incremental gas cost.

Q Okay. Take a look at the response to interrogatory 76D. I think we still have that group of interrogatories over there. I think it's sub D. I think it might be on the first page.

A 76D, got it.

Q Now, does this response indicate that Progress did not use the cost assessment of the hurricane impacts we've been discussing to evaluate the bid offers?

A Well, at the time, Hurricane Ivan had not even occurred by the time we had made the recommendation and started working on the business analysis package. So with the business analysis package, we looked at the non-price factors based on the criteria that we had looked at, which was the project certainty, the economics, the maximizing of supply diversity, as well as the operational flexibility.

Q So you didn't quantify the potential cost of the hurricane when you evaluated the bids?

A No, we did not.

Q So I guess that then brings me to the question, how were you able to weigh the importance of geographic diversity without having that hurricane cost assessment

built into the evaluation of bids?

A Well, we looked at it historically. I mean, there had been other storms associated with trying to keep the lights on as well, and so looking at that, not basing it on a price factor, but a non-price factor, in looking at Cypress compared to the other alternatives that we looked at, they were pretty much comparable in cost. But when you've got comparability in cost and then you see the value associated that's higher based on these non-price factors, you would want to go ahead and get the better overall value for the company, and that's the reason why we're going down the path we are today.

Q I'm curious which was more important to you in terms of -- when I think about the geographic diversity, I think about wanting to lessen the impact of potential hurricanes curtailing supply in the Gulf of Mexico, but I also think about wanting to reduce your reliance on that area for gas supply. Which of those was more important to you?

A Well, I think they were all important, but I think looking at -- we didn't look at -- I think we did look at some kind of ranking associated with it. However, when it came down to looking at the overall value from a system standpoint, with regard to the price here, just looking at the economics on both of them, and

then looking at which ones gave us the non-price factors that were a benefit to the system, we leaned towards the ones that gave us the most benefits associated with it.

Q Okay. So you didn't make any kind of assessment between those two factors that I just outlined?

A We considered them all.

A (By Mr. Caldwell) They're all important. All added value to the selection, in my judgment.

Q Okay. Turn to interrogatory number 159, your response on that. I think you should have that.

A (By Ms. Murphy) I've got it.

Q On gas storage?

A Uh-huh.

Q Why does Progress indicate that the gas storage strategy discussed in the response cannot replace the Cypress project in the event of a major hurricane?

A Well, a gas storage strategy has its own benefits associated with what the Cypress brings. The Cypress, for example, brings us base load gas that stays on regardless of the severity and the length of the storm. Underground storage would give us -- depending on the amount of contracted capacity that we went out and purchased for Progress Energy Florida, it would give us a limited amount of capability associated with

pulling gas out of the ground.

So I think both of them provide benefit, and both of them I hope one day will be part of Progress Energy Florida's portfolio to maximize the overall portfolio from a ratepayer standpoint. So it doesn't -- one doesn't say it's better than the other. Having the base load gas coming in for Cypress is something we can count on every day, but the underground storage is based on how much capacity you've got with the storage provider. And that's going to give you a limited amount that you can actually rely on, unless you just go out and just get an enormous amount, which of course would be cost-prohibitive.

Q And I believe you indicated in that response too that you had done a feasibility study in 2003.

A Yes, we did.

Q And the results from that didn't favor acquiring storage at that time; is that right?

A Well, we had completed the study in February of 2003 to look at it for actually a Progress Energy portfolio, not just Progress Energy Florida. But at that point in time, the recommendation under that study, if I remember correctly, was to continue to pursue, to go out for RFPs with regard to storage providers, and determine what was the optimal amount that Progress

Energy Florida should be looking to contract for. So there were certain theories. It was just the first step of analyzing what underground storage and the benefits associated with it would provide to the Progress Energy Florida ratepayers.

Q Well, have you taken any further action since February 2003, in other words, contemplating an RFP?

A Yes. We've actually sent some non-binding RFPs, and we're getting ready here in probably a month or so to send out another RFP associated with gas storage.

Q Okay. That leads into my next question. It's our understanding that certain gas suppliers with storage capacity offer a distinct product called hurricane protection. What's your understanding of this product, and has Progress ever contracted for this type of product?

A Suppliers are out there calling it hurricane protection? Actually, that would probably be, to an extent, you know, storage. However, once again, it depends on how much the company would actually contract for and the severity of the storm and all the probabilities associated with that.

Q So you've never heard of that particular product being offered?

A Well, I've heard of hurricane protection, but it mostly has been associated with providing gas to us from storage providers associated with it.

Q Do you have any sense of what a range of cost for that type of service is that you just stated, that they would have storage capacity they could provide to you?

A I think a 2010 service, based on the last set of RFP responses we got, were ranging somewhere between 2-1/2 to $3-1/2 million a year just on the storage capacity. It doesn't account for the storage injection and withdrawal fees associated with it.

Q Is that confidential?

A No. It was a range, and we didn't tell you who.

Q So then this type of product wasn't a factor in the bidding process that you went through for these contracts?

A It was not a factor.

Q What ratepayer protection, if any, is there within the contracts in the event that the regasification terminal at Elba Island is rendered inoperable for any reason, be it accident, terrorist attack, weather related damages, et cetera?

A What was the question again?

Q What ratepayer protection is there within the contracts in the event that the regasification terminal at Elba Island is rendered inoperable for any reason, be it accidental, an attack of a terrorist group, weather related damage, et cetera?

A Under that provision, BG would be allowed to claim force majeure, as well as I'm sure Southern LNG would be claiming force majeure. So with regard to rate protection, I don't know that there is any rate protection associated with that. We would use our existing capacity to try to once again go out and segment it to get third-party gas to keep the gas moving under our current transportation arrangements, but there wouldn't be, that I'm aware of right off the top of my head, any rate protection associated with that.

Q So you would go through the standard procedures you would in any instance to provide the lowest cost service; correct?

A That's correct, uh-huh.

Q What comparison can you draw between the risks of the BG/Cypress/FGT contracts to the risks of Progress's typical contracts for domestic sources of fuel? In other words, can you say one is more risky than the other? And this is in general.

A In general, if I look at how many hurricanes

have come up through the Gulf of Mexico versus hitting Georgia, I guess, it would look as though the Gulf of Mexico probably has higher risks associated with suppliers providing force majeure conditions to us than it would be having LNG, the regasification facility, claim force majeure. So I would consider the LNG regasification facility a lower risk than the Gulf of Mexico hurricane.

Q Has there been an instance that you know of where Elba Island, the facility has been curtailed?

A Not that I'm aware of.

Q Okay. Let's take a look at your testimony at page 12, lines 15 through 19.

A I have it.

Q Now, is the operational flexibility to serve Anclote, Shady Hills, and Suwannee power plants offered by the BG and FGT pipeline contracts equally obtainable by contracting for gas originating in the Gulf of Mexico supply region on either FGT or Gulfstream pipelines?

A On the Gulfstream pipeline, no, we can't reach the Anclote plant or Shady Hills on a firm basis. With regard to FGT, if they were to go and do some enhancements upstream to get gas supply without using the Cypress facility, they have told us -- FGT personnel have told us that that cost is going to be higher than

the current FTS-2 rate. However, if we did contract for that, it would give us the same flexibility, because Anclote and Shady Hills would be in the path, under the 637 rule, to the Hines Energy Complex.

Q Well, is it possible that you could negotiate with them for a cheaper rate or to bring it down for an FTS-2 rate, or would they negotiate with you to potentially --

A They have told us that from a financial position, there is no way they can offer us an FTS-2 rate. And that was directly from FGT personnel, because part of the due diligence was to go back and see what would it actually cost us -- looking to do more out of the Mobile Bay/Destin area, what would it cost to bring it in on FGT. And they have assured us that there's no way they could do it for an FTS-2 rate.

Q Okay. Is a 20-year term for firm gas to Hines Unit 4 in the best interest of Progress's ratepayers?

A Absolutely.

Q Can you elaborate?

A It provides the overall value associated with providing gas for the Hines 4 system, for the Hines 4 Energy Complex as well as the system, based on all the criteria that we did in evaluating the alternatives.

Q Which were Gulfstream and the Bahamas-based

project?

A The other two alternatives were the market proxy associated with the Gulfstream transportation and the supply coming out of Mobile Bay/Destin. The other one was the Bahamas, which, of course, we later deemed was not part of the alternatives because of the uncertainty as to when it would get built to be able to serve Hines 4. So, yes.

Q Is a 20-year term for firm gas to Hines Unit 4 necessary for ensuring reliable electric service to Progress's ratepayers?

A The 20-year contract was required in order for -- from Southern Natural in order to make the commitment to build the Cypress pipeline, as well as from BG, because they were taking a substantial portion of the unsubscribed capacity, and they wanted to make sure they had their part of their supply locked up to be delivered to Progress Energy Florida's Hines Energy Complex. It's less risk for BG than taking unsubscribed capacity. They would have at least some of the supply locked up to our capacity we were going to get under the -- that we are hopefully going to get under the Southern Natural and FGT contracts.

A (By Mr. Waters) If I could add a little bit of planning perspective to this, we're committing in

advance to a quarter of a billion dollars of hardware sitting out there at the end of the pipeline, and it gives me some comfort knowing that we've got at least part of the supply locked up for most of the lifetime, the expected lifetime of that unit. That's not to say we would go out and contract for all the gas. I wouldn't expect that. But I feel a little more comfortable knowing that we have the supply arranged for the bulk of the lifetime of that unit. And it is expected to operate most of the time, you know, in a base load fashion.

So I think it's a good thing from -- certainly from a planning perspective. It gives me some more certainty in the plan, and I have enough uncertainties to deal with already. If we have to contract for gas every three or four years for all these units that we're planning on building, I think there's a lot of -- it's just an extra uncertainty we have to deal with, whether or not there will be adequate supply at the right price and so on.

When we make the commitment to the hardware, you know, we assume this market price going forward, and this contract locks in a market price. So I think it's totally consistent with what we've done with the capital investment.

A (By Ms. Murphy) To elaborate on what Sam is saying, this is tied to a market index, and one in which I can provide hedging activity for the Florida Power Corporation ratepayers. And it is tied to a market index over the long term.

Q Now, you said hedging. Is that related to -- I believe it's section 3.5 in the contract, where you can -- and again, this is confidential.

A This would be confidential.

Q Where you can change to a different index for a certain period of time if that is warranted as part of your hedging activities? Is that was you're --

A Yes, that's correct.

Q Or potentially change to a fixed price?

A Absolutely. And we can enter into zero cost callers. Any options which we can get BG to agree to would give us an opportunity. We built in the price flexibility with the BG contract, no different than we do with our other suppliers.

Q Has Progress's views regarding the last two questions I asked changed since you guys issued the August 2003 RFP? The last two questions I asked were is the 20-year term in the best interest of ratepayers, and is the 20-year term necessary for ensuring reliable electric service.

A Well, since the August 2003 RFP, which was mostly sent out for market intelligence just to see what could we glean from the responses to it, we still feel like we're making the best overall choice for the ratepayers. With regard to the 20-year contract, that was once again tied to Southern Natural's commitment that they were wanting from Progress Energy Florida to build. I mean, it's a $240 million, 166-mile pipeline that they're undertaking, and they wanted some assurance from us that we were going to be there, as well as BG has made substantial commitments as well under the Cypress pipeline.

So for a 20-year supply, to me, it gives me great comfort, as well as I think to Sam, that we're continuing to look further out, having our portfolio with longer term contracts associated with our system, regardless of whether it's Hines 4. And I know we say it's Hines 4, but as we mentioned in many of the interrogatories, we don't really purchase -- we purchase for the system, so we look at it from a system perspective.

Q Let me get at this another way then. Before the August 2003 RFP, were you positioning yourself for this purchase for it to be a 20-year term, or did that August 2003 RFP sort of solidify for you that it would

be potentially a good move economically to do this, or as a package deal a good deal?

A I don't think in August of 2003 we really contemplated what we were going to do for Hines 4. I think once again we had sent it out just to gain market intelligence as to were the Gulf of Mexico suppliers ready to commit to something like that, what was the commitment we could do with the Bahamas, what was the commitment they were ready to do with the Elba facility. So it was just mostly going out for market intelligence. We had made no predetermined decisions what we were going to do by August of 2003. It took us a year to put this thing together.

Q Okay. Next I would like you to look at Progress's response to staff's POD 28. This is Bates stamp page 1550. I think I should have it marked. And they're in order as well.

Okay. The last bulleted item on that page, what does that mean, and how is that conclusion drawn? And this is confidential, obviously.

A (By Mr. Caldwell) Well, basically, as we look at our LNG options, again, they're kind of an accumulation of Sam's response from a planning perspective and Pam's response from a gas supply perspective. Overall, having a long-term commitment for

gas arranged with a market-based price supported by a third interstate pipeline to the State of Florida for a portion of our overall system requirements we feel is a significant advantage. We have a third pipeline supply, so we've got diversity of supply infrastructure. We have a long-term supply, which has an advantage, so we're not in the market renewing short-term gas supply contracts on an ongoing basis. We have long-lived assets that are in place to meet our customers' requirements over the long term. So clearly, from our perspective, lengthening the term of our supply portfolio is a significant advantage to the customers of Progress Energy Florida, and that's what we meant there.

Q Okay. If Progress had only contracted for 10 years of LNG supply with BG instead of 20 years, what is the likelihood that Progress would be able to secure sufficient gas at market prices on Cypress for the remainder of the 20-year contract you have with SONAT?

A (By Ms. Murphy) It's hard to tell what 10 years are going to bring, because there's only three -- right now three contracted suppliers at Elba. And this isn't confidential. It's BG, Shell, and Marathon. So to the extent that there's only three, in 10 years we would have to go out and hopefully, you know, do another RFP and see which one came in with the best price at

that point.

But once again, the requirement under BG and Southern Natural was for us to commit to 20 years under the contract. So tying it to a market index, to me, once again gives me comfort that I'm buying gas at market, with the ability to financially hedge or turn it into a fixed price on a physical basis, that I can once again continue the hedging activities for the Florida ratepayers to try to stabilize and provide rate certainty versus having them fluctuate with the monthly index on 100% of our gas.

A (By Mr. Caldwell) But I think it actually positions us better with the longer term contract than with the shorter term contract, because we have significant uncertainty if in 10 years we would have to go back and look at the holders of capacity coming out of Elba. We did it for 20 years, so we've taken that uncertainty out of the decision. It's not like you've got 50 or 100 suppliers at that point. There's a small number. Therefore, locking up long-term and taking that uncertainty off the table at the start and tying the prices to a market price gave us the best of both worlds. We have the long-term supply, we have the certainty of that long-term supply, and we have the flexibility of market price.

A (By Ms. Murphy) And on top of that, the basis adder that was given to us was significantly better than anything that we had gotten from the other suppliers, regardless of whether it was the Gulf of Mexico or the other suppliers, because they weren't willing to step up to take the unsubscribed capacity from Southern Natural.

Q I was going to say, that was the big distinction, because --

A Yes. It was a clearer driver.

Q Right. And I was going to say something about one of the other bids you received, but I don't know --

A That was confidential. However, that was --

Q But you can't let BG hear that, though.

A No.

Q Okay. Then I guess I --

MR. CRUTHIRDS: We'll step out if you wish.

MR. BURNETT: It will only take a few seconds, if you want to step out. If you want to ask --

MS. VINING: Sure, yes.

(BG representatives exit the conference room.)

BY MS. VINING:

Q You received a bid from Coral, which is Shell?

A Shell Coral, yes.

Q Which had a lower adder, did it not?

A It had a 4-cent adder.

Q But they were not willing subscribe to the remaining capacity on Cypress; is that correct?

A As well as we also with Shell Coral had interchangeability issues with them, because we knew that they had been approaching customers on Southern Natural, as well they're highly active in the AES case with FGT, that they wanted to bring in higher Btu gas with a particular range, a WOBBE index that we were totally opposed to. So we were not really on the same terms and conditions with them regarding the gas quality as well.

Q So they wanted to supply hotter gas? Is that what you're saying?

A Absolutely. They wanted to bring in gas from Nigeria and Algeria, which was much higher than the gas quality, or the interchangeability issues we were looking at with BG bringing gas in from Trinidad.

Q Have you gotten any indication from BG that they would potentially over the term of the contract have to go to another source besides Trinidad and Tobago?

A We have not gotten that from them.

Q Because I know they have an ownership interest in some trains there.

A Yes, they do.

Q So I would think that they are going to want to solely rely on that source.

A (By Mr. Caldwell) That's what we expect.

A (By Ms. Murphy) And they have to and will meet the gas quality specifications for Southern Natural's pipeline, as well as Southern LNG.

Q Did you receive a bid from Marathon?

A Yes.

Q I don't recall seeing what the basis adder was on that one.

A I want to say it was like 10 cents.

Q So it was not even competitive then.

A (Nodding head.)

Q Okay. And that was confidential too.

MR. BURNETT: She didn't get the head nod. You just nodded your head no when she said it wasn't competitive.

WITNESS MURPHY: Well, I thought you said competitive or confidential.

MR. BURNETT: She said that 10 cents wasn't competitive, and you shook your head no. You have to say no audibly.

WITNESS MURPHY: No.

MS. VINING: Okay. We can go off the record, and I guess BG can come back in.

(BG representatives return to the conference room.)

BY MS. VINING:

Q We were just talking about the 20-year length of the contract with BG and how that was a requirement with them. Is it your sense that it's sort of an industry standard in the LNG industry that a 20- to 25-year contract term is the standard for a supply contract for LNG?

A Are you talking in the world or just the U.S., or just the way the market conditions are now, or what they will be in the future? It depends.

Q Why don't we start with the world?

A I can't answer the world.

Q How about the United States then?

A I think it would really depend on what the customer's needs are and what their wants are. There's probably both out there that you can get, short-term and long-term. But depending on the situation and the criteria established that you would want I think depends on whether you want a longer or shorter term contract. So I think the customer would decide that, whether they want a longer term or shorter term deal.

A (By Mr. Caldwell) But I think with the specific bids we got in response to our requirements

related to LNG, Bahamian-based and Elba-based, they were all requiring or asking for long-term commitments. So our immediate experience with respect to trying to find this gas supply was that the Bahamas LNG and the Elba LNG were proffering long-term contracts in the 20-year range.

Q Well, didn't your RFP delineate a 20-year term?

A Again, that's what we needed and what we wanted. As it turns out, it's also what the suppliers were requiring.

A (By Ms. Murphy) Especially for the Bahamas-based one, because they were looking to spend like $800 million, and they wanted a commitment long term to make sure that, you know, the revenue requirements coming were going to help pay for this extreme capital expense that their company is going to be expending.

Q Well, that's why I presumed that perhaps BG was interested in a 20-year contract, because they're interested in expanding. And even though you will be served out of their existing capacity, if they're going to expand their business and expand the Elba facility, they've got to have a supply contract that's certain for a long period of time to support further expansion. Obviously, you don't work for BG and you're not privy to

their plans, but that was my sense of it, and I don't know if that's your sense of perhaps their interest in a 20-year contract.

A (By Mr. Caldwell) Well, I think it's in our customers' best interest to have BG interested in expanding the capacity of that site. Again, once we have a third major interstate pipeline connected to an Elba Island LNG supply, the larger that supply base is, the better off our customers are going to be, given the access and the capacity of the pipeline coming from Elba into the State of Florida.

A (By Ms. Murphy) We really don't know what BG's risk profile is and how much they want to do speculative versus how much they do to make sure it's under contract at this point. Me, I'm conservative. I like to know what I'm getting.

Q We provided you, or we directed you to a paper that was put out by the University of Houston Law Center, the Institute for Energy Law and Enterprise, titled "The Role of LNG in North American Natural Gas Supply and Demand." Have you reviewed this?

A Yes, I have.

Q And I have it here if you would like to look at it. You told me earlier that you had digested it and memorized it, so we'll go forward with that assumption.

A That is incorrect. I have actually just reviewed it, not memorized it.

MR. BURNETT: I'm the one that memorized it.

WITNESS MURPHY: But he doesn't count.

BY MS. VINING:

Q Now, this article suggests that the long-term price of LNG delivered to the United States through 2025 may range from $2 to $3.70 per MMBtu, while the Henry Hub natural gas price is expected to be above $4 during most of that time period. Do you agree with my assessment of what the article -- of one of the things the article said?

A I think the article said that there was -- that the cost of LNG had declined over the years and that the cost delivered would probably be in that range associated with it. See, this is a natural gas price forecast and an LNG developmental cost.

A (By Mr. Caldwell) Yes. I think what this means is that in order to encourage companies to make the necessary investments in LNG infrastructure, from the trains to the shipping to the regasification, that gas prices would have to be in a range of $2 to $3.70.

A (By Ms. Murphy) To cover their costs.

A (By Mr. Caldwell) To cover their costs and encourage them to take the risks to make those

investments. And so I think the message here is, to the extent that domestic Henry Hub gas prices are at the higher end of that range or above that range, the implication is that that will encourage companies to make the investments in LNG required to bring that supply into the country.

Q Okay. Going with the numbers that I just talked about, the $2 to 3.70, wouldn't that indicate that the contract would result in Progress's ratepayers paying -- I don't want to use the word "significantly," but paying more for natural gas than the cost of LNG that would be available in the market during the latter part of the term of the contract?

A No, I don't think that's what this means at all. I think this cost talks about the upstream costs to produce LNG, transport it, and regasify it. It's the company's estimate of the cost of that infrastructure.

Q So it's not a delivered price.

A That's not a delivered price. The delivered prices that we've seen are tied to Henry Hub indexes or indexes in the United States.

A (By Ms. Murphy) Which is no more than what we would pay if we did the domestic supply.

Q All right. We also pointed you towards a Web page that the Energy Information Administration

maintains, and the specific page would be the world LNG market structure. Have you reviewed that as well?

A Yes, I have, everything but the footnotes.

Q Okay. Keeping that Web page in mind, then I'll go ahead and ask you a few questions. What's the likelihood that the BG contract may be above market for LNG at some point during the contract period? I know that's highly speculative, but give me your best guess.

A That the BG gas, LNG may be above market?

Q That's presuming that some sort of independent LNG index might develop that wouldn't be tied to Henry Hub.

A I have no idea, because I think if there's an international LNG, it's going to be depending on what's going on in Europe, Malaysia, and everywhere else, and that's highly speculative as to, you know, what Japan may need versus what the United States may need. So to the extent that we're buying based on the delivered price in the United States, we feel tying it to the index is tying us to the market price of the delivered product, not the international product.

Q I guess a better way for me to ask this is, you're betting then that LNG will still be tied to Henry Hub over the next 20 years?

A (By Mr. Caldwell) In our contract, it will be

tied to Henry Hub. In the U.S. market, under this contract, LNG regasified will be tied to the Henry Hub price.

A (By Ms. Murphy) And that was pretty much confirmed with all the suppliers that we got responses from wanting to tie their gas also to a market index as well in the United States.

A (By Mr. Waters) I'm not a gas marketing expert, but the premise of your question sounds like there are some forces that would divorce the price of LNG from Henry Hub, in other words, a glut of LNG or whatever it is that drives that price down would not at all affect the Henry Hub price. And I think our forecasts -- as Mr. Caldwell said, the forecast that we use and many of the forecasts I've seen assume that Henry Hub is at least partially responsive to the LNG supply.

So I'm not sure what conditions would get you there where you would have this LNG that's, you know, out there independent of the rest of the gas market. You could say we'll continue to buy at Henry Hub even though there's all this cheap gas is there. I would think Henry Hub would respond to that condition, whatever that is.

Q So you see the likelihood of some sort of

independent LNG index developing as very small? And I'm speaking of a world --

A I can't address that. I don't know enough about the market. I'm just not sure how it could be truly independent, I guess is what I'm saying. The gas market is the gas market. There seems to be interchangeability here. You know, we can use LNG, and we can use gas from the Gulf.

A (By Ms. Murphy) If it's international, it's still going to have to have some kind of hub basis on which, you know, you would deliver to Japan or you would deliver to Europe, or you would deliver to whatever your destination is, just like Henry Hub supplies the basis differential of locational differentials like for FGT Zone 3 versus Zone 1 or Transco Zone 4. They're all derived from the Henry Hub, from the basis differential to determine what the price is going to be at the location that you pick the gas up at. So I think on an international, you're going to have to have some kind of mechanism as well to start with, a starting point to develop what it is, the locational differentials that are going to be given.

Q And whatever that might be, it's your assessment that that would still be tied to Henry Hub?

A No. It may be something totally different on

an international level.

Q But I mean in terms of determining what those adders might be to come up with an appropriate delivered price.

A If it's coming to the United States, you're still going to start at the Henry Hub as the hub price and then from there determine the basis differential out, yes.

Q So you really don't see that the market will develop where it would go away from what the delivered price would be based on what the index is for that delivered market, I guess is what I'm getting at.

A What I'm saying is, I don't think the Henry Hub is going to change over the term of the contract, being the starting point to determine the basis out to all the locational differentials where the gas is being delivered at. You have to start with the Henry Hub and then work your way out.

Q So you don't think it would go the other way?

A No. I would never say never, but probably not.

Q So based on what you just said, the risk to the ratepayers of some sort of independent LNG worldwide index developing and being much cheaper -- if I'm going to give you an example, I'll get real pie-in-the-sky.

That would be very minimal? The risk to the ratepayers would be very minimal, in your assessment, if that would happen?

A Well, remember that the international LNG price probably is not a delivered cost, so you would have to add some freight or some kind of shipping to get it to its location, which once again I think is going to be based in the United States off the Henry Hub. We're not seeing suppliers leave a whole lot of money on the table, especially in a seller's market right now.

Q We talked some earlier about when you might invoke the alternative pricing mechanisms in sections 3.5 and 3.6. I'm curious now if you can come up with a specific example of when you might invoke some sort of -- using a different index, let's say, to price for a period of months or a few months.

A I can give you an example. For example, if you go back to -- I think it was March of 2003 when gas prices jumped to $9. We actually for Progress Energy Florida invoked two of our contracts to switch those over to a gas daily price, because our view was that the $9 was not going to hold for the month of March. And we were actually correct in that. The gas daily prices actually went down over the month, creating a significant gas savings for the ratepayers. It could

have very well gone the other direction, but we made the call on a few of our contracts to change the first of the month gas at $9 to the daily index, and we actually were very successful in making that decision.

So that would be one of the chances. The gas prices spiked. We didn't think it would, you know, stay for the whole month, and we switched it over to a gas daily price.

Q Okay. I guess that whole discussion was confidential, or pieces of it.

MR. BURNETT: I think she was talking in theory, not about this particular contract.

MS. VINING: But I guess my response to that section and what it does.

MR. BURNETT: Yes, with respect to the operative contract, you're right.

MS. VINING: Since the whole section is redacted.

MR. BURNETT: You're right, Adrienne.

BY MS. VINING:

Q How often do you anticipate that Progress would invoke those rights under sections 3.5 and 3.6?

A Whenever I found it in the benefit of the Progress Energy ratepayers in order to invoke that.

Q Well, in your experience with other contracts,

how frequently on average has that happened?

A We have hedged quite a bit, so I would anticipate that occurring not just for a month, but probably for a series of months as we do strips with them as we see advantageous prices that we think would be beneficial to the ratepayers. So I would see us trying to invoke that probably pretty often, especially when we see a decline in prices in the forward years, based on our hedging strategy and the way we implement our hedging strategy right now. So it depends, but we intend on invoking it, I can tell you that right now.

Q Do the provisions of the commodity contract provide Progress with the right to negotiate a change in the pricing methodology for the remaining life of the contract?

A Yes, if we mutually agree to the change. It does provide in the contract that we can do that, so long as both parties agree.

Q And the other party would have to agree if it's commercially reasonable?

A If they felt that it was commercially reasonable to do it for them.

Q But I'm correct that there is no general market reopener provision in the contract?

A There is no general market reopener in the

contract.

Q And why is that?

A Because it's tied to a market index that allows us -- if BG doesn't feel like it's commercially reasonable for them to adhere to our request, we would go out and do it financially instead without using BG.

Q Are there financial penalties for Progress if Progress withdraws from the contract with Southern?

A There are none.

Q Okay.

A Those were negotiated out. They were originally put in the business analysis package, but later we were able to negotiate those out of the preceding agreement with Southern.

Q If LNG is delivered at a quality level that is consistently within the requirements of the pipelines, but also consistently lower quality than domestic gas, wouldn't that cause Progress to incur some level of additional O&M costs to maintain its fleet of gas-fired power plants?

A That depends on whether the blending of the domestic gas with the LNG gas would raise it up to a quality specification that met our gas turbines' requirements.

Q And presumably that's addressed in the

contract?

A Yes, it is, because they have to meet the Southern Natural gas quality provisions, which our gas turbines are tuned for.

Q And what happens if they don't meet those requirements?

A Then I'm coming after BG. They have to meet the gas quality specifications in the contract.

Q If they don't, is that an immediate breach of the contract?

MR. BURNETT: I'm just going to ask her to not make any legal conclusions.

A I would assume that we would have an attorney look at that. But to the extent that they couldn't meet the gas quality provisions under the contract, as a lay person, I would consider that a breach of the contract. But the chances of that are very remote, in that Southern Natural actually tests the ship before it -- the quality of the gas before it's actually unloaded, and then they actually retest it again once the LNG is unloaded to make sure that it meets the gas quality specifications not only of Southern LNG, but also Southern Natural Gas. So it goes through the checkpoint twice, so the chances of that happening I would say are extremely remote.

Q Can you describe the gas quality specifications for Hines 4 and -- well, let's start with that.

A Not in detail.

Q Not in detail. Okay. And you just went into how SONAT tests the gas as it comes into the facility; is that correct?

A That's my understanding from Bruce Hughes. That was one of the questions in negotiating the Southern Natural agreement to make sure that the gas quality specifications, that it doesn't occur as you had indicated, and then we would find out later that the gas quality provisions were not met. He said they do two testings.

Q Does FGT do any kind of testing on its system as well for your particular specifications at Hines 4?

A They have chromatographs probably all over their system that check for quality associated with gas coming from either the Gulf of Mexico or what hopefully will be the future Cypress pipeline. So I'm sure that if there are any gas quality issues, they're aware of those.

Q Does the gas which is delivered Progress's gas-burning power generation plants today generally exceed the quality standards of the SONAT and FGT pipelines by a significant margin?

A No, because they meet the gas quality provisions within SONAT and FGT, general terms and conditions, so they're approved for a gas tariff.

Q We talked earlier about the source of LNG for BG, which was Trinidad and Tobago; correct?

A My understanding is that it's for Trinidad.

Q For Trinidad. Okay.

A But whatever it is, it's going to meet the gas quality specifications of Southern LNG.

Q Very good. So in your estimation, securing upstream supply of LNG is not a major obstacle to BG?

A Considering BG is the largest LNG importer of gas, I would say it's probably not an issue with them. Plus they represented and warranted under the contract that they have LNG supplies, and they have terminaling capacity at Elba, and that gives me great comfort.

Q So taking all of that into account, you're very certain that upstream supply of LNG is not an issue?

A For BG, I would doubt it.

Q Now, if you could take a look at Progress's response to interrogatory 64. This talks about the basis between Henry Hub and Transco Zone 4; correct?

A Uh-huh.

Q Now, correct me if I'm wrong, but Transco Zone

4, that's where Mobile Bay/Destin would be delivered to the pipeline; correct?

A Well, it's the index that the suppliers use to deliver gas into Gulfstream, because they have the option of either delivering into Transco or into Gulfstream Natural Gas.

Q So this basis difference between Henry Hub and Transco Zone 4, is that comparable to the basis adder? I mean, is that what you used to sort of develop what you thought an appropriate basis adder might be for the BG contract?

A Yes, we did look at that and determined based on the bid back from -- the original bid back from BG that they were too high. So we were able to negotiate the bid down to something that we felt was more favorable for the ratepayers, and they were willing to fix it for the 20-year contract.

Q Now, in part B of interrogatory 64, the Transco Zone 4 price that's listed is $5. It's $5.454.

A For 2003, that's correct.

Q Now, if you flip to interrogatory 67, the response, it shows for 2003 that the price is $5.08 for Transco Zone 4. I'm wondering which is correct.

A Well, it depends on whether it was done on a monthly or on a daily basis.

Q Do you know what the difference is, which one is which?

A Hang on. This one, I believe, and I would have to verify that. Under B, those are the monthly index prices, and I would guess, knowing my traders, that they have probably given us the daily index on that.

MR. BURNETT: When you say on that, can you tell us what --

WITNESS MURPHY: I'm sorry. Number 67.

BY MS. VINING:

Q So then the basis adder you gave in 64B is probably more closely aligned to the BG contract, since that's done on a monthly basis as well, the comparison; am I correct?

A I'm sorry. Could you ask the question one more time? It's actually provided on a gas daily and a monthly report. So the top one on number 67 actually is the monthly, and then the one on the bottom is actually the Platts Gas Daily.

Q Well, then the one on the top of 67, does that match the one on 64?

A No, it does not.

Q That's an inconsistency we didn't even see. But I guess my point, though, is, if you're representing that the price in 64B is done on a monthly basis, then

that still is a valid comparison against the basis adder in the contract?

A I would still say that 64B is correct with regard to the basis adder.

Q Okay.

A But that's not the only thing we looked at. We also looked at all the other responses that we got back from the suppliers, and their basis adder was significantly higher. Actually, if you go back to them, some of them had given us an actual location, for example, Zone 3, plus an adder, whereas you have to add into that the Henry Hub plus what it took to get to Zone 3, plus on top of that the adder that they wanted to provide into the contract, whereas the BG contract gives us a fixed adder regardless, whether it's the premium or the adder to the locational differential.

Q And those were bids that were potentially being supplied out of other LNG facilities?

A They were coming out of the Gulf of Mexico. Those were the ones that gave us the actual delivered location plus a premium on top of that.

Q And also I believe the facilities weren't built?

A They are not built.

Q Using transportation cost only, is Gulfstream

less expensive or more expensive than Cypress in providing natural gas service to Hines 4?

A It depends on the volume that you use. If we're saying on a comparable volume, then Cypress would be more expensive looking at a comparable volume. But I would have to run that calculation just to be sure.

Q Okay. Now, turn to your testimony at page 5, line 25.

A Page 5, line 25?

Q Yes.

A Okay. This is confidential.

Q Yes. You say, and this is also going over onto page 6, that the contract will use the first of the month index of Inside the FERC Gas Market Report?

A That's correct.

Q Now, it appears to us that that's issued every other Friday, and you're saying here that the contract was based on the first of the month. But we didn't see where the contract specifically said it would be the first of the month. Can you look at -- I think it's in section 3.3 of the contract.

A But it talks about -- well, the contract price with respect to each delivery day during a particular month shall be the price, as expressed in U.S. dollars per MMBtu, for such month as published in Inside FERC's

Gas Market Report, as published by McGraw or its successor, under the heading Market Center, Henry Hub, Midpoint plus the adder. It's not referencing the gas daily publication. It's referencing the first of the month publication, just by the sheer name of it.

Q I just wanted to be very clear, because we had looked at the March 11, 2005 edition of the report, which stated the report is issued every other Friday. And your testimony says it would be first of the month, which does make sense. But the contract itself wasn't, in our view, explicit as to the first of the month. And I just wanted to point that out to you and see if you agree that it doesn't say that explicitly.

A It doesn't say it explicitly, but it is the first of the month gas price.

Q And that's the understanding that BG has as well?

A Yes, it is.

Q So it's your belief that the contract needs to be amended to state that explicitly?

A I'm sure they would be willing to amend it to explicitly say the first of the month gas price, because that was the intention associated with it.

Q Is that sort of the industry standard when you price gas based on --

A Yes. It would be the first of the month, not through any subsequent publications they would have during the month.

Q Now, if can take a look at Progress's response to staff interrogatory 151. And that response represents the forecast of the basis adder for the Gulfstream alternative; is that correct?

A Yes, it is.

Q Now, you haven't previously provided the detail for that calculation, have you?

A No, we have not. And this is confidential.

Q Yes. Can you provide that detail?

A Yes, we can.

Q As a late-filed exhibit?

A Yes, we can.

MS. VINING: Okay. We would like to have that marked as Late-Filed Exhibit 3.

MR. BURNETT: Adrienne, that's the one we're working on.

MS. VINING: Okay. That's all I needed on that. By the way, if I didn't mention it, that will be confidential. That exhibit will be confidential.

(Late-Filed Deposition Exhibit 3 identified.)

BY MS. VINING:

Q Okay. For the next question, I would like you

to take a look at Progress's response to staff POD 36 at Bates stamp page 1674. And I have it marked.

A 1674?

Q Yes.

A Okay.

Q Can you describe what this document is?

A This is the Enterprise Risk Management evaluation of the three alternatives for Hines 4.

Q Did Progress rely upon this document in preparing its contracts with BG, Cypress, and FGT?

A Partly we relied on this document. This was done prior to the full terms and conditions being negotiated with the three counterparties.

Q You said partly you relied on it. In what sense did you rely on it?

A To the extent that it was still applicable. For example, the -- and this is confidential. We have certain rate caps associated with our transportation that were not included in here. We had put in a probability that perhaps the rates that were initially thought would be under the contract would actually rise based on, for example, the SONAT rate case that started September 1st, in anticipation of that, how much did we feel like they would go up. So there were probabilities put into this assessment that really don't apply today.

Q Looking in the same discovery response at Bates stamp page 1675, in the fifth paragraph, do you know whether this analysis included the same assumption by the basis adder as Progress did in its development of the BG contract? Because it appears from our review that the basis adder was static and wasn't adjusted for time.

A No. According to the -- it was seasonally shaped, and it was escalated with LIBOR, according to the model that they put it in. So it's under the same assumptions, but it was just updated later for the business analysis package. That's my understanding. So, no, we did not use a static number in this analysis.

Q Okay. In the same document, turning to page 1679, according to that analysis, which alternative is considered least cost amongst all of the alternatives?

A The Bahamas-based one.

Q And then what would be the next least cost?

A Let me make sure I get my math right. Gulfstream number 2.

Q And you said earlier that there had been some changes since this was issued, because that was issued in what? In October of 2004?

A Well, it was actually finalized in October of 2004, meaning that they officially had given this from

Enterprise Risk Management. This was actually done probably in the June, July time frame, but it had not really been released until October because their management in the department hadn't signed off on it yet.

Q So are there some considerations -- you talked about this earlier, but are there some additional considerations that were not taken into the assumptions in this analysis that developed after? You know, you said that was done in June or July of 2004.

A Probably the major thing that we did for the August 2004 was the rate caps that were negotiated, and we took -- I believe took the probability out that those would be increased, because we had negotiated rate caps with Southern and FGT.

Subsequent to that, and we have filed corrected responses, we also found that there was a switch in the fuel rates. We had inadvertently used .75% on the Southern, which we should have used 1-1/2, and vice versa, we used on FGT 1-1/2 when we should have used .75, and we caught that later.

Q Did that have any effect on --

A It had a very diminutive effect on it. However, the --

MR. BURNETT: Those numbers are confidential,

by the way.

A Yes, this one as well.

The other thing was the commodity rates were not always listed in this one as well, and we had to add a few commodity rates that they didn't pick up in the analysis.

Q But again, that didn't change --

A It would have never changed -- I mean, after looking at the final numbers, it did not change our opinion in any way, shape, or form as to coming forward to get the Cypress related contracts approved.

Q Okay. Can you explain in general terms how Progress created the Gulf of Mexico alternative in the business analysis package? In other words, was this alternative based on an actual bid? If so, what was the term of the bid, and how did you expand this alternative to 20 years?

A Well, we received a term sheet in June from Gulfstream. I believe it was on June 22nd. And basically they had given us some alternatives, and that's where you get the Gulfstream number 1 and 2. So what they had done was, based on an annual throughput volume, they calculated -- and this is confidential -- $17-1/2 million revenue required on an annual basis. In order to give us a sculpted volume, they turned around

and basically adjusted the volume and the rate to assure that in the end, on an annual basis, they still got their $17-1/2 million.

Then we looked at the Gulf of Mexico supply and said, "Okay, what is the forecast associated with gas priced in the Gulf of Mexico?" Adding those together, all the variable transportation rates, the commitment from Gulfstream as to what they would sell us the long-term capacity for, we came up with what was in the business analysis package and the basis adder.

Q Okay. And how did you -- maybe you said this, but how did you expand it to 20 years then? Did they forecast it for you for 20 years?

A Yes.

Q So you didn't have any actual bids for the Gulf of Mexico that were 20 years?

A We didn't have any for 20 years.

Q What was the longest term that you were offered for the Gulf of Mexico?

A I believe it was 10 years.

Q Did Progress perform any alternative economic analyses based on shorter terms than 20 years? In other words, did you perform any economic analyses which compared the Gulf of Mexico proposal to a portion of the BG contract? If you were able to get a 10-year contract

for the Gulf of Mexico, was that --

A We did not do that. We tried to compare them on a comparable basis.

MS. VINING: We can go off the record.

(Short recess.)

BY MS. VINING:

Q I just want to follow up on what we were just talking about at Bates stamp page 1679 of the response to -- I think it's POD 36.

Now, you said earlier that the next least cost alternative based on that risk analysis is one of the Gulfstream options; correct?

A That's correct.

Q Now, in your business analysis package, it shows that Elba is slightly more cost-effective than Gulfstream. What's the difference between the two analyses?

A Well, part of the difference is, under the analysis done by Enterprise Risk Management, they did not take the $17-1/2 as an annual revenue requirement. When they got the term sheet and reviewed it, they interpreted it differently than what we did in the business analysis package. So because of that, they were showing something less than the $17-1/2 million which would allow Gulfstream 1 and 2 to be lower on the

20-year term.

Q Thank you. Now, back to POD 28, Bates stamp page 1458. Can you describe what this document is?

A This looks like a computation of the firm transportation on Southern Natural, which is the first item, and then FGT is the second item. And then it lists the pros and cons associated with Cypress/Elba option number 1.

Q Now, how have each of the con items been eliminated or mitigated in the contract Progress has with BG?

A The cons, we have negotiated rate caps associated with the SONAT and the FGT. The transportation volumes now match what is in the SONAT/FGT transportation agreements. My assumption on the third one regarding the 35,000 decatherms that we did not subscribe to have now been subscribed to, or SONAT is taking a speculative position on trying to fill that later. I don't know who has subscribed to that excess capacity in the winter period. The pipeline regarding Cypress is continuing to move forward on SONAT, based on the monthly updates they're providing to us. Once again, FGT and the SONAT Cypress pipeline has to be approved by FERC, which requires a lead time of about three years. However, what we're seeing is that

that's going to be -- they're hoping to get their PD no later than January 31st of 2006, and the final determination certificate no later than January 31st, 2007. So they're on target still to meet the in-service date of May 1, 2007.

Q Now, what does the last line on that page indicate?

A John Trimble's view of the probability of success regarding the Elba option number 1.

Q And what does it say?

A The probability of success is less than 50%.

Q Now, is that for the whole project to happen? In other words, that includes the likelihood that the Cypress pipeline will be operational by the deadline that you have stated?

A I can't say what John was trying to glean at this point, but I would say that the cons are probably something that he was estimating the probability of success associated with the Elba option number 1 based on his view as of May 20, 2004.

Q Okay. Please turn to Bates stamp page 1451.

MR. BURNETT: Adrienne, before we leave that one, I would just note in reference to that testimony, she mentioned one decatherm number. That one will be confidential.

WITNESS MURPHY: That's correct.

MR. BURNETT: Sorry.

MS. VINING: Oh, no. I fully expected the whole discussion to be confidential.

BY MS. VINING:

Q Okay. What's your assessment of what that document is?

A It looks like BG's gas pricing and volume associated with the Elba option number 1, and it has pros and cons and probability of success.

Q Okay. Same question again. How have the con items been eliminated or mitigated in the contract?

A With the first one, rates are too high, we have mitigated that down to a lower adder. The supply into Cypress does now match the transportation capacity on Southern and FGT. The adder once again has been lowered to something more reasonable. And it's unknown what Southern Natural has done with the 35,000 decatherms a day of excess capacity in the winter that we do not subscribe to.

Q Okay. And again, the last page indicates the probability of success?

A The last item, uh-huh.

Q I presume then that your statement that you made about the earlier document applies here as well,

that it's Mr. Trimble's assessment.

A It's wholly Mr. Trimble's assessment.

Q Now, go ahead and turn to Bates stamp page 1463.

MR. BURNETT: And I agree with you, Adrienne. That conversation was confidential as well, as was the other one, more expansively, as you noted.

BY MS. VINING:

Q Okay. What is this document?

A These are the options associated with Gulfstream.

Q Okay. Same questions. How have those cons been addressed, or have they?

A Well, if we do and it's approved by the Florida Public Service Commission, we will have arrived at supply diversity with the Elba supply coming in from BG with regard to the Gulfstream option. Well, the Gulfstream options say no supply diversity unless LNG terminal is deployed in Mobile Bay, which, of course, there has been none yet, so we still don't have any supply diversity. We're still vulnerable to hurricanes in the Gulf of Mexico. We're continuing to add capacity on Gulfstream with only direct access to three of our plants and not the system.

Q Can you explain the third pro that's listed

there?

A The Gulfstream right now -- oh, I'm sorry. Third pro. At the time, this was the lower cost option of Elba LNG via Cypress -- well, the third. I'm sorry. I can't count.

The backhaul opportunity that we have off of Gulfstream is to -- no, that's not a backhaul. I have no idea what he means by that.

Q So perhaps it's your assessment it's not a pro for Gulfstream? In other words, you can't think of any backhaul opportunity --

A I can't think of any backhaul opportunities off of Gulfstream interconnects. I can think of future segmentation opportunities, but a backhaul opportunity, I'm not figuring out how we're going to do that on Gulfstream.

Q Is that a possibility on Cypress?

A With regard to backhaul?

Q Yes.

A Probably more a segmentation, not a backhaul arrangement.

Q And the last one on that page?

A Is the probability of success.

Q And I know you have 1, 2, and 3.

A He has three options on here, so he's stating

that the probability of success is greater than 50% on all three options.

Q But again, that's Mr. Trimble's assessment at that point in time?

A Absolutely.

Q Go ahead and turn to page 1476 in the same document. Does the BG/Progress contract transfer the risks identified as PEF risks on the bottom half of this page to BG?

A This is confidential, so -- under the BG contract, to the extent they occur upstream of the sea buoy in the Savannah River channel, we have transferred that risk back to BG.

Q So essentially, the risks that you would incur that are tied to sort of --

A Have all been put back to BG. The only risks we're assuming are any port closures that are downstream of the buoy. Anything that happens at the regasification facility would be a Progress Energy Florida risk.

Q Was there a tradeoff in your negotiation with BG to transferring that risk to BG?

A Not that I recall. We just told them it had to be that way or we weren't doing the deal.

Q Okay. Go ahead and turn to page 1480 in the

same document.

A Okay.

Q Can you please explain the reasons behind the relative ranking of Gulfstream's operational flexibility compared to the other two alternatives? And this whole document is confidential.

A You're saying looking at operational flexibility with regard to Gulfstream?

Q Compared to both other alternatives.

A Well, the operational flexibility meaning for the criteria, which is providing diversity of supply regarding geographic and the ability to serve other plants. So based on that, we ranked it number 2, second. With regard to Gulfstream, the ranking and the weighting were all based -- the criteria were based on the hurricanes affecting the Gulf of Mexico and the operational flexibility to supply other plants on PEF's system.

Q So it was a system-wide sense, not just Hines?

A That's correct.

Q Okay. Because you had said earlier that Gulfstream serves the whole Hines complex.

A Well, we were looking at Cypress and trying to look at this on a total system view in the analysis criteria that we did in the business analysis package.

Q Progress issued a series of RFPs for LNG from either Elba Island or the Bahamas between August 2003 and April 2004, and then you issued an additional RFP in June of 2004 for domestic gas. What are the reasons that the domestic gas RFP was not issued in April along with the binding RFP for LNG in April?

A It helped us to determine what the criteria would be for the Gulf of Mexico suppliers, because we wanted to assess them based on the same criteria as we did the LNG suppliers. So we did that one first as a binding in April of 2004, and then once we did the assessment, we decided, okay, now that we've got the information, we need to send out an RFP in June to domestic suppliers and see what their pricing would be.

Q You talked earlier about the fact that you didn't get any domestic suppliers to supply for a 20-year term, that none of them bid a 20-year term.

A That's correct.

Q Did any of the bidders or the non-bidders give reasons why they were not able to meet the 20-year term requirement?

A In one of the responses, I think we actually outline that. If I remember, one of the suppliers -- and this is confidential -- was Conoco-Phillips. It was based on them building an LNG facility in the Gulf.

MR. BURNETT: Hang on one second. I think BG may need to leave if we're going to talk about that.

(BG representatives exit the conference room.)

WITNESS MURPHY: One of the suppliers was Conoco-Phillips, and their bid was based on the actual building of an LNG facility in the Gulf of Mexico. And if I remember correctly, they didn't even give us a price.

BY MS. VINING:

Q But they said, "Come back to us in the future. We're very interested in providing gas to you," as I recall.

A Right. And I'm trying to think. BP had given us a 10-year agreement with a premium of 10 cents associated with it, but also the higher of Transco Zone 3 -- no, I'm sorry. The higher of FGT Zone 3 or Transco Zone 4, plus 10 cents, which, of course, if you add a basis adder on top of that, then it will be anywhere from maybe 15 to 20 cents over the term of the contract. So that was pretty expensive, and we weren't interested in that one.

I believe ChevronTexaco also gave us a bid, once again contingent on building facilities in the Gulf of Mexico. And I think there was one other one, but I

can't remember who it was.

Q So is it your assessment that -- you know, we talked earlier that there were 41 potential bidders for the domestic contract and only four bid. Is it your assessment then that the term of the contract was really the main reason that those 37 parties did not bid?

A That would be my assessment.

MR. BURNETT: And I'll note, obviously, that that last line of questioning was confidential.

MS. VINING: Off the record.

(Discussion off the record.)

(BG representatives return to the conference room.)

BY MS. VINING:

Q In response to discovery, Progress stated that the RFPs were distributed based upon an internally generated list of creditworthy suppliers; correct?

A That is correct.

Q If a valid potential bidder was not included on this list, was there a means that they might discover that Progress had an RFP, i.e., a trade journal, your Web site?

A Probably not, only through word of mouth that other suppliers were looking to provide us with a response to our RFP process.

Q Did you have any interest from parties who weren't on your internally generated list of creditworthy suppliers?

A Not that I recall.

Q Go ahead and take a look at the response to staff interrogatory 114. This will also encompass the business analysis package too.

In your response to 114, Progress indicated that the proposed contract rate was the product of negotiation; is that correct?

A I'm sorry. That what was? I was reading.

Q Was the product of negotiation, that the proposed contract rate was the product of negotiation.

A That's correct.

Q Now, in the business analysis package which you provided in response to POD 3 -- I don't know if you have it somewhere over there.

A Here it is.

Q In the business analysis package, Progress provided an economic analysis comparing two alternatives to the proposed contract with BG. Did Progress also negotiate those two alternatives, and is the product of that negotiation reflected in the analysis, in the business analysis package?

A Well, we negotiated -- the two alternatives

were negotiated part way until we realized that one of the alternatives had missed three deadlines, and at that time, the focus was no longer any more in trying to go down the path of that one alternative.

With regard to the Gulfstream alternative, to the extent that we didn't get any proposals back from the June 2004 RFP, all of this combined with the value proposition from a system standpoint, we had recommended to senior management the Cypress related agreement, to move forward with them.

Q And again, you had said -- you were talking earlier about the party that hadn't met the third milestone. About what time was that again?

A That was July of 2004. They had missed it again.

Q Now, generically, as we discussed earlier, the June 2004 RFP was for a domestic supply of gas.

A Well, it was for LNG. We pretty much just threw it open to the Gulf of Mexico suppliers and said, "What will you give us for 20 years?"

Q That's what I was going to ask, because looking at the RFP, it doesn't specifically say domestic supply of gas.

A We didn't want to limit it, because we knew that based on the other RFPs that we had sent out, for

example, some of the other suppliers had made a contingency that they were willing to work with us, but provided their facilities actually got built, so we didn't want to limit it to the June 2004 RFP.

Q It was as long as it could be delivered to Gulfstream? Was that the caveat?

A As long as it could be delivered to Gulfstream, that's correct.

Q Go ahead and take a look at Progress's response to POD 15, which I have right here, and I have it tabbed at the particular point. At the place where I have it tabbed, it appears that it contains a March 2004 bid from BG for service from Elba Island, and I'm just curious what the nature of that bid was, since it came in prior to the April 2004 RFP.

A It was unsolicited, that's for sure. However, at that point in time, BG and Southern and FGT were all making the market pitch to us that this was the best alternative, and so therefore they wanted to put something on the table to us. But once again, this was unsolicited. We didn't formally go out until April of 2004. But we were continuing to meet with suppliers based on the needs and discuss with them the needs for Hines 4, and possibly other system requirements.

Q And they knew you were interested based on the

non-binding August 2003 RFP?

A Because they had received that, yes.

Q Now, that March offer was for 15 years.

A Uh-huh.

Q Now, in response to the April 2004 RFP, did BG respond with a 20-year term?

A I believe they did, but I would have to look just to be sure.

Q So does that mean that in this negotiation, Progress was more interested in the 20-year term than BG was, since they came in initially in March with the 15-year term?

A I think by the time April rolled around where we did the RFP process, we knew Southern's position on a 20-year contract, so we mirrored that to reflect the same term so that they would all be a package deal for Progress Energy Florida.

Q And that same POD response contains an outline of a meeting that you guys had in May 2004 with BG, SONAT, and FGT. And I presume that was just to -- I don't have an exact page reference. There it is. To further discuss the bids that they had provided?

A Uh-huh.

Q And I guess my question is, and this may -- well, let me just ask you the question. Was this just

part of your ongoing negotiation with BG, and it didn't have anything to do with the June 2004 RFP?

A It had nothing to do with it. They don't dictate what we do. They just came in and said, once again, "Here's our marketing pitch. This is the best deal. We want you to take it. Please evaluate it," and so we listened to them.

MS. VINING: Okay. I think I'm done. But if we could take a break for a minute, I'll look over my notes and see if we have anything else.

(Short recess.)

MS. VINING: I have no further questions.

CROSS-EXAMINATION

BY MS. CHRISTENSEN:

Q Good afternoon. Patty Christensen with the Office of Public Counsel. I had wanted to follow up, hopefully pretty briefly, on some of the pricing issues that were discussed earlier. And I think you had said that in the contract you had the ability to switch to different indices based on pricing conditions. Am I correct on that?

A Yes, that's correct. There is pricing optionality built into the contract.

Q Are there any terms or conditions that restrict your ability to do that or limit that in any way? In

other words, can you change pricing indexes based on the market conditions at your leisure, or are there any restrictions in the contract that limit how many times you can do that a month or year?

A There's no limit as to how much you can do it. The only restriction is that we have to get the mutual agreement of BG to do that as well. And if they're not willing to do it, we'll go out into the financial market and make it happen instead.

Q And when you say go out in the financial market and make that happen, can you explain that just a little bit better for me?

A Sure. The New York Mercantile Exchange has Henry Hub natural gas futures contracts, and if we wanted to fix the price, we can go out and buy futures contracts. What it does is, that locks in the price protection that we need. So regardless of whether the index comes in at a different number than what the NYMEX does, we're protected.

For example, on Henry Hub, if I buy at $5, let's say, and the index came in at $6, when the close of that month comes for the contract, the NYMEX is going to be very reflective of what the index comes in. So, for example, if I bought at 5, I would sell the contract before the close of the month at very close to the index

price that we would pay to BG. So I would make a dollar, let's say. For example, I bought at 5 and sold it at 6. I pay BG 6. That $1 that we made on the NYMEX would go back through the fuel adjustment clause, where the ratepayers would still only pay $5. And vice versa. We could very well have hedged at $6, and the index comes at 5. I would have lost a dollar, and we would have passed that through the fuel adjustment clause, and therefore, the ratepayers would still have paid $6. So you win in the physical or lose in the physical, whichever one. You do the vice versa on the financial, and that's how you provide price protection using the NYMEX futures contracts.

Q And am I understanding correctly that the way the contracts are structured, these types of fuel costs and the hedging that would go on underneath those contracts, those are the types of costs that you considered would be looked at in the annual fuel adjustment clause? Am I correct in that?

A That is correct.

Q And am I also correct in understanding that you're not seeking any pre-approval of whatever fuel costs would be by approval of this contract?

A The fuel costs associated with our hedging activities, once again, as I said, would be part of the

fuel adjustment clause. But what we're looking to have pre-approval for is the pricing mechanism, for example, under the BG contract, the market index plus the adder, and then the transportation contracts associated with the Cypress and the FGT, allowing pre-approval of those two contracts as well, as well as the volume associated with all of these contracts.

Q Okay. So the daily market conditions you're not seek pre-approval on?

A Or the daily optimization.

Q Or the daily optimization. But the volume that you would be required to take off the pipeline, you would be seeking pre-approval, and the transportation costs and capacity costs, those would be pre-approved, plus any adders that were associated with that contract?

A That's correct.

Q Was it my understanding from your earlier testimony that in the BG contract there is the option of further negotiation in the future if prices were markedly to change, let's say, advantageously on costs? Could you negotiate the adder in the future if there were some reason to do that?

A The adder is fixed for the remaining term of the contract. The only thing that's really meaningful for us right now would be the market index price,

whether we want to fix the price using a natural gas futures contract or we want to go to an over-the-counter product that would take market index on a monthly basis and convert it over to, let's say, a gas daily price. And those are available products right now that we can use.

Q Well, let me ask you this. If the adder cost that you looked at to establish the adder price in the contract were to significantly drop -- let's say they came down for some reason during the term of the contract. Is that something that you could open up to negotiation?

A No, it is not. It is fixed for the remaining term of the contract, and there are no market reopeners for that.

Q Okay. You had discussed that there were things that were open to negotiation. Was that just the daily fuel prices that you were discussing then?

A The monthly index, which is really no different than our short-term and intermediate contracts provide. The premium is paid on top of the monthly index, or whatever index you're referring to, under our short and intermediate contracts. So the long-term contract is very much mirrored to our short and intermediate term contracting process.

Q But with the short-term processes or the intermediate contracts, your adders are more reflective of whatever the market is when you're negotiating that contract; correct?

A For the term of the contract; right.

Q For the term of the contract. So if it were to drop within the three years, the next time you negotiated, the adder would likely drop; is that correct?

A Yes. It would be based on the market conditions at the time it was entered into.

Q Let me ask you this. Do you see a whole lot of change in those adders over time? Have you seen much change in what the adders end up being?

A Yes. Actually, I think in one of the responses, we've shown the difference, the change in the basis adders starting from 2001 to 2004, and what we've seen is an increase in those basis adders over time.

Q So would your expectation be that over the 20-year life of the contract, those adders would continue to increase or decrease over time?

A Well, based on the forward forecast that was given to us by Enterprise Risk Management where they seasonally shaped it, they were showing escalation associated with that adder, not a decrease.

MS. CHRISTENSEN: I think that probably addresses all the questions that I have.

MR. BURNETT: I've got just a couple, and I'll lead with Mr. Caldwell.

CROSS-EXAMINATION

BY MR. BURNETT:

Q Mr. Caldwell, you may recall a line of questioning where we were talking about where Mr. Trimble back in May of 2004 had given his opinion on the some probabilities of success. When Mr. Trimble gave those opinions back in 2004, did he have the benefit of all the facts and circumstances that transpired after 2004?

A (By Mr. Burnett) No. John had the information he had through that point, and he was not involved in all the discussions and negotiations that led to the final contracts that we are presenting here today.

Q Okay. But as we sit here today, would any of Mr. Trimble's now about one-year-old opinions affect PEF's decision to go with the Cypress deal?

A No. Our opinion is the same based on the analysis that we've done.

MR. BURNETT: That's all I have.

MR. CRUTHIRDS: BG has no questions for the witness.

MS. VINING: I have no further questions, so that's --

MR. BURNETT: I just wanted to procedurally -- you know, if we could do it on the record. My understanding, Adrienne, is that you're going to get us a copy of the transcript when you can, and we'll very quickly mark anything, if we see something confidential that we may have missed as far as formally designating it on the record, and then get that back to you, or get that back to the court reporter. I just wanted to make that statement reserving basically the right that we wanted to go back and take a look again.

MS. VINING: Correct.

(Deposition concluded at 1:47 p.m.)

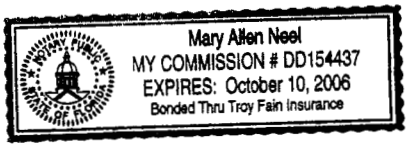
CERTIFICATE OF OATH

STATE OF FLORIDA)
COUNTY OF LEON)

I, MARY ALLEN NEEL, Notary Public in and for the State of Florida at Large:

DO HEREBY CERTIFY that on the date and place indicated on the title page of the foregoing transcript, an oath was duly administered by me to the designated witness before testimony was taken.

WITNESS my hand and official seal this 20th day of April, 2005.



MARY ALLEN NEEL, RPR
2894-A Remington Green Lane
Tallahassee, Florida 32308

CERTIFICATE OF REPORTER

STATE OF FLORIDA)
COUNTY OF LEON)

I, MARY ALLEN NEEL, do hereby certify that the foregoing proceedings were taken before me at the time and place therein designated; that my shorthand notes were thereafter transcribed under my supervision; and that the foregoing pages numbered 1 through 124 are a true and correct transcription of my stenographic notes.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, or relative or employee of such attorney or counsel, or financially interested in the action.

DATED THIS 20th day of April, 2005.

MARY ALLEN NEEL, RPR
2894-A Remington Green Lane
Tallahassee, Florida 32308
(850) 878-2221

Southern Natural Gas Co.
Cypress Pipeline Project
Progress Report - January 7, 2005

CONFIDENTIAL

FERC Activity

On December 9, 2004, a preliminary meeting was held with the Federal Energy Regulatory Commission (FERC) staff in Washington D.C. to re-introduce the Cypress Pipeline Project. FERC staff and Southern agreed that utilizing the National Environmental Policy Act (NEPA) pre-filing process would accommodate the earliest approval of the Cypress Project. FERC staff recognized that substantial work was performed and contacts made in the previous Cypress Pipeline Project and that maximizing use of that body of work is reasonable and desirable.

By letter dated December 21, 2004, (text of letter attached), Southern requested that FERC initiate a NEPA pre-filing review of the Cypress Pipeline Project. FERC granted Southern's request on January 5, 2005, (FERC letter attached), and concurred with Southern's recommendation that Natural Resource Group, Inc. (NRG) be retained as the third-party contractor to assist with preparation of an environmental impact statement for the project.

Landowner and Community Activity

Letters have been sent to governmental officials along the proposed route informing them of the new pipeline project. All landowners impacted by the newly proposed segment of the pipeline, i.e. approximately 25 miles in Chatham and Effingham Counties, GA, have also received letters introducing the project and explaining the need for possible archeological, biological and civil surveys on their property. In mid-December, rights-of-way agents began contacting landowners to request survey permission. To date, Southern has received survey permission covering 92 of 132 tracts (approximately 70%) in the 25-mile segment.

Southern is preparing to host three open houses for landowners and interested parties along the Cypress route. The open houses will likely be held in mid-February.

Federal, State and Local Agencies

Southern has contacted federal, state and local agencies that have significant permitting responsibilities for the Cypress Project and invited the agencies to participate in the NEPA pre-filing process.

Project Management

Southern has engaged Gulf Interstate Engineering (GIE) for engineering and project management services. Southern is in the process of securing a field office in Brunswick, GA and mobilizing appropriate personnel to the field.

PENGAD 800-631-6989
EXHIBIT
1
4/19/05 mw

December 21, 2004

Mr. J. Mark Robinson, Director
Office of Energy Projects
Federal Energy Regulatory Commission
888 First Street N.E.
Washington, D.C. 20426

Re: Southern Natural Gas Company's Cypress Pipeline Project - Request to Initiate NEPA Pre-Filing Process

Dear Mr. Robinson:

Southern Natural Gas Company ("Southern") requests that the Federal Energy Regulatory Commission ("Commission") initiate a National Environmental Policy Act (NEPA) pre-filing review of its Cypress Pipeline Project ("Cypress Project"). The Cypress Project will be an expansion of Southern's existing interstate natural gas pipeline system extending approximately 165 miles from a point near Port Wentworth, Chatham County, Georgia, to a point in Clay County, Florida, near Jacksonville. The project as proposed will be constructed in three phases. Phase I will include the initial pipeline constructed of 24-inch diameter pipe. Phase II and III will add compression at three locations and 10 miles of 30-inch loop pipeline. The initial capacity is proposed to start at 220 MMcf/d and ramp up to 500 MMcf/d in Phase III.

Southern has entered into Precedent Agreements with Progress Energy Florida, Inc. and BG LNG Services, LLC for the proposed capacity and has initiated an open season to solicit additional subscriptions. The open season started on December 3, 2004, and will remain open through January 17, 2005. A subsidiary of Southern, Cypress Natural Gas Company ("Cypress"), filed in April 2001, an application for a substantially similar project utilizing nearly the same pipeline route but withdrew the application in August 2001 prior to the issuance of a Draft Environmental Impact Statement. Southern has agreed with its shippers to seek an Order from the Commission in time to commence construction in the fall of 2006, and to meet a May 1, 2007, in-service date.

Southern understands that this schedule is aggressive when compared to Pre-Filing Process guidelines, which state that an applicant should plan to initiate the pre-filing process approximately 7 months before the filing of the certificate application. Southern believes, however, that the schedule is achievable because of the considerable amount of data from the prior Cypress application, including routing alternatives, extensive landowner and other stakeholder communications, and agency consultations, that can be utilized for the environmental review of the Cypress Project. Southern anticipates, subject to staff approval,

that the environmental review can be completed in order to have a complete Environmental Report and certificate application before the summer of 2005. Timely processing of the certificate application will minimize weather related construction risk and permit a timely in-service date for the Cypress Project. The Cypress Project will provide much needed infrastructure to facilitate the receipt of incremental gas supplies into the growing natural gas markets of Georgia and Florida.

In compliance with the Commission's guidance for requesting NEPA pre-filing review of a project, Southern submits the following:

1. Explain why Southern needs or wants to do NEPA pre-filing, including timing considerations.

The Pre-Filing Process will accommodate the earliest approval of the Cypress Project. Utilization of the pre-filing process will enable Southern and the Commission's Staff to make the best use of the extensive information and stakeholder contacts that were developed and made on the previous Cypress application. This foundation will permit the remaining environmental documentation necessary for a complete Environmental Report to be concluded on an accelerated basis. Clearly, an expeditious approval of the Cypress Project to accommodate a May 2007 in-service date will meet the mutual needs of gas suppliers at Elba Island and market area consumers, and will further federal policy regarding the development of pipeline infrastructure to support natural gas demand and supply growth.

In particular, Southern believes that the Pre-Filing Process will be beneficial by assisting in the following areas before filing its application:

- Updating critical information about the Cypress Project and identifying affected parties;
- Facilitating early issues identification and issue resolution;
- Conducting site visits, examining alternatives; meeting with agencies and stakeholders and participating in public information meetings and open houses as the application is being developed;
- Reviewing draft reports for the application, thereby eliminating or reducing the number of environmental data request filings; and
- Issuing a scoping notice and conducting scoping meetings for the proposal.

2. Identify other Federal and state agencies in the project area with relevant permitting requirements, and verify that they are aware of and agree to participate in the pre-filing process.

Attachment A to this letter identifies the principal state and federal agencies that have significant permitting responsibilities for the Cypress Project. Southern representatives consulted and met with these agencies during 2000 and 2001 to obtain the necessary environmental documentation for the original Cypress application. As indicated on the attachment, consultation with many of the agencies had been completed and the appropriate information obtained from the agencies was included in the original Cypress application. Southern has recently begun consultation with many of the same agencies to reintroduce the project. The attachment indicates the current level of consultation Southern has had with each agency. Southern is following up these initial agency discussions with formal letters reintroducing the Cypress Project. Southern will indicate in the agency consultation letter that it is seeking NEPA pre-filing support from the Commission Staff. Each of these agencies was specifically informed of Southern's intention to use the FERC Pre-Filing Process and the agencies interest in participating in the process is listed in Attachment A.

3. Detail other interested persons and organizations that have been contacted about the project.

Attachment B is a list of 83 governmental officials and other interested parties that were mailed a project introduction letter concerning the Cypress Project on December 3, 2004. Government officials on the list include county commissioners, mayors, members of city councils, and other state and local officials. Other interested parties on the list include officials of economic development authorities.

Amendment C is a list of nongovernmental organizations that may have an interest in the Cypress Project and that will therefore be contacted by Southern.

4. Detail what work has been done already, (i.e., landowner contacts, agency consultations, engineering and route planning).
Original Project

As described above, the Cypress Project is substantially similar to the project which was filed by Cypress in April 2001 in Docket No. CP00-180-000. Letters introducing the project were sent to all landowner along the route and to those whose land abutted the proposed route. Right-of-way agents representing Southern contacted landowners and successfully obtained survey permission for 92 percent of the affected tracts. Prior to filing the application, seven open houses were held at geographically dispersed locations along the route. Available at these meetings were route maps, alignment sheets, a construction slide show, and company representatives who were knowledgeable about the project. Three scoping meetings conducted by the Commission Staff were held in June 2001, one in Chatham County, Georgia, one in Glynn County, Georgia, and one in Duval County, Florida.

The newly proposed route for the Cypress Project addresses many of the concerns expressed by landowners in 2001, the vast majority of which related to the proposed route through Chatham County. Specifically, the new route avoids growing areas of the county and instead runs northwestward within an existing pipeline corridor from Port Wentworth to a point of intersection with an electric utility corridor in Effingham County, then south along an existing electric power transmission corridor to a point of intersection with the originally proposed route, again in Chatham County. With the changes, the proposed route of the Cypress Project is essentially 100 percent co-located with existing rights-of-way.

Landowner contacts:

138 letters have been mailed to landowners identified as owning land along the newly proposed section of the pipeline. On December 13, 2004, right-of-way agents began to contact these landowners and to request survey permission. Southern expects to begin the process of recontacting the landowners along the original route in January 2005. Southern will ensure that all landowners are contacted prior to beginning the open house meetings discussed below. Southern expects to complete all surveys along the newly proposed route by the time the Cypress Project Application is filed, and it will review and update the previously completed surveys along the original route.

Agency consultations:

Agencies identified in Attachment A were contacted in 2001 about the prior project. Southern is now in the process of contacting these agencies to reintroduce the Cypress Project.

Engineering and route planning:

In March of 2000, Southern began exploring potential routes for a pipeline between its existing system pipeline in Chatham County, Georgia, and a Florida Gas Transmission Company lateral pipeline near Jacksonville, Florida. A complete alternatives analysis was provided when the project was originally filed with the Commission in April 2001. Three major routes were considered including the preferred route following an existing power line corridor, an alternate route following an existing railroad corridor, and an offshore route. In addition, several variations to the preferred route were considered in the Chatham County, Georgia, area. Included were the "I-95" variation, the "Pooler" variation, the "Bloomingdale" variation, the "Effingham" variation, the "Richmond Hill" variation, and the "Fort Stewart" variation, all as documented in the environmental report to the Cypress application. The preferred route with the Fort Stewart variation was selected as the best location for the project considering cost, environmental impact, landowner impact, and pipeline constructability. After the project was filed, another variation avoiding Savannah Economic Development Authority (SEDA) property in the Port Wentworth area was also considered.

The only significant opposition to the proposed route occurred on the section between the pipeline origin at Port Wentworth and the intersection with the existing power line corridor in Chatham County. Although this is an area expecting continued residential and commercial development, the preferred route was carefully planned to successfully integrate the pipeline with existing and planned land uses. Some local landowners and public officials, however, favored the Effingham variation. As an expansion of Southern's existing pipeline system, the Cypress Project can economically utilize the Effingham variation and it has been incorporated in the proposed route. Utilization of the Effingham variation is responsive to the stakeholders in Chatham County that exhibited the most opposition to the preferred route set forth in the Cypress application. A map showing the route planned for the Cypress Project is attached to this letter.

5. State that the project sponsor will provide third-party contractor options for Commission Staff selection.

Southern proposes to provide a third-party contractor to assist the Commission Staff in its NEPA effort. For this project, Southern has determined that utilization of the Natural Resource Group, Inc. (NRG) will best meet the project need to successfully complete the environmental documentation in the identified timeframe. NRG was the successful third-party bidder for these services for the original Cypress pipeline project in 2000 and did extensive work for the Commission on the project. Returning NRG to that role will increase efficiency by minimizing redundant work. NRG has advised Southern that it is available to provide the necessary environmental services for the Cypress Project. If the Commission is agreeable to selecting NRG to fulfill this role, Southern is prepared to immediately contract with NRG.

6. Acknowledge that a complete Environmental Report and complete application are still required at the time of filing.

Southern acknowledges that it must submit a complete Environmental Report and a complete certificate application under Section 7 of the Natural Gas Act to the Commission at the time of filing.

7. Detail a plan that identifies specific tools and actions to facilitate stakeholder communications and public information, including establishing a single point of contact.

Southern is committed to stakeholder communications and public outreach and has or will take the following actions to facilitate communications with those impacted by the proposed pipeline.

- Single point of contact: Southern has designated the following person as a single point of contact for information or inquiries about the Cypress Project:

Mr. Bruce Hughes
Director
Southern Natural Gas Company
1900 5th Avenue North
Birmingham, AL 35203
Telephone: (205) 325-7146
Email: bruce.hughes@elpaso.com

- Southern will host open houses at geographically dispersed locations along the proposed route. Dates and locations have not yet been determined.

- Website: Southern will establish and maintain a publicly available website that will contain information about the project that may be of interest to those in and around the area of the proposed pipeline.

- Toll-free number: Upon the opening of a Cypress Project field office, Southern will establish a toll-free number for interested persons to call with questions or feedback regarding the project.

In order to involve stakeholders who do not have internet access, Southern will send a quarterly project newsletter to affected landowners and other local stakeholders. The initial newsletter will contain the single point of contact information, announcement of the open houses, and other pertinent information.

Southern believes that taking the actions listed above will enable it to achieve its goal of cultivating positive relationships with the landowner community so that issues and concerns can be identified and resolved at an early date in the approval process.

Southern looks forward to working with the Commission's Office of Energy Projects staff and the various federal, state, and local agencies to ensure a thorough and timely environmental review of its Cypress Project. Accordingly, Southern respectfully requests that the Commission approve the use of its Pre-Filing Process for the Cypress Project.

Very truly yours,

R. David Hendrickson

Cc: Michael J. Boyle
Commission Staff
Room 62-47

J. Rich McGuire
Commission Staff
Room 6H-02

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

OFFICE OF ENERGY PROJECTS

In Reply Refer To:
OEP/DG2E/Gas 1
Southern Natural Gas Company
Docket No. PF05-7-000

January 5, 2005
R. David Hendrickson
Associate General Counsel
Southern Natural Gas
1900 Fifth Avenue North
Birmingham, Alabama 35203

RE: Establishment of PF Docket for Southern Natural Gas Company's (Southern) Cypress Pipeline Project

Dear Mr. Hendrickson:

Thank you for your letter dated December 21, 2004, requesting use of the Federal Energy Regulatory Commission's (Commission) National Environmental Policy Act (NEPA) Pre-Filing Process for the Cypress Pipeline Project, which would cross portions of Georgia and Florida. Your intention is to file a certificate application before the summer of 2005. Although this filing date does not meet our guidance to begin the Pre-Filing Process seven to eight months prior to filing, I am granting your request based on the substantial work completed in the previous Cypress Pipeline Project under Docket Number CP01-180-000. I believe that beginning the Commission's NEPA review prior to the receipt of your application will greatly improve the chances of completing the process within a predictable time frame and produce a better result.

I have also determined that the use of a third-party contractor to assist the Commission staff in preparing the NEPA documentation is appropriate. I have considered your request to retain Natural Resource Group, Inc. (NRG) as the third-party contractor to work under the direct supervision and control of the Commission staff. Because NRG was previously selected by the Commission staff to address the environmental issues of the Cypress Pipeline Project, I concur that NRG should be retained as the third-party contractor to help prepare the NEPA document for this project.

Southern's Cypress Pipeline Project has been assigned Docket No. PF05-7-000. All future "pre-filing" correspondence and submissions to the Commission for this planned project should reference this docket number. If you have any questions, please contact Rich McGuire at (202) 502-6177 or Danny Laffoon at (202) 502-6257.

Sincerely,

J. Mark Robinson
Director
Office of Energy Projects

cc: Public File, Docket No. PF05-7-000

Southern Natural Gas Co.
Cypress Pipeline Project
Progress Report – February 7, 2005

FERC Activity

Consistent with the National Environmental Policy Act (NEPA) pre-filing process recommended by the Federal Energy Regulatory Commission (FERC), Southern has retained Natural Resource Group, Inc. (NRG) as the third-party contractor to assist with preparation of an environmental impact statement for the project. Southern will be meeting with FERC staff in Washington D.C. on February 10 to discuss commercial aspects of the project. FERC has indicated that it will attend Southern's community open houses this month and will hold its own community scoping meetings for environmental issues in March.

Landowner and Community Activity

Letters introducing the project and explaining survey activities have now been sent to all identified landowners along the proposed pipeline, i.e. landowners that may be impacted by the pipeline or by requisite survey activity along the 175-mile proposed route. This route runs through Chatham, Effingham, Liberty, Long, McIntosh, Glynn, Camden and Charlton counties in Georgia and through Nassau, Duval and Clay counties in Florida. Rights-of-way agents are continuing to work with landowners and have received survey permission covering 144 of 184 tracts (approximately 78%) along the new 25-mile segment of the route located in Chatham and Effingham Counties.

Southern is preparing to host three open houses for landowners and interested parties along the Cypress route. The open houses will be held in Brunswick, Georgia (February 15), Jacksonville, Florida (February 16), and Savannah, Georgia (February 17). Representatives from the FERC will attend to observe the meetings and to answer landowner questions about the regulatory approval process.

Federal, State and Local Agencies

Southern will be meeting with the Corps of Engineers and other interested federal, state and local agencies in Savannah on February 8. FERC representatives will also be in attendance.

Project Management

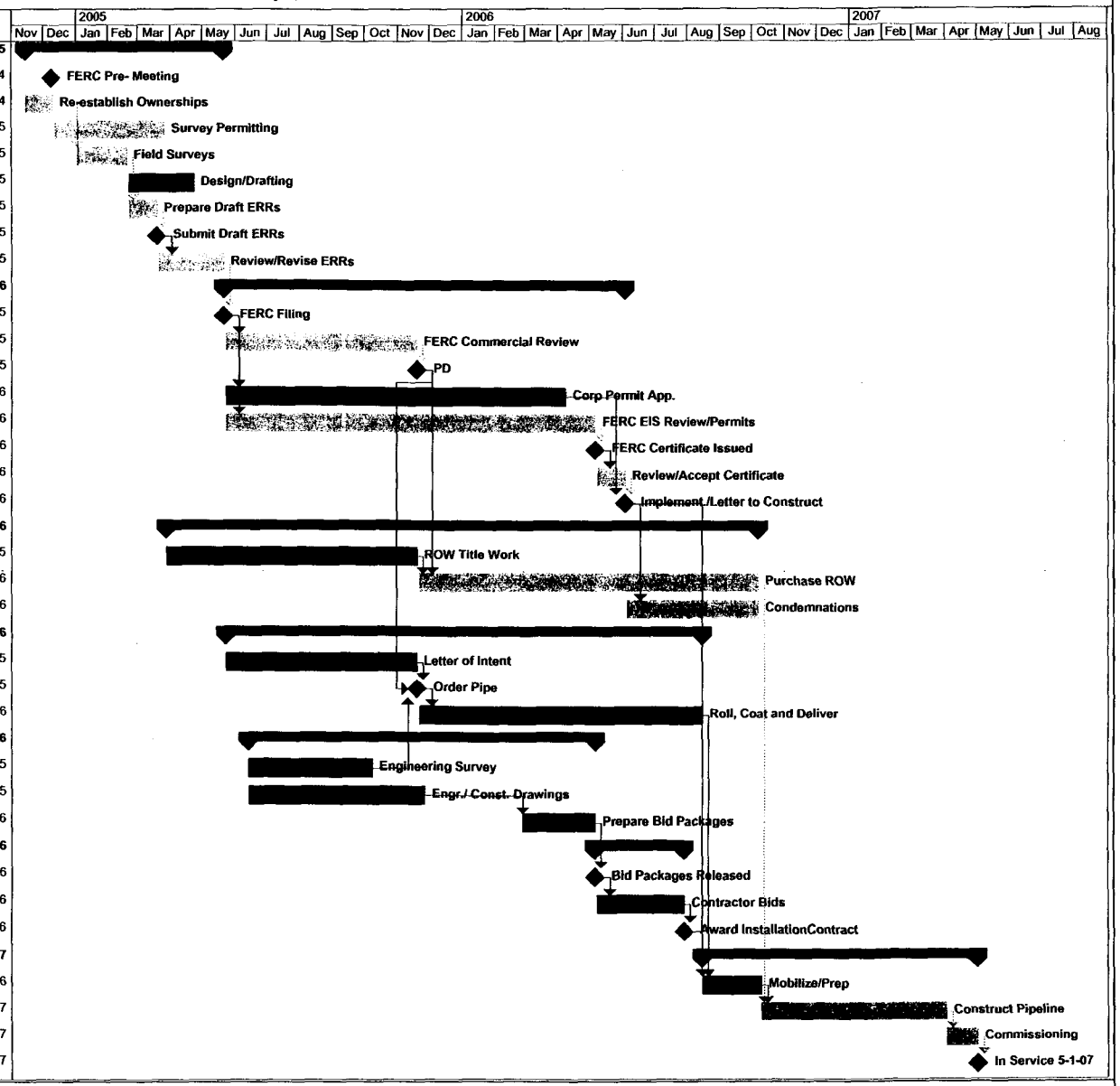
A kick-off meeting was held in Savannah on January 12 to launch the civil survey crews and to begin a constructability review. A second kick-off meeting was held in Brunswick on January 19 for all field coordinators, including those responsible for environmental and cultural surveys. Environmental, cultural and civil survey teams are now actively at work along the pipeline route.

Southern has established a field office in Brunswick, GA that will remain open throughout the project. Field office personnel will manage landowner issues, field surveys, and project construction.

An initial project schedule for Phase 1, 165 miles of 24" pipe, is attached.

Cypress Project - Phase 1 - 165 mile 24" Pipe
Project Schedule
February 4, 2005

ID	Task Name	Duration	Start	Finish
1	**Pre-FERC Filing**	**135 days**	**Mon 11/15/04**	**Fri 5/20/05**
2	FERC Pre- Meeting	0 days	Thu 12/9/04	Thu 12/9/04
3	Re-establish Ownerships	20 days	Mon 11/15/04	Fri 12/10/04
4	Survey Permitting	75 days	Mon 12/13/04	Fri 3/25/05
5	Field Surveys	35 days	Mon 1/3/05	Fri 2/18/05
6	Design/Drafting	45 days	Mon 2/21/05	Fri 4/22/05
7	Prepare Draft ERRs	20 days	Mon 2/21/05	Fri 3/18/05
8	Submit Draft ERRs	0 days	Fri 3/18/05	Fri 3/18/05
9	Review/Revise ERRs	45 days	Mon 3/21/05	Fri 5/20/05
10	**FERC Process**	**270 days**	**Fri 5/20/05**	**Fri 6/2/06**
11	FERC Filing	0 days	Fri 5/20/05	Fri 5/20/05
12	FERC Commercial Review	130 days	Mon 5/23/05	Fri 11/18/05
13	PD	0 days	Fri 11/18/05	Fri 11/18/05
14	Corp Permit App.	230 days	Mon 5/23/05	Fri 4/7/06
15	FERC EIS Review/Permits	250 days	Mon 5/23/05	Fri 5/5/06
16	FERC Certificate Issued	0 days	Fri 5/5/06	Fri 5/5/06
17	Review/Accept Certificate	20 days	Mon 5/8/06	Fri 6/2/06
18	Implement./Letter to Consti	0 days	Fri 6/2/06	Fri 6/2/06
19	**ROW**	**400 days**	**Mon 3/28/05**	**Fri 10/6/06**
20	ROW Title Work	170 days	Mon 3/28/05	Fri 11/18/05
21	Purchase ROW	230 days	Mon 11/21/05	Fri 10/6/06
22	Condemnations	90 days	Mon 6/5/06	Fri 10/6/06
23	**Materials**	**321 days**	**Mon 5/23/05**	**Mon 8/14/06**
24	Letter of Intent	130 days	Mon 5/23/05	Fri 11/18/05
25	Order Pipe	0 days	Fri 11/18/05	Fri 11/18/05
26	Roll, Coat and Deliver	191 days	Mon 11/21/05	Mon 8/14/06
27	**Engineering**	**235 days**	**Mon 6/13/05**	**Fri 5/5/06**
28	Engineering Survey	85 days	Mon 6/13/05	Fri 10/7/05
29	Engr./ Const. Drawings	120 days	Mon 6/13/05	Fri 11/25/05
30	Prepare Bid Packages	50 days	Mon 2/27/06	Fri 5/5/06
31	**Contracting**	**60 days**	**Fri 5/5/06**	**Fri 7/28/06**
32	Bid Packages Released	0 days	Fri 5/5/06	Fri 5/5/06
33	Contractor Bids	60 days	Mon 5/8/06	Fri 7/28/06
34	Award InstallationContract	0 days	Fri 7/28/06	Fri 7/28/06
35	**Construction**	**186 days**	**Tue 8/15/06**	**Tue 5/1/07**
36	Mobilize/Prep	40 days	Tue 8/15/06	Mon 10/9/06
37	Construct Pipeline	125 days	Tue 10/10/06	Mon 4/2/07
38	Commissioning	21 days	Tue 4/3/07	Tue 5/1/07
39	In Service 5-1-07	0 days	Tue 5/1/07	Tue 5/1/07



Project: Cypress Pipeline
Date: Mon 3/7/05

Task | Progress | Milestone | Summary | Rolled Up Task | Rolled Up Milestone | Rolled Up Progress | Split | External Tasks | Project Summary | Group By Summary

Southern Natural Gas Co.
Cypress Pipeline Project
Progress Report – March 7, 2005

FERC Activity

Southern had a successful meeting with FERC staff in Washington D.C. on February 10 discussing commercial aspects of the project. On February 15, 16, and 17, FERC staff attended Southern's open house meetings held in Savannah and Brunswick, GA and Jacksonville, FL. On March 8, 9 and 10, the FERC will host environmental scoping meetings in Savannah, Brunswick and Jacksonville, respectively. The primary purpose of the scoping meetings is for FERC to solicit public input into the environmental review process. Representatives from Southern will attend the scoping meetings and make a short presentation introducing the project.

Landowner and Community Activity

Southern hosted community open house meetings in Brunswick, Jacksonville and Savannah, respectively, for landowners and other Cypress Project stakeholders. The meetings were lightly attended in Brunswick and Jacksonville. The Savannah meeting drew approximately 50 visitors.

Rights-of-way agents are continuing to work with landowners and have received survey permission covering 246 of 436 tracts (approximately 56%) along the entire 175-mile route.

Southern has established a public website that includes pages for a project description, a description of proposed facilities, public documents, general Q & A's, and Q & A's responding to feedback from the community open houses. The web address is http://www.cypresspipeline.com.

Federal, State and Local Agencies

Inter-agency scoping meetings will be held this week with FERC, US Corps of Engineers and other interested agencies in Brunswick and Jacksonville. The purpose of the meetings is to identify issues and concerns that may affect the required environmental impact statement.

Project Management

Landowner survey permission has been received on 91% of the tracts in Effingham and Chatham Counties, and civil, biological and archeological surveys have been completed on those tracts. Survey efforts are continuing on minor route changes and at proposed compressor station sites. The first draft of the environmental resource reports is being compiled as are alignment sheets and drawings needed to support the FERC certificate application. The project team will meet in Brunswick the week of March 14 to review the requirements and status of the draft resource reports.

Southern has established a field office in Brunswick, GA that will remain open throughout the project. Field office personnel will manage landowner issues, field surveys, and project construction.

Southern Natural Gas Co.
Cypress Pipeline Project
Progress Report – April 7, 2005

FERC Activity

On March 8, 9 and 10, the Federal Energy Regulatory Commission (FERC) hosted environmental scoping meetings in Savannah, Brunswick and Jacksonville, respectively. The primary purpose of these meetings was for FERC to solicit public input with respect to environmental issues and community concerns. Representatives from Southern attended the scoping meetings and Bruce Hughes made a short presentation introducing the project. The meetings drew relatively small crowds consisting primarily of impacted landowners and concerned environmental groups. Those who commented urged protection of the environment and co-location of the new pipe within existing electric utility rights-of-way.

Landowner and Community Activity

Landowners in the FERC scoping meetings and in meetings with Southern's right-of-way team have expressed their desire for Southern to locate the new pipe within the existing electric utility rights-off-way. Southern is exploring the possibilities of co-location with the various power companies that own the existing rights-of-way. The obvious benefits of co-location – less impact on landowners and less land disturbance – must be evaluated in light of the facility spacing requirements of both Southern and the power companies as these requirements are designed to provide adequate room for safe operation and maintenance of the facilities.

Rights-of-way agents are continuing to work with landowners and have received survey permission covering approximately 83.5% of the entire 175-mile route.

Federal, State and Local Agencies

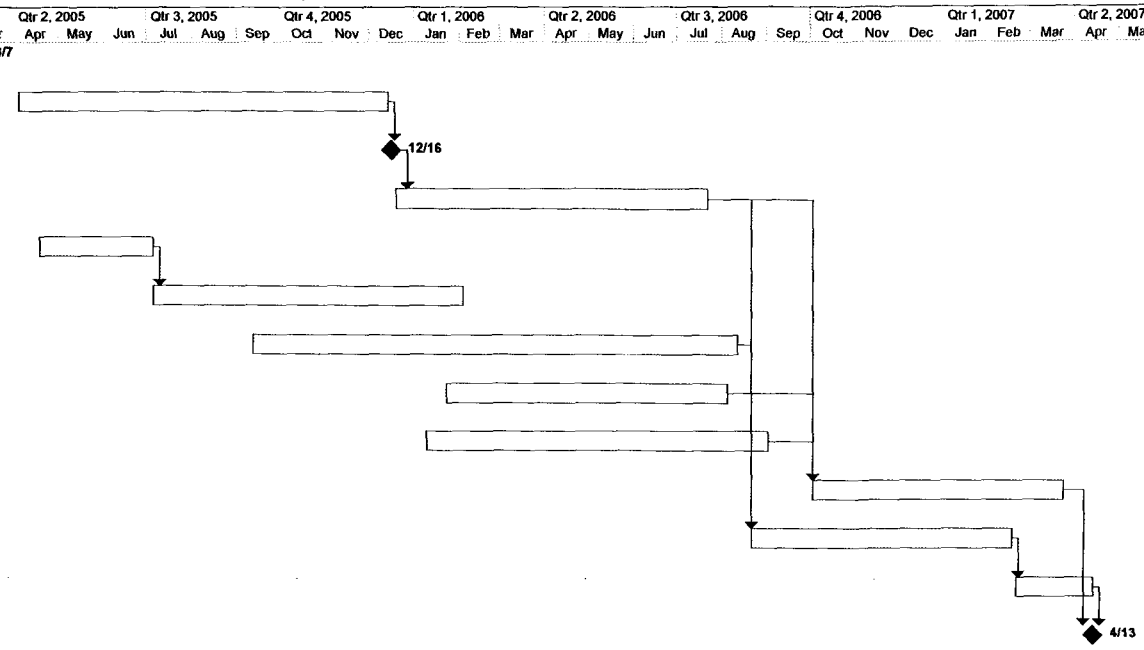
Inter-agency scoping meetings were held in Brunswick and Jacksonville on March 9 and 10. Agencies attending the meeting included U.S. Army Corps of Engineers, Savannah and Jacksonville Districts, Georgia Environmental Protection Division, Georgia Department of Natural Resources, Georgia State DOT, Ogeechee Canal Historic Society, U.S. Fish and Wildlife Service, Brunswick, GA and Tallahassee, FL offices, Florida Department of Environmental Protection, Saint Johns Water Management District, National Marine Fisheries Service and FERC. These meetings were very productive toward identifying Southern's permitting requirements. Additionally, these meetings helped FERC to determine the agencies' specific concerns that will need to be addressed in the environmental impact statement. These meetings helped to develop lines of communication between Southern and the agencies and also helped to develop cooperating strategies for permitting the project. Southern has continued to consult with agencies to identify issues that will be addressed in the FERC application and in individual agency permitting.

Project Management

The project team met in Brunswick on March 22-23 and reviewed the requirements and status of draft resource reports required for the FERC certificate application. The team is now focused on completing drafts of the environmental reports that will be furnished to FERC and to FERC's 3rd party environmental consultant in late April. Comments on the drafts will be addressed by Southern and appropriate changes will be made prior to the filing of the certificate application.

FGT Phase 7.1 Project Summary Schedule

ID	Task Name	Duration	Start	Finish
1	Project Release	0 days	Mon 3/7/05	Mon 3/7/05
2	Surveying, Environmental Reports	146 days	Mon 4/4/05	Wed 12/14/05
3	FERC Filing	0 days	Fri 12/16/05	Fri 12/16/05
4	FERC Approval	124 days	Mon 12/19/05	Fri 7/21/06
5	Preliminary Engineering	45 days	Mon 4/18/05	Tue 7/5/05
6	Detailed Enginering and Design	123 days	Tue 7/5/05	Fri 2/3/06
7	Delivery of Compressor/Driver	192 days	Mon 9/12/05	Fri 8/11/06
8	Delivery of Pipe & Other Materials	112 days	Mon 1/23/06	Fri 8/4/06
9	Acquistion of R/W	136 days	Mon 1/9/06	Fri 9/1/06
10	Pipeline Construction	100 days	Mon 10/2/06	Fri 3/23/07
11	Station Construction/Modification	104 days	Mon 8/21/06	Fri 2/16/07
12	Station Commissioning	32 days	Mon 2/19/07	Fri 4/13/07
13	Ready for Service	0 days	Fri 4/13/07	Fri 4/13/07



Date: Fri 4/1/05

Task | Progress | Summary | External Tasks | Deadline

Split | Milestone | Project Summary | External Milestone

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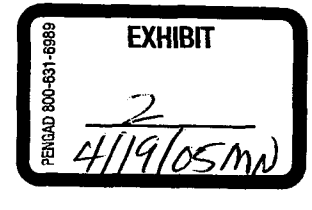
Date	Storm Name	FGT Term Cuts	FGT Daily Cuts	FGT Total	GSNG Term Cuts	GSNG Daily Cuts	GSNG Total	Term Cuts	Daily Cuts	Average Term Gas Cost	Average Spot Gas Cost	Gas Cost Difference	Daily Spot Gas Purchases	Daily Spot Gas Deliveries	Replace Term Supplies	Additional Supplies	Gas Cost Replace Term	Gas Cost of Additional Supplies	Total Incremental Gas Cost	Cypress
9/24/2002	Tropical Storm Isidore	60,512	21,503	82,015	26,155	0	26,155	86,667	21,503	$3.547	$4.150	$0.604	83,015	61,512	61,512	0	$37,122	$0	$37,122	
9/25/2002	Tropical Storm Isidore	55,513	33,000	88,513	64,145	0	64,145	119,658	33,000	$3.547	$4.208	$0.662	108,000	75,000	75,000	0	$49,613	$0	$49,613	
9/26/2002	Tropical Storm Isidore	51,155	0	51,155	91,155	0	91,155	142,310	0	$3.547	$3.984	$0.438	70,000	70,000	70,000	0	$30,625	$0	$30,625	
9/27/2002	Tropical Storm Isidore	59,568	40,000	99,568	65,482	0	65,482	125,050	40,000	$3.547	$3.978	$0.432	75,820	35,820	35,820	0	$15,456	$0	$15,456	
Tropical Storm Isidore Total																	$132,816	$0	$132,816	
10/1/2002	Hurricane Lili	3,155	36,719	39,874	69,531	73,977	143,508	72,686	110,696	$3.901	$4.388	$0.487	169,560	58,864	58,864	0	$28,684	$0	$28,684	
10/2/2002	Hurricane Lili	14,323	43,460	57,783	69,531	62,091	131,622	83,854	105,551	$3.901	$4.870	$0.969	175,070	69,519	69,519	0	$67,385	$0	$67,385	
10/3/2002	Hurricane Lili	20,047	1,087	21,134	48,230	30,392	78,622	68,277	31,479	$3.901	$4.857	$0.956	100,271	68,792	68,792	0	$65,786	$0	$65,786	
10/4/2002	Hurricane Lili	18,432	185	18,617	48,230	6,150	54,380	66,662	6,335	$3.901	$4.894	$0.993	63,671	57,336	57,336	0	$56,952	$0	$56,952	
Hurricane Lili Total																	$218,807	$0	$218,807	
7/14/2003	Tropical Storm Claudette	12,917	0	12,917	0	0	0	12,917	0	$5.069	$5.241	$0.172	57,600	57,600	12,917	44,683	$2,217	$7,668	$9,884	
7/15/2003	Tropical Storm Claudette	8,244	0	8,244	0	0	0	8,244	0	$5.069		($5.069)	0	0	0	0	$0	$0	$0	
7/16/2003	Tropical Storm Claudette	3,578	0	3,578	0	0	0	3,578	0	$5.069		($5.069)	0	0	0	0	$0	$0	$0	
Tropical Storm Claudette Total																	$2,217	$7,668	$9,884	
8/10/2004	Tropical Storm Bonnie	14,664	25,476	40,140	19,589	0	19,589	34,253	25,476	$5.367	$5.723	$0.356	49,000	23,524	23,524	0	$8,372	$0	$8,372	
8/11/2004	Tropical Storm Bonnie	3,692	11,620	15,312	51,793	0	51,793	55,485	11,820	$5.367	$5.978	$0.611	122,007	110,387	55,485	54,902	$33,896	$33,540	$67,435	
8/12/2004	Tropical Storm Bonnie	2,080	0	2,080	25,725	0	25,725	27,805	0	$5.367	$5.853	$0.486	79,300	79,300	27,805	51,495	$13,510	$25,021	$38,532	
8/13/2004	Tropical Storm Bonnie	1,135	265	1,400	12,593	0	12,593	13,728	265	$5.367	$5.639	$0.272	97,500	97,235	13,728	83,507	$3,733	$22,706	$26,438	
Tropical Storm Bonnie Total																	$59,511	$81,267	$140,778	
9/13/2004	Hurricane Ivan	33,377	13,938	47,315	41,591	81,014	122,605	74,968	94,952	$5.012	$5.750	$0.738	148,000	53,048	53,048	0	$39,128	$0	$39,128	
9/14/2004	Hurricane Ivan	31,590	1,897	33,487	55,537	44,100	99,637	87,127	45,997	$5.012	$5.853	$0.841	249,500	203,503	87,127	116,376	$73,239	$97,826	$171,065	
9/15/2004	Hurricane Ivan	42,693	20,342	63,035	119,991	0	119,991	162,684	20,342	$5.012	$6.306	$1.294	190,000	169,658	162,684	6,974	$210,448	$9,022	$219,470	
9/16/2004	Hurricane Ivan	51,208	51,587	102,795	119,991	4,792	124,783	171,199	56,379	$5.012	$6.659	$1.647	230,000	173,621	171,199	2,422	$281,896	$3,988	$285,884	
9/17/2004	Hurricane Ivan	41,754	21,888	63,642	119,991	4,063	124,054	161,745	25,951	$5.012	$6.657	$1.645	230,000	204,049	161,745	42,304	$266,008	$69,573	$335,579	
9/18/2004	Hurricane Ivan	58,804	20,582	79,386	115,091	19,338	134,429	173,895	39,920	$5.012	$7.165	$2.153	217,036	177,116	173,895	3,221	$374,326	$6,934	$381,260	
9/19/2004	Hurricane Ivan	56,539	18,006	74,545	118,031	27,816	145,847	174,570	45,822	$5.012	$7.140	$2.128	230,865	185,043	174,570	10,473	$371,415	$22,282	$393,697	
9/20/2004	Hurricane Ivan	56,852	17,157	74,009	86,181	41,903	128,084	143,033	59,060	$5.012	$7.140	$2.128	230,865	171,805	143,033	28,772	$304,317	$61,215	$365,532	
9/21/2004	Hurricane Ivan	48,055	13,383	61,438	71,971	57,518	129,489	120,026	70,901	$5.012	$7.588	$2.576	210,000	139,099	120,026	19,073	$309,139	$49,124	$358,263	
9/22/2004	Hurricane Ivan	45,293	8,554	53,847	61,513	28,462	89,975	106,806	37,016	$5.012	$7.607	$2.595	175,500	138,484	106,806	31,678	$277,119	$82,192	$359,311	
9/23/2004	Hurricane Ivan	40,451	9,243	49,694	90,749	0	90,749	131,200	9,243	$5.012	$7.313	$2.301	165,500	156,257	131,200	25,057	$301,839	$57,646	$359,485	
9/24/2004	Hurricane Ivan	45,101	10,687	55,788	65,299	0	65,299	110,400	10,687	$5.012	$7.040	$2.028	226,500	215,813	110,400	105,413	$223,847	$213,735	$437,582	
9/25/2004	Hurricane Ivan	37,987	8,882	46,869	48,001	0	48,001	85,988	8,882	$5.012	$7.436	$2.424	215,500	206,618	85,988	120,630	$208,401	$292,359	$500,759	
9/26/2004	Hurricane Ivan	37,982	8,045	46,027	48,001	3,888	51,889	85,963	11,933	$5.012	$7.362	$2.350	135,501	123,568	85,983	37,585	$202,026	$88,310	$290,335	
9/27/2004	Hurricane Ivan	37,535	0	37,535	54,245	0	54,245	91,780	0	$5.012	$8.403	$3.391	75,500	75,500	75,500	0	$255,990	$0	$255,990	
9/28/2004	Hurricane Ivan	36,290	0	36,290	46,015	0	46,015	82,305	0	$5.012	$7.586	$2.574	125,000	125,000	82,305	42,695	$211,820	$109,880	$321,700	
9/29/2004	Hurricane Ivan	37,326	0	37,326	53,820	0	53,820	91,146	0	$5.012	$7.439	$2.427	144,200	144,200	91,146	53,054	$221,175	$128,741	$349,916	
9/30/2004	Hurricane Ivan	37,084	280	37,364	58,794	0	58,794	95,878	280	$5.012	$7.573	$2.561	136,500	136,220	95,878	40,342	$245,505	$103,300	$348,805	
10/1/2004	Hurricane Ivan	4,614	0	4,614	59,976	0	59,976	64,590	0	$5.063	$7.446	$2.383	137,194	137,194	64,590	72,604	$153,905	$173,001	$326,906	
10/2/2004	Hurricane Ivan	12,428	0	12,428	40,376	0	40,376	52,804	0	$5.063	$5.962	$0.899	143,594	143,594	52,804	90,790	$47,460	$81,602	$129,062	
10/3/2004	Hurricane Ivan	11,893	0	11,893	32,220	9,800	42,020	44,113	9,800	$5.063	$5.962	$0.899	143,594	133,794	44,113	89,681	$39,849	$80,605	$120,254	
10/4/2004	Hurricane Ivan	10,514	0	10,514	12,620	29,400	42,020	23,134	29,400	$5.063	$5.962	$0.899	143,594	114,194	23,134	91,060	$20,793	$81,845	$102,638	
10/5/2004	Hurricane Ivan	4,360	0	4,360	7,839	0	7,839	12,199	0	$5.063	$6.455	$1.392	70,900	70,900	12,199	58,701	$16,979	$81,700	$98,679	
10/6/2004	Hurricane Ivan	0	0	0	0	0	0	0	0	$5.063	$6.468	$1.405	57,300	57,300	0	57,300	$0	$80,495	$80,495	
Hurricane Ivan Total																	$4,656,422	$1,975,374	$6,631,796	

w/Cypress		Revised w/cypress	Revised w/cypress	
9/13/2004	Hurricane Ivan	0	$0	60,000
9/14/2004	Hurricane Ivan	143,503	$120,629	60,000
9/15/2004	Hurricane Ivan	109,658	$141,854	60,000
9/16/2004	Hurricane Ivan	113,621	$187,088	60,000
9/17/2004	Hurricane Ivan	144,049	$236,903	60,000
9/18/2004	Hurricane Ivan	117,116	$252,104	60,000
9/19/2004	Hurricane Ivan	125,043	$266,041	60,000
9/20/2004	Hurricane Ivan	111,805	$237,876	60,000
9/21/2004	Hurricane Ivan	79,099	$203,727	60,000
9/22/2004	Hurricane Ivan	78,484	$203,635	60,000
9/23/2004	Hurricane Ivan	96,257	$221,449	60,000
9/24/2004	Hurricane Ivan	155,813	$315,926	60,000
9/25/2004	Hurricane Ivan	146,618	$355,343	60,000
9/26/2004	Hurricane Ivan	63,568	$149,359	60,000
9/27/2004	Hurricane Ivan	15,500	$52,554	60,000
9/28/2004	Hurricane Ivan	65,000	$167,284	60,000
9/29/2004	Hurricane Ivan	84,200	$204,320	60,000
9/30/2004	Hurricane Ivan	76,220	$195,169	60,000
10/1/2004	Hurricane Ivan	112,194	$267,336	25,000
10/2/2004	Hurricane Ivan	118,594	$106,592	25,000
10/3/2004	Hurricane Ivan	108,794	$97,784	25,000
10/4/2004	Hurricane Ivan	89,194	$80,168	25,000
10/5/2004	Hurricane Ivan	45,900	$63,884	25,000
10/6/2004	Hurricane Ivan	32,300	$45,375	25,000
Hurricane Ivan Total			$4,172,401	
			$2,459,395	



Forecasted Transco Zone 4 Basis

Enterprise Risk Management Basis Curve for Transco Zone 4		Estimate of Future Transco Zone 4 Basis					
Month/2005	As of 6/30/04*	Month	LIBOR from 6/3/2004	Cumulative Escalation From 8/1/2004	Escalated Monthly Basis	Calendar Year Average Basis (Interrogatory Response #151)	
Jan	0.0750	Jan-08	3.82%	12.02%	0.0840		
Feb	0.0750	Feb-08	3.85%	12.40%	0.0843		
Mar	0.0750	Mar-08	3.89%	12.78%	0.0846		
Apr	0.0675	Apr-08	3.92%	13.16%	0.0764		
May	0.0675	May-08	3.96%	13.54%	0.0766		
Jun	0.0675	Jun-08	3.99%	13.93%	0.0769		
July	0.0675	Jul-08	4.02%	14.30%	0.0772		
Aug	0.0675	Aug-08	4.05%	14.69%	0.0774		
Sep	0.0675	Sep-08	4.08%	15.08%	0.0777		
Oct	0.0675	Oct-08	4.11%	15.46%	0.0779		
Nov	0.0750	Nov-08	4.14%	15.85%	0.0869		
Dec	0.0750	Dec-08	4.17%	16.23%	0.0872	0.0806	
		Jan-09	4.20%	16.63%	0.0875		
		Feb-09	4.23%	17.02%	0.0878		
		Mar-09	4.26%	17.39%	0.0880		
		Apr-09	4.28%	17.78%	0.0795		
		May-09	4.31%	18.15%	0.0798		
		Jun-09	4.34%	18.54%	0.0800		
		Jul-09	4.36%	18.92%	0.0803		
		Aug-09	4.38%	19.31%	0.0805		
		Sep-09	4.41%	19.70%	0.0808		
		Oct-09	4.43%	20.08%	0.0811		
		Nov-09	4.46%	20.47%	0.0904		
		Dec-09	4.48%	20.86%	0.0906	0.0838	
		Jan-10	4.51%	21.25%	0.0909		
		Feb-10	4.53%	21.64%	0.0912		
		Mar-10	4.56%	22.01%	0.0915		
		Apr-10	4.58%	22.39%	0.0826		
		May-10	4.60%	22.77%	0.0829		
		Jun-10	4.62%	23.15%	0.0831		
		Jul-10	4.64%	23.53%	0.0834		
		Aug-10	4.66%	23.91%	0.0836		
		Sep-10	4.68%	24.29%	0.0839		
		Oct-10	4.70%	24.66%	0.0841		
		Nov-10	4.72%	25.05%	0.0938		
		Dec-10	4.74%	25.42%	0.0941	0.0871	
		Jan-11	4.76%	25.80%	0.0944		
		Feb-11	4.78%	26.18%	0.0946		
		Mar-11	4.80%	26.54%	0.0949		
		Apr-11	4.82%	26.91%	0.0857		
		May-11	4.83%	27.27%	0.0859		
		Jun-11	4.85%	27.64%	0.0862		
		Jul-11	4.87%	28.00%	0.0864		
		Aug-11	4.88%	28.37%	0.0866		
		Sep-11	4.90%	28.74%	0.0869		
		Oct-11	4.92%	29.09%	0.0871		
		Nov-11	4.93%	29.46%	0.0971		
		Dec-11	4.95%	29.82%	0.0974	0.0903	
		Jan-12	4.96%	30.18%	0.0976		
		Feb-12	4.98%	30.54%	0.0979		
		Mar-12	4.99%	30.88%	0.0982		
		Apr-12	5.01%	31.24%	0.0886		
		May-12	5.02%	31.58%	0.0888		
		Jun-12	5.03%	31.94%	0.0891		
		Jul-12	5.05%	32.28%	0.0893		
		Aug-12	5.06%	32.62%	0.0895		
		Sep-12	5.07%	32.97%	0.0898		
		Oct-12	5.09%	33.31%	0.0900		
		Nov-12	5.10%	33.66%	0.1002		
		Dec-12	5.11%	33.99%	0.1005	0.0933	
		Jan-13	5.12%	34.34%	0.1008		
		Feb-13	5.14%	34.68%	0.1010		

Forecasted Transco Zone 4 Basis

Enterprise Risk Management Basis Curve for Transco Zone 4 Month/2005 As of 6/30/04*	Estimate of Future Transco Zone 4 Basis				
	Month	LIBOR from 6/3/2004	Cumulative Escalation From 8/1/2004	Escalated Monthly Basis	Calendar Year Average Basis (Interrogatory Response #151)
	Mar-13	5.15%	35.00%	0.1012	
	Apr-13	5.16%	35.33%	0.0913	
	May-13	5.17%	35.65%	0.0916	
	Jun-13	5.18%	35.98%	0.0918	
	Jul-13	5.19%	36.30%	0.0920	
	Aug-13	5.20%	36.63%	0.0922	
	Sep-13	5.21%	36.95%	0.0924	
	Oct-13	5.22%	37.27%	0.0927	
	Nov-13	5.23%	37.59%	0.1032	
	Dec-13	5.24%	37.90%	0.1034	0.0961
	Jan-14	5.25%	38.23%	0.1037	
	Feb-14	5.26%	38.55%	0.1039	
	Mar-14	5.27%	38.84%	0.1041	
	Apr-14	5.27%	39.11%	0.0939	
	May-14	5.27%	39.36%	0.0941	
	Jun-14	5.27%	39.62%	0.0942	
	Jul-14	5.27%	39.88%	0.0944	
	Aug-14	5.27%	40.14%	0.0946	
	Sep-14	5.27%	40.40%	0.0948	
	Oct-14	5.27%	40.64%	0.0949	
	Nov-14	5.27%	40.90%	0.1057	
	Dec-14	5.26%	41.15%	0.1059	0.0987
	Jan-15	5.26%	41.40%	0.1061	
	Feb-15	5.26%	41.66%	0.1062	
	Mar-15	5.26%	41.88%	0.1064	
	Apr-15	5.26%	42.14%	0.0959	
	May-15	5.26%	42.38%	0.0961	
	Jun-15	5.27%	42.67%	0.0963	
	Jul-15	5.28%	42.96%	0.0965	
	Aug-15	5.29%	43.25%	0.0967	
	Sep-15	5.29%	43.54%	0.0969	
	Oct-15	5.30%	43.82%	0.0971	
	Nov-15	5.31%	44.11%	0.1081	
	Dec-15	5.31%	44.39%	0.1083	0.1009
	Jan-16	5.32%	44.67%	0.1085	
	Feb-16	5.33%	44.96%	0.1087	
	Mar-16	5.34%	45.23%	0.1089	
	Apr-16	5.34%	45.51%	0.0982	
	May-16	5.35%	45.79%	0.0984	
	Jun-16	5.36%	46.06%	0.0986	
	Jul-16	5.36%	46.33%	0.0988	
	Aug-16	5.37%	46.60%	0.0990	
	Sep-16	5.37%	46.87%	0.0991	
	Oct-16	5.38%	47.13%	0.0993	
	Nov-16	5.38%	47.40%	0.1106	
	Dec-16	5.39%	47.66%	0.1107	0.1032
	Jan-17	5.40%	47.93%	0.1109	
	Feb-17	5.40%	48.20%	0.1111	
	Mar-17	5.41%	48.44%	0.1113	
	Apr-17	5.41%	48.71%	0.1004	
	May-17	5.42%	48.96%	0.1005	
	Jun-17	5.42%	49.22%	0.1007	
	Jul-17	5.43%	49.48%	0.1009	
	Aug-17	5.43%	49.74%	0.1011	
	Sep-17	5.44%	50.00%	0.1012	
	Oct-17	5.45%	50.25%	0.1014	
	Nov-17	5.45%	50.50%	0.1129	
	Dec-17	5.46%	50.75%	0.1131	0.1055
	Jan-18	5.46%	51.01%	0.1133	
	Feb-18	5.47%	51.26%	0.1134	
	Mar-18	5.47%	51.49%	0.1136	
	Apr-18	5.48%	51.75%	0.1024	

Forecasted Transco Zone 4 Basis

Enterprise Risk Management Basis Curve for Transco Zone 4		Estimate of Future Transco Zone 4 Basis				
Month/2005	As of 6/30/04*	Month	LIBOR from 6/3/2004	Cumulative Escalation From 8/1/2004	Escalated Monthly Basis	Calendar Year Average Basis (Interrogatory Response #151)
		May-18	5.48%	51.99%	0.1026	
		Jun-18	5.49%	52.24%	0.1028	
		Jul-18	5.49%	52.48%	0.1029	
		Aug-18	5.50%	52.72%	0.1031	
		Sep-18	5.50%	52.97%	0.1033	
		Oct-18	5.51%	53.21%	0.1034	
		Nov-18	5.51%	53.45%	0.1151	
		Dec-18	5.52%	53.68%	0.1153	0.1076
		Jan-19	5.52%	53.92%	0.1154	
		Feb-19	5.53%	54.16%	0.1156	
		Mar-19	5.53%	54.38%	0.1158	
		Apr-19	5.54%	54.62%	0.1044	
		May-19	5.54%	54.85%	0.1045	
		Jun-19	5.54%	55.08%	0.1047	
		Jul-19	5.55%	55.30%	0.1048	
		Aug-19	5.55%	55.53%	0.1050	
		Sep-19	5.56%	55.76%	0.1051	
		Oct-19	5.56%	55.98%	0.1053	
		Nov-19	5.56%	56.20%	0.1172	
		Dec-19	5.57%	56.42%	0.1173	0.1096
		Jan-20	5.57%	56.65%	0.1175	
		Feb-20	5.57%	56.87%	0.1177	
		Mar-20	5.58%	57.08%	0.1178	
		Apr-20	5.58%	57.30%	0.1062	
		May-20	5.59%	57.51%	0.1063	
		Jun-20	5.59%	57.73%	0.1065	
		Jul-20	5.59%	57.94%	0.1066	
		Aug-20	5.60%	58.16%	0.1068	
		Sep-20	5.60%	58.38%	0.1069	
		Oct-20	5.60%	58.59%	0.1070	
		Nov-20	5.61%	58.80%	0.1191	
		Dec-20	5.61%	59.01%	0.1193	0.1115
		Jan-21	5.62%	59.22%	0.1194	
		Feb-21	5.62%	59.43%	0.1196	
		Mar-21	5.62%	59.63%	0.1197	
		Apr-21	5.63%	59.84%	0.1079	
		May-21	5.63%	60.04%	0.1080	
		Jun-21	5.63%	60.24%	0.1082	
		Jul-21	5.63%	60.43%	0.1083	
		Aug-21	5.64%	60.62%	0.1084	
		Sep-21	5.64%	60.82%	0.1086	
		Oct-21	5.64%	61.01%	0.1087	
		Nov-21	5.64%	61.20%	0.1209	
		Dec-21	5.64%	61.39%	0.1210	0.1132
		Jan-22	5.65%	61.58%	0.1212	
		Feb-22	5.65%	61.77%	0.1213	
		Mar-22	5.65%	61.94%	0.1215	
		Apr-22	5.65%	62.13%	0.1094	
		May-22	5.65%	62.32%	0.1096	
		Jun-22	5.66%	62.50%	0.1097	
		Jul-22	5.66%	62.69%	0.1098	
		Aug-22	5.66%	62.87%	0.1099	
		Sep-22	5.66%	63.06%	0.1101	
		Oct-22	5.66%	63.24%	0.1102	
		Nov-22	5.67%	63.42%	0.1226	
		Dec-22	5.67%	63.60%	0.1227	0.1148
		Jan-23	5.67%	63.78%	0.1228	
		Feb-23	5.67%	63.96%	0.1230	
		Mar-23	5.67%	64.13%	0.1231	
		Apr-23	5.67%	64.31%	0.1109	
		May-23	5.68%	64.48%	0.1110	
		Jun-23	5.68%	64.66%	0.1111	

Forecasted Transco Zone 4 Basis

Enterprise Risk Management Basis Curve for Transco Zone 4		Estimate of Future Transco Zone 4 Basis				
Month/2005	As of 6/30/04*	Month	LIBOR from 6/3/2004	Cumulative Escalation From 8/1/2004	Escalated Monthly Basis	Calendar Year Average Basis (Interrogatory Response #151)
		Jul-23	5.68%	64.83%	0.1113	
		Aug-23	5.68%	65.01%	0.1114	
		Sep-23	5.68%	65.18%	0.1115	
		Oct-23	5.69%	65.35%	0.1116	
		Nov-23	5.69%	65.53%	0.1241	
		Dec-23	5.69%	65.70%	0.1243	0.1163
		Jan-24	5.69%	65.87%	0.1244	
		Feb-24	5.69%	66.04%	0.1245	
		Mar-24	5.70%	66.20%	0.1247	
		Apr-24	5.70%	66.37%	0.1123	
		May-24	5.70%	66.54%	0.1124	
		Jun-24	5.70%	66.70%	0.1125	
		Jul-24	5.70%	66.86%	0.1126	
		Aug-24	5.70%	67.02%	0.1127	
		Sep-24	5.70%	67.18%	0.1128	
		Oct-24	5.70%	67.33%	0.1129	
		Nov-24	5.70%	67.49%	0.1256	
		Dec-24	5.71%	67.64%	0.1257	0.1178
		Jan-25	5.71%	67.80%	0.1258	
		Feb-25	5.71%	67.95%	0.1260	
		Mar-25	5.71%	68.09%	0.1261	
		Apr-25	5.71%	68.25%	0.1136	
		May-25	5.71%	68.40%	0.1137	
		Jun-25	5.71%	68.55%	0.1138	
		Jul-25	5.71%	68.70%	0.1139	
		Aug-25	5.71%	68.85%	0.1140	
		Sep-25	5.71%	69.00%	0.1141	
		Oct-25	5.71%	69.15%	0.1142	
		Nov-25	5.71%	69.30%	0.1270	
		Dec-25	5.71%	69.44%	0.1271	0.1191
		Jan-26	5.72%	69.59%	0.1272	
		Feb-26	5.72%	69.74%	0.1273	
		Mar-26	5.72%	69.87%	0.1274	
		Apr-26	5.72%	70.02%	0.1148	
		May-26	5.72%	70.16%	0.1149	
		Jun-26	5.72%	70.31%	0.1150	
		Jul-26	5.72%	70.45%	0.1151	
		Aug-26	5.72%	70.59%	0.1151	
		Sep-26	5.72%	70.73%	0.1152	
		Oct-26	5.72%	70.87%	0.1153	
		Nov-26	5.72%	71.02%	0.1283	
		Dec-26	5.72%	71.15%	0.1284	0.1203
		Jan-27	5.73%	71.29%	0.1285	
		Feb-27	5.73%	71.43%	0.1286	
		Mar-27	5.73%	71.56%	0.1287	
		Apr-27	5.73%	71.70%	0.1159	
		May-27	5.73%	71.83%	0.1160	
		Jun-27	5.73%	71.97%	0.1161	
		Jul-27	5.73%	72.10%	0.1162	
		Aug-27	5.73%	72.24%	0.1163	
		Sep-27	5.73%	72.37%	0.1164	
		Oct-27	5.73%	72.51%	0.1164	
		Nov-27	5.73%	72.64%	0.1295	
		Dec-27	5.73%	72.77%	0.1296	0.1215
		Jan-28	5.73%	72.90%	0.1297	
		Feb-28	5.73%	73.03%	0.1298	
		Mar-28	5.73%	73.15%	0.1299	
		Apr-28	5.73%	73.27%	0.1170	

4 Basis

Estimate of Future Transco Zone 4 Basis				
Month	LIBOR from 6/3/2004	Cumulative Escalation From 8/1/2004	Escalated Monthly Basis	Calendar Year Average Basis (Interrogatory Response #151)

*This basis curve was developed based on observable market data for the first full year seasonal pricing strip available on 6/30/04 using ICE (Intercontinental Exchange) electronic trading system. The Transco Z4 is an illiquid point to forecast since there is not a great deal of data to rely on for the forward looking months.

Since the future is unobservable, we reviewed past historical Transco Z4 basis. This analysis showed that, while volatile, the Transco Z4 had been raising over the course of historical period. The LIBOR rate was chosen because it is a conservative and well known rate.

CONFIDENTIAL

ERRATA SHEET 041414-EI

I have read the transcript of my deposition, pages 1 through 126, and hereby subscribe to same, including any corrections and/or amendments listed below.

4/28/05
Date

Pamela R. Murphy
PAMELA R. MURPHY

Page	Line	Correction or Amendment	Reason for Change
18	17	add word "of" so it reads "Some kind of demand"	
18	18	Change "type" to "side"	
61	8	Change "2010" to "20-10"	
64	13	Change "out" to "upstream"	
67	16	Change "callers" to "collers"	
72	9	Change "clearer" to "clear"	
102 and 103	18-25 1	Change entire answer to the following: "Well, the major differences in the Enterprise Risk management (ERM) analysis and the August 2004 Business Analysis Package are: 1) The ERM analysis did not reflect the increased capital commitment from FGT of $1,350,000 and 2) the ERM analysis did not reflect the new Transco Z4 basis forecast as of 8/5/04. These differences caused the ERM analysis to be lower than the Cypress alternative."	To correct a misstatement in the original transcript
114	18	Add word "also" after LNG.	

Deposition taken on 04/19/05, Docket No. 041414-EI

DOCUMENT NUMBER-DATE
04144 APR 28 05
FPSC-COMMISSION CLERK

3. Please describe the circumstances that would cause PEF to request a fixed pricing mechanism from BG as provided by Section 3.6.

Answer:

Please see response to Question #1.

Please refer to Exhibit PRM-5 to Pamela R. Murphy's December 20, 2004, pre-filed testimony for Interrogatory Nos. 17-29.

17. For the first alternative listed in the table, please provide the nominal and present value amounts for each year during the projected period for the transportation, supply, and capital investment components separately.

Answer:

GOM Based Annual Summary
Nominal Dollars

Year (May - Apr)	Transportation	Capital Investment	Supply	Total
2008	(13,725,271)	(7,030,000)	(68,665,829)	(89,421,100)
2009	(19,654,499)		(98,965,635)	(118,620,134)
2010	(19,667,559)		(99,605,576)	(119,273,135)
2011	(19,701,675)		(99,609,112)	(119,310,787)
2012	(19,690,588)		(100,734,008)	(120,424,597)
2013	(19,743,879)		(103,345,283)	(123,089,163)
2014	(19,823,311)		(107,237,448)	(127,060,759)
2015	(19,921,732)		(110,391,928)	(130,313,661)
2016	(19,930,137)		(112,471,883)	(132,402,019)
2017	(19,978,345)		(114,834,074)	(134,812,419)
2018	(20,027,509)		(117,243,118)	(137,270,626)
2019	(20,116,942)		(119,957,173)	(140,074,115)
2020	(20,128,728)		(122,202,848)	(142,331,576)
2021	(20,180,837)		(124,756,209)	(144,937,046)
2022	(20,233,964)		(127,359,424)	(147,593,388)
2023	(20,327,938)		(130,295,985)	(150,623,923)
2024	(20,329,720)		(132,051,481)	(152,381,201)
2025	(20,330,268)		(132,078,348)	(152,408,617)
2026	(20,330,773)		(132,103,051)	(152,433,824)
2027	(20,371,036)		(132,407,801)	(152,778,837)
Total:	(394,214,711)	(7,030,000)	(2,286,316,217)	(2,687,560,927)

GOM Based Annual Summary
Present Value

Year (May - Apr)	Transportation	Capital Investment	Supply	Total
2008	(10,179,255)	(5,413,104)	(51,084,842)	(66,677,201)
2009	(13,505,539)		(67,967,524)	(81,473,063)
2010	(12,495,515)		(63,245,683)	(75,741,198)
2011	(11,572,341)		(58,465,759)	(70,038,100)
2012	(10,692,320)		(54,657,018)	(65,349,338)
2013	(9,912,757)		(51,838,389)	(61,751,145)
2014	(9,202,320)		(49,739,531)	(58,941,852)
2015	(8,550,098)		(47,341,136)	(55,891,234)
2016	(7,907,745)		(44,590,976)	(52,498,721)
2017	(7,329,219)		(42,094,998)	(49,424,217)
2018	(6,793,303)		(39,737,797)	(46,531,100)
2019	(6,308,643)		(37,589,039)	(43,897,682)
2020	(5,835,643)		(35,401,193)	(41,236,835)
2021	(5,409,627)		(33,416,076)	(38,825,703)
2022	(5,014,930)		(31,541,406)	(36,556,336)
2023	(4,657,974)		(29,833,178)	(34,491,152)
2024	(4,306,684)		(27,956,527)	(32,263,211)
2025	(3,982,093)		(25,854,031)	(29,836,123)
2026	(3,681,958)		(23,909,261)	(27,591,219)
2027	(3,410,820)		(22,155,718)	(25,566,538)
Total:	(150,748,783)	(5,413,104)	(838,420,081)	(994,581,968)

18. For the second alternative listed in the table, please provide the nominal and present value amounts for each year during the projected period for the transportation, supply, and capital investment components separately.

Answer:

Cypress Annual Summary
Nominal Dollars

Year (May - Apr)	Transportation	Capital Investment	Supply	Total
2008	(14,636,702)	(1,160,000)	(68,231,338)	(84,028,040)
2009	(20,359,342)		(98,270,227)	(118,629,568)
2010	(20,372,481)		(98,844,006)	(119,216,487)
2011	(20,390,203)		(98,781,601)	(119,171,805)
2012	(20,395,460)		(99,847,426)	(120,242,886)
2013	(20,453,948)		(102,401,461)	(122,855,408)
2014	(20,541,952)		(106,244,405)	(126,786,356)
2015	(20,632,242)		(109,350,884)	(129,983,126)
2016	(20,659,677)		(111,385,219)	(132,044,896)
2017	(20,712,741)		(113,702,386)	(134,415,127)
2018	(20,766,928)		(116,068,608)	(136,835,536)
2019	(20,847,249)		(118,739,787)	(139,587,037)
2020	(20,878,723)		(120,950,479)	(141,829,203)
2021	(20,936,391)		(123,468,715)	(144,405,106)
2022	(20,995,267)		(126,039,695)	(147,034,963)
2023	(21,080,897)		(128,942,651)	(150,023,548)
2024	(21,101,359)		(130,672,479)	(151,773,838)
2025	(21,101,371)		(130,673,013)	(151,774,384)
2026	(21,101,366)		(130,672,774)	(151,774,140)
2027	(21,126,882)		(130,950,707)	(152,077,588)
Total:	(409,091,180)	(1,160,000)	(2,264,237,861)	(2,674,489,041)

Cypress Annual Summary
Present Value

Year (May - Apr)	Transportation	Capital Investment	Supply	Total
2008	(10,961,149)	(893,201)	(50,762,187)	(62,616,537)
2009	(14,079,731)		(67,490,802)	(81,570,534)
2010	(13,026,458)		(62,762,889)	(75,789,347)
2011	(12,053,962)		(57,980,690)	(70,034,652)
2012	(11,146,064)		(54,176,507)	(65,322,572)
2013	(10,334,879)		(51,365,371)	(61,700,250)
2014	(9,596,603)		(49,279,309)	(58,875,912)
2015	(8,911,430)		(46,895,078)	(55,806,508)
2016	(8,249,071)		(44,160,502)	(52,409,573)
2017	(7,646,591)		(41,680,466)	(49,327,058)
2018	(7,088,449)		(39,339,998)	(46,428,447)
2019	(6,578,868)		(37,207,821)	(43,786,689)
2020	(6,090,971)		(35,038,621)	(41,129,593)
2021	(5,647,194)		(33,071,424)	(38,718,618)
2022	(5,236,010)		(31,214,752)	(36,450,762)
2023	(4,860,611)		(29,523,481)	(34,384,093)
2024	(4,497,843)		(27,664,777)	(32,162,620)
2025	(4,158,734)		(25,579,121)	(29,737,855)
2026	(3,845,189)		(23,650,562)	(27,495,751)
2027	(3,559,377)		(21,912,056)	(25,471,433)
Total:	(157,569,184)	(893,201)	(830,756,418)	(989,218,803)

19. For the third alternative listed in the table, please provide the nominal and present value amounts for each year during the projected period for the transportation, supply, and capital investment components separately.

Answer:

Bahamas Based Annual Summary
Nominal Dollars

Year (May - Apr)	Transportation	Capital Investment	Supply	Total
2008	(10,282,435)	(1,350,000)	(67,507,338)	(79,139,773)
2009	(14,199,781)		(97,234,227)	(111,434,008)
2010	(14,207,044)		(97,808,006)	(112,015,050)
2011	(14,228,755)		(97,743,601)	(111,972,356)
2012	(14,219,746)		(98,811,426)	(113,031,172)
2013	(13,457,075)		(101,365,461)	(114,822,536)
2014	(13,505,720)		(105,208,405)	(118,714,125)
2015	(13,563,793)		(108,312,884)	(121,876,677)
2016	(13,570,794)		(110,349,219)	(123,920,012)
2017	(13,600,125)		(112,666,386)	(126,266,511)
2018	(13,630,077)		(115,032,608)	(128,662,685)
2019	(13,682,640)		(117,701,787)	(131,384,427)
2020	(13,691,873)		(119,914,479)	(133,606,352)
2021	(13,723,749)		(122,432,715)	(136,156,464)
2022	(13,756,293)		(125,003,695)	(138,759,989)
2023	(13,811,790)		(127,904,651)	(141,716,441)
2024	(13,814,936)		(129,636,479)	(143,451,415)
2025	(13,814,943)		(129,637,013)	(143,451,956)
2026	(13,814,940)		(129,636,774)	(143,451,714)
2027	(13,837,209)		(129,912,707)	(143,749,915)
Total:	(272,413,717)	(1,350,000)	(2,243,819,861)	(2,517,583,578)

Bahamas Based Annual Summary
Present Value

Year (May - Apr)	Transportation	Capital Investment	Supply	Total
2008	(7,659,495)	(1,039,501)	(50,223,184)	(58,922,180)
2009	(9,771,722)		(66,778,874)	(76,550,596)
2010	(9,039,554)		(62,104,636)	(71,144,190)
2011	(8,370,046)		(57,370,940)	(65,740,987)
2012	(7,732,957)		(53,613,890)	(61,346,847)
2013	(6,776,076)		(50,845,172)	(57,621,248)
2014	(6,287,814)		(48,798,330)	(55,086,144)
2015	(5,838,307)		(46,449,540)	(52,287,847)
2016	(5,400,106)		(43,749,403)	(49,149,509)
2017	(5,003,722)		(41,300,362)	(46,304,084)
2018	(4,636,623)		(38,988,551)	(43,625,174)
2019	(4,303,235)		(36,882,271)	(41,185,506)
2020	(3,980,881)		(34,738,235)	(38,719,116)
2021	(3,689,284)		(32,793,686)	(36,482,969)
2022	(3,419,193)		(30,957,954)	(34,377,147)
2023	(3,173,902)		(29,285,605)	(32,459,507)
2024	(2,934,897)		(27,445,288)	(30,380,185)
2025	(2,713,624)		(25,376,180)	(28,089,804)
2026	(2,509,032)		(23,462,922)	(25,971,954)
2027	(2,323,437)		(21,738,242)	(24,061,680)
Total:	(105,563,906)	(1,039,501)	(822,903,266)	(929,506,672)

20. For the first alternative listed in the table, please provide the annual and cumulative present value revenue requirements for PEF's system for the projected period segregated into capital, O&M, and fuel components.

Answer:

GOM Based Revenue Requirement
Nominal Value

Year (May - Apr)	Transportation	Supply	Capital	O&M	Total Rev Req
2008	(13,725,271)	(68,665,829)	(1,188,354)	(24,000)	(83,603,454)
2009	(19,654,499)	(98,965,635)	(1,145,222)	(24,600)	(119,789,956)
2010	(19,667,559)	(99,605,576)	(1,101,309)	(25,215)	(120,399,658)
2011	(19,701,675)	(99,609,112)	(1,057,673)	(25,845)	(120,394,306)
2012	(19,690,588)	(100,734,008)	(1,014,295)	(26,492)	(121,465,383)
2013	(19,743,879)	(103,345,283)	(971,155)	(27,154)	(124,087,472)
2014	(19,823,311)	(107,237,448)	(928,235)	(27,833)	(128,016,827)
2015	(19,921,732)	(110,391,928)	(885,519)	(28,528)	(131,227,708)
2016	(19,930,137)	(112,471,883)	(842,916)	(29,242)	(133,274,177)
2017	(19,978,345)	(114,834,074)	(800,330)	(29,973)	(135,642,721)
2018	(20,027,509)	(117,243,118)	(757,743)	(30,722)	(138,059,091)
2019	(20,116,942)	(119,957,173)	(715,157)	(31,490)	(140,820,762)
2020	(20,128,728)	(122,202,848)	(672,570)	(32,277)	(143,036,424)
2021	(20,180,837)	(124,756,209)	(629,984)	(33,084)	(145,600,114)
2022	(20,233,964)	(127,359,424)	(587,397)	(33,911)	(148,214,697)
2023	(20,327,938)	(130,295,985)	(544,811)	(34,759)	(151,203,493)
2024	(20,329,720)	(132,051,481)	(502,224)	(35,628)	(152,919,053)
2025	(20,330,268)	(132,078,348)	(459,638)	(36,519)	(152,904,774)
2026	(20,330,773)	(132,103,051)	(417,051)	(37,432)	(152,888,307)
2027	(20,371,036)	(132,407,801)	(373,870)	(38,368)	(153,191,075)
Total:	(394,214,711)	(2,286,316,217)	(15,595,453)	(613,072)	(2,696,739,452)

GOM Based Revenue Requirement
Cumulative Present Value

Year (May - Apr)	Transportation	Supply	Capital	O&M	Total Rev Req
2008	(10,179,255)	(51,084,842)	(877,132)	(17,715)	(62,158,944)
2009	(23,684,794)	(119,052,366)	(1,658,697)	(34,503)	(144,430,361)
2010	(36,180,309)	(182,298,049)	(2,353,627)	(50,414)	(220,882,399)
2011	(47,752,650)	(240,763,808)	(2,970,685)	(65,492)	(291,552,635)
2012	(58,444,970)	(295,420,826)	(3,517,721)	(79,780)	(357,463,297)
2013	(68,357,726)	(347,259,214)	(4,002,003)	(93,320)	(419,712,264)
2014	(77,560,047)	(396,998,745)	(4,429,983)	(106,153)	(479,094,928)
2015	(86,110,145)	(444,339,881)	(4,807,472)	(118,315)	(535,375,813)
2016	(94,017,890)	(488,930,858)	(5,139,649)	(129,838)	(588,218,235)
2017	(101,347,109)	(531,025,856)	(5,431,265)	(140,759)	(637,944,989)
2018	(108,140,412)	(570,763,653)	(5,686,548)	(151,110)	(684,741,722)
2019	(114,449,055)	(608,352,692)	(5,909,310)	(160,918)	(728,871,975)
2020	(120,284,697)	(643,753,884)	(6,102,977)	(170,213)	(770,311,772)
2021	(125,694,324)	(677,169,960)	(6,270,705)	(179,021)	(809,314,011)
2022	(130,709,255)	(708,711,366)	(6,415,304)	(187,369)	(846,023,293)
2023	(135,367,229)	(738,544,544)	(6,539,303)	(195,280)	(880,646,356)
2024	(139,673,913)	(766,501,071)	(6,644,973)	(202,776)	(913,022,733)
2025	(143,656,006)	(792,355,102)	(6,734,391)	(209,881)	(942,955,379)
2026	(147,337,963)	(816,264,363)	(6,809,407)	(216,614)	(970,628,347)
2027	(150,748,783)	(838,420,081)	(6,871,583)	(222,995)	(996,263,442)

21. For the first alternative listed in the table, please provide the same analysis as provided in Interrogatory No. 22, except assume that natural gas prices will increase at a 25 percent faster rate than currently projected.

Answer:

GOM Based Revenue Requirement
Nominal Value

Year (May - Apr)	Transportation	Supply	Capital	O&M	Total Rev Req
2008	(13,770,612)	(70,887,496)	(1,188,354)	(24,000)	(85,870,462)
2009	(19,740,111)	(103,160,652)	(1,145,222)	(24,600)	(124,070,585)
2010	(19,768,037)	(104,528,992)	(1,101,309)	(25,215)	(125,423,552)
2011	(19,812,428)	(105,036,011)	(1,057,673)	(25,845)	(125,931,958)
2012	(19,807,832)	(106,478,948)	(1,014,295)	(26,492)	(127,327,566)
2013	(19,866,895)	(109,373,026)	(971,155)	(27,154)	(130,238,229)
2014	(19,952,103)	(113,548,222)	(928,235)	(27,833)	(134,456,392)
2015	(20,056,174)	(116,979,555)	(885,519)	(28,528)	(137,949,776)
2016	(20,074,399)	(119,540,731)	(842,916)	(29,242)	(140,487,288)
2017	(20,133,166)	(122,420,341)	(800,330)	(29,973)	(143,383,809)
2018	(20,193,296)	(125,366,711)	(757,743)	(30,722)	(146,348,473)
2019	(20,294,556)	(128,660,297)	(715,157)	(31,490)	(149,701,500)
2020	(20,317,705)	(131,462,728)	(672,570)	(32,277)	(152,485,281)
2021	(20,382,069)	(134,616,571)	(629,984)	(33,084)	(155,661,708)
2022	(20,447,904)	(137,842,500)	(587,397)	(33,911)	(158,911,712)
2023	(20,555,623)	(141,452,580)	(544,811)	(34,759)	(162,587,773)
2024	(20,569,146)	(143,783,334)	(502,224)	(35,628)	(164,890,332)
2025	(20,578,579)	(144,245,582)	(459,638)	(36,519)	(165,320,318)
2026	(20,587,990)	(144,706,695)	(417,051)	(37,432)	(165,749,168)
2027	(20,637,829)	(145,480,664)	(373,870)	(38,368)	(166,530,731)
Total:	(397,546,454)	(2,449,571,635)	(15,595,453)	(613,072)	(2,863,326,614)

GOM Based Revenue Requirement
Cumulative Present Value

Year (May - Apr)	Transportation	Supply	Capital	O&M	Total Rev Req
2008	(10,212,845)	(52,730,721)	(877,132)	(17,715)	(63,838,412)
2009	(23,776,951)	(123,568,050)	(1,658,697)	(34,503)	(149,038,202)
2010	(36,336,110)	(189,932,264)	(2,353,627)	(50,414)	(228,672,415)
2011	(47,973,340)	(251,577,608)	(2,970,685)	(65,492)	(302,587,125)
2012	(58,729,178)	(309,347,039)	(3,517,721)	(79,780)	(371,673,719)
2013	(68,703,554)	(364,204,760)	(4,002,003)	(93,320)	(437,003,637)
2014	(77,965,535)	(416,867,652)	(4,429,983)	(106,153)	(499,369,322)
2015	(86,573,190)	(467,029,077)	(4,807,472)	(118,315)	(558,528,054)
2016	(94,538,038)	(514,418,101)	(5,139,649)	(129,838)	(614,225,626)
2017	(101,923,924)	(559,289,759)	(5,431,265)	(140,759)	(666,785,708)
2018	(108,773,335)	(601,776,897)	(5,686,548)	(151,110)	(716,387,890)
2019	(115,137,556)	(642,089,243)	(5,909,310)	(160,918)	(763,297,027)
2020	(121,027,870)	(680,169,335)	(6,102,977)	(170,213)	(807,470,395)
2021	(126,491,327)	(716,223,096)	(6,270,705)	(179,021)	(849,164,149)
2022	(131,559,175)	(750,357,464)	(6,415,304)	(187,369)	(888,519,311)
2023	(136,269,218)	(782,742,011)	(6,539,303)	(195,280)	(925,745,812)
2024	(140,626,532)	(813,179,418)	(6,644,973)	(202,776)	(960,653,699)
2025	(144,657,177)	(841,412,502)	(6,734,391)	(209,881)	(993,013,950)
2026	(148,385,638)	(867,600,428)	(6,809,407)	(216,614)	(1,023,012,086)
2027	(151,841,054)	(891,941,316)	(6,871,583)	(222,995)	(1,050,876,948)

22. For the second alternative listed in the table, please provide the annual and cumulative present value revenue requirements for PEF's system for the projected period segregated into capital, O&M, and fuel components.

Answer:

Cypress Revenue Requirement
Nominal Value

Year (May - Apr)	Transportation	Supply	Capital	O&M	Total Rev Req
2008	(14,636,702)	(68,231,338)	(212,444)	(24,000)	(83,104,484)
2009	(20,359,342)	(98,270,227)	(204,307)	(24,600)	(118,858,476)
2010	(20,372,481)	(98,844,006)	(195,389)	(25,215)	(119,437,091)
2011	(20,390,203)	(98,781,601)	(186,749)	(25,845)	(119,384,399)
2012	(20,395,460)	(99,847,426)	(178,367)	(26,492)	(120,447,744)
2013	(20,453,948)	(102,401,461)	(170,222)	(27,154)	(123,052,784)
2014	(20,541,952)	(106,244,405)	(162,297)	(27,833)	(126,976,486)
2015	(20,632,242)	(109,350,884)	(154,576)	(28,528)	(130,166,231)
2016	(20,659,677)	(111,385,219)	(146,969)	(29,242)	(132,221,107)
2017	(20,712,741)	(113,702,386)	(139,378)	(29,973)	(134,584,477)
2018	(20,766,928)	(116,068,608)	(131,787)	(30,722)	(136,998,045)
2019	(20,847,249)	(118,739,787)	(124,196)	(31,490)	(139,742,723)
2020	(20,878,723)	(120,950,479)	(116,605)	(32,277)	(141,978,085)
2021	(20,936,391)	(123,468,715)	(109,014)	(33,084)	(144,547,204)
2022	(20,995,267)	(126,039,695)	(101,423)	(33,911)	(147,170,297)
2023	(21,080,897)	(128,942,651)	(93,832)	(34,759)	(150,152,139)
2024	(21,101,359)	(130,672,479)	(86,241)	(35,628)	(151,895,706)
2025	(21,101,371)	(130,673,013)	(78,649)	(36,519)	(151,889,552)
2026	(21,101,366)	(130,672,774)	(71,058)	(37,432)	(151,882,630)
2027	(21,126,882)	(130,950,707)	(62,872)	(38,368)	(152,178,828)
Total:	(409,091,180)	(2,264,237,861)	(2,726,375)	(613,072)	(2,676,668,488)

Cypress Revenue Requirement
Cumulative Present Value

Year (May - Apr)	Transportation	Supply	Capital	O&M	Total Rev Req
2008	(10,961,149)	(50,762,187)	(156,806)	(17,715)	(61,897,857)
2009	(25,040,881)	(118,252,990)	(296,237)	(34,503)	(143,624,610)
2010	(38,067,338)	(181,015,879)	(419,529)	(50,414)	(219,553,159)
2011	(50,121,300)	(238,996,569)	(528,480)	(65,492)	(289,711,841)
2012	(61,267,364)	(293,173,076)	(624,678)	(79,780)	(355,144,898)
2013	(71,602,243)	(344,538,448)	(709,562)	(93,320)	(416,943,573)
2014	(81,198,845)	(393,817,757)	(784,392)	(106,153)	(475,907,148)
2015	(90,110,276)	(440,712,835)	(850,287)	(118,315)	(531,791,712)
2016	(98,359,347)	(484,873,337)	(908,204)	(129,838)	(584,270,727)
2017	(106,005,938)	(526,553,803)	(958,990)	(140,759)	(633,659,490)
2018	(113,094,387)	(565,893,801)	(1,003,388)	(151,110)	(680,142,687)
2019	(119,673,255)	(603,101,623)	(1,042,074)	(160,918)	(723,977,870)
2020	(125,764,227)	(638,140,244)	(1,075,650)	(170,213)	(765,150,333)
2021	(131,411,421)	(671,211,668)	(1,104,674)	(179,021)	(803,906,784)
2022	(136,647,431)	(702,426,420)	(1,129,641)	(187,369)	(840,390,861)
2023	(141,508,042)	(731,949,902)	(1,150,997)	(195,280)	(874,804,222)
2024	(146,005,885)	(759,614,679)	(1,169,143)	(202,776)	(906,992,483)
2025	(150,164,619)	(785,193,800)	(1,184,443)	(209,881)	(936,752,743)
2026	(154,009,808)	(808,844,362)	(1,197,225)	(216,614)	(964,268,008)
2027	(157,569,184)	(830,756,418)	(1,207,681)	(222,995)	(989,756,278)

23. For the second alternative listed in the table, please provide the same analysis as provided in Interrogatory No. 20, except assume that natural gas prices will increase at a 25 percent faster rate than currently projected.

Answer:

Cypress Revenue Requirement
Nominal Value

Year (May - Apr)	Transportation	Supply	Capital	O&M	Total Rev Req
2008	(14,687,579)	(70,453,006)	(212,444)	(24,000)	(85,377,028)
2009	(20,455,408)	(102,465,244)	(204,307)	(24,600)	(123,149,559)
2010	(20,485,228)	(103,767,422)	(195,389)	(25,215)	(124,473,254)
2011	(20,514,480)	(104,208,500)	(186,749)	(25,845)	(124,935,575)
2012	(20,527,020)	(105,592,366)	(178,367)	(26,492)	(126,324,244)
2013	(20,591,984)	(108,429,203)	(170,222)	(27,154)	(129,218,563)
2014	(20,686,469)	(112,555,179)	(162,297)	(27,833)	(133,431,778)
2015	(20,783,100)	(115,938,511)	(154,576)	(28,528)	(136,904,715)
2016	(20,821,555)	(118,454,068)	(146,969)	(29,242)	(139,451,834)
2017	(20,886,468)	(121,288,652)	(139,378)	(29,973)	(142,344,470)
2018	(20,952,959)	(124,192,202)	(131,787)	(30,722)	(145,307,671)
2019	(21,046,552)	(127,442,911)	(124,196)	(31,490)	(148,645,149)
2020	(21,090,776)	(130,210,359)	(116,605)	(32,277)	(151,450,018)
2021	(21,162,195)	(133,329,077)	(109,014)	(33,084)	(154,633,370)
2022	(21,235,332)	(136,522,770)	(101,423)	(33,911)	(157,893,436)
2023	(21,336,385)	(140,099,246)	(93,832)	(34,759)	(161,564,222)
2024	(21,370,020)	(142,404,332)	(86,241)	(35,628)	(163,896,221)
2025	(21,380,003)	(142,840,247)	(78,649)	(36,519)	(164,335,418)
2026	(21,389,991)	(143,276,418)	(71,058)	(37,432)	(164,774,899)
2027	(21,426,253)	(144,023,569)	(62,872)	(38,368)	(165,551,062)
Total:	(412,829,758)	(2,427,493,280)	(2,726,375)	(613,072)	(2,843,662,485)

Cypress Revenue Requirement
Cumulative Present Value

Year (May - Apr)	Transportation	Supply	Capital	O&M	Total Rev Req
2008	(10,998,840)	(52,408,066)	(156,806)	(17,715)	(63,581,427)
2009	(25,144,291)	(122,768,674)	(296,237)	(34,503)	(148,243,704)
2010	(38,242,163)	(188,650,094)	(419,529)	(50,414)	(227,362,199)
2011	(50,368,938)	(249,810,370)	(528,480)	(65,492)	(300,773,280)
2012	(61,586,277)	(307,099,290)	(624,678)	(79,780)	(369,390,025)
2013	(71,990,299)	(361,483,993)	(709,562)	(93,320)	(434,277,174)
2014	(81,653,847)	(413,686,663)	(784,392)	(106,153)	(496,231,055)
2015	(90,629,862)	(463,402,031)	(850,287)	(118,315)	(555,000,495)
2016	(98,943,009)	(510,360,580)	(908,204)	(129,838)	(610,341,632)
2017	(106,653,187)	(554,817,707)	(958,990)	(140,759)	(662,570,643)
2018	(113,804,596)	(596,907,046)	(1,003,388)	(151,110)	(711,866,140)
2019	(120,445,828)	(636,838,174)	(1,042,074)	(160,918)	(758,486,994)
2020	(126,598,147)	(674,555,695)	(1,075,650)	(170,213)	(802,399,705)
2021	(132,305,745)	(710,264,804)	(1,104,674)	(179,021)	(843,854,244)
2022	(137,601,134)	(744,072,518)	(1,129,641)	(187,369)	(882,990,662)
2023	(142,520,172)	(776,147,368)	(1,150,997)	(195,280)	(920,013,818)
2024	(147,074,827)	(806,293,026)	(1,169,143)	(202,776)	(954,739,772)
2025	(151,288,042)	(834,251,200)	(1,184,443)	(209,881)	(986,933,566)
2026	(155,185,413)	(860,180,427)	(1,197,225)	(216,614)	(1,016,779,678)
2027	(158,794,830)	(884,277,654)	(1,207,681)	(222,995)	(1,044,503,159)

24. For the third alternative listed in the table, please provide the annual and cumulative present value revenue requirements for PEF's system for the projected period segregated into capital, O&M, and fuel components.

Answer:

Bahamas Based Revenue Requirement
Nominal Value

Year (May - Apr)	Transportation	Supply	Capital	O&M	Total Rev Req
2008	(10,282,435)	(67,507,338)	(224,443)	(24,000)	(78,038,216)
2009	(14,199,781)	(97,234,227)	(216,394)	(24,600)	(111,675,002)
2010	(14,207,044)	(97,808,006)	(208,346)	(25,215)	(112,248,611)
2011	(14,228,755)	(97,743,601)	(200,298)	(25,845)	(112,198,499)
2012	(14,219,746)	(98,811,426)	(192,249)	(26,492)	(113,249,913)
2013	(13,457,075)	(101,365,461)	(184,201)	(27,154)	(115,033,890)
2014	(13,505,720)	(105,208,405)	(176,153)	(27,833)	(118,918,110)
2015	(13,563,793)	(108,312,884)	(168,104)	(28,528)	(122,073,310)
2016	(13,570,794)	(110,349,219)	(160,056)	(29,242)	(124,109,310)
2017	(13,600,125)	(112,666,386)	(152,008)	(29,973)	(126,448,491)
2018	(13,630,077)	(115,032,608)	(143,959)	(30,722)	(128,837,367)
2019	(13,682,640)	(117,701,787)	(135,911)	(31,490)	(131,551,828)
2020	(13,691,873)	(119,914,479)	(127,863)	(32,277)	(133,766,492)
2021	(13,723,749)	(122,432,715)	(119,814)	(33,084)	(136,309,363)
2022	(13,756,293)	(125,003,695)	(111,766)	(33,911)	(138,905,666)
2023	(13,811,790)	(127,904,651)	(103,718)	(34,759)	(141,854,918)
2024	(13,814,936)	(129,636,479)	(95,669)	(35,628)	(143,582,712)
2025	(13,814,943)	(129,637,013)	(87,621)	(36,519)	(143,576,095)
2026	(13,814,940)	(129,636,774)	(79,573)	(37,432)	(143,568,718)
2027	(13,837,209)	(129,912,707)	(71,524)	(38,368)	(143,859,807)
Total:	(272,413,717)	(2,243,819,861)	(2,959,669)	(613,072)	(2,519,806,319)

Bahamas Based Revenue Requirement
Cumulative Present Value

Year (May - Apr)	Transportation	Supply	Capital	O&M	Total Rev Req
2008	(7,659,495)	(50,223,184)	(165,663)	(17,715)	(58,066,057)
2009	(17,431,217)	(117,002,058)	(313,343)	(34,503)	(134,781,121)
2010	(26,470,771)	(179,106,694)	(444,810)	(50,414)	(206,072,689)
2011	(34,840,818)	(236,477,635)	(561,665)	(65,492)	(271,945,610)
2012	(42,573,775)	(290,091,525)	(665,351)	(79,780)	(333,410,430)
2013	(49,349,850)	(340,936,697)	(757,205)	(93,320)	(391,137,073)
2014	(55,637,664)	(389,735,027)	(838,424)	(106,153)	(446,317,268)
2015	(61,475,971)	(436,184,567)	(910,085)	(118,315)	(498,688,938)
2016	(66,876,078)	(479,933,970)	(973,160)	(129,838)	(547,913,046)
2017	(71,879,800)	(521,234,332)	(1,028,547)	(140,759)	(594,283,438)
2018	(76,516,422)	(560,222,883)	(1,077,047)	(151,110)	(637,967,462)
2019	(80,819,657)	(597,105,154)	(1,119,381)	(160,918)	(679,205,111)
2020	(84,800,537)	(631,843,389)	(1,156,200)	(170,213)	(717,970,339)
2021	(88,489,821)	(664,637,075)	(1,188,099)	(179,021)	(754,494,016)
2022	(91,909,014)	(695,595,028)	(1,215,612)	(187,369)	(788,907,023)
2023	(95,082,916)	(724,880,633)	(1,239,218)	(195,280)	(821,398,048)
2024	(98,017,813)	(752,325,921)	(1,259,348)	(202,776)	(851,805,858)
2025	(100,731,437)	(777,702,101)	(1,276,393)	(209,881)	(879,919,812)
2026	(103,240,469)	(801,165,023)	(1,290,706)	(216,614)	(905,912,812)
2027	(105,563,906)	(822,903,266)	(1,302,601)	(222,995)	(929,992,767)

25. For the third alternative listed in the table, please provide the same analysis as provided in Interrogatory No. 24, except assume that natural gas prices will increase at a 25 percent faster rate than currently projected.

Answer:

Bahamas Based Revenue Requirement
Nominal Value

Year (May - Apr)	Transportation	Supply	Capital	O&M	Total Rev Req
2008	(10,310,558)	(69,729,006)	(224,443)	(24,000)	(80,288,006)
2009	(14,252,882)	(101,429,244)	(216,394)	(24,600)	(115,923,121)
2010	(14,269,366)	(102,731,422)	(208,346)	(25,215)	(117,234,348)
2011	(14,297,450)	(103,170,500)	(200,298)	(25,845)	(117,694,093)
2012	(14,292,466)	(104,556,366)	(192,249)	(26,492)	(119,067,573)
2013	(13,533,376)	(107,393,203)	(184,201)	(27,154)	(121,137,933)
2014	(13,585,603)	(111,519,179)	(176,153)	(27,833)	(125,308,767)
2015	(13,647,181)	(114,900,511)	(168,104)	(28,528)	(128,744,324)
2016	(13,660,273)	(117,418,068)	(160,056)	(29,242)	(131,267,638)
2017	(13,696,153)	(120,252,652)	(152,008)	(29,973)	(134,130,786)
2018	(13,732,907)	(123,156,202)	(143,959)	(30,722)	(137,063,791)
2019	(13,792,806)	(126,404,911)	(135,911)	(31,490)	(140,365,118)
2020	(13,809,086)	(129,174,359)	(127,863)	(32,277)	(143,143,586)
2021	(13,848,564)	(132,293,077)	(119,814)	(33,084)	(146,294,539)
2022	(13,888,990)	(135,486,770)	(111,766)	(33,911)	(149,521,438)
2023	(13,953,013)	(139,061,246)	(103,718)	(34,759)	(153,152,736)
2024	(13,963,441)	(141,368,332)	(95,669)	(35,628)	(155,463,070)
2025	(13,968,958)	(141,804,247)	(87,621)	(36,519)	(155,897,345)
2026	(13,974,480)	(142,240,418)	(79,573)	(37,432)	(156,331,902)
2027	(14,002,688)	(142,985,569)	(71,524)	(38,368)	(157,098,149)
Total:	(274,480,241)	(2,407,075,280)	(2,959,669)	(613,072)	(2,685,128,261)

Bahamas Based Revenue Requirement
Cumulative Present Value

Year (May - Apr)	Transportation	Supply	Capital	O&M	Total Rev Req
2008	(7,680,329)	(51,869,063)	(165,663)	(17,715)	(59,732,769)
2009	(17,488,377)	(121,517,742)	(313,343)	(34,503)	(139,353,965)
2010	(26,567,407)	(186,740,909)	(444,810)	(50,414)	(213,803,539)
2011	(34,977,701)	(247,291,435)	(561,665)	(65,492)	(282,896,294)
2012	(42,750,056)	(304,017,738)	(665,351)	(79,780)	(347,512,925)
2013	(49,564,351)	(357,882,242)	(757,205)	(93,320)	(408,297,119)
2014	(55,889,169)	(409,603,933)	(838,424)	(106,153)	(466,437,680)
2015	(61,763,176)	(458,873,763)	(910,085)	(118,315)	(521,665,339)
2016	(67,198,701)	(505,421,213)	(973,160)	(129,838)	(573,722,912)
2017	(72,237,571)	(549,498,235)	(1,028,547)	(140,759)	(622,905,113)
2018	(76,908,995)	(591,236,127)	(1,077,047)	(151,110)	(669,373,279)
2019	(81,246,702)	(630,841,705)	(1,119,381)	(160,918)	(713,368,707)
2020	(85,261,492)	(668,258,840)	(1,156,200)	(170,213)	(754,846,744)
2021	(88,984,164)	(703,690,210)	(1,188,099)	(179,021)	(794,041,495)
2022	(92,436,180)	(737,241,126)	(1,215,612)	(187,369)	(831,080,287)
2023	(95,642,378)	(769,078,100)	(1,239,218)	(195,280)	(866,154,976)
2024	(98,608,678)	(799,004,268)	(1,259,348)	(202,776)	(899,075,070)
2025	(101,352,417)	(826,759,501)	(1,276,393)	(209,881)	(929,598,192)
2026	(103,890,293)	(852,501,088)	(1,290,706)	(216,614)	(957,898,700)
2027	(106,241,390)	(876,424,501)	(1,302,601)	(222,995)	(984,191,487)

(CDP4)

INTERROGATORIES

26. Please list and describe the reasons for the difference in capital investment between the first and second alternatives.

Answer:

Certain gas infrastructure facility additions and/or improvements are required in conjunction with delivering natural gas to the Hines 4. The following table summarizes the facility additions and/or improvements along with estimated capital costs.

Pressure Upgrades to 550 psi	$8,020,000
Blending Station for FGT/Gulfstream Simultaneous Flow of Gas	$1,160,000
Measurement Facilities	$1,350,000
Total	$10,530,000

The amount of capital investment reflected in each alternative is a function of how much capital each of the bidders was willing to absorb and recover through its respective proposed transportation rates. The bidder for the GOM Based alternative was willing to absorb $3,500,000 of capital investment (summarized above), resulting in Progress Energy Florida to fund the remaining $7,030,000 of capital. For the Cypress alternative, FGT was willing absorb the cost for Pressure Upgrades and Measurement Facilities, resulting in Progress Energy Florida to fund the $1,160,000 Blending Station. For the Bahamas Based alternative, the bidder was willing to absorb the Pressure Upgrades and Blending Station, resulting in Progress Energy Florida to fund the $1,350,000 Measurement Facilities.

CONFIDENTIAL

27. Please list and describe the reasons for the difference in transportation between the second and third alternatives.

Answer:

The difference in transportation is due to difference in transportation rates proposed by the respective bidders. The second alternative (Cypress) reflects negotiated transportation rates associated with Southern Natural Gas' Cypress Pipeline Expansion project as well transportation rates associated with the Florida Gas Transmission (FGT) system. The third alternative (Bahamas Based) reflects the bidder's bundled proposed transportation rates associated with two components of transportation: (1) transportation associated with a new undersea pipeline to be built by an affiliate of the bidder from the bidder's proposed Greenfield LNG gasification facility located in the Bahamas and terminating at an interconnection with the FGT system; and (2) transportation capacity acquired by the bidder on the FGT system. The following table summarizes the proposed transportation rates for the second and third alternatives.

	Fixed Transportation -$/Dt			
Alternative	Summer	Winter	Commodity Charge $/Dt	Fuel Charge
Second – Cypress:				
Southern Natural Gas	$0.3550	$0.3550	$0.0211	0.75%
Florida Gas Transmission	$0.7690	$0.1000	None	1.50%
Third – Bahamas Based				
Years 1	$0.6600	$0.6100	$0.0094	1.25%
Years 2 – 5	$0.6600	$0.5538	$0.0094	1.25%
Years 6 - 20	$0.6600	$0.4600	$0.0094	1.25%

Please refer to Exhibit PRM-6 to Pamela R. Murphy's December 20, 2004, pre-filed testimony for Interrogatory Nos. 30-37.

30. For the first alternative listed in the table, please provide the nominal and present value amounts for each year during the projected period for the transportation, supply, and capital investment components separately.

Answer:

Cypress Annual Summary
Nominal Dollars

Year (May - Apr)	Transportation	Capital Investment	Supply	Total
2007	(14,810,432)	(1,160,000)	(75,295,053)	(91,265,485)
2008	(20,351,179)		(97,913,768)	(118,264,946)
2009	(25,449,177)		(122,837,784)	(148,286,961)
2010	(25,465,601)		(123,555,007)	(149,020,608)
2011	(25,487,754)		(123,477,001)	(148,964,756)
2012	(25,494,325)		(124,809,283)	(150,303,608)
2013	(25,567,434)		(128,001,826)	(153,569,260)
2014	(25,677,440)		(132,805,506)	(158,482,945)
2015	(25,790,302)		(136,688,605)	(162,478,908)
2016	(25,824,596)		(139,231,524)	(165,056,120)
2017	(25,890,926)		(142,127,982)	(168,018,908)
2018	(25,958,660)		(145,085,760)	(171,044,420)
2019	(26,059,062)		(148,424,734)	(174,483,796)
2020	(26,098,404)		(151,188,099)	(177,286,503)
2021	(26,170,489)		(154,335,894)	(180,506,383)
2022	(26,244,084)		(157,549,619)	(183,793,703)
2023	(26,351,121)		(161,178,314)	(187,529,435)
2024	(26,376,699)		(163,340,598)	(189,717,297)
2025	(26,376,714)		(163,341,266)	(189,717,980)
2026	(26,376,707)		(163,340,968)	(189,717,675)
Total:	(501,821,106)	(1,160,000)	(2,754,528,591)	(3,257,509,697)

Cypress Annual Summary
Present Value

Year (May - Apr)	Transportation	Capital Investment	Supply	Total
2007	(11,997,838)	(966,241)	(60,639,577)	(73,603,656)
2008	(15,221,541)		(72,719,929)	(87,941,469)
2009	(17,599,664)		(84,363,503)	(101,963,167)
2010	(16,283,072)		(78,453,612)	(94,736,684)
2011	(15,067,452)		(72,475,863)	(87,543,315)
2012	(13,932,580)		(67,720,634)	(81,653,215)
2013	(12,918,598)		(64,206,714)	(77,125,313)
2014	(11,995,753)		(61,599,137)	(73,594,890)
2015	(11,139,288)		(58,618,848)	(69,758,135)
2016	(10,311,339)		(55,200,627)	(65,511,966)
2017	(9,558,239)		(52,100,583)	(61,658,822)
2018	(8,860,561)		(49,174,998)	(58,035,559)
2019	(8,223,585)		(46,509,777)	(54,733,362)
2020	(7,613,714)		(43,798,276)	(51,411,991)
2021	(7,058,993)		(41,339,280)	(48,398,273)
2022	(6,545,012)		(39,018,440)	(45,563,453)
2023	(6,075,764)		(36,904,352)	(42,980,116)
2024	(5,622,303)		(34,580,972)	(40,203,275)
2025	(5,198,417)		(31,973,901)	(37,172,318)
2026	(4,806,486)		(29,563,203)	(34,369,689)
Total:	(206,030,202)	(966,241)	(1,080,962,224)	(1,287,958,667)

31. For the second alternative listed in the table, please provide the nominal and present value amounts for each year during the projected period for the transportation, supply, and capital investment components separately.

Answer:

Market Proxy Annual Summary
Nominal Dollars

Year (May - Apr)	Transportation	Capital Investment	Supply	Total
2007	(13,889,785)	(7,030,000)	(75,684,418)	(96,604,204)
2008	(19,644,515)		(98,476,424)	(118,120,939)
2009	(24,566,422)		(123,623,671)	(148,190,093)
2010	(24,582,761)		(124,424,268)	(149,007,028)
2011	(24,625,457)		(124,431,196)	(149,056,653)
2012	(24,611,679)		(125,841,276)	(150,452,956)
2013	(24,678,389)		(129,110,053)	(153,788,442)
2014	(24,777,884)		(133,985,285)	(158,763,168)
2015	(24,900,999)		(137,932,722)	(162,833,720)
2016	(24,911,447)		(140,529,893)	(165,441,340)
2017	(24,971,782)		(143,486,312)	(168,458,094)
2018	(25,033,293)		(146,500,371)	(171,533,665)
2019	(25,145,150)		(149,896,152)	(175,041,302)
2020	(25,159,948)		(152,706,449)	(177,866,397)
2021	(25,225,150)		(155,901,355)	(181,126,505)
2022	(25,291,633)		(159,158,986)	(184,450,619)
2023	(25,409,139)		(162,831,624)	(188,240,763)
2024	(25,411,419)		(165,028,539)	(190,439,959)
2025	(25,412,164)		(165,065,018)	(190,477,182)
2026	(25,412,830)		(165,097,637)	(190,510,467)
Total:	(483,661,847)	(7,030,000)	(2,779,711,650)	(3,270,403,497)

Market Proxy Annual Summary
Present Value

Year (May - Apr)	Transportation	Capital Investment	Supply	Total
2007	(11,147,283)	(5,855,756)	(60,952,276)	(77,955,316)
2008	(14,599,199)		(73,136,939)	(87,736,138)
2009	(16,880,755)		(84,902,154)	(101,782,909)
2010	(15,618,322)		(79,004,587)	(94,622,908)
2011	(14,464,465)		(73,035,112)	(87,499,577)
2012	(13,364,555)		(68,279,888)	(81,644,443)
2013	(12,390,213)		(64,762,068)	(77,152,281)
2014	(11,502,317)		(62,145,830)	(73,648,147)
2015	(10,687,122)		(59,151,910)	(69,839,032)
2016	(9,884,196)		(55,714,934)	(65,599,130)
2017	(9,161,103)		(52,598,107)	(61,759,210)
2018	(8,491,258)		(49,654,096)	(58,145,354)
2019	(7,885,482)		(46,970,523)	(54,856,004)
2020	(7,294,275)		(44,237,837)	(51,532,111)
2021	(6,761,794)		(41,758,325)	(48,520,118)
2022	(6,268,459)		(39,416,774)	(45,685,233)
2023	(5,822,289)		(37,282,686)	(43,104,975)
2024	(5,383,200)		(34,938,072)	(40,321,273)
2025	(4,977,484)		(32,311,093)	(37,288,577)
2026	(4,602,332)		(29,880,932)	(34,483,263)
Total:	(197,186,102)	(5,855,756)	(1,090,134,140)	(1,293,175,998)

32. For the first alternative listed in the table, please provide the annual and cumulative present value revenue requirements for PEF's system for the projected period segregated into capital, O&M, and fuel components.

Answer:

Cypress Revenue Requirement
Nominal Value

Year (May - Apr)	Transportation	Supply	Capital	O&M	Total Rev Req
2008	(14,810,432)	(75,295,053)	(212,444)	(24,000)	(90,341,929)
2009	(20,351,179)	(97,913,768)	(204,307)	(24,600)	(118,493,853)
2010	(25,449,177)	(122,837,784)	(195,389)	(25,215)	(148,507,565)
2011	(25,465,601)	(123,555,007)	(186,749)	(25,845)	(149,233,203)
2012	(25,487,754)	(123,477,001)	(178,367)	(26,492)	(149,169,614)
2013	(25,494,325)	(124,809,283)	(170,222)	(27,154)	(150,500,983)
2014	(25,567,434)	(128,001,826)	(162,297)	(27,833)	(153,759,390)
2015	(25,677,440)	(132,805,506)	(154,576)	(28,528)	(158,666,050)
2016	(25,790,302)	(136,688,605)	(146,969)	(29,242)	(162,655,118)
2017	(25,824,596)	(139,231,524)	(139,378)	(29,973)	(165,225,471)
2018	(25,890,926)	(142,127,982)	(131,787)	(30,722)	(168,181,417)
2019	(25,958,660)	(145,085,760)	(124,196)	(31,490)	(171,200,106)
2020	(26,059,062)	(148,424,734)	(116,605)	(32,277)	(174,632,678)
2021	(26,098,404)	(151,188,099)	(109,014)	(33,084)	(177,428,601)
2022	(26,170,489)	(154,335,894)	(101,423)	(33,911)	(180,641,717)
2023	(26,244,084)	(157,549,619)	(93,832)	(34,759)	(183,922,294)
2024	(26,351,121)	(161,178,314)	(86,241)	(35,628)	(187,651,304)
2025	(26,376,699)	(163,340,598)	(78,649)	(36,519)	(189,832,465)
2026	(26,376,714)	(163,341,266)	(71,058)	(37,432)	(189,826,470)
2027	(26,376,707)	(163,340,968)	(62,872)	(38,368)	(189,818,914)
Total:	(501,821,106)	(2,754,528,591)	(2,726,375)	(613,072)	(3,259,689,144)

Cypress Revenue Requirement
Cumulative Present Value:

Year (May - Apr)	Transportation:	Supply:	Capital:	O&M:	Total Rev Req:
2008	(11,997,838)	(60,639,577)	(169,623)	(19,162)	(72,826,201)
2009	(27,219,379)	(133,359,506)	(320,423)	(37,320)	(160,936,628)
2010	(44,819,043)	(217,723,008)	(453,768)	(54,528)	(263,050,348)
2011	(61,102,115)	(296,176,620)	(571,608)	(70,837)	(357,921,180)
2012	(76,169,567)	(368,652,483)	(675,669)	(86,292)	(445,584,011)
2013	(90,102,147)	(436,373,117)	(767,474)	(100,937)	(527,343,675)
2014	(103,020,746)	(500,579,831)	(848,406)	(114,816)	(604,563,799)
2015	(115,016,499)	(562,178,968)	(919,676)	(127,970)	(678,243,113)
2016	(126,155,787)	(620,797,816)	(982,328)	(140,435)	(748,076,366)
2017	(136,467,126)	(675,998,443)	(1,037,254)	(152,247)	(813,655,070)
2018	(146,025,365)	(728,099,026)	(1,085,274)	(163,441)	(875,373,105)
2019	(154,885,926)	(777,274,023)	(1,127,115)	(174,050)	(933,461,114)
2020	(163,109,511)	(823,783,800)	(1,163,436)	(184,104)	(988,240,851)
2021	(170,723,226)	(867,582,076)	(1,194,827)	(193,630)	(1,039,693,759)
2022	(177,782,218)	(908,921,357)	(1,221,830)	(202,659)	(1,088,128,064)
2023	(184,327,231)	(947,939,797)	(1,244,928)	(211,216)	(1,133,723,171)
2024	(190,402,995)	(984,844,149)	(1,264,556)	(219,325)	(1,176,731,025)
2025	(196,025,298)	(1,019,425,120)	(1,281,104)	(227,008)	(1,216,958,531)
2026	(201,223,716)	(1,051,399,021)	(1,294,928)	(234,290)	(1,254,151,955)
2027	(206,030,202)	(1,080,962,224)	(1,306,237)	(241,192)	(1,288,539,854)

33. For the first alternative listed in the table, please provide the same analysis as provided in Interrogatory No. 32, except assume that natural gas prices will increase at a 25 percent faster rate than currently projected.

Answer:

Cypress Revenue Requirement
Nominal Value

Year (May - Apr)	Transportation	Supply	Capital	O&M	Total Rev Req
2008	(14,844,776)	(76,794,796)	(212,444)	(24,000)	(91,876,016)
2009	(20,425,313)	(101,151,057)	(204,307)	(24,600)	(121,805,277)
2010	(25,569,260)	(128,081,555)	(195,389)	(25,215)	(153,871,419)
2011	(25,606,535)	(129,709,277)	(186,749)	(25,845)	(155,528,407)
2012	(25,643,100)	(130,260,625)	(178,367)	(26,492)	(156,108,584)
2013	(25,658,775)	(131,990,457)	(170,222)	(27,154)	(157,846,608)
2014	(25,739,980)	(135,536,504)	(162,297)	(27,833)	(161,466,613)
2015	(25,858,087)	(140,693,973)	(154,576)	(28,528)	(166,735,165)
2016	(25,978,875)	(144,923,139)	(146,969)	(29,242)	(171,078,224)
2017	(26,026,944)	(148,067,585)	(139,378)	(29,973)	(174,263,879)
2018	(26,108,084)	(151,610,815)	(131,787)	(30,722)	(177,881,409)
2019	(26,191,199)	(155,240,253)	(124,196)	(31,490)	(181,587,138)
2020	(26,308,191)	(159,303,638)	(116,605)	(32,277)	(185,760,711)
2021	(26,363,470)	(162,762,949)	(109,014)	(33,084)	(189,268,517)
2022	(26,452,744)	(166,661,346)	(101,423)	(33,911)	(193,249,424)
2023	(26,544,164)	(170,653,463)	(93,832)	(34,759)	(197,326,218)
2024	(26,670,481)	(175,124,058)	(86,241)	(35,628)	(201,916,407)
2025	(26,712,525)	(178,005,415)	(78,649)	(36,519)	(204,833,108)
2026	(26,725,004)	(178,550,308)	(71,058)	(37,432)	(205,383,802)
2027	(26,737,489)	(179,095,522)	(62,872)	(38,368)	(205,934,251)
Total:	(506,164,998)	(2,944,216,734)	(2,726,375)	(613,072)	(3,453,721,179)

Cypress Revenue Requirement
Cumulative Present Value

Year (May - Apr)	Transportation	Supply	Capital	O&M	Total Rev Req
2008	(12,025,344)	(61,840,694)	(169,623)	(19,162)	(74,054,824)
2009	(27,301,703)	(136,954,424)	(320,423)	(37,320)	(164,613,870)
2010	(44,983,516)	(224,905,183)	(453,768)	(54,528)	(270,396,996)
2011	(61,355,857)	(307,256,958)	(571,608)	(70,837)	(369,255,260)
2012	(76,514,325)	(383,707,303)	(675,669)	(86,292)	(460,983,589)
2013	(90,535,999)	(455,318,454)	(767,474)	(100,937)	(546,722,864)
2014	(103,541,026)	(523,299,333)	(848,406)	(114,816)	(627,803,581)
2015	(115,620,461)	(588,552,670)	(919,676)	(127,970)	(705,220,778)
2016	(126,840,481)	(650,696,880)	(982,328)	(140,435)	(778,660,124)
2017	(137,231,914)	(709,395,066)	(1,037,254)	(152,247)	(847,816,482)
2018	(146,869,636)	(764,966,475)	(1,085,274)	(163,441)	(913,084,826)
2019	(155,808,898)	(817,578,149)	(1,127,115)	(174,050)	(974,688,211)
2020	(164,110,438)	(867,492,059)	(1,163,436)	(184,104)	(1,032,950,037)
2021	(171,800,837)	(914,638,959)	(1,194,827)	(193,630)	(1,087,828,253)
2022	(178,935,334)	(959,275,346)	(1,221,830)	(202,659)	(1,139,635,169)
2023	(185,554,570)	(1,001,534,989)	(1,244,928)	(211,216)	(1,188,545,702)
2024	(191,703,368)	(1,041,628,552)	(1,264,556)	(219,325)	(1,234,815,801)
2025	(197,396,687)	(1,079,310,623)	(1,281,104)	(227,008)	(1,278,215,423)
2026	(202,663,205)	(1,114,258,341)	(1,294,928)	(234,290)	(1,318,450,765)
2027	(207,534,919)	(1,146,669,875)	(1,306,237)	(241,192)	(1,355,752,222)

34. For the second alternative listed in the table, please provide the annual and cumulative present value revenue requirements for PEF's system for the projected period segregated into capital, O&M, and fuel components.

Answer:

Market Proxy Revenue Requirement
Nominal Value

Year (May - Apr)	Transportation	Supply	Capital	O&M	Total Rev Req
2008	(13,889,785)	(75,684,418)	(1,188,354)	(24,000)	(90,786,558)
2009	(19,644,515)	(98,476,424)	(1,145,222)	(24,600)	(119,290,761)
2010	(24,566,422)	(123,623,671)	(1,101,309)	(25,215)	(149,316,617)
2011	(24,582,761)	(124,424,268)	(1,057,673)	(25,845)	(150,090,547)
2012	(24,625,457)	(124,431,196)	(1,014,295)	(26,492)	(150,097,440)
2013	(24,611,679)	(125,841,276)	(971,155)	(27,154)	(151,451,265)
2014	(24,678,389)	(129,110,053)	(928,235)	(27,833)	(154,744,510)
2015	(24,777,884)	(133,985,285)	(885,519)	(28,528)	(159,677,215)
2016	(24,900,999)	(137,932,722)	(842,916)	(29,242)	(163,705,878)
2017	(24,911,447)	(140,529,893)	(800,330)	(29,973)	(166,271,642)
2018	(24,971,782)	(143,486,312)	(757,743)	(30,722)	(169,246,559)
2019	(25,033,293)	(146,500,371)	(715,157)	(31,490)	(172,280,311)
2020	(25,145,150)	(149,896,152)	(672,570)	(32,277)	(175,746,150)
2021	(25,159,948)	(152,706,449)	(629,984)	(33,084)	(178,529,465)
2022	(25,225,150)	(155,901,355)	(587,397)	(33,911)	(181,747,814)
2023	(25,291,633)	(159,158,986)	(544,811)	(34,759)	(185,030,189)
2024	(25,409,139)	(162,831,624)	(502,224)	(35,628)	(188,778,616)
2025	(25,411,419)	(165,028,539)	(459,638)	(36,519)	(190,936,116)
2026	(25,412,164)	(165,065,018)	(417,051)	(37,432)	(190,931,666)
2027	(25,412,830)	(165,097,637)	(373,870)	(38,368)	(190,922,704)
Total:	(483,661,847)	(2,779,711,650)	(15,595,453)	(613,072)	(3,279,582,022)

Market Proxy Revenue Requirement
Cumulative Present Value

Year (May - Apr)	Transportation:	Supply:	Capital:	O&M:	Total Rev Req:
2008	(11,147,283)	(60,952,276)	(948,826)	(19,162)	(73,067,547)
2009	(25,746,482)	(134,089,215)	(1,794,121)	(37,320)	(161,667,138)
2010	(42,627,237)	(218,991,369)	(2,545,718)	(54,528)	(264,218,852)
2011	(58,245,559)	(297,995,955)	(3,213,114)	(70,837)	(359,525,465)
2012	(72,710,025)	(371,031,067)	(3,804,864)	(86,292)	(447,632,248)
2013	(86,074,580)	(439,310,955)	(4,328,634)	(100,937)	(529,815,105)
2014	(98,464,792)	(504,073,023)	(4,791,513)	(114,816)	(607,444,144)
2015	(109,967,109)	(566,218,853)	(5,199,797)	(127,970)	(681,513,729)
2016	(120,654,232)	(625,370,762)	(5,559,126)	(140,435)	(751,724,555)
2017	(130,538,428)	(681,085,697)	(5,874,521)	(152,247)	(817,650,891)
2018	(139,699,531)	(733,683,804)	(6,150,619)	(163,441)	(879,697,394)
2019	(148,190,788)	(783,337,899)	(6,391,554)	(174,050)	(938,094,292)
2020	(156,076,270)	(830,308,422)	(6,601,051)	(184,104)	(993,169,847)
2021	(163,370,545)	(874,546,258)	(6,782,456)	(193,630)	(1,044,892,889)
2022	(170,132,338)	(916,304,583)	(6,938,845)	(202,659)	(1,093,578,426)
2023	(176,400,797)	(955,721,357)	(7,072,961)	(211,216)	(1,139,406,331)
2024	(182,223,086)	(993,004,043)	(7,187,267)	(219,325)	(1,182,633,721)
2025	(187,606,286)	(1,027,942,115)	(7,283,976)	(227,008)	(1,223,059,386)
2026	(192,583,771)	(1,060,253,208)	(7,365,110)	(234,290)	(1,260,436,379)
2027	(197,186,102)	(1,090,134,140)	(7,432,359)	(241,192)	(1,294,993,792)

35. For the second alternative listed in the table, please provide the same analysis as provided in Interrogatory No. 34, except assume that natural gas prices will increase at a 25 percent faster rate than currently projected.

Answer:

Market Proxy Revenue Requirement
Nominal Value

Year (May - Apr)	Transportation	Supply	Capital	O&M	Total Rev Req
2008	(13,920,392)	(77,184,161)	(1,188,354)	(24,000)	(92,316,907)
2009	(19,710,582)	(101,713,714)	(1,145,222)	(24,600)	(122,594,118)
2010	(24,673,438)	(128,867,442)	(1,101,309)	(25,215)	(154,667,403)
2011	(24,708,358)	(130,578,538)	(1,057,673)	(25,845)	(156,370,414)
2012	(24,763,898)	(131,214,820)	(1,014,295)	(26,492)	(157,019,505)
2013	(24,758,234)	(133,022,451)	(971,155)	(27,154)	(158,778,993)
2014	(24,832,158)	(136,644,731)	(928,235)	(27,833)	(162,432,957)
2015	(24,938,873)	(141,873,752)	(885,519)	(28,528)	(167,726,672)
2016	(25,069,050)	(146,167,255)	(842,916)	(29,242)	(172,108,463)
2017	(25,091,775)	(149,365,954)	(800,330)	(29,973)	(175,288,031)
2018	(25,165,309)	(152,969,145)	(757,743)	(30,722)	(178,922,919)
2019	(25,240,528)	(156,654,863)	(715,157)	(31,490)	(182,642,038)
2020	(25,367,169)	(160,775,056)	(672,570)	(32,277)	(186,847,072)
2021	(25,396,170)	(164,281,299)	(629,984)	(33,084)	(190,340,537)
2022	(25,476,690)	(168,226,807)	(587,397)	(33,911)	(194,324,806)
2023	(25,559,058)	(172,262,830)	(544,811)	(34,759)	(198,401,458)
2024	(25,693,746)	(176,777,368)	(502,224)	(35,628)	(203,008,967)
2025	(25,710,701)	(179,693,356)	(459,638)	(36,519)	(205,900,214)
2026	(25,722,552)	(180,274,061)	(417,051)	(37,432)	(206,451,096)
2027	(25,734,351)	(180,852,192)	(373,870)	(38,368)	(206,998,780)
Total:	(487,533,033)	(2,969,399,793)	(15,595,453)	(613,072)	(3,473,141,351)

Market Proxy Revenue Requirement
Cumulative Present Value

Year (May - Apr)	Transportation	Supply	Capital	O&M	Total Rev Req
2008	(11,171,796)	(62,153,393)	(948,826)	(19,162)	(74,293,177)
2009	(25,819,848)	(137,684,133)	(1,794,121)	(37,320)	(165,335,422)
2010	(42,773,812)	(226,173,543)	(2,545,718)	(54,528)	(271,547,602)
2011	(58,471,689)	(309,076,293)	(3,213,114)	(70,837)	(370,831,933)
2012	(73,017,266)	(386,085,887)	(3,804,864)	(86,292)	(462,994,309)
2013	(86,461,219)	(458,256,292)	(4,328,634)	(100,937)	(549,147,082)
2014	(98,928,456)	(526,792,525)	(4,791,513)	(114,816)	(630,627,309)
2015	(110,505,348)	(592,592,555)	(5,199,797)	(127,970)	(708,425,670)
2016	(121,264,417)	(655,269,827)	(5,559,126)	(140,435)	(782,233,805)
2017	(131,219,991)	(714,482,320)	(5,874,521)	(152,247)	(851,729,078)
2018	(140,451,927)	(770,551,253)	(6,150,619)	(163,441)	(917,317,241)
2019	(149,013,322)	(823,642,025)	(6,391,554)	(174,050)	(979,220,950)
2020	(156,968,275)	(874,016,680)	(6,601,051)	(184,104)	(1,037,770,111)
2021	(164,330,889)	(921,603,141)	(6,782,456)	(193,630)	(1,092,910,117)
2022	(171,159,971)	(966,658,573)	(6,938,845)	(202,659)	(1,144,960,048)
2023	(177,494,577)	(1,009,316,549)	(7,072,961)	(211,216)	(1,194,095,302)
2024	(183,381,951)	(1,049,788,446)	(7,187,267)	(219,325)	(1,240,576,989)
2025	(188,828,439)	(1,087,827,618)	(7,283,976)	(227,008)	(1,284,167,042)
2026	(193,866,614)	(1,123,112,527)	(7,365,110)	(234,290)	(1,324,578,541)
2027	(198,527,075)	(1,155,841,790)	(7,432,359)	(241,192)	(1,362,042,415)

37. Please provide the reasons for the date selected in footnote (d).

Answer:

The analysis that is summarized in Exhibit PRM-6 to Pamela R. Murphy's December 20, 2004, pre-filed testimony is the same analysis relied upon by Progress Energy Florida management when it approved execution of agreements with BG LNG Services, LLC, Southern Natural Gas Company and Florida Gas Transmission System during the 3rd Quarter of 2004. The forward curve for HH as of 8/5/04 was the latest available at the time the analysis was prepared.

42. Please refer to page 11, lines 18-23 of Pamela R. Murphy's December 20, 2004, pre-filed testimony. Please describe how PEF would use its existing resources to "bridge the gap" if the in-service date of the Cypress pipeline is after May 1, 2007.

Answer:

PEF could use its existing FGT transportation capacity to segment its summer Phase IV firm transportation delivered to Anclote, Hines and Intercession City (50,000 Dths/day) by purchasing 50,000 Dths of gas and transportation on Gulfstream delivered to the Osceola/FGT interconnect and segment PEF's Phase IV transportation to deliver this gas on FGT to Hines. Another resource option would be for PEF to purchase "delivered" gas (bundled gas and transportation) from a third party and/or purchase release transportation capacity from a third party "in the path" to Hines.

46. Please refer to page 4, lines 8-18 of Robert F. Caldwell's December 20, 2004, pre-filed testimony. Please compare and contrast (qualitatively, quantitatively, or both) the impact to PEF on the following aspects of the Elba Island, Georgia LNG terminal and the Bahamas-based terminal:

A. Geographic diversity;
B. Enhanced reliability;
C. Operating flexibility; and
D. Create value for additional generation sites.

Answer:

A. Geographic Diversity

Geographic diversity of supply reduces PEF dependence on Mobile Bay/Destin supply area. Having a supply of re-gasified LNG at Elba Island or from a Bahamas-based terminal would provide geographic diversity to the PEF portfolio. This diversity will provide protection during times when hurricanes in the Gulf of Mexico force offshore Gulf Coast platforms to shut-in production, such as what happened during the summer of 2004 with Hurricane Ivan and Tropical Storm Bonnie. Hurricane Ivan resulted in the prolonged shut-in of substantial amounts of gas production in the Gulf of Mexico. Both the Elba Island LNG terminal and a Bahamas-based terminal would normally not be impacted by hurricanes in the Gulf of Mexico. However, hurricanes have hit the Bahamas and subsequently moved into the Gulf without impacting areas further north along the east coast of the US. Thus, Elba Island provides geographic diversity that is different than that provided by a Bahamas-based terminal alone.

B. Enhanced Reliability

A major reason we consider a diversified portfolio approach to meet our gas supply needs is to enhance reliability of supply to meet our customers' needs. Both Elba Island and a Bahamas-based LNG terminal and pipeline provide enhanced reliability for the customers of PEF and the State of Florida relative to dependence on the Gulf of Mexico. Both will bring a new major pipeline source into the State. Both will bring significant access to additional gas supply in the form of re-gasified LNG. Both will have a positive impact on enhancing the reliability of gas supply to generate electricity to meet customer needs. Future accessibility to two separate and geographically diverse LNG terminals (i.e. – Elba Island and a completed Bahamas-based terminal) will further enhance fuel supply reliability for PEF and the entire State of Florida. However, Elba Island is an existing, operating terminal. It is connected to the existing interstate pipeline system. There is much more certainty that reliability will be enhanced with Elba Island in the time frame to meet our needs for Hines 4. A Bahamas-based terminal and undersea pipeline must still be constructed. Approval from the Bahamian government is also still needed for the LNG terminal.

C. Operating Flexibility

With respect to supply, assuming that the Bahamas-based option is built, both alternatives provide: (1) operational flexibility as described above; (2) long-term security of supply, and (3) the ability to serve other PEF plants. The Cypress alternative provides additional volumes of both supply and firm transportation that can be used by PEF to meet other system needs. Additionally, the Cypress alternative allows: (1) PEF the opportunity to release transportation capacity and/or sell a bundled (gas and transportation) product on Southern Natural's pipeline system in event it is not needed for PEF's generation requirements; and (2) the ability to serve PEF's current and possibly future Suwannee gas-fired generation through segmentation and/or further expansion of the Cypress pipeline. This flexibility is not available with the Bahamas-based option.

D. Create Value For Additional Generation Sites

The pipeline infrastructure associated with the Southern Natural's Cypress pipeline and a Bahamas-based alternative provide opportunities for future PEF generation development due to: (1) existing generation sites that could support future expansion of gas-fired generation; and (2) potential greenfield generation sites. However, the Elba LNG facility and Southern Natural's Cypress pipeline are better positioned to facilitate future expansion of generation at PEF's Suwannee facility. Therefore, the Cypress alternative is considered more valuable than the Bahamas-based alternative with respect to creating value for future PEF generation.

47. On Page 6, lines 21-22, of the prefiled direct testimony of Robert Caldwell, filed December 20, 2004, the statement is made that the magnitude of PEF's supply would not support development of a Bahamas LNG facility on its own. Please explain this statement coupled with the fact that based upon the quantities stated within the RFP a Bahamas-based bid was received.

Answer:

Considering the magnitude the $800 million capital investment needed by the developer of the Bahamas-based alternative and the construction timeframe required to develop a Greenfield Bahamas-based LNG terminal and associated undersea pipeline to southern Florida, a project developer would likely to want to secure sufficient market support prior to making definitive financial commitments regarding construction and securing long-term upstream LNG supply. The quantities reflected in the Bahamas-based bid for Progress Energy Florida represent only 7% of 800,000 Dt/d total capacity of the proposed LNG gasification facility and associated pipeline. PEF's 7% commitment alone is not sufficient to support an $800 million project. There is significant uncertainty that a Bahamas-based project would get approval to move forward with just the commitment of PEF and without a significant majority of the capacity subscribed by customers to provide the revenue to support the investment.

A Bahamas-based bid was received. However, due to the uncertainty regarding this bidder's ability to: (1) successfully complete a Bahamas-based terminal; (2) construct the necessary undersea pipeline; and 3) arrange the transportation on FGT to Hines 4 on a firm basis (in addition to risk associated with lack of market support), PEF determined a more certain option was in the Company's and customers' best interests. PEF needs the certainty that a physical supply of gas will be delivered to its power plants to meet the electrical demands of its customers.

11. Please clarify PEF's rights to intervene in FERC proceedings involving Southern Natural Gas Company (Southern Natural) as contemplated by Part 1(f)(i) and (ii).

Answer:

Part 1(f) of the Precedent Agreement provides for a limited restriction on Progress' ability to intervene and/or protest Natural Gas Act Section 4 proposals by Southern Natural to modify the generally applicable recourse tariff rates for the type of service provided under the Precedent/Service Agreements. This restriction applies during the primary term of the Precedent/Service Agreements. During this period, Progress is not restricted from filing an intervention/protest in other proceedings filed by Southern Natural which seek (1) to change generally applicable charges or surcharges other than recourse tariff rates, (2) generally applicable terms and conditions of service, or (3) rates or terms of service for services other than those covered by the Precedent/Service Agreements.

Progress agreed to these provisions in recognition of the fact that during the primary term of the Precedent/Service Agreements, Progress will be charged a negotiated rate for its service. As such, Progress has no direct interest in the generally applicable recourse rates charged by Southern Natural for service similar to that provided under the Precedent/Service Agreements.

INTERROGATORIES

59. As part of its evaluation of these supply and transportation contracts, has Progress Energy Florida considered event risk that could be associated with LNG (an event risk such as a catastrophe involving a LNG tanker or a LNG facility anywhere in the world)? If yes, please explain.

Response: Yes, Progress Energy Florida did consider event risk associated with events or circumstances affecting upstream LNG, including extraction, production, or transportation of LNG, strikes, lockouts, industrial disturbances, riots, sabotage, insurrections, wars, acts of terrorism, and governmental actions by any agency or authority outside the United States. The contract with BG LNG Services, LLC provides that neither Party (meaning Progress Energy Florida or BG LNG Services, LLC) shall be entitled to claim Force Majeure with respect to a failure to fulfill its obligation to deliver or receive gas under the contract to the extent such failure was caused by any or all of the circumstances described above.

64. Please refer to PEF's response to Staff's Interrogatory No. 38.

A. For each year from 2000 through 2004, please indicate the volatility for Henry Hub monthly index price and Transco Zone 4 monthly index price.

B. Please show a comparison of the 2000-2004 Transco Zone 4 and Henry Hub prices, the resulting difference or basis, and explain what relevance the resulting basis trend may have upon contract pricing proposed by PEF in this docket for regulatory approval?

Answer:

A.

Monthly Index Price Volatility		
	Henry Hub	Transco Z4
2000	52.2%	51.6%
2001	111.1%	109.3%
2002	53.3%	50.7%
2003	86.0%	84.6%
2004	48.3%	49.8%

For clarification, with regard to the information provided in PEF's response to Staff's Interrogatory No. 38, PEF used the Gas Daily prices not the monthly index prices.

B.

Natural Gas Index Prices ($/MMBtu)			
	Henry Hub	Transco Z4	Basis
2000	$3.886	$3.899	$0.014
2001	$4.273	$4.300	$0.027
2002	$3.221	$3.263	$0.041
2003	$5.388	$5.454	$0.066
2004	$6.138	$6.213	$0.075

The resulting basis shows an upward trend over the years. PEF mitigated this volatility by securing a fixed price for the basis under the BG LNG Services gas supply contract.

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71. For each year from 2000 to 2004, 1) on what dates did PEF experience curtailment in gas deliveries resulting from severe weather either in the Gulf of Mexico or threatening the Gulf of Mexico, 2) what was the name of the storm system, 3) what were the curtailment quantities for each date, and 4) what were the dollar adjustments for each date that were charged or credited to the Fuel and Purchase Power Cost Recovery Clause (for 2004, include that amount which may be sought through PEF's 2004 final true-up filing) to compensate for the curtailments (incremental costs associated with the change in costs of unit dispatch changes, additional purchased power, etc. offset by the change in costs for natural gas)?

Answer:

Please see Attachment B for natural gas curtailments for PEF from 2002 through 2004 and the names of the storm systems.

Please note that the daily curtailment quantities resulting from severe weather in the Gulf of Mexico or threatening the Gulf of Mexico from 2002 through 2004 are shown on Attachment B under the headings "Term Cuts" and "Daily Cuts". Please also note that the incremental gas costs associated with the gas curtailments resulting from severe weather in the Gulf of Mexico or threatening the Gulf of Mexico from 2002 through 2004 are provided on Attachment B under the heading "Incremental Gas Cost to Replace Term." These costs were charged to the Fuel and Purchase Power Cost Recovery Clause. The costs associated with the 2004 storms are reflected in the 2004 final true-up filing (along with the costs of additional gas purchases necessitated by coal and oil conservation measures). Please note that these costs are in addition to, and therefore did not offset, the incremental storm-related costs of unit dispatch changes, additional purchase power, etc., as suggested in the question.

76. Please refer to PEF's response to Staff's First Request for Production of Documents (Nos. 1-4), Bates stamp pages 1-29 for the following interrogatories:

A. At Bates stamp page 4, the document describes two alternatives that PEF considered but did not accept. At which point in its analysis did PEF limit its evaluation to the Cypress alternative and these two alternatives?

B. Did PEF reach the conclusion that these three alternatives represented the universe of all entities that could potentially meet the requirements of Hines Unit 4?

C. If yes, please describe in detail how PEF reached this conclusion.

D. Prior to analyzing these three alternatives based on price factors, did PEF estimate the value (in dollars) of the non-price factors for each alternative? If so, please indicate PEF's estimate for each alternative.

E. Beyond those risks identified on Bates stamp pages 8 through 10, please identify each event or contingency that PEF has identified that may curtail part or all of the LNG PEF expects to receive from BG LNG Services. For each event or contingency, please identify how PEF would mitigate the impact from such curtailment.

F. Please refer to Table 1 on Bates stamp page 12. What criteria did PEF use to assign zero, one, or two "plus" symbols (*i.e.*, "+") when evaluating the components of each alternative's operational flexibility?

G. Please refer to lines 3-4 from the top of Bates stamp page 13. What is the basis for the assumption regarding who would subscribe to all remaining unsubscribed capacity on the Cypress pipeline?

Answer:

A. Subsequent to the receipt of the June 14th RFP responses and prior to late August of the publication of PEF's analysis titled "SONAT / FGT Firm Pipeline Transportation & BG LNG Supply Purchase Business Analysis Package".

B. No, PEF has not reached a conclusion that these three alternatives represented the entire universe of all entities that could potentially meet the requirements of Hines 4. As referenced in the Direct Testimony of Pamela Murphy, PEF conducted a series of RFP's in 2003 and 2004 to identify all entities that could potentially meet the requirements of Hines 4. These three alternatives were selected for further consideration based on a screening of all the proposals received utilizing criteria referenced in Ms. Murphy's Direct Testimony.

C. Please see response to 76(B) directly above.

D. PEF did not specifically analyze the non-price factors for each alternative in dollars. We did evaluate the non-price factors as reflected in the Business Analysis Package based on whether each alternative met those criteria.

E. PEF identified the following risks: 1) physical risks such as acts of God, landslides, lightning, earthquakes, fires, hurricanes, storms, floods, washouts, explosions, breakage or accident or necessity of repairs to facilities, machinery equipment or lines of pipe; 2) weather related events affecting an entire geographic region, such as low temperatures, which cause freezing or failure of wells or lines of pipe, interruption and/or curtailment of Firm transportation and/or storage by Transporters; 3) acts of others such as strikes, lockouts, or other industrial disturbances, riots, sabotage, insurrections, wars or acts of terrorism; 4) governmental actions such as necessity for compliance with any court order, Law or policy having the effect of law promulgated by a Government Agency having jurisdiction, any event action or circumstance previously described which impacts the Elba Island LNG Terminal, any port closure, weather related events or acts of others that impede the unloading, storage or revaporization of LNG at the Elba Island LNG Terminal. However, PEF eliminated certain risks with BG LNG Services for those risks identified above that occur upstream of the sea buoy RW "T" Mo(A) WHIS located just East of the mouth of the Savannah River Channel (which shall specifically include any event or circumstance that affects foreign liquefaction facilities, LNG shipping or other facilities, pipes, other transportation facilities, and/or LNG supply, in each case to the extent such event or circumstance occurs upstream of said sea buoy). In addition, the risks identified above were eliminated in association with strikes, lockouts or other industrial disturbances, riots, sabotage, insurrections, wars or acts of terrorism that occur other than on United States soil as well as governmental actions by an agency or authority outside of the United States. PEF also eliminated risks with respect to a failure by BG LNG Services to deliver gas under the contract to the extent such failure was caused by any or all of the following circumstances: (i) the curtailment of interruptible or secondary Firm transportation (unless primary, in-path, Firm transportation is also curtailed); or (ii) economic hardship, to include without limitation, Seller's ability to sell Gas at a higher or more advantageous price than the Contract Price.

F. The assessment of operational flexibility was qualitative in nature based upon each respondent's proposal and PEF knowledge of the industry. The scoring (i.e. zero, one, or two "+" symbols) of each alternative represents a ranking relative to the other two alternatives listed in the table. One "+" symbol represented a better ranking than alternatives with no "+" symbols. Alternatives with two "+" symbols represented a better ranking than alternatives with one "+" symbol and a substantially better ranking than alternatives with no "+" symbols.

G. BG LNG Services represented to PEF that it would subscribe for a large part of any remaining capacity that was not subscribed by other potential customers of Southern Natural Gas.

77. Please provide a list of all bids received in response to each solicitation for natural gas for Hines Unit 4, and please summarize the reason(s) those bids were not considered further in the screening process based on the following criteria: project certainty; economics; operational flexibility; and supply diversity.

Answer:

FROM NON-BINDING LNG REQUEST FOR PROPOSALS FOR GAS SUPPLY DISTRIBUTED AUGUST 22, 2003

- Sempra Energy Trading, dated September 3, 2003 (RFP# LT082203-gc/PEF).
- Tractebel Calypso LNG Marketing LLC dated September 3, 2003 (RFP# LT082203-Bahamas).
- AES LNG Marketing, LLC, September 3, 2003 (RFP# LT082203-Bahamas).
- Marathon Oil Company, September 3, 2003 (RFP# LT082203-Elba).
- BG LNG Services, LLC dated September 3, 2003 (RFP# LT082203-Elba).
- Coral Energy Resources, L.P. dated September 5, 2003 (RFP# LT082203-Elba).

FROM BINDING LNG RFP DISTRIBUTED APRIL 5, 2004

- Marathon Oil Company dated April 26, 2004 (RFP# LT040504-Elba).
- BG LNG Services, LLC dated April 26, 2004 (RFP# LT040504-Elba).
- Coral Energy Resources, L.P. dated April 26, 2004 (RFP# LT040504-Elba).
- Tractebel Calypso LNG Marketing LLC dated April 28, 2004 (RFP# LT040504-Bahamas).
- Repsol Comercializadora de Gas S.A. dated April 27, 2004 (RFP# LT040504-Bahamas).
- Sailfish Natural Gas, Ltd. dated April 26, 2004 (RFP# LT040504-Bahamas).

FROM BINDING DOMESTIC GAS RFP DISTRIBUTED JUNE 14, 2004

- ConocoPhillips Company, dated June 24, 2004 (RFP# LT061404-01).
- BP Energy Corporation, dated July 15, 2004 (RFP# LT061404-01).
- Total Gas & Power North America dated June 25, 2004 (RFP# LT061404-01).
- ChevronTexaco Natural Gas dated June 24, 2004 (RFP#LT061404-01).

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Analysis Summary

	Cypress	Gulfstream	Tractebel
CERTAINTY OF PROJECT'S SUCCESS	High Existing LNG facility & FGT Pipeline. High probability of Cypress Pipeline development with PEF as customer.	High Existing / Operating system	Uncertain Extremely dependent upon development of Greenfield LNG facility in the Bahamas and associated undersea pipeline. Requires FPL as anchor customer.
ECONOMICS - DIRECT COST Nominal Value ($ Millions) Present Value ($ Millions)	 2,685.9[1] 968.4	 2,687.6 968.9	 2,517.6 905.5
OPERATIONAL FLEXIBILITY	More Than Gulfstream; On-par with Tractebel	Relatively Less than Other Options	More Than Gulfstream; On-par with SONAT / FGT / BG
REDUCE RELIANCE ON MOBILE BAY / DESTIN SUPPLY AREA	Yes	No[2]	Yes

[1] Cost associated with 80,000 Dt/d during summer months and 40,000 Dt/d during winter months, May 2008 through April 2028, which is comparable to Gulfstream and Tractebel alternatives. The recommended alternative reflects additional volumes for other system needs - 60,000 (Summer) / 25,000 (Winter) Dt/d in 2007 and 20,000 /10,000 Dt/d beginning May 2009.
[2] Supply reliance could be mitigated with additional future Gulf-coast based LNG development.

- The Gulfstream supply cost from the Gulf of Mexico used the Transco Zone 4 index price. This cost was conservative in that it did not include an adder for long-term supply. Also the Gulfstream option supply did not reduce reliance on Mobile Bay/Destin supply area.
- Only Tractebel's bid was considered for the Bahamas' responses because FPLR/Sailfish and AES/Repsol did not provide firm transportation to Hines. FPLR and AES' proposals provided for a price delivered at the interconnect of their undersea pipeline and Florida Gas Transmission (FGT). FPLR's price delivered to FGT was Henry Hub plus $0.52/Dth. AES's price delivered to FGT was Henry Hub plus $0.395/Dth.
- Sempra Energy Trading's bid was based on the successful completion of their Cameron LNG facility and pipeline into FGT Zone 2. Sempra was not considered because it did not provide access to FGT Zone 3 or Gulfstream.
- The Precedent Agreement with Southern Natural contains a Conditions Precedent section that gives Southern Natural the option to not proceed with the development of the project should requests for Cypress capacity fall short of 395,000 Dth/d (which is the capacity of the pipe after a Phase 2 expansion). PEF's commitment for Cypress capacity represents approximately 32% of Phase 1 capacity. Because BG was the only Elba supplier willing to purchase a large part of the remaining unsubscribed capacity, BG became the only eligible supplier for Elba.
- All domestic supply bids did not provide for a twenty year supply. The basis adder for the domestic supplies was as follows: 1) BP Energy supply deal was for 10 years and the gas supply was priced at the higher of Transco Zone 3, Transco Zone 4 or FGT Zone 3 plus $0.10/Dth. The volume was 40,000 Dth/day year round. 2) Conoco Phillips response was not 100% Gulf Coast supply. It was dependent on Compass Port LNG facility being built. No price was indicated. 3) Total Gas & Power North America's longest supply deal was for 10 years and the gas supply was priced at IFERC FGT Zone 3 plus $0.05/Dth. The volume was sculpted at 20,000 Dth/day in the summer and 15,000 Dth/day in the winter. 4) ChevronTexaco's supply deal was for 5 years and the gas was priced at a market reflective index plus $0.07 to $0.10/Dth. The volume ranged from 15,000 to 40,000 Dth/day.

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79. Can a Gulf of Mexico natural gas supplier serve Hines Unit 4 and PEF's system needs equal to PEF's expectations of BG LNG Services?

Answer:

No, because Gulf of Mexico suppliers were not willing to provide natural gas on the same level to PEF as BG LNG Services has agreed and not claim force majeure when a hurricane or tropical storm occurs in the Gulf of Mexico. None of the Gulf of Mexico suppliers were willing to negate the force majeure conditions related to hurricanes or tropical storms in the Gulf of Mexico. In addition, the Gulf of Mexico suppliers would have to contract for a twenty year term with the same price as BG LNG Services.

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83. For each RFP PEF issued for long term supply of natural gas to Hines Unit 4 during or after August 2003, on what dates were the RFP's issued, what entities received such RFP's, what were the associated RFP numbers, and how and why was PEF refining its search with each subsequent RFP?

Answer:

Please see response for Interrogatory 77 for the actual responses and associated RFP numbering with each RFP. Please see Attachments C,D, and E for those entities who received each RFP.

84. Please list all bidders, potential bidders, current PEF natural gas suppliers/transporters, and former PEF natural gas suppliers/transporters who responded either verbally or in writing to PEF about the solicitation processes or RFP's for supplying natural gas to Hines Unit 4 and other units. For those entities listed, please summarize the content of the communications and PEF's responses to them, the date the communications were received, the mode of the communications (via phone, letter, in person, e-mail, etc), and who at PEF received the communications.

Answer:

The following bidders communicated with Rick Rhodes and/or Pamela Murphy (PEF) through a combination of phone, e-mail, in person meetings, and letters.

Gulf Coast Bidders

- Sempra Energy Trading responded by e-mail dated September 3,2003 to PEF's RFP (RFP# LT082203-gc/PEF) regarding their Cameron LNG Project.
- ExxonMobil Corporation responded by phone on September 3, 2003 regarding their Mobil-Bay LNG Project. They expressed an interest but were not in a position to bid on PEF's long-term gas supply needs.
- Epoch Energy responded by e-mail dated June 24, 2004 and met in person with PEF on November 15, 2004 regarding their Main Pass Energy Hub. They expressed an interest but did not formally bid on PEF's RFP.
- Occidental Energy Marketing, Inc responded by e-mail dated June 24, 2004 regarding the long-term supply RFP. They indicated that their management was not comfortable with the term of the RFP and could not bid.
- ConocoPhillips Company responded by e-mail dated June 23, 2004 with their RFP response (RFP# LT061404-01). Conoco Phillips also met in person with PEF on June 24, 2004 regarding their Compass Port LNG Project.
- BP Energy Company responded by e-mail dated July 15, 2004 with their RFP response (RFP# LT061404-01) to PEF's June 14, 2004 RFP. BP Energy also met in person with PEF on December 13, 2004 regarding their long-term supply RFP response.
- Total Gas & Power North America responded by e-mail regarding the long-term supply RFP response, dated June 25, 2004 (RFP# LT061404-01).
- ChevronTexaco Natural Gas (RFP# LT061404-01) responded by e-mail regarding the long-term supply RFP, dated June 24, 2004.

Bahamas Bidders

- PEF met with Tractebel Calypso LNG Marketing LLC in person on 5/13/04, 7/14/04, and 11/04. Tractebel responded by e-mail on September 3, 2003 and April 28, 2004 regarding their Calypso Project. RFP responses were to RFP# LT082203-Bahamas and to RFP# LT040504-Bahamas.
- AES LNG Marketing, LLC, responded by e-mail dated September 3, 2003 and met in person during 2003 regarding their Ocean Cay Project. RFP response was to RFP# LT082203-Bahamas.
- Repsol Comercializadora de Gas S.A. responded by e-mail dated April 27, 2004 and met in person during 2004 regarding their Ocean Cay Project. RFP response was to RFP# LT040504-Bahamas.

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- Sailfish Natural Gas, Ltd. responded by e-mail dated April 26, 2004 and met in person during 2004 regarding their Sailfish Project. RFP response was to RFP# LT040504-Bahamas.

Elba Bidders

- Marathon Oil Company, responded by e-mail dated April 26, 2004 and September 3, 2003 regarding their RFP responses. Responses were to RFP# LT082203-Elba and (RFP# LT040504-Elba.
- BG LNG Services, LLC responded by e-mail dated September 3, 2003, March 17, 2004 and April 26, 2004 and met in person on January 29, 2004 and May 26, 2004 regarding their RFP LNG responses. RFP responses were to RFP# LT082203-Elba and to RFP# LT040504-Elba.
- Coral Energy Resources, L.P. responded by e-mail dated September 5, 2003, April 26, 2004, and May 26, 2004 and met in person during 2004 (cannot locate specific dates) regarding their RFP LNG responses. RFP responses were to RFP# LT082203-Elba and to RFP# LT040504-Elba.

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87. For each year from 2001 through 2004, please identify each of PEF's natural gas suppliers, and for each such supplier and year, identify the supplier's delivery point location, production zone, natural gas quantities supplied to PEF, average commodity price, average transportation to PEF's Hines Complex, high and low commodity prices to PEF, and contract type(s) and contract period(s) for natural gas supply to PEF.

Answer:

Please see Attachment F for natural gas suppliers for PEF from 2001 through 2004.

Other than the Virginia Power Marketing agreement (previously known as Citrus Trading Corp), which specifically bundles natural gas and transportation to the Hines Complex, PEF does not purchase gas supply specifically labeled for the Hines Complex. Certain of PEF's firm gas transportation contracts on Gulfstream Natural Gas and Florida Gas Transmission provide for a delivery point to the Hines Complex. Natural gas is delivered from various suppliers at receipt points on Gulfstream Natural Gas and Florida Gas Transmission pipeline systems.

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95. In terms of reliability and price, is the level of risk associated with procuring a long term supply of delivered LNG as contemplated in PEF's filing higher than, lower than, or the same as, the level of risk associated with procuring delivered natural gas from domestic sources?

A. Please explain the above response.

B. Are these risk profiles quantifiable?

C. If so, how?

Answer:

A. In terms of price of the gas, the level of risk is the same for both long-term LNG and domestic sources as the price is tied to a monthly price index. In terms of basis adder, the level of price basis volatility is better in the BG LNG contract, because the volatility is mitigated by a fixed adder for the term of the contract.

B. Please see response to Interrogatory No. 95(A) above as to pricing.

With respect to reliability, PEF eliminated risks upstream of the sea buoy associated with LNG in the BG LNG contract so the assessment of those risks must reflect the probability associated with failures downstream of the sea buoy. This, in PEF's opinion, puts Gulf of Mexico gas deliveries on a more equivalent risk perspective as LNG deliveries to Elba. While PEF did not quantify the risk profiles associated with the failures that could occur downstream of the sea buoy, PEF did assess reliability from the perspective that when hurricanes interrupt Gulf of Mexico supply, PEF will still receive quantities of gas from Elba Island Terminal and vice versa. However, please recall that PEF mitigated numerous risks for the ratepayers in the BG LNG contract as referenced in response to Interrogatory No. 76(E).

C. Please see response to Interrogatory No. 95(B) above.

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96. What factors, other than severe weather events and price volatility, support PEF's determination to use supply diversity as a criterion in selecting a gas provider for Hines Unit 4?

Answer:

Approximately 80 to 85% of PEF's gas supply is sourced from the Mobile Bay-Destin production area. In addition to mitigating weather and price-related risks associated with holding such a large concentration of supplies from the same geographical area, diversifying PEF supply portfolio with regasified LNG from Elba Island Terminal mitigates a portion of PEF's overall risk associated with Gulf of Mexico pipeline disruptions and operational constraints. Additionally, LNG suppliers were willing to offer longer-term commitments regarding supply, which provides PEF with the security of long-term supply at relatively more stable pricing.

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99. Regarding Elba Island LNG, is the greatest natural gas price risk associated with the commodity (production, liquefaction, shipping, and regasification at Elba Island terminal) or its domestic pipeline transportation to the Hines Complex? Why?

Answer:

The greatest natural gas price risk is associated with the commodity because it is based on a Henry Hub index. The regasification at Elba Island terminal and the domestic pipeline transportation to the Hines Complex are not subject to price risk as the pricing of the actual commodity. PEF does not assume any price risks associated with the production or liquefaction of LNG host country since it is upstream of the sea buoy referenced in the response to Interrogatory No. 76(E). PEF does not assume any price risks associated with shipping of LNG.

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106. On Bates stamp page 9 of PEF's response to Staff's First Request for Production of Documents, several pricing options were identified that can mitigate the risk of the 20-year contract. Based upon the recognized risk, why were none of these options or a market reopener included in the proposed contract? Were any of these negotiated?

With regard to "Foreign Political (Host Country) Risk," PEF negotiated a favorable force majeure provision in the BG contract that negates this risk for the PEF ratepayers. To mitigate the Southern Natural FT rate case, PEF negotiated a "negotiated rate" with Southern Natural to avoid any potential increase in prices associated with their rate case. With regard to Operational Risk, PEF negotiated a favorable force majeure provision in the BG contract that negates this risk for the PEF ratepayers if LNG shipments are delayed due to hurricanes that do not affect the Elba Island Terminal.

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107. Without a market reopener provision in PEF's 20 year contract for LNG supply with BG LNG Services, LLC, do PEF ratepayers incur greater price risk than they would under PEF's current methods of contracting domestic natural gas?

Answer:

Because the BG LNG Services supply contract provides for a market index and the gas PEF currently purchases on a term basis provides for varying market indices, the PEF ratepayers do not incur a greater price risk. Additionally, with the basis adder in the BG LNG Services supply contract being fixed for the entire term, this provides a higher degree of stability to reduce price volatility for the ratepayers.

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115. Please provide the information requested in the following table regarding PEF's existing natural gas contracts.

Answer:

Commodity (Gas)

Remaining Term	# of existing contracts	Actual 2004 volume (mmbtu)	% of total volume	Average total price ($/mmbtu)
0-1	21	27,943,818	46.1%	$5.33
1-3	4	16,981,664	28.0%	$6.39
3-5	0	0	0.0%	$0.00
5-7	1	10,192,555	16.8%	$3.57
7-10	1	5,492,223	9.1%	$7.21*
10+	0	0	0.0%	$0.00

The volumes represent the actual amount taken by PEF under its term gas supply contracts (including the Virginia Power Energy Marketing contract (previously known as Citrus Trading)) in effect for 2004. These volumes do not include daily spot transaction or daily calls.

*This price represents the Virginia Power Energy Marketing bundled natural gas and transportation supply contract.

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116. Please provide the information requested in the following table regarding PEF's existing natural gas transportation contracts.

Answer:

Transportation (Gas)

Remaining Term	# of existing contracts	Actual 2004 volume (mmbtu)	% of total volume	Average total fixed price ($/mmbtu)	Average total variable price ($/mmbtu)
0-1	1	1,110,436	2.0%	$0.55	$0.02
1-3	0	0	0.0%	$0.00	$0.00
3-5	0	0	0.0%	$0.00	$0.00
5-7	0	0	0.0%	$0.00	$0.00
7-10	1	8,731,899	15.9%	$0.39	$0.05
10+	5	45,108,855	82.1%	$0.62	$0.02

The volumes represent the actual PEF's term gas transportation contracts (excluding Virginia Power Energy Marketing contract (previously known as Citrus Trading)) in effect for 2004.

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117. Please provide the information requested in the following table regarding the contracted volume under PEF's existing natural gas contracts.

Answer:

Existing Commodity (Gas)

Contracted Volume (mmbtu)										
Term (years)	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
0-1	29,675,000	28,100,000	23,530,000	3,600,000	0	0	0	0	0	0
1-3	20,663,339	29,739,075	11,584,679	0	0	0	0	0	0	0
3-5	0	0	0	0	0	0	0	0	0	0
5-7	0	0	0	0	0	0	0	0	0	0
7-10	0	0	0	0	0	0	0	0	0	0
10+	16,299,435	16,299,435	16,299,435	16,299,435	16,299,435	16,299,435	16,299,435	6,036,000	6,048,000	5,304,000
Total	66,637,774	74,138,510	51,414,114	19,899,435	16,299,435	16,299,435	16,299,435	6,036,000	6,048,000	5,304,000

The volumes represent the existing contracted volumes under PEF's term gas supply contracts (including Virginia Power Energy Marketing contract).

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118. Please provide the information requested in the following table regarding the contracted volume of PEF's existing natural gas transportation contracts.

Answer:

Existing Transportation (Gas)

	Contracted Volume (mmbtu)									
Term (years)	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
0-1	1,240,000	0	0	0	0	0	0	0	0	0
1-3	0	0	0	0	0	0	0	0	0	0
3-5	0	0	0	0	0	0	0	0	0	0
5-7	0	0	0	0	0	0	0	0	0	0
7-10	0	0	0	0	0	0	0	0	0	0
10-+	78,852,082	87,725,564	95,275,564	95,275,564	95,514,082	95,275,564	95,275,564	95,275,564	80,503,279	80,309,427
Total	80,092,082	87,725,564	95,275,564	95,275,564	95,514,082	95,275,564	95,275,564	95,275,564	80,503,279	80,309,427

The volumes represent the existing contracted volumes under PEF's term gas transportation contracts (excluding the Virginia Power Energy Marketing contract).

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119. Please provide the information requested in the following table regarding PEF's proposed natural gas contract with BG compared with PEF's projected system total natural gas usage. Please provide details of the assumed expansion plan used in developing the projected system total gas usage.

Answer:

Proposed Commodity (Gas)

Contracted Volume (mmbtu)													
Term (years)	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
BG Services	0	0	0	11,742,936	19,378,901	25,265,630	26,493,110	26,493,110	26,544,255	26,493,110	26,493,110	26,493,110	26,544,255
Projected System Total	64,979,769	78,940,100	67,584,100	91,226,500	106,086,100	125,820,900	166,087,000	192,620,500	196,332,700	211,942,600	228,008,600	No Forecast	No Forecast

The volumes represent the existing projected total fuel requirements from the Generation Fuel Forecast and the proposed BG Services term gas supply contract.

Please see Attachment G, Florida's 2004 Ten Year Site Plan (TYSP), which reflects the expansion plan used and the respective generation and fuel burned projections.

120. Please provide the information requested in the following table regarding PEF's proposed natural gas transportation contracts compared with PEF's projected system total natural gas transportation needs. Please provide details of the assumed expansion plan used in developing the projected system total gas transportation needs.

Answer:

Proposed Transportation (Gas)

	Contracted Volume (mmbtu)												
Term (years)	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Proposed Contract	0	0	0	11,480,000	18,945,000	24,700,000	25,900,000	25,900,000	25,950,000	25,900,000	25,900,000	25,900,000	25,950,000
Projected System Total	80,092,082	87,725,564	95,275,564	106,755,564	114,459,082	119,975,564	121,175,564	121,175,564	106,453,279	106,209,427	106,209,427	99,365,027	98,254,879

The volumes represent the existing contracted volumes under PEF's term gas transportation contracts (excluding the Virginia Power Energy Marketing contract) as well as the proposed Cypress term gas transportation contract.

Please see Attachment G, Florida 2004 Ten Year Site Plan (TYSP), which reflects the expansion plan used and the respective generation and fuel burned projections.

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132. Please describe the current fuel supply and transportation contracts for Hines units 1, 2 and 3, including the volumes, contract terms and pricing.

Answer:

Other than the Virginia Power Energy Marketing, Inc. (VPEM) agreement (previously known as Citrus Trading Corp), which specifically bundles natural gas and transportation to the Hines Complex, PEF does not purchase gas supply specifically labeled for the Hines Complex. Certain of PEF's firm gas transportation contracts on Gulfstream Natural Gas and Florida Gas Transmission provided for a delivery point to the Hines Complex. Natural gas is delivered from various suppliers at receipt points on Gulfstream Natural Gas and Florida Gas Transmission pipeline systems. Below is a summary of the gas supply and transportation contracts with primary delivery to the Hines Complex.

2005 Contracted Volumes with Primary Delivery to the Hines Complex (mmbtu/day)

Contract	Expires	Rate	January	February	March	April	May	June	July	August	September	October	November	December
Virginia Power Energy Marketing	10/31/13	See Interrogatory #87	12,000	12,000	12,000	12,000	21,000	21,000	21,000	21,000	21,000	21,000	12,000	12,000
			0	0	0	0	0	0	0	0	0	0	0	0
FGT #5815	12/31/11	FGT Tariff Rates	23,163	23,163	22,594	13,910	18,518	18,518	18,518	18,518	18,518	13,644	23,163	23,163
FGT #5816	11/30/18	FGT Tariff Rates	2,452	2,452	21	0	0	0	0	0	0	5,856	2,452	2,452
FGT #5935	04/30/21	FGT Tariff Rates	10,000	10,000	10,000	10,000	50,000	50,000	50,000	50,000	50,000	10,000	10,000	10,000
GSNG #9000105	08/31/22	GSNG Negotiated Rates	72,000	72,000	72,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000	72,000	72,000
GSNG #9000685	05/31/24	GSNG Negotiated Rates	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
GSNG #9000686	05/31/25	GSNG Negotiated Rates						50,000	50,000	50,000	50,000	50,000	50,000	50,000
			149,615	149,615	146,615	155,910	209,518	259,518	259,518	259,518	259,518	220,500	199,615	199,615

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134. Please refer to page 14, lines 8 through 13 of Pamela Murphy's testimony. How did PEF develop the pricing for the market proxy alternative reflected in Exhibit PRM-6? Please provide all assumptions.

Answer:

Pricing for the "market proxy" was based upon a proposed term sheet received from Gulfstream Natural Gas System, dated June 22, 2004, and submitted by PEF in its response to Staff's First Request for Production of Documents, POD #2. In its term sheet, Gulfstream provided three different options, all of them structured to generate $17,520,000 of annual fixed pipeline transportation costs being paid by PEF to Gulfstream. The term sheet also reflected a usage rate of $0.0055 per Dth. Gulfstream's existing fuel charge of 2.0% was assumed.

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136. Please refer to Staff's Interrogatory No. 27 regarding Exhibit PRM-5. Please provide the same cost breakdown regarding transportation for the first alternative as was done for the second and third alternatives.

Answer:

Alternative	Effective Fixed Transportation -$/Dt Summer	Winter	Commodity Charge $/Dt	Fuel Charge
First – GOM Based	$0.8456	$0.8456	$0.0055	2.0%

The effective fixed transportation rates were based upon a proposed term sheet received from Gulfstream Natural Gas System, dated June 22, 2004, and submitted by PEF in its response to Staff's First Request for Production of Documents, Request No. 2. In its term sheet, Gulfstream provided three different options, all of them structured to generate $17,520,000 of annual fixed pipeline transportation costs being paid by PEF to Gulfstream. The effective fixed transportation rates were derived given Gulfstream's requirement for $17,520,000 of annual fixed pipeline transportation and seasonal volumes comparable with the second and third alternatives.

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140. Referring to Bates stamp page 000071 in PEF's response to Staff's First Request for Production of Documents, this appears to be a page that was originally provided to PEF as part of a response to an RFP generated in 2004, and the referenced page appears to offer a price lower than the gas price in the proposed contract. Please explain how PEF evaluated the pricing information on the referenced page.

PEF viewed the "Index Premium" at $0.04 with an annual price escalator to be competitive with the price adder as provided in the BG contract. However, this supplier was not willing to assume any unsubscribed capacity to the Southern Natural Cypress expansion project.

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141. How did PEF determine the preferred source of LNG at Elba Island from the responses to its April 5, 2004 solicitation?

Answer:

PEF determined that BG LNG Services would be the preferred source of LNG at Elba, because BG was the only Elba Island supplier willing to purchase a large part of the remaining unsubscribed Southern Natural capacity.

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144. Please provide a general description of how the prices of PEF's natural gas supply contracts are structured. Are most contracts a fixed $/mmbtu value or are they indexed to a zone (e.g. Henry Hub) with an adder? If an adder is applied to a contract, does the adder typically increase with the duration of the contract? Could the adder be considered a premium for securing supply?

Answer: PEF's natural gas supply contracts generally consist of three forms: fixed price, index, and daily call. Fixed price deals are utilized to implement PEF's phased hedging strategy to reduce price volatility. These deals are either originated as a fixed price or are an index based deal that has been triggered to a fixed price. These fixed prices are usually composed of a NYMEX piece, basis, and index premium (if it had previously been an index deal). Index deals are based on either a first of the month index published by FERC (IF FOM) or on a floating gas daily price that is published in Platt's Gas Daily (GD). Depending on the location of the firm receipt point(s) in PEF's firm transportation contracts, PEF typically purchases gas at a FGT Zone 1, 2, 3 and/or Transco Zone 4 price. These premiums are fixed at the deal's inception and do not increase over time unless the deal was originally structured in that manner. The third type of deal is a daily call. In this scenario, PEF reserves the right to notify the supplier by a pre-determined time on a daily basis if we want that supply to flow for the next gas day. In this case, there is generally a premium added to the GD reflecting market demand for the product. There is also a reservation charge that PEF would pay based on the total possible quantity of gas that could be called on for a given month. This fee represents the cost to PEF for the supplier to reserve supply for PEF's consumption on a daily basis.

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146. On an annual basis for the proposed contracts, please provide the volume (mmbtu) that is dedicated to existing or certified units and the volume that is available for future units on PEF's system.

Answer:

Per the BG LNG Services Gas Sale and Purchase Contract Section 1.1:

Contract Quantities for Hines:
From May, 2007 through the last day of the Delivery Period

- 61,374 MMBtu per Day for the Summer Months
- 25,573 MMBtu per Day for the Winter Months

Contract Quantities for System
From May, 2008 through April 2009

- 20,458 MMBtu per Day for the Summer Months
- 15,343 MMBtu per Day for the Winter Months

From May, 2009 through the last day of the Delivery Period

- 40,916 MMBtu per Day for the Summer Months
- 25,572 MMBtu per Day for the Winter Months

As provided in the FGT firm transportation agreements, the primary delivery points are Anclote, Shady Hills and/or Hines. The "Contract Quantities for System" are the primary delivery points for Anclote, Shady Hills and/or Hines. However, the Hines and System gas can also be delivered on a secondary basis to other PEF facilities.

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Attachment 1

Date	Storm Name	Term Cuts	Daily Cuts	Average Term Gas Cost	Average Spot Gas Cost	Gas Cost Difference	Daily Spot Gas Purchases	Daily Spot Gas Deliveries	Replace Term Supplies	Additional Supplies	Gas Cost Replace Term	Gas Cost of Additional Supplies	Total Incremental Gas Cost
9/24/2002	Tropical Storm Isidore	86,667	21,503	$3.547	$4.150	$0.604	83,015	61,512	61,512	0	$37,122	$0	$37,122
9/25/2002	Tropical Storm Isidore	119,658	33,000	$3.547	$4.208	$0.662	108,000	75,000	75,000	0	$49,613	$0	$49,613
9/26/2002	Tropical Storm Isidore	142,310	0	$3.547	$3.984	$0.438	70,000	70,000	70,000	0	$30,625	$0	$30,625
9/27/2002	Tropical Storm Isidore	125,050	40,000	$3.547	$3.978	$0.432	75,820	35,820	35,820	0	$15,456	$0	$15,456
Tropical Storm Isidore Total											$132,816	$0	$132,816
10/1/2002	Hurricane Lili	72,686	110,696	$3.901	$4.388	$0.487	169,560	58,864	58,864	0	$28,684	$0	$28,684
10/2/2002	Hurricane Lili	83,854	105,551	$3.901	$4.870	$0.969	175,070	69,519	69,519	0	$67,385	$0	$67,385
10/3/2002	Hurricane Lili	68,277	31,479	$3.901	$4.857	$0.956	100,271	68,792	68,792	0	$65,786	$0	$65,786
10/4/2002	Hurricane Lili	66,662	6,335	$3.901	$4.894	$0.993	63,671	57,336	57,336	0	$56,952	$0	$56,952
Hurricane Lili Total											$218,807	$0	$218,807
7/14/2003	Tropical Storm Claudette	12,917	0	$5.069	$5.241	$0.172	57,600	57,600	12,917	44,683	$2,217	$7,668	$9,884
7/15/2003	Tropical Storm Claudette	8,244	0	$5.069		($5.069)	0	0	0	0	$0	$0	$0
7/16/2003	Tropical Storm Claudette	3,578	0	$5.069		($5.069)	0	0	0	0	$0	$0	$0
Tropical Storm Claudette Total											$2,217	$7,668	$9,884
8/10/2004	Tropical Storm Bonnie	34,253	25,476	$5.367	$5.723	$0.356	49,000	23,524	23,524	0	$8,372	$0	$8,372
8/11/2004	Tropical Storm Bonnie	55,485	11,620	$5.367	$5.978	$0.611	122,007	110,387	55,485	54,902	$33,896	$33,540	$67,435
8/12/2004	Tropical Storm Bonnie	27,805	0	$5.367	$5.853	$0.486	79,300	79,300	27,805	51,495	$13,510	$25,021	$38,532
8/13/2004	Tropical Storm Bonnie	13,728	265	$5.367	$5.639	$0.272	97,500	97,235	13,728	83,507	$3,733	$22,706	$26,438
Tropical Storm Bonnie Total											$59,511	$81,267	$140,778
9/13/2004	Hurricane Ivan	74,968	94,952	$5.012	$5.750	$0.738	148,000	53,048	53,048	0	$39,128	$0	$39,128
9/14/2004	Hurricane Ivan	87,127	45,997	$5.012	$5.853	$0.841	249,500	203,503	87,127	116,376	$73,239	$97,826	$171,065
9/15/2004	Hurricane Ivan	162,684	20,342	$5.012	$6.306	$1.294	190,000	169,658	162,684	6,974	$210,448	$9,022	$219,470
9/16/2004	Hurricane Ivan	171,199	56,379	$5.012	$6.659	$1.647	230,000	173,621	171,199	2,422	$281,896	$3,988	$285,884
9/17/2004	Hurricane Ivan	161,745	25,951	$5.012	$6.657	$1.645	230,000	204,049	161,745	42,304	$266,006	$69,573	$335,579
9/18/2004	Hurricane Ivan	173,895	39,920	$5.012	$7.165	$2.153	217,036	177,116	173,895	3,221	$374,326	$6,934	$381,260
9/19/2004	Hurricane Ivan	174,570	45,822	$5.012	$7.140	$2.128	230,865	185,043	174,570	10,473	$371,415	$22,282	$393,697
9/20/2004	Hurricane Ivan	143,033	59,060	$5.012	$7.140	$2.128	230,865	171,805	143,033	28,772	$304,317	$61,215	$365,532
9/21/2004	Hurricane Ivan	120,026	70,901	$5.012	$7.588	$2.576	210,000	139,099	120,026	19,073	$309,139	$49,124	$358,263
9/22/2004	Hurricane Ivan	106,806	37,016	$5.012	$7.607	$2.595	175,500	138,484	106,806	31,678	$277,119	$82,192	$359,311
9/23/2004	Hurricane Ivan	131,200	9,243	$5.012	$7.313	$2.301	165,500	156,257	131,200	25,057	$301,839	$57,646	$359,485
9/24/2004	Hurricane Ivan	110,400	10,687	$5.012	$7.040	$2.028	226,500	215,813	110,400	105,413	$223,847	$213,735	$437,582
9/25/2004	Hurricane Ivan	85,988	8,882	$5.012	$7.436	$2.424	215,500	206,618	85,988	120,630	$208,401	$292,359	$500,759
9/26/2004	Hurricane Ivan	85,983	11,933	$5.012	$7.362	$2.350	135,501	123,568	85,983	37,585	$202,026	$88,310	$290,335
9/27/2004	Hurricane Ivan	91,780	0	$5.012	$8.403	$3.391	75,500	75,500	75,500	0	$255,990	$0	$255,990
9/28/2004	Hurricane Ivan	82,305	0	$5.012	$7.586	$2.574	125,000	125,000	82,305	42,695	$211,820	$109,880	$321,700
9/29/2004	Hurricane Ivan	91,146	0	$5.012	$7.439	$2.427	144,200	144,200	91,146	53,054	$221,175	$128,741	$349,916
9/30/2004	Hurricane Ivan	95,878	280	$5.012	$7.573	$2.561	136,500	136,220	95,878	40,342	$245,505	$103,300	$348,805
10/1/2004	Hurricane Ivan	64,590	0	$5.063	$7.446	$2.383	137,194	137,194	64,590	72,604	$153,905	$173,001	$326,906
10/2/2004	Hurricane Ivan	52,804	0	$5.063	$5.962	$0.899	143,594	143,594	52,804	90,790	$47,460	$81,602	$129,062
10/3/2004	Hurricane Ivan	44,113	9,800	$5.063	$5.962	$0.899	143,594	133,794	44,113	89,681	$39,649	$80,605	$120,254
10/4/2004	Hurricane Ivan	23,134	29,400	$5.063	$5.962	$0.899	143,594	114,194	23,134	91,060	$20,793	$81,845	$102,638
10/5/2004	Hurricane Ivan	12,199	0	$5.063	$6.455	$1.392	70,900	70,900	12,199	58,701	$16,979	$81,700	$98,679
10/6/2004	Hurricane Ivan	0	0	$5.063	$6.468	$1.405	57,300	57,300	0	57,300	$0	$80,495	$80,495
Hurricane Ivan Total											$4,656,422	$1,975,374	$6,631,796

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B

LNG Supplier List - Binding April 5, 2004 RFP

	Company	LNG Facility / % Owner	Contact Name	Contact Phone	FAX	e-mail
1	Coral Energy Resources (Shell Offshore Inc)	Elba Island, GA	Doug Rephlo	713-767-5502	713-265-5502	drephlo@coral-energy.com
2	BG LNG Services, LLC	Elba Island, GA & Lake Charles, LA	Mark Evans	713-403-3741	713-403-3781	mark.evans@bglng.com
3	Marathon Oil Company	Elba Island, GA	Jim Bowden	713-296-2416	713-296-4480	JRBowden@MarathonOil.com
4	Tractebel Energy Marketing, Inc.	Bahamas - Calypso Project	David L Fairley Greg Mason	713-636-1776 713-636-1787	(713) 636-1859 (713) 636-1859	DFairley@tractebelusa.com gmason@tractebelusa.com
5	Repsol YPF, Gastream AES Coral	Bahamas - Ocean Cay Project	Phil Ribbeck Ed Cahill	34-91-348-78-48 305-444-4002	34-91-348-40-8 305-445-0615	pribbeck@gastream.com ed.cahill@aes.com
6	FPL Group Resources, LLC	Bahamas - Seafarer Project	Heather Stubblefield	(561) 691-2145	(561) 691-7633	heather_stubblefield@FPL.com

Indicates who PEF received bid responses from

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ATTACHMENT C

LNG Supplier List - Non Binding August 22, 2003 RFP

	Company	LNG Facility / % Owner	Contact Name	Contact Phone	FAX	e-mail
1	Sempra Energy Trading Corp	Cameron (formerly Hackberry Creek)	Tommy Jacomini	713-361-7619	713-361-7650	tjacomini@sempratrading.com
2	McMoRan Oil & Gas LLC	Main Pass Energy Hub (MP 299)	Dave Landry	504-582-4880	504-582-4676	dave_landry@fmi.com
3	ChevronTexaco	Port Pelican (delivered to Henry Hub)	Richard Lammons	713-752-7084		rlammons@chevrontexaco.com
4	ExxonMobil	Mobile Bay LNG Facility	Diaco M. Aviki	713-656-3098	713-656-9276	diaco.m.aviki@exxonmobil.com
			Ron V.Yates	713-656-6148	713-656-9276	ron.v.yates@exxonmobil.com
			Chris Gillette	713-656-4450	713-656-9276	chris.w.gillette@exxonmobil.com
5	Coral Energy Resources (Shell)	Elba Island, GA	Doug Rephlo	713-767-5502	713-265-5502	drephlo@coral-energy.com
6	BG LNG Services, LLC	Elba Island, GA & Lake Charles, LA	Kyle W. Hamrick	713-599-3811		kyle.hamrick@bglng.com
7	Marathon Oil Company	Elba Island, GA	Matt Fleming	713-296-2416	713-296-4480	mfleming1@marathonoi..com
			Daniel W. Mowrey	713-296-3712	713-296-4480	dwmowrey@marathonoil.com
8	Tractebel Energy Marketing, Inc.	Bahamas - Calypso Project	David L Fairley	713-636-1776	(713) 636-1859	DFairley@tractebelusa.com
9	AES Coral	Bahamas - Ocean Cay Project	Ed Cahill	305-444-4002	305-445-0615	ed.cahill@aes.com

Indicates who PEF received bid responses from

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ATTACHMENT D

PEF Domestic Supplier List for June 14, 2004 RFP - Gas Solicitation

	Company	Address	City	State	Zip Code	CPL	Contact Name	Contact Phone	FAX	e-mail	GISB/NAESB CPL	GISB/NAESB FPC	PGN Rating	Credit
1	Amerada Hess Corporation	500 Dallas Street, 1 Allen Center	Houston	TX	77002	?	Todd Porter	713-609-4920	713-609-4923	tporter@hess.com	GISB	NO	PGN5	
2	Apache Corporation	2000 Post Oak Blvd, Ste 100	Houston	TX	77056-4400		David Benninger	713-296-6706	713-296-7130	david.benninger@apachecorp.com	NO	NO	PGN2	
3	Anadarko Energy Services, Inc.	P. O. Box 1330	Houston	TX	77251-1330	Y	Wanda Carter Marcell	832-636-7155	832-636-7181	wanda_carter@anadarko.com	GISB	GISB	PGN3	
		1200 Timberloch Place	The Woodlands	TX	77380		John Ripple	832-636-7153	832-636-7215	john_ripple@anadarko.com				
4	Calion Petroleum Company	PO Box 1287 / 200 North Canal Street	Natchez	MS	39120-1287		John King Jr.	601-446-1360	601-446-1406	jking@calion.com	NO	NO	N/A	
5	ChevronTexaco	1111 Bagby Street, Suite 4354-1	Houston	TX	77002		Don Cullum	713-752-6465	713-752-3999	doncullum@chevrontexaco.com	NAESB	NAESB	PGN1	
							Bob Crites	713-752-		bob.crites@chevrontexaco.com				
6	Conoco-Phillips	Cherokee, 1081; P.O. Box 2197	Houston	TX	77252		Randy Courtney	281-293-6629	281-293-6111	randy.courtney@conocophillips.com	GISB	NO	PGN2	
7	Coral Energy Resources (Shell Offshore Inc)	909 Fannin St, Suite 700	Houston	TX	77010		Mark Chambers	713-767-5569		mchambers@coral-energy.com	GISB	GISB	PGN4	
8	Devon Energy	20 N Broadway	Oklahoma City	OK	73102		Don Mauldin	405-228-4407	405-552-4664	don.mauldin@dvn.com	NO	NO	PGN4	
							Bill Green			bill.green@dvn.com				
	see Devon: Ocean Energy	1001 Fannin, Ste 1600	Houston	TX	77002		Ricky Henagan	713-265-6971	713-265-8823	ricky.henagan@oceanenergy.com				
9	Dominion Exploration & Production	Four Greenspoint Plaza, 16945 Northchase Dr., Suite 1750	Houston	TX	77060		Tina Harmon	281-873-1568	281-873-1547	tina_l_harmon@dom.com	GISB	GISB	PGN3	
10	Duke Energy Trading & Marketing LLC	P. O. Box 1354	Houston	TX	77251-1354		Rene Mouton	713-989-0290	713-989-0266	rpmouton@duke-energy.com	GISB	GISB	PGN5	
							Brad Ledbetter	713-989-0845	713-989-0266	bledbetter@duke-energy.com				
11	El Paso Production GOM, Inc.	Four Greenway Plaza / PO Box 1513, Field Services Mgr	Houston	TX	77251-1513		Ms. Carol Landis-Eldridge	832-676-3546	832-676-1161	carol.landis@elpaso.com	NO (GISB with El Pa	NO	PGN6	
12	Entergy-Koch	20 East Greenway Plaza, 5th Floor	Houston	TX	77046		Steve Hanan	713-544-4907		steve.hanan@entergykoch.com	NO	NO	PGN2	
13	EOG Resources, Inc.	333 Clay Street, Ste 4200	Houston	TX	77002		David W. Deal	713-651-6852	713-651-6853	david_deal@eogresources.com	NO	NO	N/A	
14	ExxonMobil Gas Marketing	800 Bell, Room 3573G	Houston	TX	77002		Sandy Payne	713-656-8367	713-656-9276	sandra.k.payne@exxonmobil.com	GISB	GISB	PGN1	
15	Hunt Oil Company	1445 Ross Ave, suite 1800	Dallas	TX	75202		Vic Devincenzo	214-978-8281		vdevincenzo@huntoil.com	NO	GISB	PGN3	
16	Cinergy Energy Mktg (Agent for Kerr McGee)	1100 Louisiana, suite 4900	Houston	TX	77002		Keith Sawyer	713-393-6880		keith.sawyer@cinergy.com	GISB with Cinergy M	GISB (with Cinergy I	PGN3	
17	Marathon Oil Company	5555 San Felipe - PO Box 3128	Houston	TX	77252-3128		Daniel W. Mowrey	713-296-3712	713-296-4480	dwmowrey@marathonoil.com	NO	NO	PGN3	
18	Mariner Energy, Inc.	580 Westlake Park Blvd., Ste 1300	Houston	TX	77079-2638		Rod Banks	281-584-5509	281-584-5678	rbanks@mariner-energy.com	NO	NO	N/A	
19	Murphy Oil	550 Westlake Park Blvd, Ste 1000	Houston	TX	77079		Larry Z. Bryan	281-249-1038	281-249-1041	larry_bryan@murphyoilcorp.com	NAESB (with Murphr	NAESB (with Murphr	PGN3	
20	National Energy & Trade, LP	3700 Buffalo Speedway, Suite 1100	Houston	TX	77098		Jason D. Tidwell	713-871-1757	713-871-0510	jdwtidwell@net-lp.com	NAESB	NAESB	PGN5	
21	Newfield Exploration	363 North Sam Houston Pkwy East, Ste 2020	Houston	TX	77060		Ms. Teri Gonzales	281-847-6017	281-405-4204	tgonzales@newfld.com	NO	NO	N/A	
22	Nippon Oil Exploration USA Limite	5847 San Felipe, Ste 2800	Houston	TX	77057		D. Calvin Blue, Jr.	713-260-7431	713-978-7800	calvinb@noex.com	NO	NO	N/A	
	agent: Adams Resources Marketing Ltd	4 Kingwood Place, 900 Rockmead, Ste 274	Kingwood	TX	77339		Paul Sedita	281-359-7200 x 142	281-312-4142	psedita@arm-ltd.com	GISB	GISB	PGN5	
23	Noble Gas Marketing	350 Glenborough, Suite 180	Houston	TX	77067		Brian Ginsburg	281-876-8835	281-876-8845	bginsburg@noblegas.com	GISB	GISB	PGN6	
24	NUI Corporation	P. O. Box 760	Bedminster	NJ	07921-0760		Joe Principato	908-719-4294	908-719-0944	jprincipato@nui.com	GISB (with NUI Ener	GISB (with NUI Ener	PGN6	
25	Occidental Energy Marketing Inc.	PO Box 27570	Houston	TX	77227-7570		Doug Davis	713-215-7066	713-215-7486	doug_davis@oxy.com	GISB	GISB	PGN3	
26	OneOk Energy Marketing & Trading	100 West Fifth Street, Suite 1600	Tulsa	OK	74102-2405		David Rucker	(918) 591-5161	918-585-9254	David.Rucker@oneok.com	NAESB	NAESB	PGN4	
27	Pioneer Natural Resources-USA, Inc.	5205 N. O'Conner Blvd, Ste 1400	Irving	TX	76903		Jeannette Heatherly	972-969-3860			NO	NO	N/A	
28	Pogo Producing Company	5 Greenway Plaza, Ste 2700	Houston	TX	77046-0504		John Harvard	713-297-5011	713-297-4953	harvardj@pogoproducing.com	NO	NO	N/A	
29	Sempra Energy Trading	2500 CityWest Blvd., Suite 1800	Houston	TX	77042		Thomas Jacomini	713-361-7619	713-361-7650	tjacomini@sempratrading.com	GISB	GISB	PGN3	
30	Sequent Energy, LP	1000 Louisiana Street, Suite 1975	Houston	TX	77002	y	Tammi Depaolis	832-397-1728	832-397-1709	tdepaoli@sequentenergy.com	GISB	GISB	PGN2	
31	Shamrock Energy LLC	401 Market Street Suite 1300	Shreveport	LA	71101		Jon M. Gipson	318-424-3800	318-424-3801	jgipson@shamrock-energy.com	NO	NO	N/A	
32	Shoreline Gas Inc.	Wells Fargo Tower, Suite 1900, PO Box 778	Corpus Christi	TX	78403-0778		Leo G. Verrett	361-888-6500 x27	361-888-6532	leo@shorelinegas.com	NO	NO	N/A	
33	Texican Natural Gas Company	500 Dallas Street, Suite 1150	Houston	TX	77002		Robert Blevins	713-650-6579	713-750-0982	rblevins@texicannaturalgas.com	NO	NO	PGN5	
34	Total Gas & Power North America, Inc.	800 Gessner, Suite 700	Houston	TX	77024		Jared Kaiser	713-647-4059	713-647-4030	jared.kaiser@total.com		NAESB	PGN2	
35	Unocal Midstream and Trade	14141 Southwest Frwy	Sugarland	TX	77478		Ron F. Ford, Mgr Gas Mktg	281-287-5286	281-287-7327	rfford@unocal.com	NO (NAESB with Ur	NO (NAESB with Ur	PGN3	
							Steve Hanshaw	281.287.5804		stephen.hanshaw@unocal.com				
36	Williams Energy Marketing and Trading Co.	P. O. Box 2848	Tulsa	OK	74101		Christy Perritt	918-573-5823	918-573-2431	christy.perritt@williams.com	GISB	NO	PGN6	
37	BP Energy Company	501 Westlake Park Blvd.	Houston	TX	77079		Nick Kornuta	281-366-4947	281-366-4929	kornutnj@bp.com	GISB	GISB	PGN2	
38	McMoRan Oil & Gas LLC	1615 Poydras Street	New Orleans	LA	70112		Dave Landry	504-582-4880	504-582-4676	dave_landry@fmi.com	None	None	None	
	Epochenergygroup	1200 Smith Street, 16th Floor	Houston	TX	77002		Tim D. Bourn	713-658-1000	713-658-1004	tim.bourn@epochenergy.com	None	None	None	
39	ExxonMobil	800 Bell Street, 3573H	Houston	TX	77002-2180		Diaco M. Aviki	713-656-3098	713-656-9276	diaco.m.aviki@exxonmobil.com	GISB	GISB	PGN1	
							Matt Cross	713-656-8373	713-656-9276	matthew.j.cross@exxonmobil.com				
40	Cheniere Energy, Inc.	717 Texas Avenue, Suite 3100	Houston	TX	77002		Keith Meyer	(713) 659-1361	(713) 659-5459	kmeyer@cheniere.com	None	None		
							Erin Vitela	(713) 659-1361	(713) 659-5459	evitela@cheniere.com				
41	Virginia Power Energy Marketing, Inc.	120 Tredegar St.	Richmond	VA	23219		Tom Dickey	804-787-6056	804-787-6473	thomas_dickey@dom.com	NAESB	NAESB	PGN3	
										martin_minnaugh@dom.com				

Indicates who PEF received bid responses from

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ATTACHMENT E

Attachment 1
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FPC Natural Gas Commodity Contracts
In Effect Between 2001 - 2004

Supplier	Contract Start Date	Contract End Date	Min Volume	Max Volume	Receipt Points	Price Type	Price Description	Notes
Vastar (ARCO) BP-Tiger Bay #14882 / AAD931	1/1/1998	12/31/2010	28,176 dt per day	28,719 d per day	Various FGT receipt points	Fixed Price	Fixed price based on initial contract term price plus annual escalator	
Virginia Power / Citrus #14888, #14887/ AAF532 Assigned on 11/1/04	11/1/1998	10/31/2013	0 dt per day	21,000 dt per day (May-Oct) 12,000 dt per day (Nov-Apr)	Delivered to Hines	Market-Indexed	Bundled to plant gate. Inside FERC, First-of month index, average of FGT zones 2 & 3, plus FTS-2 demand and variable charges Index discount = $.0.05	Right to swing on daily volumes not to exceed MDQ, commodity charge adjustments for swing volumes To convert to fixed, 1:30 pm on three days prior to last day of NYMEX trading
Amoco BP - Tom Bell #14873 / AAE408	11/1/1998	10/31/2003	0 dt per day	36,200 dt per day seasonal average with swing rights	Various FGT receipt points Receipt points do not include FGT fuel	Market-Indexed	Reservation charge = $0.0137 per dt Inside FERC, First-of-month Index, FGT Zones 1, 2,3 except for Destin, FGT Zone 2 zones $0.03 No Index premium	Right to swing on daily volumes not to exceed MDQ, commodity charge adjustments for swing volumes Switched 30,000 dt's of Destin to Higher of FGT Z2 GDA - .225 or IFERC FGT Z2 - .225 for October 02 through March 03 Purchased a $8.50 cap on 10,000 Dt's for July 2003 through September 2003 for $0.58. See #21283
Dynegy	5/1/1998	4/30/2001	0 dt per day	13,800 dt per day with swing rights		Market-Indexed	Bundled to plant gate. Inside FERC, First-of-month index plus FTS-2 variable charges. No Index premium. Reservation charge = $0.205 per dt	
BP - Settlement #14867	4/1/2001	3/31/2002	25,000 dt per day - 4-10 10,000 dt per day - 11-11 35,000 dt per day - 12-03	25,000 dt per day - 4-10 10,000 dt per day - 11-11 35,000 dt per day - 12-03	Destin	Market-Indexed	Inside FERC, First-of-month Index, TGPL Zone 4, plus $0.005	
Enron	5/1/2001	9/30/2001	20,000 dt per day	20,000 dt per day	Destin	Market-Indexed	Inside FERC, First-of-month Index, TGPL Zone 4, plus $0.0175	
ExxonMobil	5/1/2001	9/30/2001	30,000 dt per day	30,000 dt per day	Mobile Bay	Nymex price	Nymex last day settle minus $0.05 per dt	
Cinergy	5/1/2001	9/30/2001	1,903 dt per day	1,903 dt per day	FGT - Klotz Springs	Market-Indexed	Inside FERC, First-of-month Index, FGT Zone 2, plus $0.005	
Dynegy #14882	5/1/2001	4/30/2002	0 dt per day	22,018 dt per day with swing rights	Various FGT receipt points Receipt points do not include FGT fuel	Market-Indexed	Inside FERC, First-of-month Index, FGT Zones 1, 2,3 based on weighted average of transport MDQ by zones Index premium = $0.0175 per dt	
TECO - Peoples Gas South Georgia	5/1/2001	10/31/2001	0 dt per day	12,000 dt per day with daily swing rights	South Georgia - Suwannee	Market-Indexed	Inside FERC, First-of-month Index, SNG Louisiana, plus $0.70 Bundled to plant citygate	
TECO - Peoples Gas #15704 South Georgia	4/1/2002	10/31/2002	0 dt per day	12,000 dt per day with daily swing rights	South Georgia - Suwannee	Gas Daily Index	Gas Daily Index, SNG Louisiana, plus $0.20+SNG & SGA fuels Bundled to plant citygate Reservation charge = $0.40 per dt	
Coral Energy Resources #15670	5/1/2002	9/30/2002	15,000 dt per day	15,000 dt per day	Destin	Market-Indexed	Inside FERC, First-of-month Index, TGPL Zone 4, plus $0.01 *Right to convert to Gas Daily pricing*	
Sempra #16138	5/1/2002	9/30/2002	0 dt per day	13,000 dt per day with swing rights at first of month	Destin	Market-Indexed	Inside FERC, First-of-month Index, TGPL Zone 4, plus $0.01 Right to convert to Gas Daily pricing	
Sempra #16137	5/1/2002	9/30/2002	0 dt per day	2,161 dt per day with swing rights at first of month	Mobile Bay	Market-Indexed	Inside FERC, First-of-month Index, FGT Zone 3, plus $0.005 Right to convert to Gas Daily pricing	
Dynegy #16183	5/1/2002	4/30/2003	0 dt per day	18,000 dt per day with swing rights	Various FGT receipt points Receipt points do not include FGT fuel	Market-Indexed	Inside FERC, First-of-month Index, FGT Zones 1, 2,3 based on weighted average of transport MDQ by zones Reservation fee = $0.01 per dt Right to convert to Gas Daily pricing	*Right to swing on daily volumes not to exceed MDQ, commodity charge adjustments for swing volumes* To convert to GD, 9:30 am on day prior to last day of NYMEX trading
BP #16135 Gulfstream	6/1/2002	9/30/2002	10,000 dt per day	20,000 dt per day with swing rights at first of month	Destin	Market-Indexed	Inside FERC, First-of-month Index, TGPL Zone 4, plus $0.01 Right to convert to Gas Daily pricing	
BP #16134 Gulfstream	6/1/2002	5/31/2003	25,000 dt per day	25,000 dt per day	Destin - FGT or Gulfstream	Market-Indexed	Inside FERC, First-of-month Index, TGPL Zone 4, plus $0.015 Right to convert to Gas Daily pricing	To convert to GD, 12:00 pm on day prior to last day of NYMEX trading Switched 25,000 dt's of Destin to higher of TGPL Z4 GDA - .125 or IFERC TGPL Z4 - .135 for September 2002 Switched 20,000 dt's to a costless collar - 3.75 to 5.45 - for December 2002 through February 2003 - hit for Feb at 5.78
Dynegy #16136 Gulfstream	6/1/2002	5/31/2003	20,000 dt per day	20,000 dt per day	Mobile Bay - FGT or Gulfstream	Market-Indexed	Inside FERC, First-of-month Index, TGPL Zone 4 Reservation fee = $0.015 per dt Right to convert to Gas Daily pricing	To convert to GD, 9:30 am on day prior to last day of NYMEX trading Switched 10,000 to GDA in March 03
TECO - Peoples Gas	6/1/2002	6/31/2002	15,000 dt per day	15,000 dt per day	Gulfstream - Market Area	Market-Indexed	Inside FERC, First-of-month Index, FGT Zone 3, plus $0.45 Bundled to plant citygate	
ExxonMobil #20218 / AAE203	4/1/2003	10/31/2003	10,000 dt per day	10,000 dt per day	Mobile Bay - Gulfstream	Market-Indexed	Inside FERC, First-of-month Index, FGT Zone 3, plus $0.03	

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TECO – Peoples Gas #20693 / AAE378	4/10/2003	10/31/2003	0 dt per day	12,000 dt per day with daily swing rights	South Georgia - Suwannee	Gas Daily Index	Gas Daily Index, SNG Louisiana, plus $0.20+SNG & SGA fuels Bundled to plant citygate Reservation charge = $0.35 per dt	
ChevronTexaco #20805 / AAF349	5/1/2003	4/30/2004	0 dt per day	18,000 dt per day with monthly swing rights	Various FGT receipt points Receipt points do not include FGT fuel	Market-Indexed	Inside FERC, First-of-month Index, FGT Zones 2,3 based on weighted average of transport MDQ by zones Reservation fee = $0.04 per dt Right to convert to Gas Daily pricing	To convert to GD, 12:00 pm on the fifth business day prior to the last day of the month
Sequent #20933 / AAD208	8/1/2003	10/31/2003	0 dt per day	10,000 dt per day with swing rights daily	Destin - FGT or Gulfstream	Market-Indexed	Platts Gas Daily, Midpoint, TGPL Z4, plus $0.01 Reservation fee = $0.015 per dt	Gas Daily Call
Sequent #20935 / AAD241	8/1/2003	5/31/2004	10,000 dt per day	30,000 dt per day	Destin - FGT or Gulfstream	Market-Indexed	Inside FERC, First-of-month Index, TGPL Zone 4, plus $0.545 Right to convert to Gas Daily pricing	To convert to GD, 5:30 pm at least six business days prior to the first of the month Triggered fixed Price for August 2003 = $5.045 and September 2003 = $5.095 Triggered fixed Price for August 2003 = $4.970 and September 2003 = $4.990 Triggered fixed Price for December 2003 = $5.540, January 2004 = $5.645, and February = $5.595 Triggered fixed Price for December 2003 = $5.485, January 2004 = $5.590, and February = $5.545 Triggered fixed Price for March 2004 = $5.07
Sequent #20117 / AAD387	8/1/2003	10/31/2003	0 dt per day	5,000 dt per day <–June 10,000 dt per day <–July-October with swing rights at first of month	Mobile Bay - Gulfstream or FGT	Market-Indexed	Inside FERC, First-of-month Index, FGT Zone 3 Reservation fee = $0.035 per dt Right to convert to Gas Daily pricing	To convert to GD, 5:30 pm at least six business days prior to the first of the month
Unocal Energy #20207 / AAF182	8/1/2003	5/31/2004	0 dt per day	15,000 dt per day with swing rights at first of month with swing rights daily	DGP - Gulfstream or FGT	Market-Indexed	Inside FERC, First-of-month Index, FGT Zone 3, plus $0.015 Reservation fee = $0.02 per dt Right to convert to Gas Daily pricing	To convert to GD, 5:30 pm at least four business days prior to the first of the month Triggered fixed Price for June 2003 through September 2003 = $5.250 Triggered fixed Price for December 2003 through February 2004 = $5.375 Triggered fixed Price for March 2004 = $5.165 Converted 10,000 to GDA FGT Z3 plus $0.015 for May 2004
ExxonMobil #20217 / AAD434	8/1/2003	5/31/2004	20,000 dt per day	20,000 dt per day	Mobile Bay - Gulfstream	Market-Indexed	Inside FERC, First-of-month Index, FGT Zone 3, plus $0.03	
Cinergy #20218 / AAE268	8/1/2003	5/31/2004	10,000 dt per day	10,000 dt per day	Mobile Bay - Gulfstream	Market-Indexed	Inside FERC, First-of-month Index, FGT Zone 3, plus $0.0475 Right to convert to Gas Daily pricing	Triggered fixed Price for February 2004 through March 2004 = $5.3025 Triggered fixed Price for May 2004 = $4.7625
Unocal Energy #20327 / AAE338	8/1/2003	10/31/2003	5,000 dt per day	5,000 dt per day	DGP - Gulfstream or FGT	Market-Indexed	Inside FERC, First-of-month Index, FGT Zone 3, plus $0.05 Right to convert to Gas Daily pricing	To convert to GD, 5:30 pm at least four business days prior to the first of the month
City #20374 / AAE358	8/1/2003	10/31/2003	8,000 dt per day	8,000 dt per day	Destin - FGT or Gulfstream	Market-Indexed	Inside FERC, First-of-month Index, TGPL Zone 4, plus $0.04 Right to convert to Gas Daily pricing	
ExxonMobil #20441 / AAE366	8/1/2003	9/30/2003	6,000 dt per day	6,000 dt per day	Williams Mobile Bay - Gulfstream	Market-Indexed	Inside FERC, First-of-month Index, FGT Zone 3, plus $0.035	
ChevronTexaco #20804 / AAE367	8/1/2003	5/31/2004	0 dt per day	20,000 dt per day with swing rights at first of month with swing rights daily	DGP - Gulfstream	Market-Indexed	Inside FERC, First-of-month Index, TGPL Zone 4 Reservation fee = $0.035 per dt Right to convert to Gas Daily pricing	To convert to GD, 12:00 pm on the fifth business day prior to the last day of the month Triggered fixed Price for January 2004 through May 2004 = $4.4725 Triggered fixed Price for March 2004 = $5.35
National Energy & Trade #20474 / AAF618	7/1/2003	6/31/2003	24,000 dt per day	24,000 dt per day	Destin - FGT or Gulfstream	Market-Indexed	Higher of FGT Z3 GDA -$0.14 or IFERC FGT Z3 - 5.014 If floor is not violated , have right to sell gas back at FGT Z3 GDA	
BP #20470 / AAE371	7/1/2003	9/30/2003	0 dt per day	21,000 dt per day with swing rights daily	Destin - FGT or Gulfstream	Market-Indexed	Platts Gas Daily, Midpoint, FGT Z3, plus $0.03 Reservation fee = $0.03 per dt	Gas Daily Call
ONEOK Energy #22064 / AAF941	7/15/2003	10/15/2003	0 dt per day	50,000 dt per day	Zone 2 pool Sta 8 - FGT	Market-Indexed	Platts Gas Daily, Midpoint, FGT Z2, plus $0.05	10 Day Call
ChevronTexaco #22915 / AC1828	1/1/2004	12/31/2004	10,000 dt per day	10,000 dt per day	Mobile Bay - Gulfstream	Fixed Price	Fixed price based on contract	Triggered fixed Price for January 2004 through December 2004 = $5.0025
TECO - Peoples Gas AB8195	4/15/2004	10/31/2004	0 dt per day	12,000 dt per day with daily swing rights	South Georgia - Suwannee	Gas Daily Index	Gas Daily Index, SNG Louisiana, plus $0.20+SNG & SGA fuels Bundled to plant citygate Reservation charge = $0.33 per dt	
ChevronTexaco ADA623	5/1/2004	10/31/2004	10,000 dt per day	10,000 dt per day	Mobile Bay - Gulfstream	Fixed Price	Fixed price based on contract	Triggered fixed Price for May 2004 through October 2004 = $4.99
Coral	5/1/2004	10/31/2004	10,000 dt per day	10,000 dt per day	Destin - Gulfstream / FGT	Fixed Price	Fixed price based on contract	Triggered fixed Price for May 2004 through October 2004 = $4.7775

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ChevronTexaco AFF149	5/1/2004	4/30/2005	0 dt per day	23,000 dt per day with monthly swing rights with daily swing rights	Various FGT receipt points Receipt points do not include FGT fuel	Market-Indexed	Inside FERC, First-of-month Index, FGT Zones 2,3 based on weighted average of transport MDQ by zones Reservation fee = $0.025 per dt Right to convert to Gas Daily pricing	To convert to GD, 4:00 pm on the fifth business day prior to the last day of the month
Sequent #20884 / AAF512	6/1/2004	9/30/2004	10,000 dt per day	10,000 dt per day	Destin - FGT or Gulfstream	Fixed Price	Fixed price based on contract	Triggered fixed Price for June 2004 through September 2004 = $4.880
BP #21284 / AAF526	6/1/2004	9/30/2004	10,000 dt per day	10,000 dt per day	Destin - FGT or Gulfstream	Fixed Price	Fixed price based on contract	Triggered fixed Price for June 2004 through September 2004 = $5.175
Sequent #22218 / ABC122	6/1/2004	8/30/2004	5,000 dt per day	5,000 dt per day	Destin - FGT or Gulfstream	Fixed Price	Fixed price based on contract	Triggered fixed Price for June 2004 through September 2004 = $4.880
Total Gas & Power ADH384	6/1/2004	5/31/2006	20,000 dt per day	20,000 dt per day	Mobile Bay - Gulfstream	Market-Indexed	Inside FERC, First-of-month Index, FGT Zone 3, plus $0.03	To convert to GD, 12:00 pm CST, five business days before the first day of gas flow in the applicable month Triggered fixed Price for June 2004 through October 2004 = $4.84 - 10 Triggered fixed Price for December 2004 through March 2005 = $6.04 - 10 Triggered fixed Price for September 2005 through December 2005 = $5.13 - 10 Triggered fixed Price for January 2006 through March 2006 = $5.705 - 20 Triggered fixed Price for December 2004 through March 2005 = $6.20 - 10 Triggered fixed Price for September 2004 through October 2004 = $5.98 -10
BP Energy Company ADH486	6/1/2004	5/31/2006	30,000 dt per day	30,000 dt per day	Destin - Gulfstream / FGT	Market-Indexed	Inside FERC, First-of-month Index, FGT Zone 3, plus $0.0375	To convert to GD, 12:00 pm CST, five business days before the first day of gas flow in the applicable month Triggered fixed Price for June 2005 through September 2005 = $4.845 - 10 Triggered fixed Price for January 2006 through March 2006 = $5.6725 - 20 Triggered fixed Price for December 2004 through March 2005 = $6.22 - 10 Triggered fixed Price for December 2004 through February 2005 = $6.705 - 10 Triggered fixed Price for July 2004 through August 2004 = $6.45 - 20 Triggered fixed Price for July 2004 through September 2004 = $6.235 - 10 Triggered fixed Price for December 2004 through March 2005 = $6.9075 - 10 Triggered fixed Price for September 2004 = $5.7175 - 10 Triggered fixed Price for October 2004 = $5.8475 - 10 Triggered fixed Price for September 2004 = $5.5675 - 10 Triggered fixed Price for October 2004 = $5.7725 - 10 Triggered fixed Price for October 2004 = $5.3575 - 10 Triggered fixed Price for May 2005 through October 2005 = $6.4375 - 10 Triggered fixed Price for May 2005 through October 2005 = $6.3725 - 10 Triggered fixed Price for March 2005 = $6.1775 - 10 Triggered fixed Price for April 2005 = $6.2275 - 10 Triggered fixed Price for December 2005 through March 2006 = $7.9225 - 10
ConocoPhillips Company ADH727	6/1/2004	5/31/2006	10,000 dt per day	10,000 dt per day	Mobile Bay - Gulfstream	Market-Indexed	Inside FERC, First-of-month Index, FGT Zone 3, plus $0.03	To convert to GD, 12:00 pm CST, five business days before the first day of gas flow in the applicable month Triggered fixed Price for Jun 2005 through March 2005 = $6.9575 - 10 Triggered fixed Price for Oct 2004 = $4.9925 - 10
ChevronTexaco #23136 / ACS873	6/1/2004	12/31/2004	10,000 dt per day	10,000 dt per day	Mobile Bay - Gulfstream	Fixed Price	Fixed price based on contract	Triggered fixed Price for June 2004 through December 2004 = $4.8725
Sequent AFA247	6/1/2004	9/31/2004	0 dt per day	20,000 dt per day with swing rights at first of month	Mobile Bay - Gulfstream or FGT	Market-Indexed	Inside FERC, First-of-month Index, FGT Zone 3, plus $0.0025 Reservation fee = $0.015 per dt Right to convert to Gas Daily pricing	To convert to GD, 5:30 pm at least six business days prior to the first of the month Triggered fixed Price for August 2004 through September 2004 = $5.86
Unocal ADE381	6/1/2004	10/31/2004	10,000 dt per day	10,000 dt per day	Mobile Bay - Gulfstream	Fixed Price	Fixed price based on contract	Triggered fixed Price for June 2004 through October 2004 = $4.7675
Sequent AFA253	7/1/2004	8/31/2004	0 dt per day	50,000 dt per day with swing rights daily	Destin - FGT or Gulfstream	Market-Indexed	Platts Gas Daily, Midpoint, TGPL Z4, plus $0.01 Reservation fee = $0.02 per dt	Gas Daily Call
Sequent AFA255	7/1/2004	8/31/2004	0 dt per day	10,000 dt per day with swing rights daily	Mobile Bay - Gulfstream or FGT	Market-Indexed	Platts Gas Daily, Midpoint, FGT Z3, plus $0.01 Reservation fee = $0.01 per dt	Gas Daily Call
Sequent AH0369	7/1/2004	10/31/2004	0 dt per day	50,000 dt per day	Zone 2 pool Sta 8 - FGT Zone 3 pool Sta 11 - FGT	Market-Indexed	Higher of Platts Gas Daily, Midpoint, FGT Z2, plus $0.015 or Platts Gas Daily, Midpoint, FGT Z3, plus $0.015 as Reservation fee = $0.18 per dt	10 Day Call
BP #21285 / AAF522	12/1/2004	2/28/2005	10,000 dt per day	10,000 dt per day	Destin - FGT or Gulfstream	Fixed Price	Fixed price based on contract	Triggered fixed Price for December 2004 through February 2005 = $5.470
Unocal ADE386	12/1/2004	3/31/2005	10,000 dt per day	10,000 dt per day	Mobile Bay - Gulfstream	Fixed Price	Fixed price based on contract	Triggered fixed Price for December 2004 through March 2005 = $5.075

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149. Please refer to PEF's response to Staff Interrogatory No. 137. Please provide a table with annual data (over the life of the BG LNG contract) comparing the commodity cost estimates used in the Hines 4 RFP analysis to the commodity cost estimates used for the BG LNG supply in PEF's SONAT/FGT Supply Purchase Business Analysis Package.

Answer:

Response:

	Hines 4 RFP			BG LNG Supply		
	FORECASTED HENRY HUB PRICE AS OF 12/18/03	FORECASTED FGT Z3 BASIS AS OF 12/18/03	TOTAL COMMODITY PRICE	FORECASTED HENRY HUB PRICE AS OF 08/05/04	BASIS PER BG CONTRACT	TOTAL COMMODITY PRICE
2008	$ 4.500	$ 0.0310	$ 4.531	$ 4.750	$ 0.0500	$ 4.800
2009	$ 4.500	$ 0.0310	$ 4.531	$ 4.750	$ 0.0500	$ 4.800
2010	$ 4.500	$ 0.0310	$ 4.531	$ 4.750	$ 0.0500	$ 4.800
2011	$ 4.500	$ 0.0310	$ 4.531	$ 4.750	$ 0.0500	$ 4.800
2012	$ 4.600	$ 0.0310	$ 4.631	$ 4.800	$ 0.0500	$ 4.850
2013	$ 4.700	$ 0.0310	$ 4.731	$ 4.900	$ 0.0500	$ 4.950
2014	$ 4.800	$ 0.0310	$ 4.831	$ 5.100	$ 0.0500	$ 5.150
2015	$ 4.900	$ 0.0310	$ 4.931	$ 5.250	$ 0.0500	$ 5.300
2016	$ 5.023	$ 0.0310	$ 5.054	$ 5.360	$ 0.0500	$ 5.410
2017	$ 5.148	$ 0.0310	$ 5.179	$ 5.473	$ 0.0500	$ 5.523
2018	$ 5.277	$ 0.0310	$ 5.308	$ 5.588	$ 0.0500	$ 5.638
2019	$ 5.409	$ 0.0310	$ 5.440	$ 5.705	$ 0.0500	$ 5.755
2020	$ 5.544	$ 0.0310	$ 5.575	$ 5.825	$ 0.0500	$ 5.875
2021	$ 5.682	$ 0.0310	$ 5.713	$ 5.947	$ 0.0500	$ 5.997
2022	$ 5.825	$ 0.0310	$ 5.856	$ 6.072	$ 0.0500	$ 6.122
2023	$ 5.970	$ 0.0310	$ 6.001	$ 6.200	$ 0.0500	$ 6.250
2024				$ 6.330	$ 0.0500	$ 6.380
2025				$ 6.330	$ 0.0500	$ 6.380
2026				$ 6.330	$ 0.0500	$ 6.380
2027				$ 6.330	$ 0.0500	$ 6.380

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150. Please refer to PEF's responses to Staff Interrogatory Nos. 119 and 120. Please explain why the projected system total commodity needs and projected system total transportation needs vary on an annual basis. This difference appears to be greater than would be indicated by the volumes associated with the contract excluded from the transportation response. In addition, please explain why PEF has listed "no forecast" for years 2015 and 2016 for total system gas commodity needs, while forecasted values are given for transportation for these same years.

Answer:

The projected system total commodity volumes are taken from the 2004 Ten Year Site Plan ("TYSP") which includes planned unit additions not yet constructed. In Interrogatory No. 120, the answer only includes existing transportation contracts which would not reflect planned unit additions. In addition, the table contained in Interrogatory No. 120 did not assume that existing long-term firm transportation contracts would be extended under PEF's contractual rollover or right of first refusal (ROFR) rights. The table below assumes that PEF's existing long-term firm transportation contracts would be contractually extended.

Proposed Transportation (Gas)

	Contracted Volume (mmbtu)												
Term (years)	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Proposed Contract	0	0	0	11,460,000	16,946,000	24,700,000	25,900,000	25,900,000	25,960,000	25,900,000	25,900,000	25,900,000	25,960,000
Projected System Total	80,092,082	87,725,564	95,275,564	103,735,564	114,469,082	119,975,564	121,175,564	121,175,564	121,464,082	121,175,564	121,175,564	121,175,564	121,464,082

The reason for "no forecast" for years 2015 and 2016 for system commodity needs is that the 2004 TYSP only provides a ten (10) year forecast.

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151. Please refer to Table 1 of PEF's SONAT/FGT Supply Purchase Business Analysis Package. Please provide separate annual and cumulative values for each of the following: the total nominal cost, present value of total nominal cost, and up-front capital costs, for each of the three alternatives summarized in Table 1. Please provide all assumptions.

Answer:

Subsequent to the development of PEF's August 2004 SONAT/FGT Supply Purchase Business Analysis Package (Business Analysis Package), negotiations with Southern Natural Gas Company (SNG) and Florida Gas Transmission (FGT) resulted in a cap with respect to the fixed demand transportation rates and an increased commitment with respect to the upfront capital cost FGT was willing to bear (refer to the assumptions below). Thus, the costs for Cypress summarized in Table 1 of the Business Analysis Package do not reflect these changes. Additionally, during the course of preparing responses to this fifth set of interrogatories, PEF discovered a discrepancy with respect to the assumed variable transportation charges, specifically the pipeline commodity charge rates and fuel charge percentages, used in the analyses of the Cypress and Tractebel alternatives. Please refer to the assumptions below.

Accordingly, the information provided below reflects two sets of cost data for the Cypress and Tractebel alternatives: cost consistent with Table 1 of the Business Analysis Package and cost reflecting the correct pipeline commodity charges rates, fuel charge percentages and negotiated rate caps for Cypress and the corrected commodity charge rates for the Tractebel alternative. Additionally, two sets of present value of nominal cost are provided for each alternative (Cypress, Gulfstream and Tractebel). This data assumes discounting of the nominal cost to August 1, 2004, consistent with Table 1 of the Business Analysis Package, and assumes discounting of the nominal cost to December 1, 2004, consistent with the discounting reflected in Exhibit PRM-5 to Pamela Murphy's December 20, 2004 pre-filed testimony.

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Cypress Annual Summary

(Per Table 1 - Business Analysis Package)

Nominal Dollars

Year (May - Apr)	Transportation	Capital Investment	Supply	Total
2008	(14,999,035)	(2,510,000)	(68,231,338)	(85,740,373)
2009	(20,868,559)		(98,270,227)	(119,138,786)
2010	(20,881,698)		(98,844,006)	(119,725,704)
2011	(20,900,159)		(98,781,601)	(119,681,761)
2012	(20,904,677)		(99,847,426)	(120,752,103)
2013	(20,963,165)		(102,401,461)	(123,364,625)
2014	(21,051,169)		(106,244,405)	(127,295,574)
2015	(21,142,198)		(109,350,884)	(130,493,082)
2016	(21,168,894)		(111,385,219)	(132,554,113)
2017	(21,221,958)		(113,702,386)	(134,924,344)
2018	(21,276,145)		(116,068,608)	(137,344,753)
2019	(21,357,205)		(118,739,787)	(140,096,993)
2020	(21,387,941)		(120,950,479)	(142,338,420)
2021	(21,445,609)		(123,468,715)	(144,914,323)
2022	(21,504,484)		(126,039,695)	(147,544,180)
2023	(21,590,853)		(128,942,651)	(150,533,504)
2024	(21,610,576)		(130,672,479)	(152,283,055)
2025	(21,610,588)		(130,673,013)	(152,283,601)
2026	(21,610,583)		(130,672,774)	(152,283,357)
2027	(21,636,838)		(130,950,707)	(152,587,544)
Total:	(419,132,334)	(2,510,000)	(2,264,237,861)	(2,685,880,195)

Cypress Annual Summary

(Per Table 1 - Business Analysis Package)

Cumulative Nominal Dollars

Year (May - Apr)	Transportation	Capital Investment	Supply	Total
2008	(14,999,035)	(2,510,000)	(68,231,338)	(85,740,373)
2009	(35,867,594)	(2,510,000)	(166,501,565)	(204,879,159)
2010	(56,749,292)	(2,510,000)	(265,345,571)	(324,604,863)
2011	(77,649,451)	(2,510,000)	(364,127,172)	(444,286,623)
2012	(98,554,128)	(2,510,000)	(463,974,598)	(565,038,726)
2013	(119,517,293)	(2,510,000)	(566,376,059)	(688,403,352)
2014	(140,568,462)	(2,510,000)	(672,620,463)	(815,698,925)
2015	(161,710,660)	(2,510,000)	(781,971,348)	(946,192,007)
2016	(182,879,554)	(2,510,000)	(893,356,567)	(1,078,746,121)
2017	(204,101,512)	(2,510,000)	(1,007,058,952)	(1,213,670,464)
2018	(225,377,657)	(2,510,000)	(1,123,127,561)	(1,351,015,218)
2019	(246,734,863)	(2,510,000)	(1,241,867,348)	(1,491,112,211)
2020	(268,122,803)	(2,510,000)	(1,362,817,828)	(1,633,450,630)
2021	(289,568,412)	(2,510,000)	(1,486,286,542)	(1,778,364,954)
2022	(311,072,896)	(2,510,000)	(1,612,326,238)	(1,925,909,134)
2023	(332,663,749)	(2,510,000)	(1,741,268,889)	(2,076,442,638)
2024	(354,274,325)	(2,510,000)	(1,871,941,367)	(2,228,725,692)
2025	(375,884,913)	(2,510,000)	(2,002,614,380)	(2,381,009,293)
2026	(397,495,496)	(2,510,000)	(2,133,287,154)	(2,533,292,650)
2027	(419,132,334)	(2,510,000)	(2,264,237,861)	(2,685,880,195)

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Cypress Annual Summary

(Per Table 1 - Business Analysis Package)

Present Value (Discounted to 8/1/2004)

Year (May - Apr)	Transportation	Capital Investment	Supply	Total
2008	(10,941,442)	(1,882,721)	(49,449,448)	(62,273,611)
2009	(14,057,854)		(65,745,452)	(79,803,306)
2010	(13,006,016)		(61,139,805)	(74,145,821)
2011	(12,035,217)		(56,481,277)	(68,516,494)
2012	(11,128,277)		(52,775,472)	(63,903,749)
2013	(10,317,679)		(50,037,034)	(60,354,712)
2014	(9,579,641)		(48,004,918)	(57,584,559)
2015	(8,895,051)		(45,682,345)	(54,577,396)
2016	(8,233,366)		(43,018,486)	(51,251,852)
2017	(7,631,567)		(40,602,586)	(48,234,152)
2018	(7,074,082)		(38,322,643)	(45,396,726)
2019	(6,565,158)		(36,245,606)	(42,810,764)
2020	(6,077,854)		(34,132,502)	(40,210,357)
2021	(5,634,667)		(32,216,178)	(37,850,845)
2022	(5,224,050)		(30,407,521)	(35,631,571)
2023	(4,849,210)		(28,759,987)	(33,609,197)
2024	(4,487,037)		(26,949,351)	(31,436,387)
2025	(4,148,743)		(24,917,630)	(29,066,373)
2026	(3,835,951)		(23,038,945)	(26,874,896)
2027	(3,550,845)		(21,345,398)	(24,896,243)
Total:	(157,273,707)	(1,882,721)	(809,272,585)	(968,429,012)

Cypress Annual Summary

(Per Table 1 - Business Analysis Package)

Cumulative Present Value (Discounted to 8/1/2004)

Year (May - Apr)	Transportation	Capital Investment	Supply	Total
2008	(10,941,442)	(1,882,721)	(49,449,448)	(62,273,611)
2009	(24,999,296)	(1,882,721)	(115,194,900)	(142,076,917)
2010	(38,005,312)	(1,882,721)	(176,334,705)	(216,222,738)
2011	(50,040,529)	(1,882,721)	(232,815,982)	(284,739,232)
2012	(61,168,807)	(1,882,721)	(285,591,454)	(348,642,981)
2013	(71,486,485)	(1,882,721)	(335,628,488)	(408,997,693)
2014	(81,066,126)	(1,882,721)	(383,633,406)	(466,582,253)
2015	(89,961,178)	(1,882,721)	(429,315,751)	(521,159,649)
2016	(98,194,543)	(1,882,721)	(472,334,237)	(572,411,501)
2017	(105,826,110)	(1,882,721)	(512,936,822)	(620,645,653)
2018	(112,900,192)	(1,882,721)	(551,259,466)	(666,042,379)
2019	(119,465,350)	(1,882,721)	(587,505,072)	(708,853,143)
2020	(125,543,205)	(1,882,721)	(621,637,574)	(749,063,500)
2021	(131,177,872)	(1,882,721)	(653,853,752)	(786,914,345)
2022	(136,401,921)	(1,882,721)	(684,261,274)	(822,545,916)
2023	(141,251,131)	(1,882,721)	(713,021,261)	(856,155,113)
2024	(145,738,168)	(1,882,721)	(739,970,611)	(887,591,500)
2025	(149,886,911)	(1,882,721)	(764,888,242)	(916,657,873)
2026	(153,722,862)	(1,882,721)	(787,927,187)	(943,532,769)
2027	(157,273,707)	(1,882,721)	(809,272,585)	(968,429,012)

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The following 6 tables of Cypress information reflect the following corrections and final terms and conditions negotiated with SNG and FGT:

- Negotiated rate caps (summarized in assumptions below);
- Increased commitment from FGT regarding upfront capital cost;
- Variable charge rates corrected; and
- Fuel charge rates corrected between SNG and FGT (which had a diminutive effect)

Cypress Annual Summary

(Reflecting Corrections and Final Terms & Conditions)

Nominal Dollars

Year (May - Apr)	Transportation	Capital Investment	Supply	Total
2008	(15,015,444)	(1,160,000)	(68,231,338)	(84,406,783)
2009	(20,901,299)		(98,270,227)	(119,171,526)
2010	(20,914,438)		(98,844,006)	(119,758,444)
2011	(20,933,207)		(98,781,601)	(119,714,808)
2012	(20,937,417)		(99,847,426)	(120,784,843)
2013	(20,995,905)		(102,401,461)	(123,397,365)
2014	(21,083,909)		(106,244,405)	(127,328,314)
2015	(21,175,245)		(109,350,884)	(130,526,130)
2016	(21,201,634)		(111,385,219)	(132,586,853)
2017	(21,254,698)		(113,702,386)	(134,957,084)
2018	(21,308,885)		(116,068,608)	(137,377,493)
2019	(21,390,253)		(118,739,787)	(140,130,040)
2020	(21,420,681)		(120,950,479)	(142,371,160)
2021	(21,478,349)		(123,468,715)	(144,947,063)
2022	(21,537,225)		(126,039,695)	(147,576,920)
2023	(21,623,900)		(128,942,651)	(150,566,551)
2024	(21,643,316)		(130,672,479)	(152,315,795)
2025	(21,643,328)		(130,673,013)	(152,316,341)
2026	(21,643,323)		(130,672,774)	(152,316,097)
2027	(21,669,885)		(130,950,707)	(152,620,592)
Total:	(419,772,341)	(1,160,000)	(2,264,237,861)	(2,685,170,202)

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Cypress Annual Summary

(Reflecting Corrections and Final Terms & Conditions)

Cumulative Nominal Dollars

Year (May - Apr)	Transportation	Capital Investment	Supply	Total
2008	(15,015,444)	(1,160,000)	(68,231,338)	(84,406,783)
2009	(35,916,743)	(1,160,000)	(166,501,565)	(203,578,308)
2010	(56,831,182)	(1,160,000)	(265,345,571)	(323,336,752)
2011	(77,764,389)	(1,160,000)	(364,127,172)	(443,051,560)
2012	(98,701,805)	(1,160,000)	(463,974,598)	(563,836,404)
2013	(119,697,710)	(1,160,000)	(566,376,059)	(687,233,769)
2014	(140,781,619)	(1,160,000)	(672,620,463)	(814,562,082)
2015	(161,956,864)	(1,160,000)	(781,971,348)	(945,088,212)
2016	(183,158,499)	(1,160,000)	(893,356,567)	(1,077,675,065)
2017	(204,413,197)	(1,160,000)	(1,007,058,952)	(1,212,632,149)
2018	(225,722,082)	(1,160,000)	(1,123,127,561)	(1,350,009,642)
2019	(247,112,335)	(1,160,000)	(1,241,867,348)	(1,490,139,683)
2020	(268,533,015)	(1,160,000)	(1,362,817,828)	(1,632,510,843)
2021	(290,011,364)	(1,160,000)	(1,486,286,542)	(1,777,457,906)
2022	(311,548,588)	(1,160,000)	(1,612,326,238)	(1,925,034,826)
2023	(333,172,489)	(1,160,000)	(1,741,268,889)	(2,075,601,378)
2024	(354,815,805)	(1,160,000)	(1,871,941,367)	(2,227,917,172)
2025	(376,459,133)	(1,160,000)	(2,002,614,380)	(2,380,233,513)
2026	(398,102,456)	(1,160,000)	(2,133,287,154)	(2,532,549,610)
2027	(419,772,341)	(1,160,000)	(2,264,237,861)	(2,685,170,202)

Cypress Annual Summary

(Reflecting Corrections and Final Terms & Conditions)

Present Value (Discounted to 8/1/2004)

Year (May - Apr)	Transportation	Capital Investment	Supply	Total
2008	(10,952,362)	(870,102)	(49,449,448)	(61,271,912)
2009	(14,078,418)		(65,745,452)	(79,823,870)
2010	(13,025,029)		(61,139,805)	(74,164,835)
2011	(12,052,966)		(56,481,277)	(68,534,242)
2012	(11,144,529)		(52,775,472)	(63,920,000)
2013	(10,332,705)		(50,037,034)	(60,369,738)
2014	(9,593,534)		(48,004,918)	(57,598,453)
2015	(8,908,020)		(45,682,345)	(54,590,365)
2016	(8,245,240)		(43,018,486)	(51,263,726)
2017	(7,642,546)		(40,602,586)	(48,245,132)
2018	(7,084,234)		(38,322,643)	(45,406,877)
2019	(6,574,634)		(36,245,606)	(42,820,240)
2020	(6,086,531)		(34,132,502)	(40,219,033)
2021	(5,642,689)		(32,216,178)	(37,858,868)
2022	(5,231,467)		(30,407,521)	(35,638,989)
2023	(4,856,134)		(28,759,987)	(33,616,122)
2024	(4,493,377)		(26,949,351)	(31,442,727)
2025	(4,154,605)		(24,917,630)	(29,072,235)
2026	(3,841,371)		(23,038,945)	(26,880,316)
2027	(3,555,904)		(21,345,398)	(24,901,302)
Total:	(157,496,294)	(870,102)	(809,272,585)	(967,638,981)

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Cypress Annual Summary

(Consistent With Table 1 - Business Analysis Package)

Present Value (Discounted to 12/1/2004)

Year (May - Apr)	Transportation	Capital Investment	Supply	Total
2008	(11,231,906)	(1,932,701)	(50,762,187)	(63,926,795)
2009	(14,431,049)		(67,490,802)	(81,921,851)
2010	(13,351,288)		(62,762,889)	(76,114,177)
2011	(12,354,717)		(57,980,690)	(70,335,407)
2012	(11,423,701)		(54,176,507)	(65,600,208)
2013	(10,591,583)		(51,365,371)	(61,956,954)
2014	(9,833,953)		(49,279,309)	(59,113,262)
2015	(9,131,189)		(46,895,078)	(56,026,267)
2016	(8,451,938)		(44,160,502)	(52,612,439)
2017	(7,834,163)		(41,680,466)	(49,514,629)
2018	(7,261,878)		(39,339,998)	(46,601,877)
2019	(6,739,444)		(37,207,821)	(43,947,265)
2020	(6,239,204)		(35,038,621)	(41,277,825)
2021	(5,784,251)		(33,071,424)	(38,855,675)
2022	(5,362,733)		(31,214,752)	(36,577,485)
2023	(4,977,943)		(29,523,481)	(34,501,424)
2024	(4,606,154)		(27,664,777)	(32,270,932)
2025	(4,258,880)		(25,579,121)	(29,838,001)
2026	(3,937,784)		(23,650,562)	(27,588,346)
2027	(3,645,109)		(21,912,056)	(25,557,166)
Total:	(161,448,866)	(1,932,701)	(830,756,418)	(994,137,986)

Cypress Annual Summary

(Consistent With Table 1 - Business Analysis Package)

Cumulative Present Value (Discounted to 12/1/2004)

Year (May - Apr)	Transportation	Capital Investment	Supply	Total
2008	(11,231,906)	(1,932,701)	(50,762,187)	(63,926,795)
2009	(25,662,955)	(1,932,701)	(118,252,990)	(145,848,646)
2010	(39,014,243)	(1,932,701)	(181,015,879)	(221,962,823)
2011	(51,368,960)	(1,932,701)	(238,996,569)	(292,298,230)
2012	(62,792,660)	(1,932,701)	(293,173,076)	(357,898,438)
2013	(73,384,243)	(1,932,701)	(344,538,448)	(419,855,393)
2014	(83,218,196)	(1,932,701)	(393,817,757)	(478,968,655)
2015	(92,349,385)	(1,932,701)	(440,712,835)	(534,994,922)
2016	(100,801,323)	(1,932,701)	(484,873,337)	(587,607,361)
2017	(108,635,486)	(1,932,701)	(526,553,803)	(637,121,990)
2018	(115,897,364)	(1,932,701)	(565,893,801)	(683,723,867)
2019	(122,636,808)	(1,932,701)	(603,101,623)	(727,671,132)
2020	(128,876,012)	(1,932,701)	(638,140,244)	(768,948,957)
2021	(134,660,263)	(1,932,701)	(671,211,668)	(807,804,632)
2022	(140,022,996)	(1,932,701)	(702,426,420)	(844,382,117)
2023	(145,000,938)	(1,932,701)	(731,949,902)	(878,883,541)
2024	(149,607,093)	(1,932,701)	(759,614,679)	(911,154,473)
2025	(153,865,972)	(1,932,701)	(785,193,800)	(940,992,474)
2026	(157,803,757)	(1,932,701)	(808,844,362)	(968,580,820)
2027	(161,448,866)	(1,932,701)	(830,756,418)	(994,137,986)

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Cypress Annual Summary

(Reflecting Corrections and Final Terms & Conditions)

Cumulative Present Value (Discounted to 8/1/2004)

Year (May - Apr)	Transportation	Capital Investment	Supply	Total
2008	(10,952,362)	(870,102)	(49,449,448)	(61,271,912)
2009	(25,030,780)	(870,102)	(115,194,900)	(141,095,781)
2010	(38,055,809)	(870,102)	(176,334,705)	(215,260,616)
2011	(50,108,775)	(870,102)	(232,815,982)	(283,794,858)
2012	(61,253,303)	(870,102)	(285,591,454)	(347,714,859)
2013	(71,586,008)	(870,102)	(335,628,488)	(408,084,597)
2014	(81,179,542)	(870,102)	(383,633,406)	(465,683,050)
2015	(90,087,562)	(870,102)	(429,315,751)	(520,273,415)
2016	(98,332,802)	(870,102)	(472,334,237)	(571,537,141)
2017	(105,975,348)	(870,102)	(512,936,822)	(619,782,273)
2018	(113,059,582)	(870,102)	(551,259,466)	(665,189,150)
2019	(119,634,216)	(870,102)	(587,505,072)	(708,009,390)
2020	(125,720,747)	(870,102)	(621,637,574)	(748,228,423)
2021	(131,363,436)	(870,102)	(653,853,752)	(786,087,291)
2022	(136,594,904)	(870,102)	(684,261,274)	(821,726,279)
2023	(141,451,038)	(870,102)	(713,021,261)	(855,342,401)
2024	(145,944,415)	(870,102)	(739,970,611)	(886,785,128)
2025	(150,099,019)	(870,102)	(764,888,242)	(915,857,363)
2026	(153,940,390)	(870,102)	(787,927,187)	(942,737,679)
2027	(157,496,294)	(870,102)	(809,272,585)	(967,638,981)

Cypress Annual Summary

(Reflecting Corrections and Final Terms & Conditions)

Present Value (Discounted to 12/1/2004)

Year (May - Apr)	Transportation	Capital Investment	Supply	Total
2008	(11,243,115)	(893,201)	(50,762,187)	(62,898,503)
2009	(14,452,159)		(67,490,802)	(81,942,961)
2010	(13,370,806)		(62,762,889)	(76,133,695)
2011	(12,372,937)		(57,980,690)	(70,353,627)
2012	(11,440,383)		(54,176,507)	(65,616,891)
2013	(10,607,008)		(51,365,371)	(61,972,379)
2014	(9,848,215)		(49,279,309)	(59,127,524)
2015	(9,144,502)		(46,895,078)	(56,039,580)
2016	(8,464,127)		(44,160,502)	(52,624,629)
2017	(7,845,433)		(41,680,466)	(49,525,900)
2018	(7,272,299)		(39,339,998)	(46,612,298)
2019	(6,749,172)		(37,207,821)	(43,956,993)
2020	(6,248,111)		(35,038,621)	(41,286,732)
2021	(5,792,486)		(33,071,424)	(38,863,910)
2022	(5,370,348)		(31,214,752)	(36,585,100)
2023	(4,985,050)		(29,523,481)	(34,508,532)
2024	(4,612,663)		(27,664,777)	(32,277,440)
2025	(4,264,897)		(25,579,121)	(29,844,018)
2026	(3,943,348)		(23,650,562)	(27,593,910)
2027	(3,650,303)		(21,912,056)	(25,562,359)
Total:	(161,677,363)	(893,201)	(830,756,418)	(993,326,982)

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Cypress Annual Summary

(Reflecting Corrections and Final Terms & Conditions)

Cumulative Present Value (Discounted to 12/1/2004)

Year (May - Apr)	Transportation	Capital Investment	Supply	Total
2008	(11,243,115)	(893,201)	(50,762,187)	(62,898,503)
2009	(25,695,274)	(893,201)	(118,252,990)	(144,841,464)
2010	(39,066,080)	(893,201)	(181,015,879)	(220,975,160)
2011	(51,439,017)	(893,201)	(238,996,569)	(291,328,787)
2012	(62,879,400)	(893,201)	(293,173,076)	(356,945,677)
2013	(73,486,408)	(893,201)	(344,538,448)	(418,918,056)
2014	(83,334,623)	(893,201)	(393,817,757)	(478,045,580)
2015	(92,479,125)	(893,201)	(440,712,835)	(534,085,161)
2016	(100,943,252)	(893,201)	(484,873,337)	(586,709,790)
2017	(108,788,686)	(893,201)	(526,553,803)	(636,235,690)
2018	(116,060,985)	(893,201)	(565,893,801)	(682,847,987)
2019	(122,810,157)	(893,201)	(603,101,623)	(726,804,980)
2020	(129,058,267)	(893,201)	(638,140,244)	(768,091,712)
2021	(134,850,754)	(893,201)	(671,211,668)	(806,955,622)
2022	(140,221,101)	(893,201)	(702,426,420)	(843,540,722)
2023	(145,206,152)	(893,201)	(731,949,902)	(878,049,254)
2024	(149,818,814)	(893,201)	(759,614,679)	(910,326,694)
2025	(154,083,712)	(893,201)	(785,193,800)	(940,170,712)
2026	(158,027,060)	(893,201)	(808,844,362)	(967,764,623)
2027	(161,677,363)	(893,201)	(830,756,418)	(993,326,982)

Gulfstream (GOM Based) Annual Summary

(Per Table 1 - Business Analysis Package)

Nominal Dollars

Year (May - Apr)	Transportation	Capital Investment	Supply	Total
2008	(13,725,271)	(7,030,000)	(68,665,829)	(89,421,100)
2009	(19,654,499)		(98,965,635)	(118,620,134)
2010	(19,667,559)		(99,605,576)	(119,273,135)
2011	(19,701,675)		(99,609,112)	(119,310,787)
2012	(19,690,588)		(100,734,008)	(120,424,597)
2013	(19,743,879)		(103,345,283)	(123,089,163)
2014	(19,823,311)		(107,237,448)	(127,060,759)
2015	(19,921,732)		(110,391,928)	(130,313,661)
2016	(19,930,137)		(112,471,883)	(132,402,019)
2017	(19,978,345)		(114,834,074)	(134,812,419)
2018	(20,027,509)		(117,243,118)	(137,270,626)
2019	(20,116,942)		(119,957,173)	(140,074,115)
2020	(20,128,728)		(122,202,848)	(142,331,576)
2021	(20,180,837)		(124,756,209)	(144,937,046)
2022	(20,233,964)		(127,359,424)	(147,593,388)
2023	(20,327,938)		(130,295,985)	(150,623,923)
2024	(20,329,720)		(132,051,481)	(152,381,201)
2025	(20,330,268)		(132,078,348)	(152,408,617)
2026	(20,330,773)		(132,103,051)	(152,433,824)
2027	(20,371,036)		(132,407,801)	(152,778,837)
Total:	(394,214,711)	(7,030,000)	(2,286,316,217)	(2,687,560,927)

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Gulfstream (GOM Based) Annual Summary

(Per Table 1 - Business Analysis Package)

Cumulative Nominal Dollars

Year (May - Apr)	Transportation	Capital Investment	Supply	Total
2008	(13,725,271)	(7,030,000)	(68,665,829)	(89,421,100)
2009	(33,379,770)	(7,030,000)	(167,631,464)	(208,041,234)
2010	(53,047,329)	(7,030,000)	(267,237,040)	(327,314,369)
2011	(72,749,004)	(7,030,000)	(366,846,152)	(446,625,156)
2012	(92,439,592)	(7,030,000)	(467,580,161)	(567,049,753)
2013	(112,183,472)	(7,030,000)	(570,925,444)	(690,138,916)
2014	(132,006,783)	(7,030,000)	(678,162,892)	(817,199,675)
2015	(151,928,516)	(7,030,000)	(788,554,820)	(947,513,336)
2016	(171,858,652)	(7,030,000)	(901,026,703)	(1,079,915,355)
2017	(191,836,997)	(7,030,000)	(1,015,860,777)	(1,214,727,774)
2018	(211,864,505)	(7,030,000)	(1,133,103,895)	(1,351,998,400)
2019	(231,981,447)	(7,030,000)	(1,253,061,068)	(1,492,072,515)
2020	(252,110,175)	(7,030,000)	(1,375,263,917)	(1,634,404,091)
2021	(272,291,012)	(7,030,000)	(1,500,020,125)	(1,779,341,137)
2022	(292,524,976)	(7,030,000)	(1,627,379,550)	(1,926,934,525)
2023	(312,852,913)	(7,030,000)	(1,757,675,535)	(2,077,558,448)
2024	(333,182,633)	(7,030,000)	(1,889,727,016)	(2,229,939,649)
2025	(353,512,902)	(7,030,000)	(2,021,805,364)	(2,382,348,266)
2026	(373,843,675)	(7,030,000)	(2,153,908,416)	(2,534,782,090)
2027	(394,214,711)	(7,030,000)	(2,286,316,217)	(2,687,560,927)

Gulfstream (GOM Based) Annual Summary

(Per Table 1 - Business Analysis Package)

Present Value (Discounted to 8/1/2004)

Year (May - Apr)	Transportation	Capital Investment	Supply	Total
2008	(9,915,026)	(5,273,118)	(49,763,759)	(64,951,903)
2009	(13,156,278)		(66,209,845)	(79,366,124)
2010	(12,172,374)		(61,610,113)	(73,782,487)
2011	(11,273,074)		(56,953,801)	(68,226,874)
2012	(10,415,810)		(53,243,556)	(63,659,367)
2013	(9,656,407)		(50,497,818)	(60,154,225)
2014	(8,964,343)		(48,453,239)	(57,417,582)
2015	(8,328,987)		(46,116,867)	(54,445,855)
2016	(7,703,246)		(43,437,828)	(51,141,075)
2017	(7,139,682)		(41,006,397)	(48,146,079)
2018	(6,617,624)		(38,710,155)	(45,327,779)
2019	(6,145,498)		(36,616,965)	(42,762,463)
2020	(5,684,730)		(34,485,698)	(40,170,427)
2021	(5,269,731)		(32,551,917)	(37,821,648)
2022	(4,885,241)		(30,725,728)	(35,610,969)
2023	(4,537,517)		(29,061,675)	(33,599,192)
2024	(4,195,311)		(27,233,555)	(31,428,866)
2025	(3,879,114)		(25,185,431)	(29,064,544)
2026	(3,586,740)		(23,290,954)	(26,877,694)
2027	(3,322,614)		(21,582,759)	(24,905,373)
Total:	(146,849,346)	(5,273,118)	(816,738,061)	(968,860,525)

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Gulfstream (GOM Based) Annual Summary

(Per Table 1 - Business Analysis Package)

Cumulative Present Value (Discounted to 8/1/2004)

Year (May - Apr)	Transportation	Capital Investment	Supply	Total
2008	(9,915,026)	(5,273,118)	(49,763,759)	(64,951,903)
2009	(23,071,304)	(5,273,118)	(115,973,604)	(144,318,027)
2010	(35,243,678)	(5,273,118)	(177,583,718)	(218,100,514)
2011	(46,516,752)	(5,273,118)	(234,537,519)	(286,327,388)
2012	(56,932,562)	(5,273,118)	(287,781,075)	(349,986,755)
2013	(66,588,969)	(5,273,118)	(338,278,893)	(410,140,980)
2014	(75,553,312)	(5,273,118)	(386,732,132)	(467,558,562)
2015	(83,882,300)	(5,273,118)	(432,848,999)	(522,004,417)
2016	(91,585,546)	(5,273,118)	(476,286,828)	(573,145,491)
2017	(98,725,227)	(5,273,118)	(517,293,225)	(621,291,570)
2018	(105,342,852)	(5,273,118)	(556,003,380)	(666,619,350)
2019	(111,488,349)	(5,273,118)	(592,620,345)	(709,381,812)
2020	(117,173,079)	(5,273,118)	(627,106,043)	(749,552,240)
2021	(122,442,810)	(5,273,118)	(659,657,960)	(787,373,888)
2022	(127,328,051)	(5,273,118)	(690,383,687)	(822,984,856)
2023	(131,865,568)	(5,273,118)	(719,445,362)	(856,584,048)
2024	(136,060,878)	(5,273,118)	(746,678,918)	(888,012,914)
2025	(139,939,992)	(5,273,118)	(771,864,348)	(917,077,458)
2026	(143,526,732)	(5,273,118)	(795,155,302)	(943,955,152)
2027	(146,849,346)	(5,273,118)	(816,738,061)	(968,860,525)

Gulfstream (GOM Based) Annual Summary

(Consistent With Table 1 - Business Analysis Package)

Present Value (Discounted to 12/1/2004)

Year (May - Apr)	Transportation	Capital Investment	Supply	Total
2008	(10,179,255)	(5,413,104)	(51,084,842)	(66,677,201)
2009	(13,505,539)		(67,967,524)	(81,473,063)
2010	(12,495,515)		(63,245,683)	(75,741,198)
2011	(11,572,341)		(58,465,759)	(70,038,100)
2012	(10,692,320)		(54,657,018)	(65,349,338)
2013	(9,912,757)		(51,838,389)	(61,751,145)
2014	(9,202,320)		(49,739,531)	(58,941,852)
2015	(8,550,098)		(47,341,136)	(55,891,234)
2016	(7,907,745)		(44,590,976)	(52,498,721)
2017	(7,329,219)		(42,094,998)	(49,424,217)
2018	(6,793,303)		(39,737,797)	(46,531,100)
2019	(6,308,643)		(37,589,039)	(43,897,682)
2020	(5,835,643)		(35,401,193)	(41,236,835)
2021	(5,409,627)		(33,416,076)	(38,825,703)
2022	(5,014,930)		(31,541,406)	(36,556,336)
2023	(4,657,974)		(29,833,178)	(34,491,152)
2024	(4,306,684)		(27,956,527)	(32,263,211)
2025	(3,982,093)		(25,854,031)	(29,836,123)
2026	(3,681,958)		(23,909,261)	(27,591,219)
2027	(3,410,820)		(22,155,718)	(25,566,538)
Total:	(150,748,783)	(5,413,104)	(838,420,081)	(994,581,968)

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Gulfstream (GOM Based) Annual Summary

(Consistent With Table 1 - Business Analysis Package)

Cumulative Present Value (Discounted to 12/1/2004)

Year (May - Apr)	Transportation	Capital Investment	Supply	Total
2008	(10,179,255)	(5,413,104)	(51,084,842)	(66,677,201)
2009	(23,684,794)	(5,413,104)	(119,052,366)	(148,150,265)
2010	(36,180,309)	(5,413,104)	(182,298,049)	(223,891,462)
2011	(47,752,650)	(5,413,104)	(240,763,808)	(293,929,562)
2012	(58,444,970)	(5,413,104)	(295,420,826)	(359,278,899)
2013	(68,357,726)	(5,413,104)	(347,259,214)	(421,030,045)
2014	(77,560,047)	(5,413,104)	(396,998,745)	(479,971,896)
2015	(86,110,145)	(5,413,104)	(444,339,881)	(535,863,130)
2016	(94,017,890)	(5,413,104)	(488,930,858)	(588,361,851)
2017	(101,347,109)	(5,413,104)	(531,025,856)	(637,786,069)
2018	(108,140,412)	(5,413,104)	(570,763,653)	(684,317,169)
2019	(114,449,055)	(5,413,104)	(608,352,692)	(728,214,850)
2020	(120,284,697)	(5,413,104)	(643,753,884)	(769,451,686)
2021	(125,694,324)	(5,413,104)	(677,169,960)	(808,277,388)
2022	(130,709,255)	(5,413,104)	(708,711,366)	(844,833,725)
2023	(135,367,229)	(5,413,104)	(738,544,544)	(879,324,877)
2024	(139,673,913)	(5,413,104)	(766,501,071)	(911,588,088)
2025	(143,656,006)	(5,413,104)	(792,355,102)	(941,424,211)
2026	(147,337,963)	(5,413,104)	(816,264,363)	(969,015,430)
2027	(150,748,783)	(5,413,104)	(838,420,081)	(994,581,968)

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Tractebel (Bahamas Based) Annual Summary

(Per Table 1 - Business Analysis Package)

Nominal Dollars

Year (May - Apr)	Transportation	Capital Investment	Supply	Total
2008	(10,282,435)	(1,350,000)	(67,507,338)	(79,139,773)
2009	(14,199,781)		(97,234,227)	(111,434,008)
2010	(14,207,044)		(97,808,006)	(112,015,050)
2011	(14,228,755)		(97,743,601)	(111,972,356)
2012	(14,219,746)		(98,811,426)	(113,031,172)
2013	(13,457,075)		(101,365,461)	(114,822,536)
2014	(13,505,720)		(105,208,405)	(118,714,125)
2015	(13,563,793)		(108,312,884)	(121,876,677)
2016	(13,570,794)		(110,349,219)	(123,920,012)
2017	(13,600,125)		(112,666,386)	(126,266,511)
2018	(13,630,077)		(115,032,608)	(128,662,685)
2019	(13,682,640)		(117,701,787)	(131,384,427)
2020	(13,691,873)		(119,914,479)	(133,606,352)
2021	(13,723,749)		(122,432,715)	(136,156,464)
2022	(13,756,293)		(125,003,695)	(138,759,989)
2023	(13,811,790)		(127,904,651)	(141,716,441)
2024	(13,814,936)		(129,636,479)	(143,451,415)
2025	(13,814,943)		(129,637,013)	(143,451,956)
2026	(13,814,940)		(129,636,774)	(143,451,714)
2027	(13,837,209)		(129,912,707)	(143,749,915)
Total:	(272,413,717)	(1,350,000)	(2,243,819,861)	(2,517,583,578)

Tractebel (Bahamas Based) Annual Summary

(Per Table 1 - Business Analysis Package)

Cumulative Nominal Dollars

Year (May - Apr)	Transportation	Capital Investment	Supply	Total
2008	(10,282,435)	(1,350,000)	(67,507,338)	(79,139,773)
2009	(24,482,216)	(1,350,000)	(164,741,565)	(190,573,781)
2010	(38,689,260)	(1,350,000)	(262,549,571)	(302,588,831)
2011	(52,918,015)	(1,350,000)	(360,293,172)	(414,561,187)
2012	(67,137,761)	(1,350,000)	(459,104,598)	(527,592,359)
2013	(80,594,836)	(1,350,000)	(560,470,059)	(642,414,894)
2014	(94,100,556)	(1,350,000)	(665,678,463)	(761,129,019)
2015	(107,664,349)	(1,350,000)	(773,991,348)	(883,005,696)
2016	(121,235,142)	(1,350,000)	(884,340,567)	(1,006,925,709)
2017	(134,835,267)	(1,350,000)	(997,006,952)	(1,133,192,220)
2018	(148,465,344)	(1,350,000)	(1,112,039,561)	(1,261,854,905)
2019	(162,147,984)	(1,350,000)	(1,229,741,348)	(1,393,239,332)
2020	(175,839,857)	(1,350,000)	(1,349,655,828)	(1,526,845,685)
2021	(189,563,606)	(1,350,000)	(1,472,088,542)	(1,663,002,149)
2022	(203,319,899)	(1,350,000)	(1,597,092,238)	(1,801,762,137)
2023	(217,131,690)	(1,350,000)	(1,724,996,889)	(1,943,478,578)
2024	(230,946,626)	(1,350,000)	(1,854,633,367)	(2,086,929,993)
2025	(244,761,569)	(1,350,000)	(1,984,270,380)	(2,230,381,949)
2026	(258,576,508)	(1,350,000)	(2,113,907,154)	(2,373,833,663)
2027	(272,413,717)	(1,350,000)	(2,243,819,861)	(2,517,583,578)

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Tractebel (Bahamas Based) Annual Summary

(Per Table 1 - Business Analysis Package)

Present Value (Discounted to 8/1/2004)

Year (May - Apr)	Transportation	Capital Investment	Supply	Total
2008	(7,461,416)	(1,012,619)	(48,924,384)	(57,398,419)
2009	(9,519,019)		(65,051,934)	(74,570,954)
2010	(8,805,786)		(60,498,575)	(69,304,361)
2011	(8,153,592)		(55,887,295)	(64,040,887)
2012	(7,532,978)		(52,227,404)	(59,760,383)
2013	(6,600,842)		(49,530,287)	(56,131,130)
2014	(6,125,208)		(47,536,378)	(53,661,585)
2015	(5,687,325)		(45,248,328)	(50,935,653)
2016	(5,260,457)		(42,618,018)	(47,878,475)
2017	(4,874,323)		(40,232,311)	(45,106,634)
2018	(4,516,717)		(37,980,285)	(42,497,002)
2019	(4,191,951)		(35,928,474)	(40,120,425)
2020	(3,877,933)		(33,839,885)	(37,717,817)
2021	(3,593,877)		(31,945,622)	(35,539,499)
2022	(3,330,771)		(30,157,363)	(33,488,134)
2023	(3,091,823)		(28,528,262)	(31,620,086)
2024	(2,858,999)		(26,735,538)	(29,594,536)
2025	(2,643,448)		(24,719,937)	(27,363,386)
2026	(2,444,147)		(22,856,157)	(25,300,304)
2027	(2,263,352)		(21,176,079)	(23,439,431)
Total:	(102,833,964)	(1,012,619)	(801,622,519)	(905,469,101)

Tractebel (Bahamas Based) Annual Summary

(Per Table 1 - Business Analysis Package)

Cumulative Present Value (Discounted to 8/1/2004)

Year (May - Apr)	Transportation	Capital Investment	Supply	Total
2008	(7,461,416)	(1,012,619)	(48,924,384)	(57,398,419)
2009	(16,980,436)	(1,012,619)	(113,976,318)	(131,969,373)
2010	(25,786,222)	(1,012,619)	(174,474,893)	(201,273,734)
2011	(33,939,814)	(1,012,619)	(230,362,188)	(265,314,621)
2012	(41,472,793)	(1,012,619)	(282,589,593)	(325,075,004)
2013	(48,073,635)	(1,012,619)	(332,119,880)	(381,206,134)
2014	(54,198,843)	(1,012,619)	(379,656,258)	(434,867,719)
2015	(59,886,168)	(1,012,619)	(424,904,586)	(485,803,372)
2016	(65,146,624)	(1,012,619)	(467,522,604)	(533,681,847)
2017	(70,020,947)	(1,012,619)	(507,754,915)	(578,788,481)
2018	(74,537,664)	(1,012,619)	(545,735,201)	(621,285,483)
2019	(78,729,615)	(1,012,619)	(581,663,675)	(661,405,908)
2020	(82,607,547)	(1,012,619)	(615,503,560)	(699,123,726)
2021	(86,201,424)	(1,012,619)	(647,449,182)	(734,663,224)
2022	(89,532,194)	(1,012,619)	(677,606,545)	(768,151,358)
2023	(92,624,018)	(1,012,619)	(706,134,808)	(799,771,444)
2024	(95,483,016)	(1,012,619)	(732,870,345)	(829,365,980)
2025	(98,126,465)	(1,012,619)	(757,590,283)	(856,729,366)
2026	(100,570,612)	(1,012,619)	(780,446,440)	(882,029,670)
2027	(102,833,964)	(1,012,619)	(801,622,519)	(905,469,101)

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Tractebel (Bahamas Based) Annual Summary

(Consistent With Table 1 - Business Analysis Package)

Present Value (Discounted to 12/1/2004)

Year (May - Apr)	Transportation	Capital Investment	Supply	Total
2008	(7,659,495)	(1,039,501)	(50,223,184)	(58,922,180)
2009	(9,771,722)		(66,778,874)	(76,550,596)
2010	(9,039,554)		(62,104,636)	(71,144,190)
2011	(8,370,046)		(57,370,940)	(65,740,987)
2012	(7,732,957)		(53,613,890)	(61,346,847)
2013	(6,776,076)		(50,845,172)	(57,621,248)
2014	(6,287,814)		(48,798,330)	(55,086,144)
2015	(5,838,307)		(46,449,540)	(52,287,847)
2016	(5,400,106)		(43,749,403)	(49,149,509)
2017	(5,003,722)		(41,300,362)	(46,304,084)
2018	(4,636,623)		(38,988,551)	(43,625,174)
2019	(4,303,235)		(36,882,271)	(41,185,506)
2020	(3,980,881)		(34,738,235)	(38,719,116)
2021	(3,689,284)		(32,793,686)	(36,482,969)
2022	(3,419,193)		(30,957,954)	(34,377,147)
2023	(3,173,902)		(29,285,605)	(32,459,507)
2024	(2,934,897)		(27,445,288)	(30,380,185)
2025	(2,713,624)		(25,376,180)	(28,089,804)
2026	(2,509,032)		(23,462,922)	(25,971,954)
2027	(2,323,437)		(21,738,242)	(24,061,680)
Total:	(105,563,906)	(1,039,501)	(822,903,266)	(929,506,672)

Tractebel (Bahamas Based) Annual Summary

(Consistent With Table 1 - Business Analysis Package)

Cumulative Present Value (Discounted to 12/1/2004)

Year (May - Apr)	Transportation	Capital Investment	Supply	Total
2008	(7,659,495)	(1,039,501)	(50,223,184)	(58,922,180)
2009	(17,431,217)	(1,039,501)	(117,002,058)	(135,472,776)
2010	(26,470,771)	(1,039,501)	(179,106,694)	(206,616,966)
2011	(34,840,818)	(1,039,501)	(236,477,635)	(272,357,953)
2012	(42,573,775)	(1,039,501)	(290,091,525)	(333,704,800)
2013	(49,349,850)	(1,039,501)	(340,936,697)	(391,326,048)
2014	(55,637,664)	(1,039,501)	(389,735,027)	(446,412,192)
2015	(61,475,971)	(1,039,501)	(436,184,567)	(498,700,039)
2016	(66,876,078)	(1,039,501)	(479,933,970)	(547,849,548)
2017	(71,879,800)	(1,039,501)	(521,234,332)	(594,153,632)
2018	(76,516,422)	(1,039,501)	(560,222,883)	(637,778,806)
2019	(80,819,657)	(1,039,501)	(597,105,154)	(678,964,312)
2020	(84,800,537)	(1,039,501)	(631,843,389)	(717,683,427)
2021	(88,489,821)	(1,039,501)	(664,637,075)	(754,166,396)
2022	(91,909,014)	(1,039,501)	(695,595,028)	(788,543,543)
2023	(95,082,916)	(1,039,501)	(724,880,633)	(821,003,050)
2024	(98,017,813)	(1,039,501)	(752,325,921)	(851,383,235)
2025	(100,731,437)	(1,039,501)	(777,702,101)	(879,473,039)
2026	(103,240,469)	(1,039,501)	(801,165,023)	(905,444,993)
2027	(105,563,906)	(1,039,501)	(822,903,266)	(929,506,672)

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The following 6 tables of information regarding the Tractebel (Bahamas Based) alternative reflect corrected pipeline commodity charge rates.

Tractebel (Bahamas Based) Annual Summary
(Reflecting Corrected Variable Transport Rates)
Nominal Dollars

Year (May - Apr)	Transportation	Capital Investment	Supply	Total
2008	(10,751,587)	(1,350,000)	(67,507,338)	(79,608,925)
2009	(14,871,109)		(97,234,227)	(112,105,336)
2010	(14,878,372)		(97,808,006)	(112,686,378)
2011	(14,901,379)		(97,743,601)	(112,644,980)
2012	(14,891,074)		(98,811,426)	(113,702,500)
2013	(14,128,403)		(101,365,461)	(115,493,864)
2014	(14,177,048)		(105,208,405)	(119,385,453)
2015	(14,236,417)		(108,312,884)	(122,549,301)
2016	(14,242,122)		(110,349,219)	(124,591,340)
2017	(14,271,453)		(112,666,386)	(126,937,839)
2018	(14,301,405)		(115,032,608)	(129,334,013)
2019	(14,355,264)		(117,701,787)	(132,057,051)
2020	(14,363,201)		(119,914,479)	(134,277,680)
2021	(14,395,077)		(122,432,715)	(136,827,792)
2022	(14,427,621)		(125,003,695)	(139,431,317)
2023	(14,484,414)		(127,904,651)	(142,389,065)
2024	(14,486,264)		(129,636,479)	(144,122,743)
2025	(14,486,271)		(129,637,013)	(144,123,284)
2026	(14,486,268)		(129,636,774)	(144,123,042)
2027	(14,509,833)		(129,912,707)	(144,422,539)
Total:	(285,644,581)	(1,350,000)	(2,243,819,861)	(2,530,814,442)

Tractebel (Bahamas Based) Annual Summary
(Reflecting Corrected Variable Transport Rates)
Cumulative Nominal Dollars

Year (May - Apr)	Transportation	Capital Investment	Supply	Total
2008	(10,751,587)	(1,350,000)	(67,507,338)	(79,608,925)
2009	(25,622,696)	(1,350,000)	(164,741,565)	(191,714,261)
2010	(40,501,068)	(1,350,000)	(262,549,571)	(304,400,639)
2011	(55,402,447)	(1,350,000)	(360,293,172)	(417,045,619)
2012	(70,293,521)	(1,350,000)	(459,104,598)	(530,748,119)
2013	(84,421,924)	(1,350,000)	(560,470,059)	(646,241,982)
2014	(98,598,972)	(1,350,000)	(665,678,463)	(765,627,435)
2015	(112,835,389)	(1,350,000)	(773,991,348)	(888,176,736)
2016	(127,077,510)	(1,350,000)	(884,340,567)	(1,012,768,077)
2017	(141,348,963)	(1,350,000)	(997,006,952)	(1,139,705,916)
2018	(155,650,368)	(1,350,000)	(1,112,039,561)	(1,269,039,929)
2019	(170,005,632)	(1,350,000)	(1,229,741,348)	(1,401,096,980)
2020	(184,368,833)	(1,350,000)	(1,349,655,828)	(1,535,374,661)
2021	(198,763,910)	(1,350,000)	(1,472,088,542)	(1,672,202,453)
2022	(213,191,531)	(1,350,000)	(1,597,092,238)	(1,811,633,769)
2023	(227,675,946)	(1,350,000)	(1,724,996,889)	(1,954,022,834)
2024	(242,162,210)	(1,350,000)	(1,854,633,367)	(2,098,145,577)
2025	(256,648,481)	(1,350,000)	(1,984,270,380)	(2,242,268,861)
2026	(271,134,748)	(1,350,000)	(2,113,907,154)	(2,386,391,903)
2027	(285,644,581)	(1,350,000)	(2,243,819,861)	(2,530,814,442)

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Tractebel (Bahamas Based) Annual Summary

(Reflecting Corrected Variable Transport Rates)

Present Value (Discounted to 8/1/2004)

Year (May - Apr)	Transportation	Capital Investment	Supply	Total
2008	(7,801,658)	(1,012,619)	(48,924,384)	(57,738,661)
2009	(9,968,419)		(65,051,934)	(75,020,353)
2010	(9,221,304)		(60,498,575)	(69,719,879)
2011	(8,538,492)		(55,887,295)	(64,425,787)
2012	(7,888,126)		(52,227,404)	(60,115,531)
2013	(6,929,214)		(49,530,287)	(56,459,501)
2014	(6,428,822)		(47,536,378)	(53,965,200)
2015	(5,968,568)		(45,248,328)	(51,216,896)
2016	(5,519,960)		(42,618,018)	(48,137,978)
2017	(5,114,261)		(40,232,311)	(45,346,572)
2018	(4,738,565)		(37,980,285)	(42,718,850)
2019	(4,397,452)		(35,928,474)	(40,325,926)
2020	(4,067,549)		(33,839,885)	(37,907,434)
2021	(3,769,197)		(31,945,622)	(35,714,819)
2022	(3,492,873)		(30,157,363)	(33,650,236)
2023	(3,241,981)		(28,528,262)	(31,770,243)
2024	(2,997,549)		(26,735,538)	(29,733,087)
2025	(2,771,553)		(24,719,937)	(27,491,491)
2026	(2,562,594)		(22,856,157)	(25,418,751)
2027	(2,373,071)		(21,176,079)	(23,549,150)
Total:	(107,791,206)	(1,012,619)	(801,622,519)	(910,426,344)

Tractebel (Bahamas Based) Annual Summary

(Reflecting Corrected Variable Transport Rates)

Cumulative Present Value (Discounted to 8/1/2004)

Year (May - Apr)	Transportation	Capital Investment	Supply	Total
2008	(7,801,658)	(1,012,619)	(48,924,384)	(57,738,661)
2009	(17,770,077)	(1,012,619)	(113,976,318)	(132,759,014)
2010	(26,991,380)	(1,012,619)	(174,474,893)	(202,478,892)
2011	(35,529,872)	(1,012,619)	(230,362,188)	(266,904,679)
2012	(43,417,999)	(1,012,619)	(282,589,593)	(327,020,210)
2013	(50,347,213)	(1,012,619)	(332,119,880)	(383,479,711)
2014	(56,776,035)	(1,012,619)	(379,656,258)	(437,444,911)
2015	(62,744,602)	(1,012,619)	(424,904,586)	(488,661,807)
2016	(68,264,562)	(1,012,619)	(467,522,604)	(536,799,785)
2017	(73,378,823)	(1,012,619)	(507,754,915)	(582,146,357)
2018	(78,117,388)	(1,012,619)	(545,735,201)	(624,865,207)
2019	(82,514,840)	(1,012,619)	(581,663,675)	(665,191,133)
2020	(86,582,389)	(1,012,619)	(615,503,560)	(703,098,567)
2021	(90,351,586)	(1,012,619)	(647,449,182)	(738,813,386)
2022	(93,844,459)	(1,012,619)	(677,606,545)	(772,463,622)
2023	(97,086,440)	(1,012,619)	(706,134,808)	(804,233,866)
2024	(100,083,989)	(1,012,619)	(732,870,345)	(833,966,953)
2025	(102,855,542)	(1,012,619)	(757,590,283)	(861,458,443)
2026	(105,418,136)	(1,012,619)	(780,446,440)	(886,877,194)
2027	(107,791,206)	(1,012,619)	(801,622,519)	(910,426,344)

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Tractebel (Bahamas Based) Annual Summary

(Reflecting Corrected Variable Transport Rates)

Present Value (Discounted to 12/1/2004)

Year (May - Apr)	Transportation	Capital Investment	Supply	Total
2008	(8,008,769)	(1,039,501)	(50,223,184)	(59,271,454)
2009	(10,233,051)		(66,778,874)	(77,011,925)
2010	(9,466,103)		(62,104,636)	(71,570,739)
2011	(8,765,164)		(57,370,940)	(66,136,105)
2012	(8,097,533)		(53,613,890)	(61,711,423)
2013	(7,113,165)		(50,845,172)	(57,958,337)
2014	(6,599,489)		(48,798,330)	(55,397,819)
2015	(6,127,016)		(46,449,540)	(52,576,556)
2016	(5,666,499)		(43,749,403)	(49,415,901)
2017	(5,250,030)		(41,300,362)	(46,550,392)
2018	(4,864,360)		(38,988,551)	(43,852,911)
2019	(4,514,191)		(36,882,271)	(41,396,462)
2020	(4,175,531)		(34,738,235)	(38,913,766)
2021	(3,869,258)		(32,793,686)	(36,662,944)
2022	(3,585,598)		(30,957,954)	(34,543,552)
2023	(3,328,046)		(29,285,605)	(32,613,651)
2024	(3,077,126)		(27,445,288)	(30,522,414)
2025	(2,845,130)		(25,376,180)	(28,221,310)
2026	(2,630,623)		(23,462,922)	(26,093,545)
2027	(2,436,069)		(21,738,242)	(24,174,311)
Total:	(110,652,749)	(1,039,501)	(822,903,266)	(934,595,516)

Tractebel (Bahamas Based) Annual Summary

(Reflecting Corrected Variable Transport Rates)

Cumulative Present Value (Discounted to 12/1/2004)

Year (May - Apr)	Transportation	Capital Investment	Supply	Total
2008	(8,008,769)	(1,039,501)	(50,223,184)	(59,271,454)
2009	(18,241,820)	(1,039,501)	(117,002,058)	(136,283,379)
2010	(27,707,923)	(1,039,501)	(179,106,694)	(207,854,118)
2011	(36,473,087)	(1,039,501)	(236,477,635)	(273,990,222)
2012	(44,570,620)	(1,039,501)	(290,091,525)	(335,701,646)
2013	(51,683,785)	(1,039,501)	(340,936,697)	(393,659,982)
2014	(58,283,273)	(1,039,501)	(389,735,027)	(449,057,801)
2015	(64,410,289)	(1,039,501)	(436,184,567)	(501,634,357)
2016	(70,076,788)	(1,039,501)	(479,933,970)	(551,050,258)
2017	(75,326,817)	(1,039,501)	(521,234,332)	(597,600,650)
2018	(80,191,177)	(1,039,501)	(560,222,883)	(641,453,561)
2019	(84,705,369)	(1,039,501)	(597,105,154)	(682,850,023)
2020	(88,880,899)	(1,039,501)	(631,843,389)	(721,763,789)
2021	(92,750,157)	(1,039,501)	(664,637,075)	(758,426,733)
2022	(96,335,756)	(1,039,501)	(695,595,028)	(792,970,285)
2023	(99,663,802)	(1,039,501)	(724,880,633)	(825,583,936)
2024	(102,740,928)	(1,039,501)	(752,325,921)	(856,106,350)
2025	(105,586,058)	(1,039,501)	(777,702,101)	(884,327,660)
2026	(108,216,681)	(1,039,501)	(801,165,023)	(910,421,204)
2027	(110,652,749)	(1,039,501)	(822,903,266)	(934,595,516)

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Assumptions

- **Transportation Rates**

Assumed For Analysis Reflected in Table 1 – Business Analysis Package

Alternative	Fixed Transportation -$/Dt Summer	Fixed Transportation -$/Dt Winter	Commodity Charge $/Dt	Fuel Charge
Cypress:				
Southern Natural Gas	$0.3733 [1]	$0.3733 [1]	$0.0141	0.75%
Florida Gas Transmission	$0.7793 [2]	$0.1000	$0.0070	1.50%
Gulfstream	$0.8456 [3]	$0.8456 [3]	$0.0055	2.00%
Tractebel:				
Years 1	$0.6600	$0.6100	$0.0094	1.25%
Years 2 – 5	$0.6600	$0.5538	$0.0094	1.25%
Years 6 – 20	$0.6600	$0.4600	$0.0094	1.25%

Assumed For Corrected Analysis Reflecting Final Terms & Conditions

Alternative	Fixed Transportation -$/Dt Summer	Fixed Transportation -$/Dt Winter	Commodity Charge $/Dt	Fuel Charge
Cypress:				
Southern Natural Gas	$0.3550 [4]	$0.3550 [4]	$0.0159	1.50% [5]
Florida Gas Transmission	$0.7690 [4]	$0.1000	$0.0310	0.75% [5]
Gulfstream	$0.8456 [3]	$0.8456 [3]	$0.0055	2.00%

[1] Reflects a negotiated rate of $0.3550 plus estimated provision to cover future rate increases.
[2] Reflects a negotiated rate of $0.7690 plus estimated provision to cover future rate increases.
[3] An effective fixed transportation rate derived given Gulfstream's requirement for $17,520,000 of annual fixed pipeline transportation (per Gulfstream's term sheet dated June 22, 2004) and seasonal volumes comparable with the Cypress and Tractebel alternatives. See PEF response to #136 for further information.
[4] Reflects rate caps negotiated with SNG and FGT subsequent to development of the Business Analysis Package.
[5] The change in fuel charge rates between Southern Natural Gas and Florida Gas Transmission had a diminutive impact on the total cost of the Cypress alternative.

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Tractebel:				
Years 1	$0.6600	$0.6100	$0.0418	1.25%
Years 2 – 5	$0.6600	$0.5538	$0.0418	1.25%
Years 6 - 20	$0.6600	$0.4600	$0.0418	1.25%

- **Capital Cost** – This is a function of how much capital cost Florida Gas Transmission (for Cypress), Gulfstream and Tractebel were willing to absorb for certain gas infrastructure facility additions and/or improvements that are required in conjunction with delivering natural gas to Hines 4 (explained further in PEF's response to Interrogatory No. 26). Of the estimated $10,530,000 of required infrastructure improvements for Cypress, Florida Gas Transmission was initially willing absorb the $8,020,000 cost associated with the Pressure Upgrades, but later increased its offer to include the $1,350,000 cost of the Measurement Facilities for a total commitment of $9,370,000. That resulted in PEF having to fund the $1,160,000 cost of the Blending Station. Gulfstream proposed to absorb $3,500,000 of cost associated with various additions / improvements, resulting in PEF having to fund $7,030,000 of cost. Tractebel proposed to absorb the $9,180,000 cost of the Pressure Upgrades and Blending Station, resulting in PEF having to fund the $1,350,000 cost of the Measurement Facilities.

- **Supply** - Commodity prices for all alternatives assumed PEF's forecast of Henry Hub (HH) prices, as of August 5, 2004, as summarized in PEF's response to Interrogatory No. 149. In addition to the HH commodity prices:
  1. The Cypress alternative reflects a $0.05/Dth basis (or adder) per the terms negotiated with BG LNG Services.; and
  2. The Gulfstream alternative reflects PEF's forecast of Transco Zone 4 basis as of August 5, 2004 (summarized below).
  3.

	Forecasted Transco Z4 Basis As of 08/05/04			
2008	$ 0.080	2018	$	0.108
2009	$ 0.084	2019	$	0.110
2010	$ 0.087	2020	$	0.111
2011	$ 0.090	2021	$	0.113
2012	$ 0.093	2022	$	0.115
2013	$ 0.096	2023	$	0.116
2014	$ 0.099	2024	$	0.118
2015	$ 0.101	2025	$	0.119
2016	$ 0.103	2026	$	0.120
2017	$ 0.105	2027	$	0.125

- **Discount Rate** – 8.16% per PEF's response to Interrogatory No. 28.

154. Given PEF's response to Staff Interrogatory No. 71, what is the total incremental costs (inclusive of incremental gas costs and incremental costs of unit dispatch changes, additional purchase power, etc., balanced against decremental costs) associated with severe weather either in the Gulf of Mexico or threatening the Gulf of Mexico that PEF believes it may avoid by gaining approval of its proposed long term LNG purchase in this docket?

Answer:

It is difficult to determine the incremental costs PEF may avoid by gaining approval of the proposed LNG purchase, because each severe weather event affects PEF differently. However, if the LNG purchase was in effect during Hurricane Ivan, and if these LNG supplies displaced Gulf of Mexico supplies, the total estimated cost reduction for that storm would have been approximately $2,459,395. This calculation was made by assuming the availability of the LNG supply volumes contracted for during May 2007 through April 2008, which will be 60,000 Dth/day summer (May through September) and 25,000 Dth/day winter (October through April).

Each of the tropical storms and hurricanes listed in response to Interrogatory No. 153 entered the Gulf of Mexico and disrupted natural gas supplies. A portion of PEF's natural gas supply disruptions would be mitigated because Elba Island LNG Terminal is not located in the Gulf of Mexico and would not have been subject to those storms.

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162. Please explain the reason(s) for the relative price difference for PEF's 7 to 10 year remaining term contract specified in its response to Staff Interrogatory No. 115 and the price associated with other contract terms (years)?

Answer:

The 7 to 10 year remaining term contract has a higher price as compared to the other years, because this contract also includes all charges associated with firm transportation and gas supply bundled to PEF. The average price of this contract includes receipt point supply costs, transportation variable charges, and transportation demand charges. The other contracts, however, only include the gas supply costs. Specifically, the pricing mechanism for the 7 to 10 year remaining term deal is as follows:

1) PEF pays a capacity charge equal to the FGT FTS-2 demand charge and all variable charges on FGT.

2) PEF pays a commodity charge for each MMBtu equal to the average of the prices for FGT Inside FERC Index Price for Zone 2 and 3 plus FTS-2 usage rate.

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SONAT / FGT Firm Pipeline Transportation
&
BG LNG Supply Purchase
Business Analysis Package

Sponsoring Business Unit: Progress Ventures (RCO) of behalf of Progress Energy Florida

Funding Legal Entity: Progress Energy Florida (PEF)

Date Prepared: August 23, 2004

Contacts to discuss project

Dept/Group	Role/Name	Extension
Progress Ventures (RCO)	Rob Caldwell, VP and Project Sponsor	770-4552
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Executive Summary

Project Basic Information

Title:	SONAT / FGT Firm Pipeline Transportation (FT) & BG LNG Supply Purchase
Department:	Progress Ventures (RCO) on behalf of PEF
Key Components:	Up to 100,000 Dth/d FT and LNG supply
Term:	May 1, 2007 to April 30, 2027 (20 years)
Purpose:	Baseload natural gas supply to fuel Hines 4 and other PEF gas-fired generation facilities in the State of Florida
Cost:	Supply - $2.9 Billion (nominal dollars for contract term) Firm Transportation - $0.4 Billion Combined Supply and FT - $3.3 Billion

Recommendation

Execute precedent and related agreements with Southern Natural Gas Company (SONAT), Florida Gas Transmission Company (FGT) and BG LNG Services, LLC (BG), collectively referred to as "Cypress", for up to 100,000 Dth/d of LNG supply and associated firm pipeline transportation to meet PEF gas supply needs.

The Need for New Gas Supply

Demand growth will require the addition of approximately 2,800 MW of new generation capacity to the PEF system by the end of this decade[1], all of which will be gas-fired[2]. PEF is currently seeking regulatory approval to commence development of the Hines 4 Combined Cycle (CC) facility which is scheduled for commercial operation by December 2007. An additional CC will be required as soon as the summer of 2009. In this regard, PEF has sought solutions designed to provide incremental gas supply and associated transportation commensurate with a December 2007 commercial operation of Hines 4, as well as considering additional gas supply needs for the testing that will begin in the months preceding commercial operation and other PEF system needs.

Proposal Summary

Level of volume commitment (Dekatherms per day or Dth/d):

	5/07-4/08	5/08 – 4/09	5/09 – 4/27
May – Sept (Summer)	60,000	80,000	100,000
Oct – Apr (Winter)	25,000	40,000	50,000

BG LNG supply will originate from the Elba Island LNG facility located near Savannah, Georgia. Firm transportation (FT) needed to deliver LNG supplies to PEF generation will be provided by the Cypress Pipeline Project coupled with an expansion of Florida Gas Transmission (FGT) system. Cypress is a new 160-mile $240 million interstate pipeline being developed by SONAT that will originate at Elba Island and terminate in Florida at an interconnection with the FGT system (see Appendix A). Both expansion projects are expected to be in service by May 2007.

[1] Per July 2004 GFF Growth Case. The 2004 Ten Year Site Plan filed with FPSC reflects approximately 2,200 MW.
[2] Conclusion of the *Baseload Generation Team.*

Strategic Rationale

This project is in alignment with the Company's strategy and policies to procure firm transportation capacity and supply for 100% and 60%, respectively, of its baseload projected fuel usage requirements. In addition to locking-up long-term supply, this alternative provides: (1) certainty regarding the timely availability of supply and transportation for Hines 4; (2) operational flexibility for the entire PEF system fleet including geographical diversity of supply; (3) reduced dependence on Mobile Bay / Destin supplies; (4) optionality for future supply and transportation needs; and (5) potential for serving other PEF plants.

Alternatives Considered

- Gulfstream Natural Gas System (Gulfstream), an existing interstate pipeline with excess capacity that is jointly owned by Duke Energy and Williams Energy.
- Tractebel Calypso LNG Marketing, LLC (Tractebel), an affiliate of Suez. This alternative is dependent upon the development, by an affiliate company, of an $800 million Greenfield project consisting of an LNG gasification facility in the Bahamas and an associated undersea gas pipeline from the Bahamas to the Florida peninsula.

Analysis Criteria

The recommendation was made on the basis of a comparative analysis utilizing the following criteria (listed in order of priority).

- *Certainty of a Project's Success* - The project's ability to deliver gas supply to Hines 4 at or near the plant's expected commercial operation date of December 2007.
- *Economics* – Cost of each alternative, principally those deemed to able to deliver gas supply.
- *Operational Flexibility* – Features that provide flexibility or benefit to PEF such as geographical diversity protection from hurricanes and potential to serve other PEF plants.
- *Maximize Supply Diversity* - Ability of each alternative to reduce PEF reliance upon the Mobile Bay / Destin supply area.

Conclusions

The recommendation of the Cypress alternative is based upon the following conclusions.

- There is a tremendous amount of uncertainty regarding the timely development of a Greenfield LNG gasification facility and associated pipeline required with the Tractebel alternative. The risk and potential problematic mitigation strategy associated with pursuing this alternative resulted in the Tractebel alternative not being recommended to serve the gas supply needs of Hines 4. The recommendation does not preclude future consideration of a Bahamas-based LNG supply alternative for future PEF gas supply needs beyond Hines 4.
- The Elba Island LNG gasification plant and FGT pipeline are existing and operating facilities. Additionally, there is high probability of the success in the development of the Cypress expansion project in a timeline consistent with the gas supply needs of Hines 4.
- The economics between Cypress and Gulfstream are fairly similar given comparable quantities from each alternative; quantities that are consistent with amount of supply and transportation being sought for Hines 4 and other system needs.
- The recommended alternative: (1) Possesses operational flexibility somewhat more favorable than Gulfstream; and (2) Would decrease PEF's reliance upon the Mobile Bay / Destin supply area.

Risks

The main risks associated with the recommended proposal are:

- Foreign (host country) political risks that could interrupt shipments of LNG;
- Delays in development of Cypress Pipeline and FGT system expansion;
- Delays in development of Hines 4 beyond FPSC approval; and
- FPSC prudency review.

For further risk description and mitigation strategies, please refer to the "Risk Analysis" section.

Funding Requirements

The following is a calendar year schedule of annual nominal pipeline transportation and LNG supply cost commitment for the 20-year term.

(Millions of Dollars)

	2007	2008	2009	2010	2011-2027	Total
FT – SONAT	4.1	6.8	8.8	9.3	150.4	179.4
FGT	7.3	10.1	12.7	12.8	205.8	248.7
Variable Transportation	1.6	2.4	3.2	3.4	63.1	73.7
LNG Supply	59.9	89.2	117.0	123.2	2,365.2	2,754.5
Total	**72.9**	**108.5**	**141.7**	**148.7**	**2,784.5**	**3,256.3**

The cost of LNG is based upon gas prices at Henry Hub (HH) + $0.05/Dth. Cost for FT reflects existing tariff rates for SONAT and FGT.

Additionally, capital expenditures preliminarily estimated at $2.51 million are required to upgrade gas infrastructure at Hines and to handle the increased volumes and pressures. Treasury does not expect rating agencies to impute any debt due to recoverability through pass-through clauses

Analysis Summary

	Cypress	Gulfstream	Tractebel
CERTAINTY OF PROJECT'S SUCCESS	High Existing LNG facility & FGT Pipeline. High probability of Cypress Pipeline development with PEF as customer.	High Existing / Operating system	Uncertain Extremely dependent upon development of Greenfield LNG facility in the Bahamas and associated undersea pipeline. Requires FPL as anchor customer.
ECONOMICS - DIRECT COST Nominal Value ($ Millions) Present Value ($ Millions)	 2,685.9[1] 968.4	 2,687.6 968.9	 2,517.6 905.5
OPERATIONAL FLEXIBILITY	More Than Gulfstream; On-par with Tractebel	Relatively Less than Other Options	More Than Gulfstream; On-par with SONAT / FGT / BG
REDUCE RELIANCE ON MOBILE BAY / DESTIN SUPPLY AREA	Yes	No[2]	Yes

[1] Cost associated with 80,000 Dt/d during summer months and 40,000 Dt/d during winter months, May 2008 through April 2028, which is comparable to Gulfstream and Tractebel alternatives. The recommended alternative reflects additional volumes for other system needs - 60,000 (Summer) / 25,000 (Winter) Dt/d in 2007 and 20,000 /10,000 Dt/d beginning May 2009.

[2] Supply reliance could be mitigated with additional future Gulf-coast based LNG development.

See "Detailed Comparative Analysis" (page 11) for further information regarding the analysis.

Current Key Contract Terms[3] – Firm Transportation Capacity

Buyer (Shipper)	Progress Energy Florida
Sellers (2 separate)	Southern Natural Gas (SONAT) Florida Gas Transmission (FGT)
Product	Natural Gas Pipeline Transportation Capacity
Term	May 1, 2007 – April 30, 2027 (20 years)
Service	Firm Transportation (FT)
Primary Receipt Point	Outlet of Elba Island Import Facility
Primary Delivery Point	Hines, Tiger Bay, Shady Hills, Anclote
Minimum Delivery Pressure	575 psig

Maximum Deliver Quantity (MDQ)

	5/07-4/08	5/08 – 4/09	5/09 – 4/27
May – Sept (Summer)	60,000	80,000	100,000
Oct – Apr. (Winter)	25,000	40,000	50,000

Maximum Hourly Quantity (MHQ)	6% of MDQ
Reservation Charge	SONAT - $0.355per Dth/d (capped at $0.41/Dth/d) FGT - $0.769 per Dth/d (capped at $0.80 per Dth/d) Summer[4]; $0.10 per Dth/d Winter[5]
Commodity Charge	SONAT - $0.0.211/Dth; FGT - None
Fuel Charge	SONAT – 0.75%; FGT – 1.50%
Conditions Precedent	FERC certification and other regulatory approvals required for pipeline expansion projects Hines 4 approval by FPSC Receipt by SONAT of precedent agreements for remaining Cypress capacity Approvals by PEF and SONAT management and Board

[3] Subject to any additional efforts to negotiate terms more favorable to PEF.
[4] Summer = May through September
[5] Winter = October through April

Key Contract Terms – Commodity Supply

Buyer	Progress Energy Florida
Seller	BG
Product	Natural Gas (from Elba Island LNG facility)
Term	May 1, 2007 – April 30, 2027 (20 years)
Service	Firm, "take or pay"
Primary Delivery Point	Downstream of the Elba LNG facility outlet at the interconnection of the proposed Cypress Expansion Pipeline.
Gas Quality	Meets or exceeds interstate pipeline gas quality specifications.
Force Majeure	Force Majeure (FM) will not apply to events upstream of the Savannah River Channel.
Baseload Contract Quantity	May 1, 2007 - April 30, 2008: 15.5 Bcf/year May 1, 2008 - April 30, 2009: 21.9 Bcf/year May 1, 2009 - April 30, 2027: 27.4 Bcf/year
Price	Inside FERC Henry Hub plus $0.05/Dth
Conditions Precedent	Approval by PEF management and Board Cypress and FGT expansion facilities in-service

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Strategic Fit

This project is in alignment with the Company's strategy and policies to procure firm transportation capacity and supply for 100% and 60%, respectively, of its baseload projected fuel usage requirements (see Appendix B). In addition to locking-up long-term supply, this alternative provides: (1) certainty regarding the availability of supply and transportation for Hines 4; (2) operational flexibility for the entire PEF system fleet including geographical diversity of supply; (3) reduced dependence on Mobile Bay / Destin supplies; (4) optionality for future supply and transportation needs; and (5) potential for serving other PEF plants.

Key Risks Analysis

Market Risk

Market Value Risk: The future market value of Cypress and/or FGT pipeline capacity held by PEF could decline, resulting in it becoming uncompetitive in the market. That risk is common to any decision associated with a long-term commitment to subscribe to interstate pipeline capacity and can be partially mitigated through effective trading and asset optimization strategies.

Credit Risk

BG: Currently A rated by Moody's and S&P and is considered a "PGN 2 Rating" according to RCO's Enterprise Risk Management Guidelines. The pricing structure of the supply contract will be an IFERC monthly index posting which presents minimal credit/default risk. If RCO gas trading exercises the alternative to convert the IFERC monthly index plus a basis into a fixed price for a specific duration of the contract, the Mid-Office will track the mark-to-market (MTM) of each deal and the credit/default risk will be monitored by the Credit Section of Enterprise Risk Management Department and tracked by applying a MTM calculation to assess BG's credit limit exposure. Fixed prices for supply are used a part of PEF's overall gas hedging strategy and the MTM gains/losses are recorded in a regulatory asset or liability account and are not reflected on Progress Energy's income statement.

Southern Natural Gas (SONAT): A wholly owned subsidiary of El Paso Energy that is rated B-/Negative by S&P and B1/Negative by Moody's Investor Services. El Paso is rated B-/Negative by S&P and Caa1/negative by Moody's. El Paso has not filed their 12/31/03 year end 10-K yet and a financial evaluation would be difficult. This company would need to provide credit assurances to mitigate the credit risk for this counterparty.

Florida Gas Transmission (FGT): A joint venture between subsidiaries of CrossCountry Energy, LLC (a wholly-owned affiliate of Enron) and El Paso with stand-alone financial statements that is rated BBB/Stable by S&P and Baa2/Stable by Moody's Investor Services. The company scored 81.6 on the Progress Energy Credit Model which is an internal rating of PGN3 and implies agency ratings of BBB+ and Baa1 with S&P and Moody's respectively. The company has shown increased revenues and equity coupled with relatively stable net income, cash flow and debt levels. They also have adequate debt service coverage ratios. Although the company is showing stability in their financial position the company carries an internal rating of PGN4 because the company is a subsidiary of Enron and El Paso.

Future ownership of CrossCounty Energy is unclear as the company is subject to a September 1, 2004 U.S. Bankruptcy Court mandated auction. The Court is scheduled to approve the winning bid on September 9th. Enron had announced in May the acceptance of a bid from NuCoastal LLC, whose owners are affiliates of Kelso & Company, ArcLight Capital Partners, LLC, Citigroup, and Oscar S. Wyatt, Jr. Enron subsequently announced, June 24, 2004, receipt and acceptance of higher bid from a joint venture of Southern Union Company and GE Commercial Finance Energy Financial Services. The Southern Union/GE bid is expected to serve as the "stalking horse" for the September 1st auction. Enron and its Official Unsecured Creditors' Committee were expected to continue soliciting bids through August 23rd.

Business Risk

Pipeline Development Risk: As with any interstate pipeline expansion project, there is risk that the market may not support development of the Cypress Project. SONAT will conduct a 30-day "Open Season" beginning during the month of September through which potential customers will indicate interest in subscribing for capacity. The applicable agreements with SONAT contain Conditions Precedent that gives SONAT the alternative to not proceed with the development of the project should requests for Cypress capacity fall short of 386,000 Dth/d. PEF's commitment for Cypress capacity represents approximately 32% of Phase 1 capacity. Additionally, BG is expected to subscribe to all remaining unsubscribed capacity. In the event that the "Open Season" fails to attract sufficient market support and SONAT exercises its right to not proceed with development, PEF will still be in position to contract for capacity on the Gulfstream Pipeline or continue to assess the Tractebel or another Bahamas-based LNG alternative.

Cost Risk: The actual cost associated with LNG supply could be higher or lower than expected primarily due to variation in gas prices. This risk would also be common to all viable alternatives. It could be mitigated by utilizing Inside F.E.R.C. (IFERC) monthly index posting as a default price with the alternative to either convert a portion or all of the pricing to either a Gas Daily index (i.e. if market viewpoint is bearish) or fixed price for a specified period of time (i.e. if market viewpoint is bullish).

Additionally, the cost associated with SONAT FT could be impacted by a pipeline rate case that SONAT is scheduled to file with FERC no later than September 1, 2004.

Foreign Political (Host Country) Risk: Because the gas supply sourced from the Cypress Pipeline is imported LNG to the Elba LNG facility, there is a risk of importing gas compared to gas that is produced domestically. Host country risks are those risks which could curtail gas exports due to foreign country events such as strikes, wars, terrorism, etc

Operational Risk

Weather Risks: LNG Tankers are used to transport natural gas from host countries. Hurricanes, tropical storms/depressions are specific weather risks that could delay a shipment to the Elba facilities. However, no new weather risks enter the entire PEF portfolio, as this risk is similar to the risks PEF currently takes with purchasing offshore natural gas in the Gulf Coast where weather risks are prevalent during the hurricane season. Weather risks associated with the entire PEF gas supply portfolio may actually be mitigated with the addition of gas supply sourced from the Elba facility. Because of its location, the Elba provides geographical diversity that mitigates weather

risks. During times when hurricanes force offshore Gulf Coast platforms to shut-in production, the LNG gas supply from Elba should not be affected and vice versa.

LNG Facility Risks: LNG Facility risks include those risks involved with an unforeseen accident or disruption at the liquefaction and regasification plants caused by operational or other events. These risks can be mitigated somewhat by purchasing excess gas supply on the SONAT and/or Gulfstream systems when operational problems at Elba are experienced.

Liquidity Risk: RCO proposes to contract for 23% of PEF's total supply requirements for its 2008 baseload generation with LNG. To the extent that Hines 4 should experience a short-term or long-term forced outage and PEF finds itself in a "long" supply position, RCO will attempt to optimize this long position either through using existing supply to serve other units such as CTs, or remarketing the excess either on FGT or SONAT. The Cypress capacity will afford PEF the opportunity to segment its capacity to SONAT's mainline system (secondary out of path priority level) to other interconnects on its system in order to resell excess gas supply when needed.

Regulatory

Pipeline Regulatory Risk: There is risk that the Cypress and FGT expansions may face hurdles associated with receiving the necessary FERC or other regulatory approvals to build the pipeline that could either delay or terminate the project. There is a chance that substantive changes by FERC could result in SONAT or PEF exiting the project. If PEF exits the project at this point, PEF is required to pay SONAT the lesser of: (1) 1/3 of SONAT's actual developmental costs incurred to date, or (2) $6 million. If the project does not receive regulatory approvals or SONAT or PEF terminate the project, PEF could seek FT through Gulfstream, which has excess capacity, and gas supply in the Gulf of Mexico. Gulfstream is not expected to be fully subscribed until about 2009.

FPSC Approval of Hines 4: PEF may not receive approval from the Florida Public Service Commission (FPSC) to build Hines 4. To mitigate this risk, PEF has included a provision in the applicable agreements with SONAT that if Hines 4 is not approved by the FPSC, PEF would not be subject to the terms and conditions of the Precedent Agreements or Service Agreements. However, in such a scenario, PEF may be subject to a termination fee equal to the lesser of: (1) 1/3 of SONAT's actual development costs incurred as of the effective date of termination by PEF; or (2) $1.4 million[6].

Prudency Review: There is a risk that the FPSC could disallow recovery of a portion of the cost associated with this alternative as imprudent when compared to other alternatives that may have been reasonably available to PEF. One of the key objectives for PEF is to ensure customers receive the best overall value from increased diversity of supply while maintaining system reliability and performance. Low price alone was not enough to result in the recommended solution. To mitigate the risk associated with the FPSC prudency review, PEF is considering seeking approval from the FPSC of the terms and conditions associated with the Cypress alternative.

There also is a risk the FPSC could eliminate the Fuel Adjustment Clause through which gas and associated transportation costs are currently recovered by PEF. This risk is common to all gas supply alternatives.

[6] Negotiations are ongoing and it is PEF's position that PEF should not be subject to a termination fee in this situation. PEF believes this is part of the risk SONAT should bear as the project developer.

Detailed Comparative Analysis

RCO's approach for determining the recommended alternative involved an initial screening of potential alternatives and a subsequent more-detailed analysis of alternatives that passed the initial screen. Alternatives that were not selected in the initial screen for further consideration included the following.

- Bahamas/Sailfish (FPL Resources) – Rates being proposed were grossly uncompetitive. It is possible that FPL Resources and Tractebel will ultimately consolidate their respective Bahamas-based LNG projects.
- Bahamas/Ocean Cay (AES) – This Bahamas-based LNG project is the most unlikely one to be developed as a stand-alone project.
- FGT Forward Haul – A high forward haul rate, exposure to basis and desire to further diversify PEF's portfolio of FT commitment led to this alternative not being considered further.

The alternatives selected in the initial screen were Cypress, Gulfstream and Tractebel.

- Cypress consists of three contracts with two parties; one contract for LNG supply and two for firm transportation (FT) needed to deliver LNG supplies to PEF generation.
    1. BG will provide LNG supply that will originate from the Elba Island LNG facility located near Savannah, Georgia.
    2. SONAT will provide the first leg of FT via an expansion project known as the Cypress Pipeline Project which is a new 160-mile $240 million interstate pipeline that will originate at Elba Island and terminate in Florida at an interconnection with the FGT system (see Appendix A) and expected to be in service by May 2007.
    3. Florida Gas Transmission (FGT) will provide the second leg of FT with an expansion of its mainline system that is expected to be in service by May 2007.
- Gulfstream Natural Gas System (Gulfstream), an existing interstate pipeline with excess capacity that is jointly owned by Duke Energy and Williams Energy.
- Tractebel is proposing to serve PEF through a marketing affiliate, Tractebel Calypso LNG Marketing, LLC, an affiliate of Suez. This marketing affiliate would, in turn, contract with suppliers and pipeline companies to meet PEF's needs. This alternative is dependent upon the development, by an affiliated company (Tractebel LNG North America LLC), of an $800 million Greenfield project consisting of an LNG gasification facility in the Bahamas and an associated undersea gas pipeline from the Bahamas to the Florida peninsula. The arrangement proposed by the Tractebel marketing affiliate would be enforceable even if the Bahamas-based LNG plant and undersea pipeline are not built and would be backed by an $85 million Parental Guaranty from Suez intended to hold the ratepayers harmless if Tractebel were to default.

The three alternatives that were selected were further analyzed in more detail utilizing the following criteria (listed in order of priority).

- *Certainty of a Project's Success* - The project's ability to deliver gas supply to Hines 4 at or near the plant's expected commercial operation date of December 2007.
- *Economics* – The cost of alternatives, principally those deemed to able to deliver gas supply.

- *Operational Flexibility* - Features with each alternative that provide flexibility or benefits to PEF such as geographical diversity protection from hurricanes, ability to serve other PEF plants and potential for serving further generation.
- *Maximize Supply Diversity* - Ability of each alternative to reduce PEF reliance upon the Mobile Bay / Destin supply area.

Table 1

Summary of Comparative Analysis

	Cypress	Gulfstream	Tractebel
CERTAINTY OF PROJECT'S SUCCESS			
Overall Outlook	**High** With PEF as customer	**High** Existing / Operating system	**Uncertain** Extremely dependent on FPL
New LNG facility required?	No (facility already exist)	No	Yes, awaiting Bahamas approval
Upstream LNG supply secured?	Yes	-	No
Expansion of Existing Pipelines?	Yes (FGT)	No	Yes (FGT)
Greenfield Pipeline - Project required?	Yes – 220,000 Dt/d Phase 1 366,000 Dt/d Phase 2	No	Yes – 800,000 Dt/d
" " - Status of FERC approval	Application to be filed	-	Received
" " - Licenses & Permits	None Received	-	Received
PEF - Market share of Greenfield pipeline	32% of Phase 1	-	7%
ECONOMICS - DIRECT COST ($ Millions)			
Total Nominal Costs	**2,685.9**[1]	**2,687.6**	**2,517.6**
Present Value	968.4	968.9	905.5
Up-Front PEF Capital Costs (Incl. in total)	2.5	7.0	1.4
Average Unit Cost	$6.58	$6.58	$6.17
Basis Risk	Fixed	Variable	Fixed
OPERATIONAL FLEXIBILITY			
Replacement Supply for Force Majeure			++
Long-term Supply Security	++		++
Additional FT & Supply for other system needs	++[2]		
Geographical Diversity of Supply	++		++
Storage Access for Incremental volumes		++	
Ability to Serve Other PEF Plants	+		+
Segmentation or Release Opportunities	+	++	
Put Back Option			+
Maximizes gas options for future generation	+		
REDUCE MOBILE BAY/DESTIN RELIANCE	Yes	No[3]	Yes

[1] Cost associated with 80,000 Dt/d during summer months and 40,000 Dt/d during winter months, May 2008 through April 2028, which is comparable to Gulfstream and Tractebel alternatives. The recommended alternative reflects additional volumes for other system needs (as reflected in Footnote 2 below).

[2] 60,000 (Summer) / 25,000 (Winter) Dt/d in 2007 and 20,000 /10,000 Dt/d beginning May 2009.

[3] Supply reliance could be mitigated with additional future Gulf-coast based LNG development.

Certainty of Project's Success

The Cypress and Gulfstream alternatives both ranked high in this category. The Elba Island LNG plant and the FGT and Gulfstream pipelines are existing facilities, with an expansion of Elba Island LNG plant currently underway and expected to be completed during 2005. The Gulfstream pipeline has available excess capacity.

As with any interstate pipeline expansion project, there is risk that the market may not support development of the Cypress Expansion Project associated with the Cypress alternative. SONAT will conduct a 30-day "Open Season" beginning during the month of September through which potential customers ("Shippers") will indicate interest in subscribing for capacity. The applicable agreements with SONAT contain Conditions Precedent that gives SONAT the option to not proceed

with the development of the project should requests for Cypress capacity fall short of 386,000 Dth/d (which is the capacity of the pipe after a Phase 2 expansion). PEF's commitment for Cypress capacity represents approximately 32% of Phase 1 capacity. Additionally, BG is expected to subscribe to all remaining unsubscribed capacity. In the event that the "Open Season" fails to attract sufficient market support and SONAT exercises its right to not proceed with development, because of the timing of SONAT's decision (late 2004), PEF will still be in position to contract for capacity on the Gulfstream Pipeline or reconsider Tractebel or another Bahamas-based LNG alternative. As a result of PEF subscribing to capacity on the Cypress project, there is high probability of that project's development succeeding. Additionally, the timing of PEF's need is such that PEF could manage with a short (6 month) construction delay of either expansion project.

With respect to the Tractebel alternative, there is a great deal of uncertainty regarding the timely development of an $800 million Greenfield project consisting of LNG gasification facility located in the Bahamas and associated undersea pipeline from the Bahamas to southern Florida. Tractebel has received FERC and State of Florida approvals for the U.S. portion of the pipeline (known as "Calypso") and was granted a license by the Grand Bahamas Port Authority to build and operate the LNG plant in Freeport Harbor. Additionally, the project appears to have local public support because of the prospect for jobs and the environmental clean-up of asbestos on the site of Tractebel's LNG plant. However, approval by the Bahamas government is still pending for all three LNG projects proposed for the Bahamas (Tractebel, FPL Resources or AES). The approval process in the Bahamas includes reviews by the Bahamas Environmental, Scientific & Technology Commission (BEST), Minister of Trade & Industry and Minister of Health and Environment before it is presented to the Prime Minister and the Cabinet for approval.

It is possible that Bahamas government may approve all three LNG projects and allow the market to dictate which project is ultimately developed. The natural gas market in the Florida peninsula will not support the development of more than one Bahamas-based LNG project through the early portion of the next decade.

Table 2
Projected Cumulative Gas Demand Growth from
All New Gas-Fired Generation on Florida Peninsula
Cumulative Dth/d

	2007		2008		2009		2010		2011		2012		2013	
	May-Jun	Nov-Dec	May-Jun	Nov-Dec	May-Jun	Nov-Dec	May-Jun	Nov-Dec	May-Jun	Nov-Dec	May-Jun	Nov-Dec	May-Jun	Nov-Dec
Florida Municipal Power Agency			15,365	29,225	29,225	29,225	40,313	40,313	46,966	46,966	46,966	46,966	53,618	53,618
Florida Power & Light Co.	174,599	174,599	203,289	203,289	377,888	377,888	377,888	377,888	552,468	552,468	727,057	727,057	727,057	727,057
Florida Power Corp.		76,433	76,433	76,433	155,676	155,676	234,918	234,918	314,160	314,160	326,674	326,674	405,916	405,916
Gainesville Regional Utilities														
Jacksonville Electric Authority								13,622	13,622	13,622	13,622	13,622	13,622	13,622
Lakeland Electric			11,722	11,722	11,722	11,722	23,443	23,443	23,443	23,443	35,165	35,165	46,886	46,886
Orlando Utilities Commission			13,860	13,860	13,860	13,860	27,720	27,720	27,720	27,720	41,580	41,580	55,440	55,440
Seminole Electric Coop. Inc.		26,907	26,907	53,814	82,643	97,057	97,057	123,964	123,964	123,964	138,378	233,513	233,513	363,243
Tampa Electric Co.				14,256	14,256	28,512	28,512	42,768	42,768	57,024	57,024	57,024	57,024	145,496
Cumulative Total Requirement	174,599	277,939	347,566	402,579	685,249	713,919	829,831	884,616	1,145,111	1,159,367	1,386,475	1,481,610	1,593,087	1,811,288

New generation per filed Ten Year Site Plans, except for PEF which reflects July 2004 GFF Growth Case
Assumes 88% load factors for all Combined Cycle plants and 33% load factors for peaking generation

While Tractebel may currently be the frontrunner among the three Bahamas-based LNG projects with respect obtaining regulatory/governmental approvals, there are still significant hurdles for Tractebel to overcome. Tractebel has not:

- Contractually secured sufficient market support to proceed with the $800 million construction if it were to receive approval from the Bahamas government today.
- Secured all of the upstream LNG supply required to support their project (Tractebel has advised that they have secured approximately 25% of their LNG supply); and
- Made any arrangements with FGT and FPL (FPL, the regulated utility) that will be needed for LNG supply to be delivered to prospective shippers north of the point at which Tractebel's Calypso pipeline interconnects with FGT in Port Everglades, Florida.

Market Support

Considering the magnitude the capital investment and long construction timeframe required to develop a Greenfield Bahamas-based LNG plant and associated undersea pipeline to southern Florida ($800 million in the case of Tractebel's project), a project developer would want to secure sufficient market support prior to making definitive financial commitments. It is unlikely that Tractebel would act any differently. Tractebel has not contractually secured commitments from prospective customers.

Power demand growth on the FPL system is requiring FPL to add an average of 1,000 MW per year of new capacity between 2007 and 2011. The cumulative growth in gas demand associated with the anticipated expansion of FPL's generation fleet (see Table 2 above) is a significant portion the 800,000 Dth/d capacity of the Tractebel alternative, making FPL a prize anchor customer supporting any Bahamas-based LNG project. Given that the overall Florida market can support only one Bahamas-based LNG project and FPL is the lion's share of the overall market, FPL (as a customer) will be the MAJOR driver in the determination of whether any Bahamas-based LNG project is ultimately built, when it is built and by whom.

FPL has not secured gas supply and transportation that will be required for its planned generation fleet expansion. However, FPL issued on August 20, 2004 an RFP[7] with responses due by October 29, 2004. A final selection is scheduled by the end of April 2005. Among the potential bidders for FPL's business will be the marketing affiliate of FPL, FPL Resources. As mentioned above, FPL Resources is sponsoring the development of one of the Bahamas-based LNG projects, Bahamas/Sailfish. FPL Resources acquired the rights to develop this project from El Paso in January 2004.

There are four potential scenarios that could unfold impacting development of a Bahamas-based LNG projects, all are dependent upon the results of FPL's RFP.

1. A bidder besides Tractebel, FPL Resources or AES could be selected by FPL. This scenario would effectively kill development of any Bahamas-based LNG project for the remainder of this decade. Since developers of the Bahamas-based LNG projects have much at stake, it is likely that the developers of Bahamas-based LNG projects (or their marketing affiliates) will aggressively bid into FPL's RFP making this scenario highly unlikely.

[7] The RFP is for firm regasified LNG supplies. FPL is soliciting proposals for a minimum of 400,000 Dth/day and a maximum of 600,000 Dth/day for a minimum of 15 years and a maximum of 25 years. The commencement of the supply deliveries can be anytime between January 1, 2007 through December 31, 2010 to any interconnection of an interstate pipeline(s) serving the state of Florida, which is, or will be directly connected to any FPL generating facility.

2. FPL could select a bid from Tractebel or AES. This scenario would effectively kill FPL Resources' ability to develop Bahamas/Sailfish. Tractebel is likely to be the more aggressive bidder as compared to AES. Among Bahamas-based LNG projects, FPL Resources is likely to be Tractebel's primary competition with regards to the FPL RFP. This scenario is likely if the management of FPL Resources is: (1) not willing to accept the steep discounting of pricing that may be necessary to win the RFP; and/or (2) willing to accept the reality and financial implications of not developing Bahamas/Sailfish.

3. FPL could select FPL Resources, which would provide sufficient market support for FPL Resources to develop its Bahamas/Sailfish LNG project. While this scenario may be desirable for FPL-Energy (the parent company), it could be problematic to accomplish. First-off, having FPL Resources owning 100% equity interest in its LNG project combined with FPL awarding a contract to its marketing affiliate for a substantial amount of its future gas supply needs may create affiliate-type (i.e. – code of conduct) regulatory challenges for FPL and FPL Resources. Secondly, the bidding into FPL's RFP is likely to be extremely competitive, forcing FPL Resources to significantly discount its pricing beyond what may be acceptable to management and stockholders. Finally, FPL Resources has yet to file its application with the FERC for authorization of the U.S. portion of its Sailfish pipeline. The additional time required to acquire FERC approval may delay the commercial operation of the FPL Resources project well beyond FPL's need and its ability to manage a delay. It is noteworthy to mention that FPL's RFP allows for commencement of deliveries to be as late as December 2010 which could allow for FPL Resources the time needed to obtain FERC approval for its undersea pipeline, Sailfish. Any delay beyond May 2008 could be problematic in meeting PEF's needs for Hines 4. While this scenario could be problematic, it is still possible.

4. FPL could select FPL Resources with FPL Resources using this commitment from FPL as leverage in negotiating a consolidation of its LNG project with that of Tractebel. Considering the timing and regulatory hardspots mentioned above, a consolidation of FPL Resources and Tractebel projects would be more likely as opposed to a stand-alone FPL Resources project.

As mentioned above, there is much at stake for developers of Bahamas-based LNG projects. While Tractebel has been very aggressive in its marketing and development efforts and appears to have the upper hand in obtaining regulatory and governmental approvals, it lacks market support to necessary to support the spending of construction dollars and has not secured arrangements for upstream LNG and downstream transportation. Through its acquisition of the rights to develop El Paso's LNG project and the execution of a tentative agreement to secure upstream LNG supply[8], FPL Resources has provided a clear market signal of its intent to ultimately have an equity interest in a Bahamas-based LNG project, which requires that it win the FPL business (via FPL's RFP) as leverage to achieve that goal. Therefore, the stand-alone Tractebel development (Scenario #2) or the consolidation of the Tractebel and FPL Resources projects (Scenario #4) are the most likely of possible outcomes.

One of the considerations in reaching a recommendation to not consider the Tractebel alternative is the uncertainty of timing of how long it will take for one of likely scenarios to play itself out. FPL

[8] On July 27, 2004, FPL Resources announced the execution of a "Heads of Agreement" with Ras Laffin Liquefied Natural Gas Co. A "Heads of Agreement" is roughly equivalent to a Letter of Intent (LOI) or a Memorandum of Understanding (MOU).

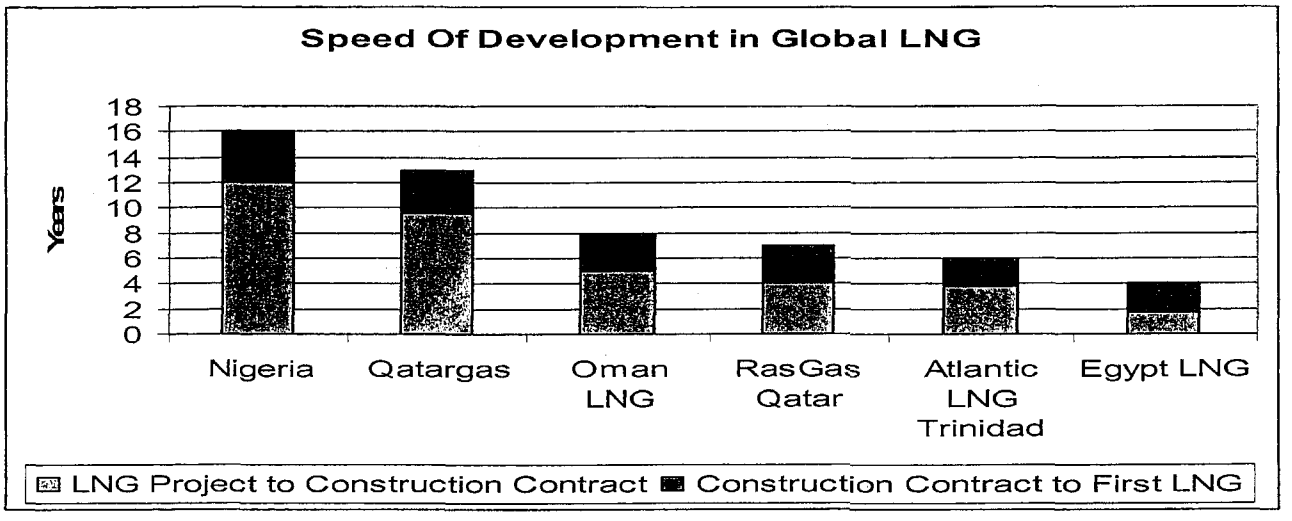
has indicated a final selection of the LNG supplier by the end of April 2005. If FPL maintains that schedule and considering a conservative estimate of 36 months lead time for construction of a LNG terminal and undersea pipeline, commercial operation commensurate with PEF's need for Hines 4 may be realistic. However, there is no assurance FPL will be able to adhere to its self-imposed deadline. Additionally, the FPL RFP actually creates more uncertainty with respect to timing. The fact that FPL apparently has the flexibility of not commencing deliveries of requested LNG supplies until as late as December 2010[9] calls into question whether any Bahamas-based LNG project will be developed prior to late 2010.

PEF's portfolio cannot afford the latitude to begin deliveries beyond May 2008 for projected Hines 4 gas supply requirements without a physical gas contingency option.

Upstream LNG Supply

In order for any U.S. or Bahamas-based LNG project to successfully perform in delivering LNG gas supplies to customers, upstream LNG will be required. While there is plenty of gas supply globally available, development of supply is the challenge. The pace in the development of upstream production fields and liquefaction facilities is not keeping pace with the downstream growth in gas demand. Based on history (See Chart 1 below), there is a 4-year minimum development time between the time a company decides to invest in a liquefaction facility and the commercial operation.

Chart 1



Source: BG
From: Deutsche Bank July 22, 2004 Global LNG report, "Exploding the Myths"

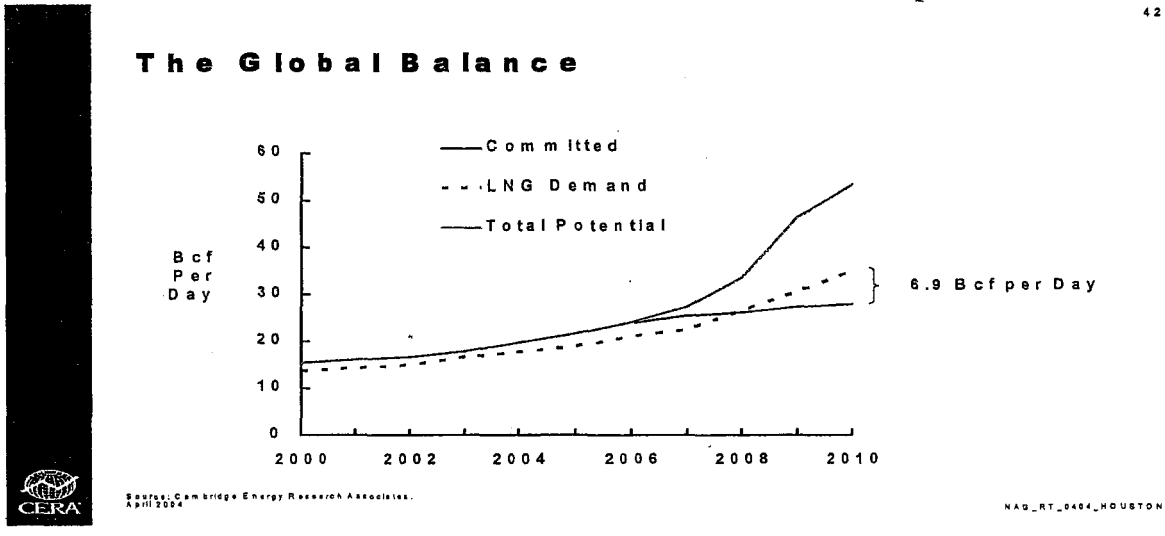
CERA, among other industry experts, believes that the lag in development of upstream infrastructure will be the primary factor that controls the level of development of downstream gasification projects, not market demand.

According to the authors of Deutsche Bank's July 2004 Global LNG report titled "Exploding the Myths", some companies are planning regasification terminals well ahead of their ability to supply

[9] FPL's August 20, 2004 RFP indicated that deliveries could commence as early as January 2007 or as late as December 2010. One may speculate that this timing is intended to favor the LNG project being sponsored by FPL's affiliate, which is less likely (as compared to the Tractebel project) to be developed by mid-2008.

their own LNG and the current tightness in the global LNG supply suggests they will not find it easy to fill their terminals if they do indeed go ahead. The authors point to the experience of Sempra as an example. Sempra successfully won the permits some time ago to build a major LNG regasification terminal in Louisiana, with few if any local opposition issues, and became the first company to have the right to add new regasification capacity to the U.S. market. Since then, nothing has happened and the authors point to no upstream supply as the reason.

Chart 2
Global LNG Demand versus Committed Development



BG, who will provide the LNG supply in the recommended Cypress alternative, has secured its upstream LNG supply. Whereas, Tractebel officials have indicated that they have secured only 25% of the required supply for their Bahamas-based LNG project, thus far.

Downstream Transportation

Delivering Bahamas-based LNG to prospective shippers north of Port Everglades will require: (1) Tractebel and FGT executing an Interconnection Agreement to allow LNG gas to flow into FGT; (2) FGT to incur an unknown amount of capital expenditures for physical modifications to the FGT system that would allow gas to physically flow bi-directionally; and (3) Tractebel's use of FT capacity owned by FPL that would allow Tractebel to backhaul capacity to delivery points through segmentation of FPL's FT capacity. The Interconnection Agreement must be accomplished first before FGT can announce an open season to assess the costs of the physical modifications needed to flow LNG gas north on its system[10]. However, to date, Tractebel has not finalized these arrangements. Considering prudent business practices, one would assume that Tractebel would secure sufficient market support before making definitive financial commitments with FGT and FPL. Therefore, cost to Tractebel from FGT and FPL and the timing associated with FERC approval and construction associated with FGT physical modifications are unknown at this time.

Tractebel is proposing to serve PEF through a marketing affiliate, Tractebel Calypso LNG Marketing, LLC, an affiliate of Suez This marketing affiliate would, in turn, contract with

[10] FGT has advised that FGT and Tractebel are closer to an Interconnection Agreement than the other Bahamas-based LNG projects.

suppliers and pipeline companies, effectively taking on considerable project development and unknown cost risks associated with the Greenfield development and/or downstream pipeline expansion projects. Furthermore, Tractebel Calypso LNG Marketing, LLC has offered a financial guaranty backed by its Parent Company. Should Tractebel find itself unable to perform under the terms of its proposed contract, it would be legally obligated to pay substantial damages to PEF and assign to PEF any supply and/or pipeline contracts executed by Tractebel LNG Marketing for the purpose of meeting PEF's gas supply needs. PEF is seeking a Suez Parental Guaranty of $85 million to cover the incremental cost difference of firm transportation and supply basis differential calculated against the Gulfstream option. While the guaranty being offered by Tractebel is intended to financially protect PEF and its ratepayers, in the event of a default by Tractebel, PEF may be forced to seek alternative physical gas supply. Gulfstream can be considered a back up alternative to physical gas since we have determined the pipeline will likely not be fully subscribed until some time in 2009.

Considering the uncertainties mentioned above regarding project development risk and unknown cost to Tractebel, there is a risk that one of the following scenarios would occur if PEF were to contract with Tractebel LNG Calypso Marketing, LLC.

1. Tractebel Calypso LNG Marketing, LLC is unable to secure gas supply and transportation as a result of FPL selecting a supplier other than a developer of a Bahamas-based LNG project or FPL opting to commence delivery of LNG supplies in late 2010 and, as a result, is unable to perform.
2. Upon finalizing arrangements for all aspects of the supply chain, including compensating the owners the Bahamas-based LNG gasification plant and associated pipeline and determining the cost of upstream LNG supply and downstream transportation arrangements on the Florida peninsula, Tractebel Calypso LNG Marketing, LLC determines that the collective cost to perform is too high and, as a result, decides to not perform.

The mitigation strategies PEF would employ in the event Tractebel cannot or will not perform could be problematic. The cost to PEF from securing alternative supplies and transportation may be more costly than the financial damages being sought from Tractebel, particularly in a scenario where a Bahamas-based LNG project is not developed and existing excess capacity on Gulfstream is not available. Additionally, there is a risk that PEF could encounter difficulties collecting the proposed Parental Guaranty, which would require legal intervention.

When compared to certainties associated with the Cypress and Gulfstream alternatives, the risks associated with all the uncertainties and potential problematic mitigation strategy mentioned above that are associated with the Tractebel alternative were too great. This resulted in the recommendation to not consider the Tractebel alternative for serving the gas supply needs of Hines 4.

The recommendation of pursuing the Cypress alternative does not preclude future consideration of a Bahamas-based LNG supply alternative for future PEF gas supply needs beyond Hines 4. RCO recommends continued dialogue with Tractebel and FPL Resources regarding longer-term PEF gas supply requirements.

Economics

The economics (i.e. – direct cost) associated with the recommended Cypress alternative are comparable to the Gulfstream alternative. While the economics of the Tractebel appear superior to both Cypress and Gulfstream, Tractebel is not being recommended for the reasons stated above.

Key assumptions used in the economics and the resulting economic analysis follows.

Key Assumptions for Economic Analysis

1. Gas usage forecast per SPOD's April 2004 Generation Fuel Forecast (GFF).
2. Forecasted Spot Gas Prices at HH as of 8/5/04 provided by Enterprise Risk Management (i.e. – "Mid-Office"), 8/23/04.
3. Discount Rate = 8.16% per Corporate Standard Assumptions and reflects the following components
   - Equity Ratio: 52.0%
   - Debt Ratio: 48.0%
   - Cost of Equity: 12.00%
   - Cost of Debt: 6.50%
4. Alternatives assume upfront capital costs that incorporate budgetary (Level A +/-30%) estimates from FGT to PEF as of Nov 17, 2003 for Hines 4 and stated the estimate would need to be refined with Level B estimate (+/-15%). The following FGT estimates are grossed up for taxes.

* Pressure upgrades to 550 psi	$	8,020,000
* Blending station for FGT/GS simultaneous flow	$	1,160,000
* Measurement facility capable of 88,800 Dth/day	$	1,350,000
TOTAL	$	10,530,000

5. Additional assumptions for each alternative.

   Cypress Alternative
   - Up front capital costs of $2.5 million for blending and measurement facilities incurred by PEF. Transportation rates include $8.0 million for pressure upgrades.
   - Cost of LNG supply is based on "Key Contract Term" (page 8).
   - SONAT FGT Transportation Rates as reflected in "Key Contract Terms" (page 6), but include a 33% probability that the proposed rate caps $0.41/Dth for SONAT and $.80/Dth for FGT will be reached through future rate cases.

   Gulfstream Alternative
   - Up front capital costs of $7.0 million for blending, pressure upgrades, and measurement facilities incurred by PEF. Gulfstream's proposal reflects $3.5 million capital costs being reflected in transportation rates.
   - Rates consistent with Gulfstream's June 22, 2004 proposal.
     1. Reservation = $0.8456/Dth applied to sculpted volumes of 80,000 per Dth/d (summer) and 40,000 per Dth/d (winter). This is equivalent to $0.60 per Dth/d applied to year-round volumes of 80,000 per Dth/d.
     2. Commodity = $.0055/Dth
     3. Fuel = 2.00%
   - Supply via Gulfstream is assumed to be Transco Zone 4 (per Gas Trading). Transco Zone 4 basis as of 6/30/04 provided by Mid-Office Risk Analytics, 8/23/04.

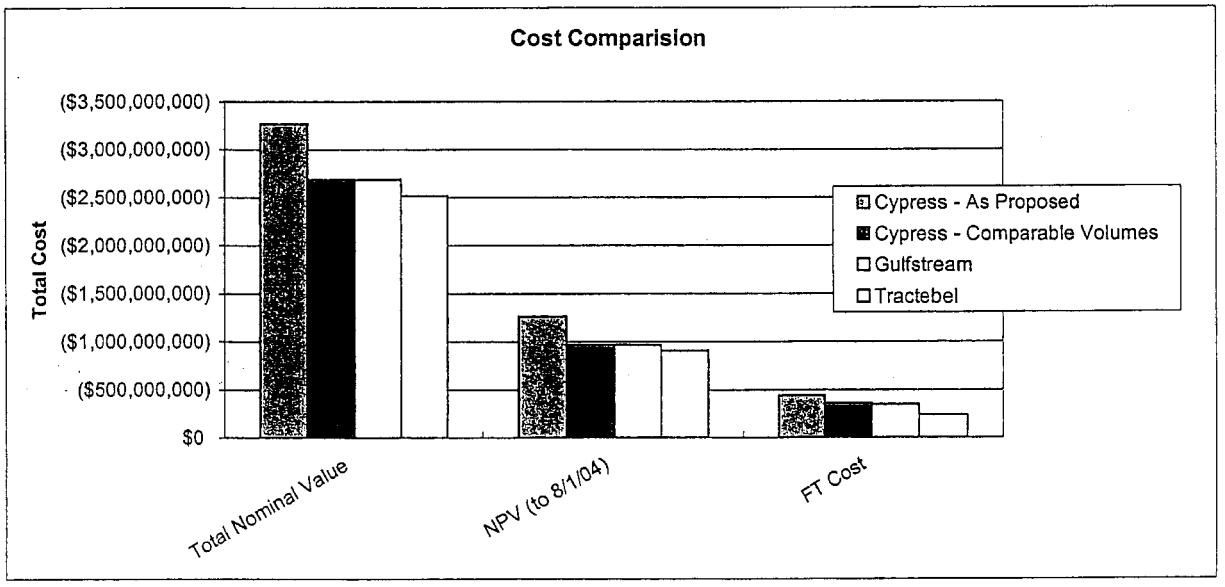
Tractebel Alternative

- Up front capital costs of $1.35 million for measurement facilities incurred by PEF. $8.18 million of capital costs are reflected in the cost being charged by Tractebel.
- Supply and transportation is based on Tractebel's bundled RFP response and proposal dated May 28, 2004.
- Tractebel Fixed Costs (Reservation Rate reflects increased pressure at Hines & blending):

Time Period	Reservation Rate	Commodity	Fuel
Summer: all years (May-Sept) 153 Days	$0.66/Dth	$0.0094/Dth	1.25%
Winter: (Oct'08-Apr'09) 212 Days	$0.61/Dth	$0.0094/Dth	1.25%
Winter: (Oct'09-Apr'13) 212 Days	$0.5538/Dth	$0.0094/Dth	1.25%
Winter: (Oct'13-Apr'28) 212 Days	$0.46/Dth	$0.0094/Dth	1.25%

Economic Analysis

	Cypress Altnerative*					
	Cypress - As Proposed	Additional Volumes	Additional Year	Cypress - Comparable Volumes	Gulfstream	Tractebel
Indicative Annual FT (3rd yr.)	($22,726,201)			($18,180,961)	($17,520,832)	($12,774,200)
FT Cost	(440,490,717)	(68,683,328)	(13,142,901)	(358,664,488)	(345,309,216)	(240,172,350)
All Other Transp. Costs	(73,663,482)	(11,165,311)	(2,030,326)	(60,467,845)	(48,905,495)	(32,241,367)
Total Tranportation	(514,154,199)	(79,848,639)	(15,173,227)	(419,132,334)	(394,214,711)	(272,413,717)
Capital Investment	(2,510,000)	0	0	(2,510,000)	(7,030,000)	(1,350,000)
Supply - HH	(2,729,447,341)	(411,057,677)	(74,569,803)	(2,243,819,861)	(2,243,819,861)	(2,243,819,861)
" - Basis	(25,081,250)	(3,938,000)	(725,250)	(20,418,000)	(42,496,356)	0
Total Nominal Value	($3,271,192,790)	($494,844,315)	($90,468,280)	($2,685,880,195)	($2,687,560,927)	($2,517,583,578)
NPV (to 8/1/04)	($1,260,692,657)	($221,219,006)	($71,044,639)	($968,429,012)	($968,860,525)	($905,469,101)
Effective Avg. Rate (All Cost)	$6.52	$6.28	$6.24	$6.58	$6.58	$6.17



* FT Cost increased to reflects 33% probability of a rate increase on SONAT: $13 million in "As Proposed" and $10 million in "Comparable Volumes"

This difference in the total cost of Cypress and Gulfstream alternatives for the entire term is approximately $0.5 million on a present value basis or less than $24,000 (twenty four thousand dollars) per year. While the total cost of the Tractebel alternative is approximately $63 million or 6.5% lower than either the Cypress or Gulfstream alternatives, as mentioned above, the risks associated with all the uncertainties and potential problematic mitigation strategy associated with the Tractebel alternative were too great. This resulted in the recommendation to not consider the Tractebel alternative for serving the gas supply needs of Hines 4.

PGN's Treasury Department[11] does not expect rating agencies to impute any debt associated with long-term fuel supply contracts due to the recoverability of future payments through approved pass-through clauses.

During late June 2004, the Risk Analytics Section of Enterprise Risk Management (ERM-RA) prepared a preliminary analysis of the various alternatives based on information that was available at that time. The raw mean value results of the ERM-RA analysis for those scenarios that most resembles the alternatives being considered[12] are fairly consistent with the RCO-prepared analysis - Tractebel having the lowest total cost with comparable Gulfstream and Cypress alternatives having nearly identical total cost.

Modeling Tools Used

The analysis reflected in this document was performed using a proprietary analytical model originally developed by the Risk Analytics Section of Enterprise Risk Management. RCO made minor modifications to the model in order to facilitate sensitivity analysis and reporting purposes to further segregate certain cost components (e.g. – segregate fixed and variable components of transportation costs).

Sensitivity Analysis Detail

The primary sensitivity to the analysis is the forecast of Transco Zone 4 basis reflected in the Gulfstream alternative and changes in transportation rates reflected in the Cypress alternative due to future rate cases. Changes in the forecast of HH prices impact all alternatives similarly. Therefore, no sensitivities were performed on HH prices.

The following is a summary of the cost for each alternative when impacted by certain assumed changes in the forecast spot price of natural gas.

[11] Per Greg Beuris, Director of Financial Operations, 8/18/04.

[12] One of the scenarios evaluated by ERM-RA, identified as "Gulfstream 1" is not consistent with any proposal received from Gulfstream.

Table 3
Sensitivity Analysis
Millions of Dollars

	Cypress	Gulfstream	Incr./(Decr.) Cypress vs Gulfstream	Tractebel
Base Case	968.4	968.9	(0.5)	905.5
Changes from Base Case:				
• Transco Zone 4 Basis +/- 50%	-	+/-7.7	+/-7.7	-
• SONAT FT Rate fixed @ $0.36/Dth/d	-2.1	-	-2.1	
• 100% probability of SONAT FT rate increasing to $0.41 Dth/d	+5.7	-	+5.7	-
• 100% probability of FGT Summer FT rate increasing to $0.80 Dth/d	+1.9	-	+1.9	-

Operational Flexibility

As summarized in Table 1 (page 12), the Cypress and Tractebel alternatives both provide similar overall level of operational flexibility. However, both Cypress and Tractebel provide operational flexibility features not available with the Gulfstream alternative. For example, both Cypress and Tractebel alternatives provide the following not available with Gulfstream.

- Long-term supply commitment for PEF's future needs.
- Geographical diversity. During times when hurricanes force offshore Gulf Coast platforms to shut-in production, gas supply from Elba Island or the Bahamas should not be affected.
- Reduced basis risk. The cost of LNG is based upon gas prices at Henry Hub (HH) with a fixed $0.05/Dth adder for LNG supply from Elba Island.

Refer to Table 1 for a complete listing of features / advantages provided by each alternative.

Maximize Supply Diversity

Access to either Cypress or Tractebel LNG would greatly reduce PEF's dependency on Mobile Bay / Destin production area which is PEF's primary source of gas on Gulfstream and FGT. As indicated on Appendix C, the inclusion of LNG would reduce PEF's reliance on this one supply area by approximately 1/3 (based on expected 2007 gas usage).

Upon the future development of Gulf of Mexico LNG projects, this same diversity of supply will be available through Gulfstream. However, Gulf of Mexico LNG would not provide geographical diversity protection from hurricanes mentioned above in "Operational Flexibility".

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Regulatory Impact Analysis

Continuation of PEF's Fuel Adjustment Clause is assumed. The impact of this assumption is common to all alternatives analyzed.

Market Analysis

Counterparty Analysis

BG LNG Services, LLC: An affiliate of BG Group plc is an integrated gas company with activities across the whole range of gas operations. The Company has four major business segments: Exploration and Production (E&P), Liquefied Natural Gas (LNG), Transmission and Distribution (T&D), Power Generation (Power) and other activities. E&P is comprised of exploration, development, production and marketing of hydrocarbons with a focus on gas. LNG combines the development and use of LNG import and export facilities with the purchase, shipping and sale of LNG and regasified natural gas. T&D develops, owns and operates major pipelines and distribution networks and supplies gas through these to the end customer. Power develops, owns and operates natural gas-fired power generation plants around the world. Other activities primarily comprise the New Business unit, which is engaged in developing new businesses in three market segments: natural gas vehicles, domestic combined heat and power and telecommunications networks.

SONAT: An affiliate of the El Paso Corporation. El Paso is an international energy company whose operations extend from natural gas production and extraction to power generation. The Company's operates through four primary business segments: Pipelines, Production, Field Services and Merchant Energy. These segments are strategic business units that provide a variety of energy products and services. Domestically, El Paso leases approximately four million net acres in 16 states, including Louisiana, Oklahoma, Texas and Utah, and in the Gulf of Mexico. The Company is continuing to focus on winding down its non-core businesses, including energy trading and petroleum markets, as well as other capital-intensive businesses such as liquefied natural gas operations.

FGT: FGT is owned by the Citrus Corporation. Citrus is jointly owned by CrossCountry Energy LLC and SONAT. CrossCountry Energy, LLC (a wholly-owned affiliate of Enron) holds interests in and operates two other major North American natural gas pipeline businesses in addition to FGT (through Citrus Corporation): Transwestern Pipeline Company, and Northern Plains Natural Gas Company. With 9,900 miles of pipeline and approximately 8.5 billion cubic feet/day of capacity, CrossCountry Energy serves customers in four major geographical regions in 17 states. Future ownership of CrossCountry Energy is unclear as the company is subject to a September 1, 2004 auction per a mandate of the U.S. Bankruptcy Court. The Court is scheduled to approve the winning bid on September 9th. Enron had announced in May the acceptance of a bid NuCoastal LLC, whose owners are affiliates of Kelso & Company, ArcLight Capital Partners, LLC, Citigroup, and Oscar S. Wyatt, Jr. Subsequently, on June 24, 2004, Enron announced receipt and acceptance of higher bid from a joint venture of Southern Union Company and GE Commercial Finance Energy Financial Services. The Southern Union/GE bid is expected to serve as the "stalking horse" for the September 1st auction. Enron and its Official Unsecured Creditors' Committee were expected to continue soliciting bids through August 23rd.

Competitor Analysis – Same as the "Detailed Comparative Analysis".

Non-Financial Considerations / Intangibles

Cypress Alternative

Highlights

- High certainty of performance commencing with timing of PEF's need due to Elba and FGT being existing/operating facilities and the likely success of SONAT's Cypress Expansion Project with PEF as a customer.
- Long-term supply commitment associated with this alternative
- Supply Diversity. Access to LNG would greatly reduce PEF's dependency on Mobile Bay/Destin Production (Appendix C) which is the primary source of gas on Gulfstream and FGT.
- Geographical Diversity. During times when hurricanes force offshore Gulf Coast platforms to shut-in production, gas supply from Elba should not be affected and vice versa.
- Reduced basis risk. The cost of LNG is based upon gas prices at Henry Hub (HH) + $0.05/Dth.
- Segmentation opportunities on SONAT. Acquiring capacity on Cypress would allow PEF to have access (secondary out of the path) to other markets on SONAT and/or interconnects with other interstate pipeline such as Transcontinental Gas Pipe Line.
- Pipeline Competition. By bringing in a third interstate pipeline with another source of supply, LNG, into the Florida market, it will provide competition to Gulfstream Natural Gas as well as price competition among gas suppliers.
- Potential to serve other PEF plants.

Hardspots

- More expensive transportation and supply cost relative to the Tractebel alternative.
- Requires higher transportation volume commitment and earlier commencement date.
- Relative to the Gulfstream alternative, there is increased development risk as Cypress Pipeline and FGT incremental capacity must be approved by FERC.
- Take-or-pay obligation for LNG supply

Gulfstream Alternative

Highlights

- High certainty of performance commencing with timing of PEF's need. Gulfstream is an existing pipeline with available capacity.
- Increased level of access to high deliverability storage (as a result of increased capacity rights)

Hardspots

- More expensive transportation and supply cost relative to the Tractebel alternative
- Basis risk exposure
- No long-term supply commitment directly associated with alternative

- Increases PEF's reliance on Mobile Bay / Destin area supply. However, this increased reliance could be mitigated with future development of Gulf of Mexico (GOM) LNG terminals.

Tractebel Alternative

Highlights

- Lowest overall cost alternative
- Reduces basis risk. The cost of LNG is based upon gas prices at Henry Hub (HH) with no adders.
- Access to Bahamas-based LNG Terminal:
    1. Provides geographical diversity (i.e. - alternative to GOM production during hurricane season);
    2. Reduces PEF's reliance upon Mobile Bay / Destin supply area.
- Third pipeline into Florida. Provides competition to pricing of GOM supply and pipeline FT costs.
- Long-term supply commitment associated with this alternative
- Force Majeure conditions provide less supply risk to PEF
- Tractebel is willing to provide 30 day replacement gas in the event of a Force Majeure condition.
- Potential to serve other PEF plants.
- Contract is enforceable regardless of whether the terminal and undersea pipeline is built.
- $85 million Suez Parental Guaranty.
- Put-back options provides pricing floor for reselling "take or pay" gas.

Hardspots

- High uncertainty of performance commencing with timing of PEF's need. Development risk associated with $800 million Greenfield project consisting of Bahamas-based LNG plant (requiring Bahamian Government approval) and associated undersea pipeline to the Florida peninsula.
- If Tractebel defaults, the $85 million Suez Parental Guaranty must be pursued. May encounter difficulties that require legal intervention to collect.
- Take-or-pay obligation for LNG supply

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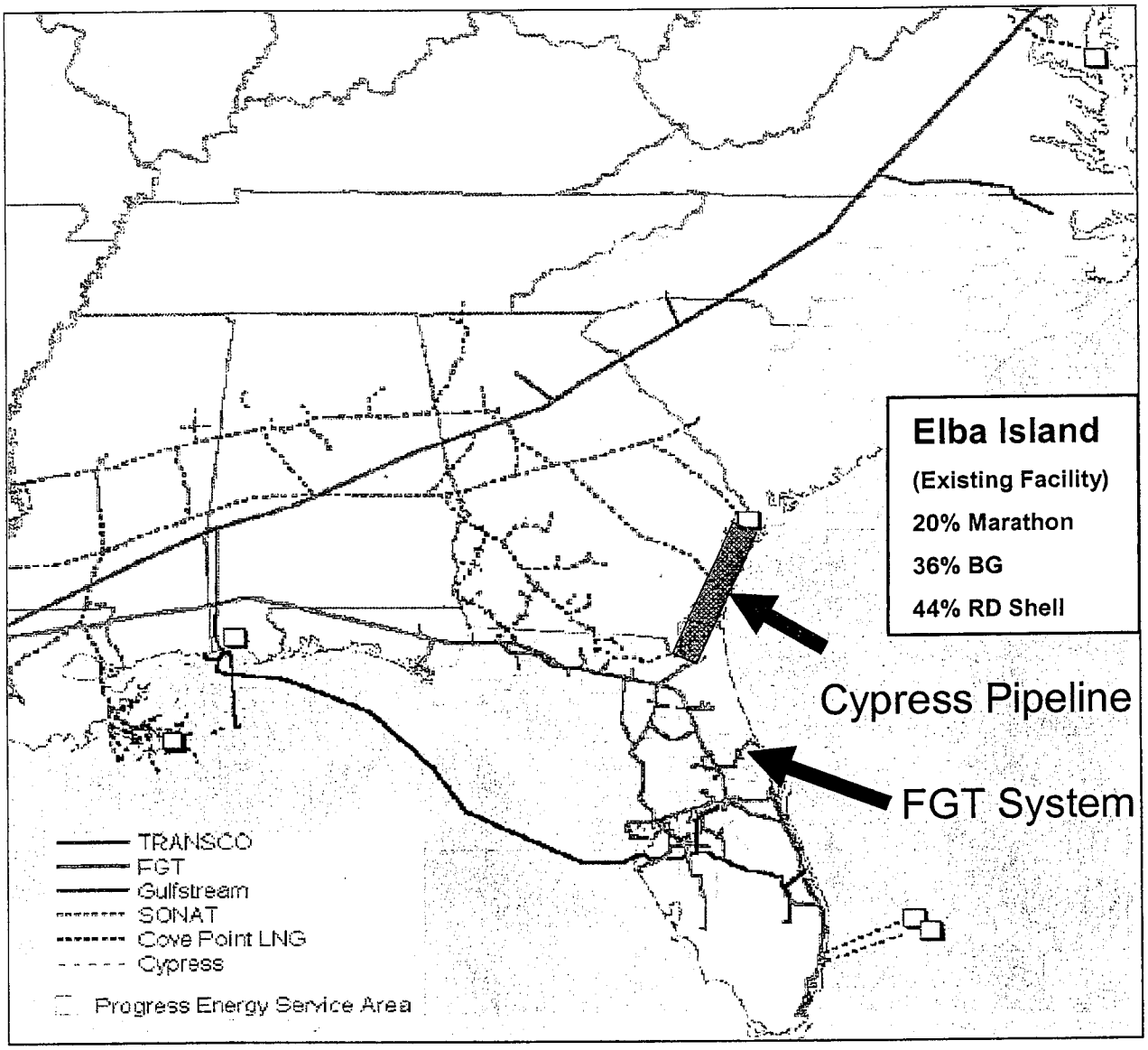
Integration and Project Performance Assessment Plan

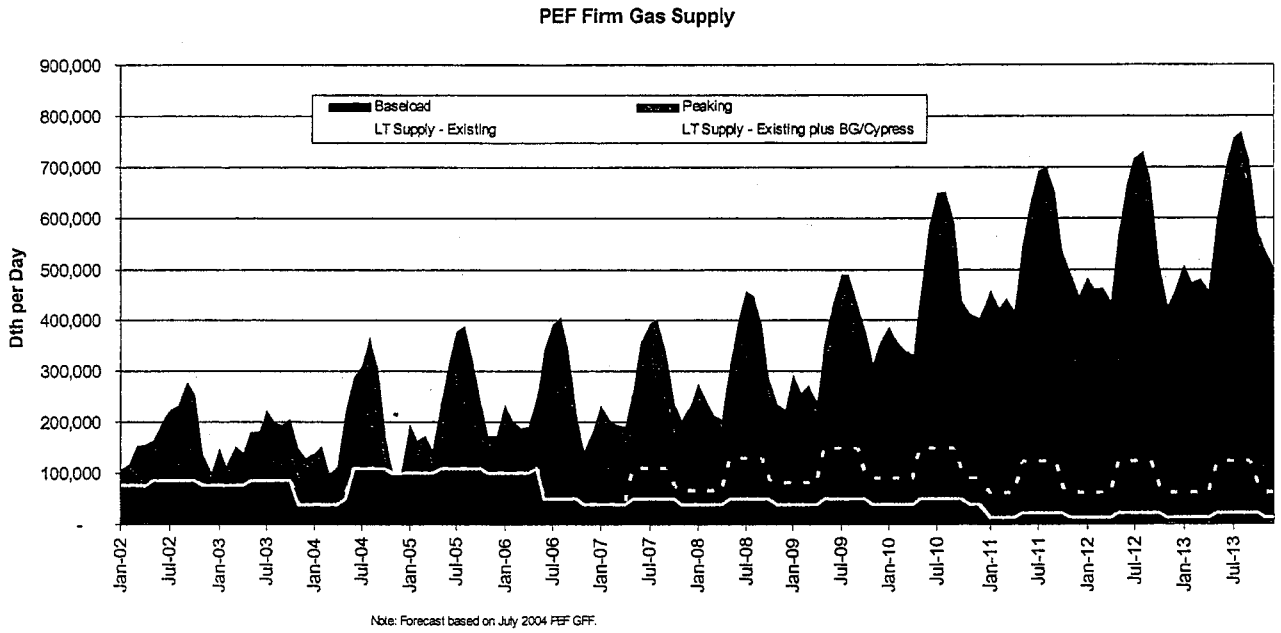
Organization	Roles, Responsibilities, and Impacts
RCO	Contract, manage and optimize fuel & transportation requirements
SPOD	Reflect contract volumes and prices in appropriate Generation Fuel Forecasts
Power Plant Construction	Construction of Hines 4 self-build status and commencement date
Back-Office	Ensure invoices are accurate and paid on a timely basis
Mid-Office	Track and monitor any MTM

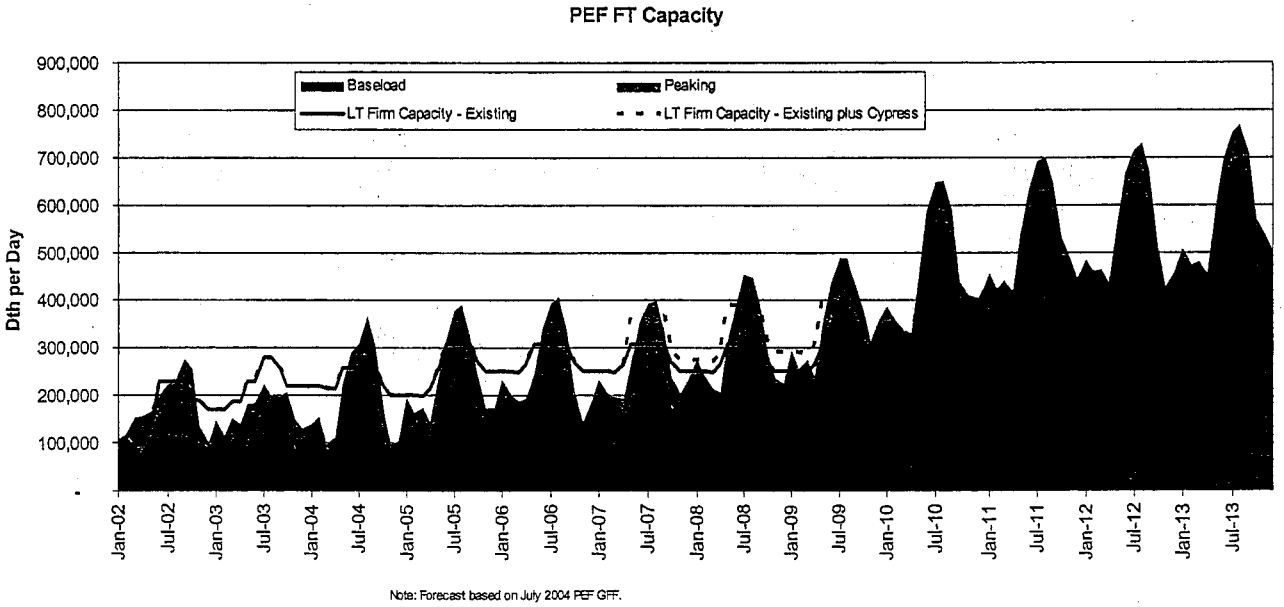
Appendix A - Map



Appendix B – PEF Forecasted Gas Usage & Firm Transportation

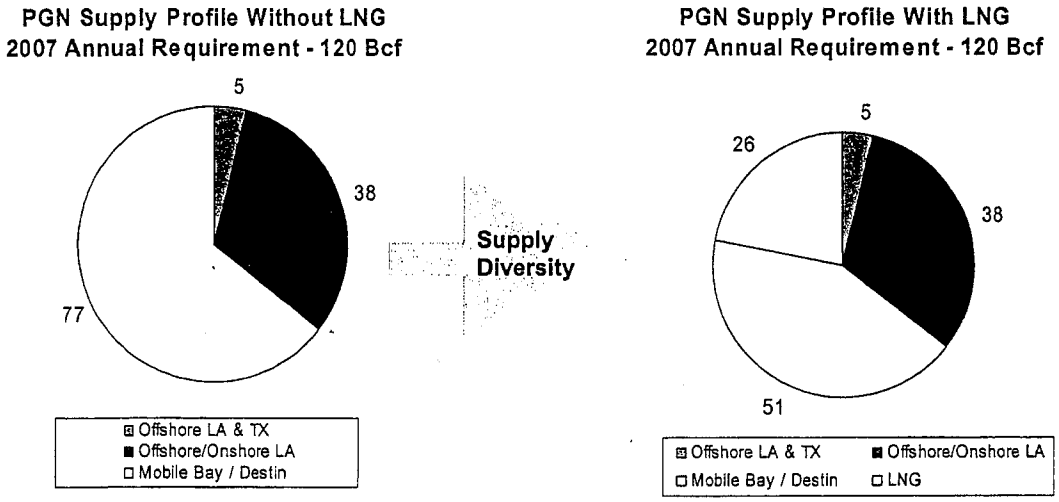
Company's strategy and policies is to procure supply and firm transportation capacity 60% and 100%, respectively, of its baseload projected fuel usage requirements.





Appendix C – PEF Supply Portfolio

LNG could provide a more balanced and diverse supply portfolio.



Progress Energy

Regulated Commercial Operations Department
P. O. Box 1551 - PEB 10A
Raleigh, North Carolina 27602

RFP# LT040504-bahamas

April 5, 2004

Dear Sir or Madam:

Subject: Request for Proposal for Long-Term Gas Supply - Bundled

Florida Power Corporation d/b/a Progress Energy Florida, Inc. (hereinafter referred to as Buyer) is requesting proposals for long-term gas supply sourced out of your company's Bahamas LNG Terminal.

Term

20 years beginning May 1, 2008.

Volume

Bahamas package #1: The following volume requirements starting May 2008 through April 2009.

- 60,000 Dth/day Summer volumes (May-Oct)
- 25,000 Dth/day Winter volumes (Nov-Apr)

Bahamas package #2: The following volume requirements starting May 2009 through April 2028.

- 80,000 Dth/day summer volumes (May-Oct)
- 40,000 Dth/day Winter volumes (Nov-Apr)

Primary Receipt Point

Buyer receipt point will be at Buyer's Hines Energy Complex in Polk County, Fl, near the town of Bartow.

Service

Firm.

Mandatory Pricing

Buyer desires to use The Inside FERC First of the Month Index Posting with Buyer's election to convert to Gas Daily Midpoint or Fixed pricing. Seller should address whether pricing includes M&R facility installation costs (FGT Meter Loc# 220764) at Hines to deliver full volume requirements. If pricing includes M&R installation costs, Seller should assume a delivery pressure requirement of 550 psi downstream of the M&R station.

Optional Pricing

Buyer has interest in reviewing pricing options including, but not limited to:

- Fixed pricing – entire term
- Zero collar pricing – annual or entire term
- Call Option.
- Option to allow Buyer to swing down volumes a specific number of times per month.
- Seller proposed pricing.

Force Majeure

Buyer requests that Seller's pricing reflect import delivery risk such that Force Majeure (FM) will not apply to events upstream of the LNG import re-gasification facility. Examples of events not considered FM includes, but not limited to, host country risks (i.e. host county war, strikes, etc.) as well as risks associated with facilities or vessels used for the liquefaction, loading, shipping, and unloading of import gas.

PEF 000098
DOCKET NO. 041414-EI

Nominations: Pre-scheduled (day ahead of gas flow) and/or intraday (day of gas flow) may be submitted up until nomination deadline.

Requirements GISB / NAESB with special provisions for gas purchases.

Gas Quality Seller shall warranty to Buyer at delivery that all gas meets or exceeds pipeline gas quality specifications. If gas is found to be insufficiently processed, Seller will join with Buyer to petition that the pipeline enforces required specifications on producers.

Proposals are DUE by: **Monday, April 26, 2004, 4:00 p.m. EST**

Proposals Proposals are preferred to be submitted via e-mail to the address below. Proposals may be submitted by FAX. Proposals received AFTER the DUE date may be considered at Buyer's discretion. All Proposals MUST reference **RFP# LT040504-bahamas.** Questions related to deal points should be directed to the author at the number listed during business hours (EST).

Please send proposals to:

Progress Energy Inc.
Attn: Rick Rhodes
P. O. Box 1551 - PEB 10A
Raleigh, North Carolina 27602
Telephone: 919-546-7613

Send e-mail responses to: **rick.rhodes@pgnmail.com**

Send FAX responses to: **919-546-2922**

Sincerely,

Rick Rhodes

Term Gas Lead
919-546-7613

Rhodes, Rick

From: Rhodes, Rick
Sent: Monday, April 05, 2004 1:56 PM
To: 'ed.cahill@aes.com'; 'pribbeck@gastream.com'
Subject: Long-Term Gas RFP Bahamas

Importance: High
Sensitivity: Confidential

Expires: Monday, April 26, 2004 4:00 PM

Ed and Phil,

Florida Power Corporation d/b/a Progress Energy Florida, Inc. (FPC) seeks proposals from you to supply natural gas for the requirements listed in the attached RFP. A successful deal will require the execution of a NAESB with the attached Special Provisions, unless your firm already has an approved GISB or NAESB with FPC.

You are encouraged to submit your bid via e-mail. FAX response is acceptable, but e-mail is preferable.

We look forward to your response. Feel free to contact me at the number below with any questions. Thanks in advance for your timely response by this April 26, 2004 deadline.

***** IMMEDIATELY UPON RECEIPT, PLEASE RESPOND TO THE E-MAIL TO CONFIRM RECEIPT *****

lng rfp
ahamas.doc (234 KE

Rick Rhodes
Term Gas Lead
Progress Energy
919.546.7613
rick.rhodes@pgnmail.com

237

PEF 000100
DOCKET NO. 041414-EI

Rhodes, Rick

From: Rhodes, Rick
Sent: Monday, April 05, 2004 1:54 PM
To: 'Fairley, David'
Cc: 'gmason@tractebelusa.com'
Subject: Long-Term Gas RFP Bahamas

Importance: High
Sensitivity: Confidential

Expires: Monday, April 26, 2004 4:00 PM

David,

Florida Power Corporation d/b/a Progress Energy Florida, Inc. (FPC) seeks proposals from you to supply natural gas for the requirements listed in the attached RFP. A successful deal will require the execution of a NAESB with the attached Special Provisions, unless your firm already has an approved GISB or NAESB with FPC.

You are encouraged to submit your bid via e-mail. FAX response is acceptable, but e-mail is preferable.

We look forward to your response. Feel free to contact me at the number below with any questions. Thanks in advance for your timely response by this April 26, 2004 deadline.

***** IMMEDIATELY UPON RECEIPT, PLEASE RESPOND TO THE E-MAIL TO CONFIRM RECEIPT *****

lng rfp
ahamas.doc (234 KE

Rick Rhodes
Term Gas Lead
Progress Energy
919.546.7613
rick.rhodes@pgnmail.com

Rhodes, Rick

From: Rhodes, Rick
Sent: Monday, April 05, 2004 1:57 PM
To: 'Heather_Subblefield@fpl.com'
Subject: Long-Term Gas RFP Bahamas

Importance: High
Sensitivity: Confidential

Expires: Monday, April 26, 2004 4:00 PM

Heather,

Florida Power Corporation d/b/a Progress Energy Florida, Inc. (FPC) seeks proposals from you to supply natural gas for the requirements listed in the attached RFP. A successful deal will require the execution of a NAESB with the attached Special Provisions, unless your firm already has an approved GISB or NAESB with FPC.

You are encouraged to submit your bid via e-mail. FAX response is acceptable, but e-mail is preferable.

We look forward to your response. Feel free to contact me at the number below with any questions. Thanks in advance for your timely response by this April 26, 2004 deadline.

***** IMMEDIATELY UPON RECEIPT, PLEASE RESPOND TO THE E-MAIL TO CONFIRM RECEIPT *****

lng rfp
ahamas.doc (234 KE

Rick Rhodes
Term Gas Lead
Progress Energy
919.546.7613
rick.rhodes@pgnmail.com

239

PEF 000102
DOCKET NO. 041414-EI

Subject to Management Approval

TERM SHEET
June 22, 2004

1. New service agreements:

Option 1 Seasonal Rate

MDQ

Period	MDQ (Dth/day)
-April 1, 2008 to April 30, 2009	60,000
-May 1, 2009 to April 30, 2028	80,000

Rates

Period	Rate(Reservation= $/Dth/day)
5/1 to 10/31	$0.75 Reservation + $0.0055 /Dth Usage
11/1 thru 4/30	$0.45 Reservation + $0.0055/Dth Usage

Surcharges and fuel for all service agreements per Gulfstream's tariff in effect from time to time.

Option 2 Flat Rate

MDQ

Period	MDQ (Dth/day)
-May 1, 2008 to April 30, 2009	60,000
-May 1, 2009 to April 30, 2028	80,000

Rates

Period	Rate(Reservation= $/Dth/day)
1/ 1 thru 12/31	$0.60 Reservation + $0.0055 /Dth Usage

Surcharges and fuel for all service agreements per Gulfstream's tariff in effect from time to time.

Option 3 Seasonal MDQ

This option would be subject to Gulfstream's receipt of FERC approval of new seasonal service on terms and conditions acceptable to Gulfstream.

MDQ

Period	MDQ (Dth/day)
-May 1, 2008 to Oct. 31, 2009	60,000
-Nov 1, 2008 to April 30, 2008	30,000
-Starting May 1, 2009	
May through Oct.	80,000
Nov through April	40,000

Rates

Rates subject to revenue requirements of $17,520,000 per year (based on 80,000). Rates and MDQ can be discussed to reach this revenue requirement. For example at the MDQ above the rate would be:

Period	Rate(Reservation= $/Dth/day)
1/ 1 thru 12/31	$0.80 Reservation + $0.0055 /Dth Usage

Surcharges and fuel for all service agreements per Gulfstream's tariff in effect from time to time.

2. Primary Delivery Point would be Hines.

3. Primary Receipt Points for above volumes would be the same as FPC's current FT contract.

4. FPC and Gulfstream will execute a precedent agreement, which will require FERC approval, to reserve the capacity required to provide the services described above.

5. Maximum hourly flow rates for all service agreements at 6% of MDQ

6. Potential CIAC payment of up to $3.5MM subject to the type and ownership of facilities to be owned and operated by FPC for receipt of Gulfstream deliveries.
7. This offer is valid only through August 31, 2004.

THIS DOCUMENT IS A PROPOSAL SUBMITTED FOR DISCUSSION PURPOSES ONLY AND IS NOT A BINDING OBLIGATION OF EITHER PARTY. ANY AGREEMENT REACHED WILL NOT BE BINDING UNLESS AND UNTIL THE PARTIES EXECUTE MUTUALLY AGREEABLE DEFINITIVE AGREEMENTS.

April 26, 2004

Progress Energy Inc.
P.O. Box 1551 – PEB 10A
Raleigh, NC 27602

Attention: Rick Rhodes

Re: Letter of Intent

Ladies and Gentlemen:

Sailfish Natural Gas, Ltd., a limited liability company organized under the laws of the Commonwealth of The Bahamas ("Seller"), has been formed for the purpose of marketing supplies of regasified liquefied natural gas ("LNG") from international supply sources. Seller and **Florida Power Corporation d/b/a Progress Energy Florida, Inc.**, a [_____] company ("Buyer"), have had discussions with respect to Seller's potential firm sale and delivery to Buyer and Buyer's potential firm purchase and receipt of quantities of natural gas from Seller. It is anticipated that the primary source of supply for this commitment will be imported natural gas from an LNG storage and regasification facility located in The Bahamas (the "LNG Terminal") delivering gas via Seafarer Bahamas Pipeline System, Ltd. ("Seafarer Bahamas Pipeline") and Seafarer US Pipeline System, Inc. ("Seafarer US Pipeline") into Florida Gas Transmission Company ("FGT") from international supply basins. This Letter of Intent (the "LOI") sets forth the mutual intent of Buyer and Seller to negotiate and to enter into a firm sales agreement and such other documents as the Parties deem necessary (the "Definitive Agreements") reflecting the commercial terms and conditions set forth in Exhibit "A" hereto and upon such other terms and conditions as the Parties may mutually agree. Each of Seller and Buyer may be referred individually as a "Party," or together as the "Parties."

1. **Negotiation of Definitive Agreement.** By execution of this LOI, Buyer and Seller do hereby agree to proceed with the negotiation in good faith of the Definitive Agreements containing the commercial terms set forth in the attached Exhibit A and any other terms mutually agreed upon by Buyer and Seller. Both Buyer and Seller shall use commercially reasonable efforts to conclude the negotiation and execution of such Definitive Agreements by the earlier of (i) one hundred twenty (120) days following execution of the LOI or (ii) _____ 2004, unless extended by mutual agreement of the Parties (the "Negotiation Period").

2. **Term.** This LOI shall become effective as of the date first stated above and shall remain in effect until the earlier of (i) execution of the Definitive Agreements contemplated by this LOI in accordance with Paragraph 1 above, or (ii) the Negotiation Period as defined in Paragraph 1 above, at which time this LOI shall automatically terminate.

3. **Governing Law.** Any disputes regarding the interpretation of this LOI or regarding enforcement of the matters set forth herein shall be governed by and construed in accordance with the laws of the State of New York, without giving effect to conflicts of law principles.

4. **Scope of Project.** It is anticipated that Seller's LNG supplies would be delivered to the proposed LNG Terminal. Regasified LNG would then be transported by Seafarer Bahamas Pipeline which would extend from the LNG terminal to an interconnection at the international offshore boundary of the United States with Seafarer US Pipeline that will in turn transport the natural gas to a proposed interconnection with FGT's interstate pipeline system at FGT Mile Post 831.2 in Palm Beach County, Florida.

5. **Relationship of the Parties.** Seller and Buyer shall not be deemed to be in a relationship of partners or joint ventures by virtue of this LOI nor shall either of them be deemed to be an agent, representative, trustee or fiduciary of the other. Neither Seller nor Buyer shall have any authority to bind the other to any agreement other than as expressly set forth herein.

6. **Binding Nature.** With the exception of the non-exclusivity, confidentiality and choice of law provisions provided herein, this LOI shall not be binding in any respect and neither Party shall be obligated to proceed with the transaction described herein until and unless the parties have negotiated and executed the Definitive Agreements implementing the transaction. In the event that the Parties fail to reach agreement as to the Definitive Agreements, neither Party shall be entitled to assert a claim against the other Party except with regard to the binding provisions noted in this Paragraph 6.

7. **Assignment.** This LOI shall be binding upon and inure to the benefit of the Parties hereto and their respective successors and permitted assigns. Neither Party may assign any of its rights or obligations under this LOI or delegate any obligation or liability under this LOI without the prior written consent of the other Party, provided, however, that Buyer's consent shall not be required for Seller's assignment of its rights and obligations hereunder to an affiliate that is of at least equivalent creditworthiness to Seller and can demonstrate its ability to perform Seller's obligations under the Definitive Agreements.

8. **Dispute Resolution.** In the event of any dispute, controversy, or claim arising under or relating to the binding provisions of this LOI, the Parties agree to attempt in good faith to resolve such dispute, controversy, or claim through negotiation or settlement for a period of thirty (30) days. If at the conclusion of such thirty (30) day period the matter has not been resolved, subject to Paragraph 9 below, either Party may pursue any remedy in law or at equity to which it is entitled.

9. **Damages.** Neither Party to this LOI shall be liable to the other Party for any consequential, incidental, special or punitive damages arising out of or related to this

LOI. In addition, neither Party to this LOI shall be liable to the other for any fees and expenses incurred in connection with this LOI.

10. **Non-Exclusivity.** Until the Definitive Agreements are executed by the Parties, nothing herein shall preclude the Parties from discussing, negotiating, or entering into agreements with third parties regarding the purchase and delivery or sale of natural gas.

11. **Corporate Approvals.** Each Party acknowledges that the other Party may be required to obtain, on or before the end of the Negotiation Period, the review and approval of the Definitive Agreements by its senior management and, if necessary, its or its ultimate parent company's Board of Directors, prior to the execution of the Definitive Agreements.

12. **Confidentiality**. The Confidentiality Agreement dated February 10, 2004 between Seller and Buyer in incorporated herein in its entirety.

If the provisions set forth above correctly set forth our binding agreement, please execute each of the enclosed originals of this LOI in the space provided below.

Very truly yours,

Sailfish Natural Gas, Ltd.

By: _____

Its: VP Natural Gas

Accepted and Agreed to this _____ Day of _____, 2004:

Florida Power Corporation

By: _____

Its: _____

2 A 4

EXHIBIT "A" to
Letter of Intent dated April 26, 2004

Major Commercial Terms of Definitive Agreements
Between **Sailfish Natural Gas, Ltd.** and **Florida Power Corporation d/b/a Progress Energy Florida, Inc.**

Term:

Commencing on or about May 1, 2008 or such other date as the parties mutually agree (such date being the "Effective Date") and extending a period of twenty-five (25) years from the Effective Date.

Daily Contract Quantity ("DCQ"):

Seller agrees to sell and deliver to Buyer, and Buyer agrees to purchase and take from Seller, on a firm baseload basis, a daily contract quantity (the "DCQ") delivered on a ratable basis throughout the twenty-four (24) hour gas day. Buyer must elect, prior to execution of the Definitive Agreements, a fixed, single quantity which shall apply for each period.

DCQ for Period 1 (May 1, 2008 – April 30, 2009):
45,000 – 60,000 MMBtu per day as elected by Buyer and mutually agreed by the Parties in the Definitive Agreements

DCQ for Period 2 (May 1, 2009 – April 30, 2033):
60,000 – 100,000 MMBtu per day as elected by Buyer and mutually agreed by the Parties in the Definitive Agreements

Delivery Point:

Seller will sell and deliver and Buyer will purchase and take the DCQ to Buyer at the interconnection of the facilities of FGT and Seafarer US Pipeline in Palm Beach County, Florida (the "Delivery Point"). Buyer shall be responsible for all transportation costs and requirements on FGT to move gas from the Delivery Point to Buyer's Hines Energy Complex in Polk County, Florida (the "Hines Facility"). Seller will cooperate with Buyer to minimize Buyer's transportation costs on FGT required to transport the DCQ to the Hines Facility.

Contract Price:

The contract price per MMBtu shall be equal to the sum of the Final Day Settlement Price for the applicable NYMEX Henry Hub natural gas futures contract for such month and either (a) $0.495 per MMBtu if Buyer elects to accept the Force Majeure language as included in the Force Majeure section of this Exhibit "A" or (b)

$0.52 per MMBtu if Buyer elects to modify the Force Majeure language by including the Force Majeure Exclusions, as detailed in this Exhibit "A", in the Definitive Agreements..

Liquidated Damages:

For Seller's unexcused failure to deliver and sell all or any portion of the DCQ, Seller shall pay Buyer the amount, if positive, between (i) the actual cost of replacement gas per MMBtu at the Delivery Point less (ii) the Contract Price per MMBtu payable by Buyer to Seller under the terms of the Definitive Agreements, multiplied by the deficiency quantity. Seller shall use commercially reasonable efforts to find a replacement supply from domestic and international sources in the event of an impending unexcused failure to deliver.

For Buyer's unexcused failure to purchase and take all or any portion of the DCQ, Buyer shall pay Seller the amount, if positive, between (i) Contract Price per MMBtu payable by Buyer to Seller under the terms of the Definitive Agreements less (ii) the actual price per MMBtu that Seller can obtain by selling the delivered quantities to other buyers in the open market, multiplied by the deficiency quantity. Buyer shall use commercially reasonable efforts to find a replacement market in the event Buyer is unable to purchase and take the DCQ at the Delivery Point.

Force Majeure:

The Definitive Agreements will provide that neither Buyer nor Seller shall be liable for any failure to perform or for any delay in performing any obligation, except the obligation to pay money when due, to the extent that such Party's performance is prevented, interfered with or delayed (in whole or in part) as a result of Force Majeure. Force Majeure shall extend to any event, whether or not enumerated herein, outside the reasonable control of the affected Party acting as a Reasonable and Prudent Operator that precludes both performance and alternative performance as required under the Definitive Agreements.

"Seller's Facilities" shall mean Seller's (or Seller's affiliates) or Seller's LNG Supplier's (or such LNG Supplier's affiliates) natural gas production, transmission, compression, processing, treatment and liquefaction facilities, LNG storage and loading facilities, LNG tanker berthing and Loading Port facilities at the host country and all modifications and additions thereto, LNG Tankers designated for the delivery of LNG to Seller, the LNG Terminal, Seafarer Bahamas Pipeline and Seafarer US Pipeline and all additions and modifications thereto.

"Buyer's Facilities" shall mean Buyer's Hines Facility and the portion of FGT's interstate pipeline system which is necessary to

transport the DCQ away from the interconnection of FGT and Seafarer US Pipeline to Buyer's Hines Facility.

"Force Majeure" shall apply to Seller's Facilities, Buyer's Facilities, and, if applicable, the Suez Canal and shall apply to any of the events listed below to the extent that such event is beyond the reasonable control of the Party affected to avoid, prevent or overcome:

(a) fire, flood, atmospheric disturbance, lightning, storm, typhoon, hurricane, cyclone, tornado, earthquake, landslide, soil erosion, subsidence, washout or epidemic or other acts of God (landslide, soil erosion, subsidence and washout do not apply to LNG Tankers);

(b) war (whether declared or undeclared), riot, civil war, blockade, insurrection, acts of public enemies, acts of terrorism or civil disturbances;

(c) strike, lockout or other industrial disturbances including any such disturbances that occur aboard an LNG Tanker or at a port or facility where such LNG Tanker calls while in passage en-route to and from the Loading Port, including the Suez Canal, if applicable;

(d) loss of or damage to or failure of any of the Seller's Facilities, Buyer's Facilities or, if applicable, the Suez Canal; and

(e) acts of any state, local, national or international governmental authority, or compliance with such acts, that directly affect such Party's ability to perform its obligations hereunder.

The above notwithstanding, the Definitive Agreements shall specify that the following events shall not constitute Force Majeure:

(a) Seller's ability to sell LNG at a higher or more advantageous price than the Contract Price; and

(b) Buyer's ability to purchase LNG or natural gas at a lower or more advantageous price than the Contract Price.

For the purposes of declaring Force Majeure, an event shall not be considered to be beyond the reasonable control of a Party unless in the case of Seller, it is beyond the reasonable control of Seller, the operator of Seller's Facilities, Seller's transporter and any servant or agent of any such persons or in the case of Buyer, it is beyond the reasonable control of Buyer, the operator of Buyer's Facilities and any servant or agent of any of such persons.

The Definitive Agreements shall provide that the Parties shall take all measures that are reasonable in the circumstances to resume normal performance of the Definitive Agreements after the occurrence of an event of Force Majeure. Prior to resumption of normal performance, the Parties shall continue to perform their obligations under the Definitive Agreements to the extent not prevented by such event of Force Majeure.

In the event performance by either Party under the Definitive Agreements is substantially or totally impaired by a single event of Force Majeure which either (a) lasts for a period of twenty-four (24) consecutive months or more, or (b) is agreed between the Parties that the affected Party will not be able to resume normal performance of the Definitive Agreements within the said twenty-four (24) month period, either Party shall have the right to terminate the Definitive Agreements with ninety (90) days notice to the other Party. In such event, each Party's liabilities shall be limited to those accrued prior to the date of such termination.

Force Majeure Exclusion:

Buyer may elect, prior to execution of the Definitive Agreements, to revise the Force Majeure language in the previous section of this Exhibit "A" as follows:

Replacement language for (e) of the defined Force Majeure events:

(e) acts of any state, local or national governmental authority, *excluding acts of the government of the host country of the LNG supply* or compliance with such acts, that directly affect such Party's ability to perform its obligations hereunder.

Additional language to be added to the events that shall not constitute Force Majeure:

(c) *loss of LNG Supplier's production related to events occurring below the wellhead block valve.*

If the Buyer elects to adopt this exclusion language in the Definitive Agreements, the Contract Price will be adjusted according to the Contract Price provisions of this Exhibit "A."

Conditions Precedent:

Buyer's obligations under the Definitive Agreement shall be subject to and conditioned upon:

(a) Approval of the Definitive Agreement by Buyer's senior management and, if necessary, Board of Directors or (comparable management committee or body), which approval may be withheld by such board (or comparable management committee or body) at its sole discretion.

Seller's obligations under the Definitive Agreement shall be subject to and conditioned upon:

(a) Approval of the Definitive Agreement by Seller's senior management and, if necessary, Board of Directors, which approval may be withheld by such board at its sole discretion; and

(b) Granting of all licenses, permits, rights-of-way, approvals and authorizations required for securing control of and developing, constructing and operating the Pipelines, the Terminal and associated facilities, and the import of gas sold hereunder in a form satisfactory to Seller's or its affiliates.

If mutually agreeable, the Parties may elect to add additional Conditions Precedent to the Definitive Agreements

Billing and Payment:

Seller shall invoice Buyer by the tenth (10^{th}) day of each month for quantities delivered in the previous month; Buyer shall remit full payment by electronic funds transfer on or before the twentieth (20^{th}) day of such month.

Quality Specifications:

The quality of the gas sold and delivered to Buyer will meet FGT pipeline specifications proposed by FGT for LNG deliveries from the Bahamas at sufficient pressure to make deliveries into FGT at the Delivery Point.

Nominations and Balancing:

The Parties agree to include within the Definitive Agreements the various commercial terms regarding nominations and balancing that will, in all respects, comply with the terms and conditions of the tariffs of FGT and Seafarer US Pipeline.

Credit and Security:	The Definitive Agreements shall contain mutually agreeable credit support provisions including adequate assurances in certain events, and the Parties shall be required to post a parent company guarantee or letter of credit to secure their obligations under the Definitive Agreements.
Limitation of Damages:	Except as provided in the Definitive Agreements, neither Party to the Definitive Agreements shall be liable to the other Party for any costs incurred prior to the satisfaction of all conditions precedent. Except as otherwise specifically provided in the Definitive Agreements, neither Party to the Definitive Agreements shall be liable to the other Party for any consequential, incidental, special or punitive damages arising out of or related to the Definitive Agreements.
Assignment:	Neither Party may assign any of its rights or obligations under the Definitive Agreements or delegate any obligation or liability under this LOI without the prior written consent of the other Party, provided, however, that Buyer's consent shall not be required for Seller's assignment of its rights and obligations hereunder to an affiliate that is of at least equivalent creditworthiness to Seller and can demonstrate its ability to perform Seller's obligations under the Definitive Agreements. The Definitive Agreements shall contain language allowing Seller to pledge, mortgage or assign its rights in the Definitive Agreement as security for its indebtedness or assign to a lender (or to a trustee or mortgagee for a holder of indebtedness) any monies due or to become due under the Definitive Agreements.
Miscellaneous:	The Definitive Agreements shall contain such other terms and provisions customary for this type of natural gas sales and purchase agreement including, but not limited to transfer of title, risk of loss, responsibility for taxes, measurement, pressure, confidentiality, indemnities and dispute resolution.

This proposal is submitted as a basis for further negotiation and does not constitute a binding offer.

REPSOL YPF

Comercializadora de Gas

Paseo de la Castellana, 278-280
28046 Madrid
España

www.repsolypf.com

April 27, 2004

CONFIDENTIAL

VIA E-MAIL

Progress Energy Inc.
Attn: Rick Rhodes
Term Gas and Logistics Unit
P.O. Box 1551 – PEB 10A
Raleigh, NC 27602

Re: Non Binding Proposal responding to RFP LT 040504-bahamas

Dear Rick:

Enclosed for your consideration is a non-binding proposal being submitted by Repsol Comercializadora de Gas S.A. ("Repsol") to meet the incremental supply needs of Florida Power Corporation d/b/a Progress Energy Florida, Inc. ("Progress Energy"), on a firm basis, in response to the referenced RFP. This non-binding proposal is provided on a confidential basis and should not be discussed with anyone outside Progress Energy other than your advisers and your agents and consultants assisting you in relation to this RFP.

Please note that this proposal is purely indicative and is non-binding. It is not an offer capable of acceptance. Any transaction to be entered into pursuant to this non-binding proposal would be subject to the approval of Repsol's Board and entering into a definitive agreement on terms agreeable to Repsol. No binding obligations shall be created unless such approval is received and such definitive agreement is executed.

It is also subject to Repsol completing its proposed investment in, and the timely completion of construction of: (i) the LNG regasification facility in Ocean Cay Bahamas and (ii) the pipeline from that facility to the FGT interconnection (the "*Ocean Cay Project*") including the purchase of AES LNG Marketing, L.L.C. which is the entity which is proposed to market natural gas from the Ocean Cay Project. Repsol is continuing its due diligence and negotiations in relation to that potential investment.

It is our understanding that there may be system modifications required by Florida Gas Transmission (FGT) to effectuate delivery to the Progress Energy Hines facility and the cost for these modifications has not been established. Therefore, our non-binding proposal is based on our delivery to the proposed interconnect between AES Ocean Express, L.L.C. and FGT. We would be willing to discuss alternatives relating to

PEF 000112
DOCKET NO. 041414-EI

Mod. RCC.010 - Feb. 04

Repsol Comercializadora de Gas, S.A. Inscrita en el Registro Mercantil de Madrid, Hoja n.º 303502, Folio 79, Tomo 17634, Sección 8. C.I.F.: A-83303776

deliveries to Progress Energy's Hines facility when the additional cost of transportation through FGT becomes more definitive.

I look forward to further discussing the enclosed non-binding proposal with you, at your convenience.

Very truly yours,

Mr Phillip Ribbeck
Director, LNG Marketing & Trading
Repsol Comercializadora de Gas S.A.

Enclosure

CONFIDENTIAL

Request for Proposal for Long-Term Gas Supply

Non Binding Proposal by Repsol Comercializadora de Gas S.A. ("Repsol") to Florida Power Corp d/b/a Progress Energy Florida, Inc ("Progress Energy")

Term	20 years beginning May 1, 2008.
Volume	Bahamas package #1: The following Maximum Daily Quantities starting May 2008 through April 2009. • Summer (May-Oct) - 60,000 Dth/day • Winter (Nov-Apr) - 25,000 Dth/day Bahamas package #2: The following Maximum Daily Quantities starting May 2009 through April 2028. • Summer (May-Oct) - 80,000 Dth/day • Winter (Nov-Apr) - 40,000 Dth/day
Primary Receipt Point	Buyer receipt point will be at the interconnect between the pipeline owned by AES Ocean Express, L.L.C. delivering natural gas from Ocean Cay, Bahamas and the Florida Gas Transmission system.
Service	Firm.
Pricing	***Base Price:*** Inside F.E.R.C's Gas Market Report, First of the Month Index under the heading South Louisiana: Henry Hub. This price is applied to all MMBtus of natural gas that Seller delivers to Buyer at the receipt point. ***Reservation Fee:*** $0.395/Dth on the Maximum Daily Quantity to be adjusted effective each January 1 for the term of the definitive agreement, at a rate equal to twenty-five percent (25%) of the change in the annual index number of the Producer Price Index. The base year for the Producer Price Index shall be 2008. ***Monthly Reservation Charge:*** Each month the Buyer will pay an amount equal to the product of the Maximum Daily Quantity multiplied by the Reservation Fee multiplied by the number of days in that month.
Options	Repsol would provide Progress Energy the option to "trigger" the Base Price to a fixed price for any portion of the term of the

	agreement (not to exceed five year increments) provided there is adequate liquidity to effectuate the transaction. Such option would be subject to a mutually agreeable basis. The total price would then be the "triggered" price (including the basis) plus the Reservation Fee. Repsol is open to providing other pricing arrangements, such as a "costless collar" or a "swap" to Gas Daily pricing. Such arrangements would be subject to adequate liquidity in the market to effectuate the transactions and final agreement upon mutually acceptable terms.
Force Majeure	Force Majeure will not cover events upstream of the inlet flange of the receiving lines of the regasification facility at Ocean Cay, Bahamas.
Nominations	Pre-scheduled (day ahead of gas flow) and/or intraday (day of gas flow) may be submitted up until two hours before the nomination deadline.
Requirements	The form of contract is to be based on GISB/NAESB conditions with special conditions to be negotiated between the parties.
Gas Quality	Gas delivered to Progress Energy shall meet FGT quality specifications.

This non-binding proposal is issued as an attachment to, and is to be read subject to, the letter from Phillip Ribbeck, Director of LNG Marketing and Trading for Repsol, addressed to Rick Rhodes of Progress Energy dated 27 April 2004. It is indicative and solely meant for discussion purposes. It is not an offer capable of acceptance. It is subject to the approval of Progress Energy's and Repsol's respective Boards and the entry into of a definitive agreement on terms mutually agreeable to Progress Energy and Repsol. No binding obligations shall be created unless such approvals are received and such definitive agreement is executed.

Tractebel Electricity & Gas International

Tractebel Calypso LNG Marketing LLC
1990 Post Oak Boulevard, Suite 1900
Houston, TX 77056

April 28, 2004

Progress Energy Inc.
Attn: Rick Rhodes
P. O. Box 1551 - PEB 10A
Raleigh, North Carolina 27602

Dear Mr. Rhodes:

RFP# LT040504-bahamas

Enclosed is Tractebel Calypso LNG Marketing LLC's ("Calypso Marketing") response to your letter dated April 7, 2004. Note that the proposal is submitted in express reliance on Progress Energy, Inc's ("Progress") maintenance of the confidentiality of the proposal and its terms, subject to Progress' legal and regulatory obligations. In the event Progress is unwilling to maintain the confidentiality of the such proposal on this basis, we request that Progress comment on the enclosed form of Calypso Marketing's Confidentiality Agreement, and that we execute a mutually agreeable form of Confidentiality Agreement prior to Progress' consideration of the proposal. In any case, we believe that it would be appropriate to execute a Confidentiality Agreement prior to further clarification and discussion regarding our proposal.

We look forward to working with you to develop a mutually beneficial arrangement for gas supply to FPC's ratepayers.

For: Tractebel Calypso LNG Marketing LLC

By: *Joy S Thakur*
Joy S Thakur
Its: Vice President

Attachments: Proposal
Confidentiality Agreement

Copies: Paul Cavicchi
Bart Clark
David Fairley
Greg Mason

Joy S Thakur
Direct Line: 713-636-1752
Direct Fax: 713-636-1859
Email: jthakur@tractebelusa.com

255

Tractebel Electricity & Gas International

DRAFT

REVISED PROPOSAL TO PROGRESS ENERGY FLORIDA, INC. BY TRACTEBEL CALYPSO LNG MARKETING LLC (RFP# LT040504-bahamas)

April 22, 2003

Buyer: Florida Power Corporation d/b/a Progress Energy Florida, Inc. ("Buyer")

Seller: Tractebel Calypso LNG Marketing LLC ("Calypso Marketing" or "TCLNG")

Tractebel Companies Involved in the Overall Project: Various Tractebel affiliated companies (collectively, Tractebel) would be involved in the overall Project to include at least Calypso Marketing, Tractebel Project Development, Inc. (TPDI), Tractebel LNG North America (TLNG NA), Tractebel Gas Engineering (TGE), and Tractebel Energy Marketing, Inc. (TEMI). The overall "Project" consists of the Tractebel Bahamas LNG Terminaland its associated pipeline in the Bahamas, Tractebel Calypso Pipeline, and appurtenant facilities.

TRANSACTION

Description of Transaction for Firm Delivered Gas Supply

As indicated in Calypso Marketing's previous proposals to Buyer, gas deliveries from Calypso Marketing will be delivered to Buyer's plants. This further revised proposal incorporates items outlined in Buyer's RFP revisions received April 7, 2004, as well as information exchanged during various discussions between Buyer and Calypso Marketing.

The overall purpose of this proposal is to outline general terms and conditions for Calypso Marketing to provide a new contract for long term, firm *delivered gas supply*, utilizing gas supplies available to Calypso Marketing from its LNG supplies delivered into Florida Gas Transmission (FGT) from Tractebel Calypso Pipeline, as well as from Gulf Coast sources as appropriate, combined with capacity committed to the contract by the Buyer, if appropriate, and capacity owned or controlled by Calypso Marketing. *Calypso Marketing's intent is to provide a transaction for the Buyer that is competitive, reliable, flexible, and tailored for the specific needs and requirements of the Buyer.*

Term of Agreement

The term of the agreement shall begin upon execution of a definitive Gas Sales Agreement, and extend until the date that is twenty (20) years after the date of first gas flows under the agreement scheduled to occur on May 1, 2008.

Preliminary Notional Proposal: This document constitutes a preliminary indication of interest on the part of Tractebel Calypso LNG Marketing LLC (Calypso Marketing), and affiliates and is intended solely as a basis for discussions. It does not constitute an offer capable of acceptance and no legally binding commitment or obligation related to the subject matter of this letter shall exist unless and until the execution and delivery of definitive contracts containing terms and conditions acceptable to Calypso Marketing and Buyer, each in its sole discretion.

PEF 000117
DOCKET NO. 041414-EI

Contract Quantity

The Daily Contract Quantity (DCQ) at the Delivery Point(s) shall be as follows:

Bahamas package #1: The following volume requirements starting May 2008 through April 2009.

- 60,000 MMBtu/day Summer volumes (May-Oct)
- 25,000 MMBtu/day Winter volumes (Nov-Apr)

Bahamas package #2: The following volume requirements starting May 2009 through April 2028.

- 80,000 MMBtu/day Summer volumes (May-Oct)
- 40,000 MMBtu/day Winter volumes (Nov-Apr)

Price

The Buyer shall pay Calypso Marketing a two-part rate consisting of a Demand Charge and a Commodity Charge:

Demand Charge - The Buyer shall pay Calypso Marketing a monthly Demand Charge per MMBtu equal to $0.60 per MMBtu during the Summer months and $0.40 per MMBtu during the Winter months (annual average of $0.50 per MMBtu for baseload quantity), times the DCQ, times the number of days for such month. The Demand Charge is analogous to a pipeline demand charge.

Buyer shall have the option to specify that Calypso Marketing would cover the expense of the proposed new FGT meter and regulator installation for Hines Unit 4. The Demand Charge would be adjusted accordingly. The current estimate of cost provided by FGT to Buyer is approximately $1.35 million. The increase in Demand Charge is estimated to be less than $0.01 per MMBtu.

Commodity Charge - The Buyer shall pay Calypso Marketing a Commodity Charge per MMBtu each month, equal to the sum of (1) the Inside FERC First of the Month Index Posting for the NYMEX Henry Hub location (Index Price), times the DCQ, times the number of days for such month, plus (2) fuel retention for the applicable Pipeline.

Flexible Pricing

The Buyer would have the option to request Calypso Marketing to periodically or permanently modify the contract price to reflect a price other than the Index Price, such as a fixed price or other NYMEX based price, a different monthly index price, a ***Gas Daily*** midpoint price, addition of a ceiling price, floor price, or collar, or any other mutually agreed to pricing structure, to be more fully described in a definitive agreement.

Delivery Point(s)

The primary Delivery Point would be the interconnection between the Pipeline and the Hines Energy Complex near the town of Bartow in Polk County, Florida (Hines). The "Pipeline" referred to above is understood to be the pipeline where actual deliveries are made (Gulfstream or FGT - to be discussed). Calypso Marketing will also deliver to alternate locations for the Buyer, if requested by the Buyer. The secondary Delivery Point(s) would be any other Delivery Point(s) on the Pipeline system, subject to normal limitations by the Pipeline for secondary deliveries. Potential deliveries from both the

Preliminary Notional Proposal: This document constitutes a preliminary indication of interest on the part of Tractebel Calypso LNG Marketing LLC (Calypso Marketing), and affiliates and is intended solely as a basis for discussions. It does not constitute an offer capable of acceptance and no legally binding commitment or obligation related to the subject matter of this letter shall exist unless and until the execution and delivery of definitive contracts containing terms and conditions acceptable to Calypso Marketing and Buyer, each in its sole discretion.

Gulfstream and FGT systems also to be discussed. It is understood that the Buyer may desire to adjust its primary delivery point from time to time, and Calypso Marketing would accommodate such changes to the extent allowed by or negotiated with the Pipeline. The contract price proposed herein would be adjusted for any resulting increases or decreases in transport cost, if any, due to such changes.

Put-Back Provision

On any day, by providing notice prior to 8 a.m. Eastern Prevailing Time on the day of the Pipeline's twenty-four (24) hour, day-ahead nomination deadline, the Buyer may put back to Calypso Marketing up to 100% of the DCQ. In such an event, Calypso Marketing shall be obligated to buy back the gas at a mutually agreeable price, or as a default price at the ***Gas Daily***, Midpoint posting for FGT-Zone 2. Intraday Put-Back provision to be discussed.

Calypso Marketing may request that Buyer put back gas to Calypso Marketing at Gulf Coast receipt points while maintaining Calypso Marketing's delivery of gas to Buyer in order to assist Calypso Marketing with its upstream shipping and take or pay gas supply obligations.

Nominations and Scheduling

The Buyer will be responsible for requesting its daily gas supply requirements in a timely manner from Calypso Marketing. Under this agreement, Calypso Marketing will be responsible for the scheduling of gas supply to the Buyer's Delivery Point(s). The Buyer and Calypso Marketing will adhere to the Pipeline's and GISB, or successor, standards on nominating, scheduling, etc. On a commercially reasonable basis, Calypso Marketing will accommodate changes requested by the Buyer after day-ahead and intraday nomination deadlines.

Take and Delivery Obligations

The Buyer shall take 100% of the gas that it requests. Calypso Marketing shall schedule 100% of the gas requested.

Transportation

Transportation of gas requested by the Buyer to the delivery point would be Calypso Marketing's obligation. At termination of the agreement for reasons other than Buyer's default, Calypso Marketing would agree to provide to the Buyer, permanent capacity release of firm transportation agreements and other capacity rights held by Calypso Marketing to serve the Delivery Point(s). In addition, Calypso Marketing would be obligated to exercise reasonable commercial efforts to assist the Buyer to otherwise protect its ability to transport additional gas on laterals to the Delivery Point(s).

Calypso Marketing would have the option to utilize a quantity of Buyer's segmented "backhaul" FT equal to the DCQ under this agreement for a cost of $0.05 per MMBtu plus fuel. If Buyer's segmented FT is utilized to transport gas to Buyer's Delivery Point on a secondary firm basis, Calypso Marketing would retain the risk of interruption or proration to the extent that Firm transportation is not also curtailed.

Preliminary Notional Proposal: This document constitutes a preliminary indication of interest on the part of Tractebel Calypso LNG Marketing LLC (Calypso Marketing). and affiliates and is intended solely as a basis for discussions. It does not constitute an offer capable of acceptance and no legally binding commitment or obligation related to the subject matter of this letter shall exist unless and until the execution and delivery of definitive contracts containing terms and conditions acceptable to Calypso Marketing and Buyer, each in its sole discretion.

GENERAL TERMS

Liquidated Damages

Failure to Take or Deliver: The parties would seek to negotiate an industry standard cost of cover mechanism for any failure to take, or deliver, the firm DCQ hereunder. Such cover standard would take into consideration the Buyer's alternate fuel options.

Reasonable efforts shall be exercised by Calypso Marketing and the Buyer for mitigation of replacement costs and associated factors. Both parties shall use reasonable efforts to inform the other party of its intent not to schedule or take requested quantities of gas prior to taking such actions.

Credit and Security

The parties would negotiate industry standard arrangements for credit and security including a Tractebel parent guaranty. A Limit of Liability for liquidated damages under the agreement would be mutually agreed to between the parties.

Agreements

The Parties may enter into a non-binding Letter of Intent (LOI) setting forth the mutual intent of Buyer and Calypso Marketing to negotiate and enter into a definitive agreement based on the NAESB Gas Sales Agreement (draft previously provided to Buyer), which is currently contemplated to reflect the commercial terms and conditions set forth in this proposal and such other terms and conditions as may be mutually agreed upon including those provisions outlined below.

Calypso Marketing previously provided a NAESB form of gas sales agreement for consideration by Buyer. Calypso Marketing is currently in the process of incorporating Buyer's NAESB Special Conditions and the terms and conditions described in this proposal into the NAESB form of agreement. A draft will be provided to Buyer shortly.

Representations and Warranties

In addition to industry standard representations and warranties to be made by Buyer and Calypso Marketing, Calypso Marketing would provide a representation and warranty to Buyer that Calypso Marketing or its affiliates will either own or hold the firm rights to (1) transportation on Tractebel Calypso Pipeline, (2) terminalling capacity at the Terminal and associated pipeline, (3) shipping capacity, and (4) LNG supplies, all in quantities sufficient to meet Calypso Marketing's obligations to Buyer.

Conditions Precedent

Calypso Marketing's obligations shall be subject to the granting in a form satisfactory to Calypso Marketing or its affiliates, prior to June 30, 2005 (to be discussed), of all licenses, permits, approvals and authorizations required for development, construction, and operation of the Project (all of which are well underway and on schedule or ahead of schedule for completion), and financing arrangements. Buyer's obligations shall be subject to the granting in a form satisfactory to Buyer of approval by the Florida Public Service Commission for the installation and operations of Hines Unit 4 prior to June 30, 2005. The final definitive agreement shall be subject to review and approval by Buyer's and Calypso

PEF 000120
DOCKET NO. 041414-EI

Preliminary Notional Proposal: This document constitutes a preliminary indication of interest on the part of Tractebel Calypso LNG Marketing LLC (Calypso Marketing), and affiliates and is intended solely as a basis for discussions. It does not constitute an offer capable of acceptance and no legally binding commitment or obligation related to the subject matter of this letter shall exist unless and until the execution and delivery of definitive contracts containing terms and conditions acceptable to Calypso Marketing and Buyer, each in its sole discretion.

Marketing's Boards of Directors.

Force Majeure

The parties would negotiate modified force majeure provisions based on Buyer's request "that Seller's pricing reflect import delivery risk such that Force Majeure (FM) will not apply to events upstream of the LNG import re-gasification facility. Examples of events not considered FM includes, but not limited to, host country risks (i.e. host county war, strikes, etc.) as well as risks associated with facilities or vessels used for the liquefaction, loading, shipping, and unloading of import gas."

Seller acknowledges Buyer's concerns regarding "Upstream Force Majeure," and is prepared to negotiate mutually agreeable language to allocate risks equitably. Seller proposes for Buyer's consideration, the following concepts, to be further refined during negotiation of the definitive agreement:

(1) A "cover" standard would apply to the first 30 days of any Upstream Force Majeure event, such cover to be based on the least expensive of replacement (i) natural gas, (ii) fuel oil, or (iii) electricity to cover Buyer's load requirements.
(2) Beyond 30 days, Seller will pay liquidated damages to Buyer, such damage payments to be based on insurance proceeds from coverage secured on a commercially reasonable basis.
(3) The party claiming force majeure (Upstream Force Majeure or standard Force Majeure) will take reasonable steps to cure such force majeure. If despite reasonable efforts, a cure cannot be effected within 24 months, either party shall have the right to terminate the agreement.

Gas Quality

All Gas delivered by Calypso Marketing would meet the pressure, quality and heat content requirements of the receiving pipeline(s).

Confidentiality

All terms and conditions of this proposal are confidential proprietary trade secrets of Calypso Marketing and must be kept confidential between the Buyer, Calypso Marketing, and their duly appointed representatives or agents.

Preliminary Notional Proposal: This document constitutes a preliminary indication of interest on the part of Tractebel Calypso LNG Marketing LLC (Calypso Marketing), and affiliates and is intended solely as a basis for discussions. It does not constitute an offer capable of acceptance and no legally binding commitment or obligation related to the subject matter of this letter shall exist unless and until the execution and delivery of definitive contracts containing terms and conditions acceptable to Calypso Marketing and Buyer, each in its sole discretion.

Progress Energy

Regulated Commercial Operations Department
P. O. Box 1551 - PEB 10A
Raleigh, North Carolina 27602

RFP# LT040504-Elba

April 5, 2004

CONFIDENTIAL

Dear Sir or Madam:

Subject: Request for Proposal for Long-Term Gas Supply

Florida Power Corporation d/b/a Progress Energy Florida, Inc. (hereinafter referred to as Buyer) is requesting proposals for long-term gas supply sourced out of Elba Island LNG Terminal.

Term

20 years beginning May 1, 2008.

Volume

Cypress package #1: The following volume requirements starting May 2008 through April 2009.

- 60,000 Dth/day Summer volumes (May-Oct)
- 25,000 Dth/day Winter volumes (Nov-Apr)

Cypress package #2: The following volume requirements starting May 2009 through April 2028.

- 80,000 Dth/day Summer volumes (May-Oct)
- 40,000 Dth/day Winter volumes (Nov-Apr)

Primary Receipt Point

Buyer receipt point will be downstream of the LNG facility outlet at the interconnection of the proposed Cypress Pipeline.

Service

Firm.

Mandatory Pricing

Buyer desires to use The Inside FERC First of the Month Index Posting with Buyer's election to convert to Gas Daily Midpoint or Fixed pricing.

Optional Pricing

Buyer has interest in reviewing pricing options including, but not limited to:

- Fixed pricing – entire term
- Zero Collar pricing – annual or entire term
- Call Option.
- Option to allow Buyer to swing down volumes a specific number of times per month.
- Seller proposed pricing.

Force Majeure

Buyer requests that Seller's pricing reflect import delivery risk such that Force Majeure (FM) will not apply to events upstream of the LNG import re-gasification facility. Examples of events not considered FM includes, but not limited to, host country risks (i.e. host county war, strikes, etc.) as well as risks associated with facilities or vessels used for the liquefaction, loading, shipping, and unloading of import gas.

Nominations: Pre-scheduled (day ahead of gas flow) and/or intraday (day of gas flow) may be submitted up until nomination deadline.

Requirements GISB / NAESB with special provisions for gas purchases.

Gas Quality Seller shall warranty to Buyer at delivery that all gas meets or exceeds pipeline gas quality specifications. If gas is found to be insufficiently processed, Seller will join with Buyer to petition that the pipeline enforces required specifications on producers.

Proposals are DUE by: **Monday, April 26, 2004, 4:00 p.m. EST**

Proposals Proposals are preferred to be submitted via e-mail to the address below. Proposals may be submitted by FAX. Proposals received AFTER the DUE date may be considered at Buyer's discretion. All Proposals MUST reference **RFP# LT040504-elba.** Questions related to deal points should be directed to the author at the number listed during business hours (EST).

Please send proposals to:

Progress Energy Inc.
Attn: Rick Rhodes
P. O. Box 1551 - PEB 10A
Raleigh, North Carolina 27602
Telephone: 919-546-7613

Send e-mail responses to: **rick.rhodes@pgnmail.com**

Send FAX responses to: **919-546-2922**

Sincerely,

Rick Rhodes

Term Gas Lead
919-546-7613

Rhodes, Rick

From: Rhodes, Rick
Sent: Monday, April 05, 2004 1:49 PM
To: 'mark.evans@bglng.com'
Subject: Long-Term Gas RFP Elba

CONFIDENTIAL

Importance: High
Sensitivity: Confidential

Expires: Monday, April 26, 2004 4:00 PM

Mark,

Florida Power Corporation d/b/a Progress Energy Florida, Inc. (FPC) seeks proposals from you to supply natural gas for the requirements listed in the attached RFP. A successful deal will require the execution of a NAESB with the attached Special Provisions, unless your firm already has an approved GISB or NAESB with FPC.

You are encouraged to submit your bid via e-mail. FAX response is acceptable, but e-mail is preferable.

We look forward to your response. Feel free to contact me at the number below with any questions. Thanks in advance for your timely response by this April 26, 2004 deadline.

***** IMMEDIATELY UPON RECEIPT, PLEASE RESPOND TO THE E-MAIL TO CONFIRM RECEIPT *****

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Rick Rhodes
Term Gas Lead
Progress Energy
919.546.7613
rick.rhodes@pgnmail.com

Rhodes, Rick

From: Rhodes, Rick
Sent: Monday, April 05, 2004 1:48 PM
To: 'drephlo@coral-energy.com'
Subject: Long-Term Gas RFP Elba

Importance: High
Sensitivity: Confidential

CONFIDENTIAL

Expires: Monday, April 26, 2004 4:00 PM

Doug,

Florida Power Corporation d/b/a Progress Energy Florida, Inc. (FPC) seeks proposals from you to supply natural gas for the requirements listed in the attached RFP. A successful deal will require the execution of a NAESB with the attached Special Provisions, unless your firm already has an approved GISB or NAESB with FPC.

You are encouraged to submit your bid via e-mail. FAX response is acceptable, but e-mail is preferable.

We look forward to your response. Feel free to contact me at the number below with any questions. Thanks in advance for your timely response by this April 26, 2004 deadline.

***** IMMEDIATELY UPON RECEIPT, PLEASE RESPOND TO THE E-MAIL TO CONFIRM RECEIPT *****

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Rick Rhodes
Term Gas Lead
Progress Energy
919.546.7613
rick.rhodes@pgnmail.com

Rhodes, Rick

From: Rhodes, Rick
Sent: Monday, April 05, 2004 1:51 PM
To: 'JRBowden@MarathonOil.com'
Subject: Long-Term Gas RFP Elba

Importance: High
Sensitivity: Confidential

CONFIDENTIAL

Expires: Monday, April 26, 2004 4:00 PM

Jim,

Florida Power Corporation d/b/a Progress Energy Florida, Inc. (FPC) seeks proposals from you to supply natural gas for the requirements listed in the attached RFP. A successful deal will require the execution of a NAESB with the attached Special Provisions, unless your firm already has an approved GISB or NAESB with FPC.

You are encouraged to submit your bid via e-mail. FAX response is acceptable, but e-mail is preferable.

We look forward to your response. Feel free to contact me at the number below with any questions. Thanks in advance for your timely response by this April 26, 2004 deadline.

***** IMMEDIATELY UPON RECEIPT, PLEASE RESPOND TO THE E-MAIL TO CONFIRM RECEIPT *****

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Rick Rhodes
Term Gas Lead
Progress Energy
919.546.7613
rick.rhodes@pgnmail.com

Rhodes, Rick

From: Bowden, Jim [JRBowden@MarathonOil.com]
Sent: Thursday, April 22, 2004 12:07 PM
To: Rhodes, Rick
Cc: Risser, Dave; Thompson, Carl
Subject: RFP# LT040504-Elba

CONFIDENTIAL

<<Progress Energy 4-5-04 RFP.doc>> Rick -

Attached please find Marathon's response to the above referenced RFP. Please let me know if you have any questions, and thank you for the opportunity to participate.

Jim Bowden

CONFIDENTIAL

April 22, 2004

Progress Energy, Inc.
Attn: Rick Rhodes
Term Gas and Logistics Unit
P. O. Box 1551 – PEB 10A
Raleigh, NC 27602

Dear Mr. Rhodes:

Subject: Request for Proposal for Long-Term Gas Supply; RFP# LT040504 - Elba

Marathon Oil Company is pleased to provide the following response to the above referenced RFP of Florida Power Corporation d/b/a Progress Energy Florida, Inc. (hereinafter referred to as Buyer) for long-term gas supply sourced out of the Elba Island LNG Terminal:

Term May 1, 2008 – March 31, 2021.

Volume Cypress package #1: The following volume requirements starting May 2008 through April 2009.

- 60,000 Dth/day Summer volumes (May-Oct)
- 25,000 Dth/day Winter volumes (Nov-Apr)

Cypress package #2: The following volume requirements starting May 2009 through March 2021.

- 80,000 Dth/day Summer volumes (May-Oct)
- 40,000 Dth/day Winter volumes (Nov-Apr)

Primary Receipt Point Buyer receipt point will be at the tailgate of the Elba Island LNG facility into Southern Natural Gas Pipeline (the proposed Cypress expansion will be an integral part of Sonat).

Service Firm. Seller reserves the right to provide replacement supplies at mutually acceptable receipt points if Seller is unable to provide gas at the Primary Receipt Point. Price adjustments will be made to reflect Buyer's incremental transportation cost should replacement supplies be needed.

Pricing Inside FERC Henry Hub Index plus $0.18/MMBtu, Gas Daily daily Henry Hub Midpoint price plus $0.18/MMBtu, or Nymex last day settle plus $0.18/MMBtu (Buyer to retain trigger rights).

Force Majeure Pricing reflects import delivery risk such that Force Majeure (FM) will not apply to events upstream of the LNG import regasification facility. Examples of events not considered FM include host country risks (i.e.

host country war, strikes, etc.) as well as risks associated with facilities or vessels used for the liquefaction, loading, shipping, and unloading of import gas.

Nominations: Pre-scheduled (day ahead of gas flow) may be submitted up until nomination deadline. Intraday (day of gas flow) nominations will be handled on a best efforts basis.

Requirements GISB / NAESB with special provisions for gas purchases (special provisions currently being reviewed by Marathon's attorney).

Gas Quality Seller shall warranty to Buyer at delivery that all gas meets or exceeds pipeline gas quality specifications regarding Btu content and natural gas liquids. If gas is found to be insufficiently processed, Seller will join with Buyer to petition that the pipeline enforces required specifications on producers.

Acceptance Date This proposal is available for Buyer's acceptance through May 31, 2004. Thereafter, Buyer's acceptance will be subject to Seller's approval.

Conditions Precedent This proposal is contingent upon Seller's negotiation of a mutually acceptable definitive agreement for the delivery of merchantable quantities of natural gas at the tailgate of the Elba Island regasification facility, and upon Seller's negotiation of an agreement providing for sufficient quantities of LNG to be purchased and delivered to the Elba Island regasification facility..

Should you have any questions regarding this proposal please give me a call at 713-296-3700. Thank you for your consideration.

Sincerely,

James R. Bowden
Manager – Market Development

Rhodes, Rick

From: Rephlo, Doug [DRephlo@coral-energy.com]
Sent: Monday, April 26, 2004 3:45 PM
To: Rhodes, Rick
Subject: RFP# LT040504-elba

CONFIDENTIAL

Progress Energy
April 26 2004 ...

Rick,
Coral appreciates the opportunity to deliver this proposal to you for supplies at Elba Island beginning in May 2008.

Please don't hesitate to contact me once you've had an opportunity to review this proposal. I would appreciate the opportunity to address any immediate issues or concerns that you might have or if you require additional information.

Regards,
Doug

<<Progress Energy April 26 2004 Proposal.doc>>

Shell Trading

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Shell Trading Gas and Power Company
909 Fannin, Plaza Level One
Houston, TX 77010
(713) 767-5400

April 26, 2004

Via E-mail: rick.rhodes@pgnmail.com

Mr. Rick Rhodes
Term Gas Lead
Progress Energy Inc.
Term Gas and Logistics Unit
P.O. Box 1551 – PEB 10A
Raleigh, NC 27602

RE: RFP# LT040504-elba
Response of Coral Energy Resources, L.P.

Dear Rick:

Coral Energy Resources, L.P. ("Coral") is pleased to make the following proposal, subject to certain conditions precedent, to Florida Power Corporation d/b/a Progress Energy Florida, Inc ("Progress") to supply natural gas at the Elba Island LNG Terminal Outlet located in Savannah, Georgia ("Plant"):

Term
The term of this proposed supply arrangement would be effective for twenty (20) years, beginning May 1, 2008 and ending April 30, 2028.

Volume
(1) May 1, 2008 through October 31, 2008 - 60,000 Dth/day
November 1, 2008 through April 30, 2009 – 25,000 Dth/day

(2) May 1, 2009 through April 30, 2028 -
May 1 through October 31 (Summer Volumes) – 80,000 Dth/day
November 1 through April 30 (Winter Volumes) – 40,000 Dth/day

PEF 000070
DOCKET NO. 041414-EI

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The volume for both time periods would be delivered on a monthly baseload basis (the volume for each time period is referred to herein as the "Maximum Daily Quantity").

Delivery Point

Primary Delivery Point: Gas supply would be delivered at the interconnection between the Plant and Southern Natural Gas Company's ("SNG") proposed Cypress Pipeline expansion project, located at the outlet of the Plant in Savannah, Georgia.

Alternative Delivery Points: Progress' Hines Power Plant, located near Fort Meade, Florida, or mutually agreeable delivery points from time to time located in the Gulf Coast area on SNG, Florida Gas Transmission, or Gulfstream Natural Gas System.

Service

Coral would provide natural gas supply to Progress, on a firm basis, pursuant to the volume and price terms and conditions proposed herein.

This proposal assumes that Progress will receive gas, on a firm basis, in uniform hourly quantities during any day of the term of the proposed supply arrangement.

Natural gas deliveries by Coral at the Primary Delivery Point (or Alternative Delivery Points, if applicable) would be subject to standard natural gas industry force majeure provisions that would be applicable upstream to the origin of the LNG gas supply and subject to the scheduling of the nominations by the operators of the Plant and SNG. Acts of the government of the host country supplier that would effect or interfere with Coral's ability to deliver LNG quantities would not be considered force majeure events.

Price

Baseload Supply Price: The price for natural gas quantities nominated for delivery on a monthly baseload basis (which would equal the applicable Maximum Daily Quantity during each month of the term of the proposed supply arrangement) would equal the price published in Platts' *Inside FERC's Gas Market Report* for such month under the heading "Market Center Spot Gas Prices" "South Louisiana" "Henry Hub" "Index", plus $0.04 ("Index Premium"), plus an annual price escalator on the Index Premium based on a mutually agreed inflation index.

Commodity Keepwhole Provisions: In the event either party would fail to schedule the applicable Maximum Daily Quantity at the Primary Delivery Point, unless excused by an event of force majeure, the party that defaults would pay to the other party an amount equal to the sum of the product of the default quantity multiplied by the replacement price differential subject to the following provisions:

> In the event of a failure to deliver at the Primary Delivery Point, unless excused by an event of force majeure, Coral would have the right to either (1) replace the shortfall gas supply for such day at Progress' Hines Power Plant without having

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any other obligation, or replace the shortfall gas supply for such day at any other Alternative Delivery Point, if mutually agreed to by Coral and Progress, with Coral bearing any incremental transportation costs incurred by Progress, or (2) replace the shortfall gas supply for such day by providing alternate fuel or electricity at mutually agreed points without having any other obligation.

Alternative Pricing: For any given period during the term of the proposed supply arrangement, Coral could provide certain price risk management capabilities whereby Progress could elect to hedge the proposed market index at a mutually agreed alternative price through the use of natural gas swaps or options on natural gas futures contracts, subject to Progress receiving approval under Coral's credit review process.

Nominations

Progress would make a monthly baseload nomination to Coral by 9:00 am Central Prevailing Time ("CPT") five (5) business days prior to the first day of each month of the term of the proposed supply arrangement. This nomination would equal the applicable Maximum Daily Quantity during each month of the term of the proposed supply arrangement.

Progress would notify Coral promptly in the event actual purchase quantities would be lower than the monthly baseload nomination (which is the Maximum Daily Quantity) on any day during a month, subject to the Commodity Keepwhole provisions set forth herein.

Taxes

All taxes, including but not limited to ad valorem, excise, severance, and production taxes, that would be assessed upstream of the Delivery Point or any Alternative Delivery Points into the transporting pipeline would be borne by Coral. All such taxes assessed at or downstream of the Delivery Point into the transporting pipeline would be borne by Progress.

Credit

The proposed supply arrangement as described herein is subject to standard credit due diligence under Coral's credit review process. Progress will be required to execute a master contract with bilateral credit terms and conditions deemed necessary by Coral in its sole discretion.

Conditions Precedent

In addition to the credit requirements set forth above, Coral anticipates that the closing of the proposed supply arrangement would be subject to customary closing conditions including, but not limited to, the following:

(1) The Elba Island terminal expansion being completed and placed in-service, as certified by the Federal Energy Regulatory Commission ("FERC").

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(2) The Cypress Pipeline expansion project being certificated by the FERC, and completed and placed in-service, as certified by the FERC.

(3) Coral locating a LNG supply source at Elba Island and negotiating all necessary agreements regarding such LNG supply source under terms acceptable to Coral and its affiliates.

(4) The negotiation and execution of all definitive agreements relating to the proposed supply arrangement containing covenants, agreements, conditions, representations, warranties, and indemnities which are usual and customary in transactions of the type contemplated herein.

(5) The receipt by Coral and its affiliates of all necessary internal and external corporate, governmental, and regulatory approvals in form and substance acceptable to Coral in its sole discretion in connection with the proposed supply arrangement.

Because this proposal contains commercially sensitive information, Progress must maintain this proposal in a confidential manner, not disclose all or any portion of this proposal to any third party without first obtaining Coral's written consent, and use this proposal solely in connection with Progress' evaluation and determination of whether Progress desires to enter into further discussions or negotiations with Coral regarding the potential sale of gas to Progress.

Notwithstanding any other provision set forth herein, this proposal will expire as of close of business on September 30, 2004. In addition, Coral has the right to withdraw this proposal transaction at any time prior to the satisfaction of the Conditions Precedent set forth above, as determined by Coral in its sole discretion.

Coral appreciates the opportunity to submit this proposal to Progress. Please contact Mr. Doug Rephlo at (713) 767-5502 with any questions regarding this proposal.

Sincerely,

Slavko Preocanin
Senior Vice President
Shell Trading Gas and Power Company

THIS PROPOSAL IS FOR DISCUSSION PURPOSES ONLY AND IS NOT INTENDED TO BE COMPLETE AND ALL INCLUSIVE OF THE TERMS AND CONDITIONS OF THE RELATED TRANSACTION. THE PROPOSED TRANSACTION DESCRIBED HEREIN IS SUBJECT TO FURTHER REVIEW AND APPROVAL OF CORAL ENERGY RESOURCES, L.P AND EXECUTION OF DEFINITIVE AGREEMENTS CONTAINING ALL APPROPRIATE

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PROVISIONS, INCLUDING THOSE RELATING TO CREDIT AND LIMITATION OF DAMAGES. THIS PROPOSAL DOES NOT PURPORT TO IDENTIFY OR SUGGEST ANY OR ALL OF THE RISKS (DIRECT OR INDIRECT) WHICH MAY BE ASSOCIATED WITH THE PROPOSED TRANSACTION.

PEF 000074
DOCKET NO. 041414-EI

Rhodes, Rick

From: Jenkins, David [david.jenkins@bglng.com]
Sent: Monday, April 26, 2004 3:56 PM
To: Rhodes, Rick
Subject: RFP# LT040504-Elba

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Mr. Rhodes:

Please find attached BGLS proposal in response to Progress Energy's request LT04504-Ebla dated April 5th, 2004.

Sincerely,

David Jenkins
Director, Origination
BG LNG Services, LLC
5444 Wstheimer, Suite 1775
Houston, Texas 77056
ph. (713) 599-3857
cell (832) 279-1974
david.jenkins@bglng.com

IMPORTANT NOTICE:
The information in this email is confidential and may be legally privileged. It is intended solely for the addressee. Access to this email by anyone else is unauthorized. If you are not the intended recipient, any disclosure, copying, distribution or any action taken or omitted to be taken in reliance on it, is prohibited and may be unlawful.
BG LNG SERVICES, LLC.
5444 Westheimer, Suite 1775
Houston, Texas 77056 USA
(713) 403-3741 - Voice
(713) 403-3781 - Fax

BG LNG Services, LLC

BG LNG Services, LLC
5444 Westheimer, Suite 1775
Houston, Texas 77056

Telephone: 713-403-3741
Facsimile: 713-403-3781

April 26, 2004

Mr. Rick Rhodes
Progress Energy Inc.
P.O. Box 1551 – PEB 10A
Raleigh, NC 27602

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Re: RFP# LT040504- Elba

Dear Mr. Rhodes:

BG LNG Services LLC (BGLS) is pleased to provide the following response to Florida Power Corporation d/b/a Progress Energy Florida (FPC) request for proposal dated April 5th.

As you know, the proposed Cypress pipeline project will provide FPC and its customers an additional natural gas supply source into Florida, in addition to pipeline transportation capacity from the Gulf of Mexico. To ensure the development of the Cypress pipeline project, significant market and supplier commitments will be required. BGLS looks forward to working with FPC to secure the success of this project.

Please keep in mind that the offer below is merely an indication of the current market price at the time, and does not constitute an offer or obligation by BGLS or FPC to a transaction. BGLS will be pleased to provide the most up-to-date price quote at FPC's request.

If you have any questions regarding our proposal, please don't hesitate to call me.

Sincerely,

David M. Jenkins

David Jenkins
Director, Origination

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Indicative Terms for Proposed Definitive Agreement

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Seller:	BG LNG Services, LLC or affiliate
Buyer:	Florida Power Corporation d/b/a Progress Energy Florida Inc.
Definitive Agreement:	A fully termed agreement will be entered into between Buyer and Seller setting out in detail the terms and conditions for the delivery and sale of natural gas by Seller and the receipt and purchase of natural gas by Buyer. The definitive agreement will be in the form of a NAESB Base Contract for Sale and Purchase of Natural Gas Standard Form 6.3.1 (the "NAESB Contract"), with Transaction Confirmation and special provisions as described herein.
Supply Date:	May 1, 2007
Contract Term:	20 years from Cypress expansion in-service date
Re-gas Plant:	Elba Island, LNG receiving terminal and associated facilities, including pipelines.
Delivery Point:	Southern Natural Gas Pipeline interconnect with Elba Island
Title and Risk:	In accordance with NAESB Contract Section 8.
Contract Quantity:	May 2007 through October 2007: 40,000 MMBtu/day Summer Quantities (May-Oct) May 2008 through April 2009: 80,000 MMBtu/day Summer Quantities (May-Oct) 40,000 MMBtu/day Winter Quantities (Nov-April) May 2009 through April 2028: 120,000 MMBtu/day Summer Quantities (May-Oct) 60,000 MMBtu/day Winter Quantities (Nov-April)

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Natural Gas Price:

The amount payable by Buyer to Seller pursuant to the Definitive Agreement will be determined in accordance with the following formula:

MP = (QD x HH) + Demand Charge

Where:

MP = The monthly payment ("Monthly Payment") in US Dollars due from Buyer to Seller with respect to a month ("Month A") for natural gas under the Definitive Agreement.

QD = The quantity of natural gas (in MMBtu) delivered by Seller to Buyer at the Delivery Point for Month A.

HH = Buyers choice of The final settlement price for the NYMEX Henry Hub natural gas futures contract or Inside FERC First-of-Month Monthly posting for Henry Hub (in US$/MMBtu) for Month A. Buyer may alternate monthly between the choices above provided 3 business days notice to seller prior to expiration of the applicable NYMEX Henry Hub natural gas futures contract.

Demand Charge

Delivery Point	Calculation	Demand Rate per MMBtu
Elba Island LNG Regas Terminal	DCQ x Days in Month A	$0.0725

Seller may deliver natural gas via alternate pipelines at its sole discretion, subject to Buyers ability to receive such.

Specifications: Seller will deliver natural gas to Buyer at the Delivery Point that meets the quality specifications as mutually agreed by the Parties.

Force Majeure: In accordance with NAESB Contract Section 11, as modified below:

Section 11.1 is modified by adding at the end thereof:

"In an event of Force Majeure (including an event of Force Majeure that affects the Re-Gas Plant), the party claiming excuse shall have no obligation to seek alternate Gas or

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LNG supplies in order to satisfy any obligation hereunder. Buyer acknowledges that, with respect to sales of Gas by Seller, it is anticipated that such Gas will primarily be derived from LNG that Seller or its affiliates import through the Re-Gas Plant."

Section 11.2 is modified by deleting the word "and" before subsection 11.2(v) and adding the following at the end of the first sentence thereof: "(vi) any event, action or circumstance described in the preceding clauses (i) through (v) which impacts the Re-Gas Plant; and (vii) any port closure, weather related events or acts of others that impede the unloading, storage or revaporization of LNG at the Re-Gas Plant."

Section 11.3 is modified by adding the words "out of path" before "Firm transportation unless primary" and the words "or secondary," before "in-path," in subsection 11.3(i).

Section 11.3 is further modified by deleting the word "or" before subsection 11.3(v) and adding the following at the end of the first sentence thereof:

"or (vi) the failure to perform was caused by the gross negligence or willful misconduct of the party claiming excuse."

Duties and Taxes:

In accordance with NAESB Contract Section 6. The parties will select "Buyer pays at and after Delivery Point."

Conditions Precedent:

The obligations of Seller under the Definitive Agreement will be subject to the satisfaction of a number of conditions precedent (the "**Conditions Precedent**"), including the following:

- Seller's senior management and board approval.
- In service of Cypress Pipeline and associated Florida Gas Transmission facilities.

Seller will inform Buyer, on a timely and regular basis, as to the progress being made in satisfying each Condition Precedent.

Seller will have the right, but not the obligation, to waive each such Condition Precedent.

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Governing Law:

The Definitive Agreement will be governed by and construed in accordance with the laws of the State of New York, USA without reference to choice of law doctrine. The United Nations Convention on Contracts for the International Sale of Goods (1980) will not apply to the Definitive Agreement or to the performance thereof or to any aspect of any dispute arising therefrom.

Dispute Resolution:

All disputes arising out of or relating to the Definitive Agreement will be resolved by final and binding arbitration in accordance with the International Arbitration Rules of the American Arbitration Association. Each Party will appoint an arbitrator, and the two so chosen will appoint the third, who will act as Chair. The place of arbitration will be New York City, State of New York, USA. The language of arbitration will be English. Judgment on the award may be entered by any court of competent jurisdiction.

The Parties will jointly evaluate the merits of including an expert resolution process in the Definitive Agreement in order to resolve certain disputes.

Credit Support:

Buyer and Seller will each provide the other with credit assurances as necessary to secure its respective financial obligations under the Definitive Agreement.

Buyer will provide Seller a Parent Company Guarantee, or some other mutually acceptable support mechanism, for its obligations under the Definitive Agreement in the amount of $_____ million.

Seller will provide Buyer a Parent Company Guarantee, or some other mutually acceptable support mechanism, for its obligations under the Definitive Agreement in the amount of $_____ million.

Effect:

This term sheet is for discussion purposes only and does not constitute an offer by either Party to enter into any agreement or evidence any intention to enter into any such agreement. Any agreement of the Parties with regard to the matters set forth in this document shall be evidenced only by the execution by both Seller and Buyer of a binding Definitive Agreement. At any time prior to execution of a Definitive Agreement, either Buyer or Seller, at its sole discretion, may cancel and cease any further negotiations without liability to the other.

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DOCKET NO. 041414-EI

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PEF 000081
DOCKET NO. 041414-EI

Rhodes, Rick

From: Rephlo, Doug [DRephlo@coral-energy.com]
Sent: Wednesday, May 26, 2004 11:47 AM
To: Rhodes, Rick
Subject: FW: RFP# LT040504-elba

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Progress Energy May 26 2004 Pr...

Progress Energy May 26 2004 Pr...

Progress Energy April 26 2004 ...

Rick,
Attached is an updated proposal for Coral to deliver supplies to Progress at Elba Island. I am also attaching a redline version that compares the changes introduced in this updated proposal to the April 26 proposal.

Please contact me at your convenience to discuss any questions or comments that you may have.

Thanks,
Doug

<<Progress Energy May 26 2004 Proposal.doc>> <<Progress Energy May 26 2004 Proposal redline.doc>>

> -----Original Message-----
> From: Rephlo, Doug
> Sent: Monday, April 26, 2004 2:45 PM
> To: 'rick.rhodes@pgnmail.com'
> Subject: RFP# LT040504-elba
>
> Rick,
> Coral appreciates the opportunity to deliver this proposal to you for
> supplies at Elba Island beginning in May 2008.
>
> Please don't hesitate to contact me once you've had an opportunity to
> review this proposal. I would appreciate the opportunity to address any
> immediate issues or concerns that you might have or if you require
> additional information.
>
> Regards,
> Doug
>
> <<Progress Energy April 26 2004 Proposal.doc>>

Shell Trading

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Shell Trading Gas and Power Company
909 Fannin, Plaza Level One
Houston, TX 77010
(713) 767-5400

May 26, 2004

Via E-mail: rick.rhodes@pgnmail.com

Mr. Rick Rhodes
Term Gas Lead
Progress Energy Inc.
Term Gas and Logistics Unit
P.O. Box 1551 – PEB 10A
Raleigh, NC 27602

RE: RFP# LT040504-elba
Response of Coral Energy Resources, L.P.

Dear Rick:

Coral Energy Resources, L.P. ("Coral") is pleased to make the following proposal, subject to certain conditions precedent, to Florida Power Corporation d/b/a Progress Energy Florida, Inc ("Progress") to supply natural gas at the Elba Island LNG Terminal Outlet located in Savannah, Georgia ("Plant"):

Term
The term of this proposed supply arrangement would be effective for twenty (20) years, beginning May 1, 2008 and ending April 30, 2028.

Volume
(1) May 1, 2008 through October 31, 2008 - 60,000 Dth/day
November 1, 2008 through April 30, 2009 – 25,000 Dth/day

(2) May 1, 2009 through April 30, 2028 -
May 1 through October 31 (Summer Volumes) – 80,000 Dth/day
November 1 through April 30 (Winter Volumes) – 40,000 Dth/day

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The volume for both time periods would be delivered on a monthly baseload basis (the volume for each time period is referred to herein as the "Maximum Daily Quantity").

Delivery Point

Primary Delivery Point: Gas supply would be delivered at the interconnection between the Plant and Southern Natural Gas Company's ("SNG") proposed Cypress Pipeline expansion project, located at the outlet of the Plant in Savannah, Georgia.

Alternative Delivery Points: Progress' Hines Power Plant, located near Fort Meade, Florida, or mutually agreeable delivery points from time to time located in the Gulf Coast area on SNG, Florida Gas Transmission, or Gulfstream Natural Gas System.

Service

Coral would provide natural gas supply to Progress, on a firm basis, pursuant to the volume and price terms and conditions proposed herein.

This proposal assumes that Progress will receive gas, on a firm basis, in uniform hourly quantities during any day of the term of the proposed supply arrangement.

Natural gas deliveries by Coral at the Primary Delivery Point (or Alternative Delivery Points, if applicable) would be subject to standard natural gas industry force majeure provisions that would be applicable upstream to the inlet of the LNG liquifaction plant and subject to the scheduling of the nominations by the operators of the Plant and SNG. Acts of the government of the host country supplier that would effect or interfere with Coral's ability to deliver LNG quantities would not be considered force majeure events.

Price

Baseload Supply Price: The price for natural gas quantities nominated for delivery on a monthly baseload basis (which would equal the applicable Maximum Daily Quantity during each month of the term of the proposed supply arrangement) would equal the price published in Platts' *Inside FERC's Gas Market Report* for such month under the heading "Market Center Spot Gas Prices" "South Louisiana" "Henry Hub" "Index", minus $0.05 per MMBtu for the first 24 months and plus $0.04 per MMBtu for the balance of the term ("Index Premium"), plus an annual price escalator on the Index Premium based on a mutually agreed inflation index.

Commodity Keepwhole Provisions: In the event either party would fail to schedule the applicable Maximum Daily Quantity at the Primary Delivery Point, unless excused by an event of force majeure, the party that defaults would pay to the other party an amount equal to the sum of the product of the default quantity multiplied by the replacement price differential subject to the following provisions:

> In the event of a failure to deliver at the Primary Delivery Point, unless excused by an event of force majeure, Coral would have the right to either (1) replace the shortfall gas supply for such day at Progress' Hines Power Plant without having

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any other obligation, or replace the shortfall gas supply for such day at any other Alternative Delivery Point, if mutually agreed to by Coral and Progress, with Coral bearing any incremental transportation costs incurred by Progress, or (2) replace the shortfall gas supply for such day by providing alternate fuel or electricity at mutually agreed points without having any other obligation.

Alternative Pricing: For any given period during the term of the proposed supply arrangement, Coral could provide certain price risk management capabilities whereby Progress could elect to hedge the proposed market index at a mutually agreed alternative price through the use of natural gas swaps or options on natural gas futures contracts, subject to Progress receiving approval under Coral's credit review process.

Nominations

Progress would make a monthly baseload nomination to Coral by 9:00 am Central Prevailing Time ("CPT") five (5) business days prior to the first day of each month of the term of the proposed supply arrangement. This nomination would equal the applicable Maximum Daily Quantity during each month of the term of the proposed supply arrangement.

Progress would notify Coral promptly in the event actual purchase quantities would be lower than the monthly baseload nomination (which is the Maximum Daily Quantity) on any day during a month, subject to the Commodity Keepwhole provisions set forth herein.

Taxes

All taxes, including but not limited to ad valorem, excise, severance, and production taxes, that would be assessed upstream of the Delivery Point or any Alternative Delivery Points into the transporting pipeline would be borne by Coral. All such taxes assessed at or downstream of the Delivery Point into the transporting pipeline would be borne by Progress.

Credit

The proposed supply arrangement as described herein is subject to standard credit due diligence under Coral's credit review process. Progress will be required to execute a master contract with bilateral credit terms and conditions deemed necessary by Coral in its sole discretion.

Conditions Precedent

In addition to the credit requirements set forth above, Coral anticipates that the closing of the proposed supply arrangement would be subject to customary closing conditions including, but not limited to, the following:

(1) The Elba Island terminal expansion being completed and placed in-service, as certificated by the Federal Energy Regulatory Commission ("FERC").

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DOCKET NO. 041414-EI

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(2) The Cypress Pipeline expansion project being completed and placed in-service, as certificated by the FERC.

(3) The negotiation and execution of all definitive agreements relating to the proposed supply arrangement containing covenants, agreements, conditions, representations, warranties, and indemnities which are usual and customary in transactions of the type contemplated herein.

(4) The receipt by Coral and its affiliates of all necessary governmental and regulatory approvals, in form and substance acceptable to Coral in its sole discretion in connection with the proposed supply arrangement.

Because this proposal contains commercially sensitive information, Progress must maintain this proposal in a confidential manner, not disclose all or any portion of this proposal to any third party without first obtaining Coral's written consent, and use this proposal solely in connection with Progress' evaluation and determination of whether Progress desires to enter into further discussions or negotiations with Coral regarding the potential sale of gas to Progress.

Notwithstanding any other provision set forth herein, this proposal will expire as of close of business on September 30, 2004. In addition, Coral has the right to withdraw this proposal transaction at any time prior to the satisfaction of the conditions precedent set forth above, as determined by Coral in its sole discretion.

Coral appreciates the opportunity to submit this proposal to Progress. Please contact Mr. Doug Rephlo at (713) 767-5502 with any questions regarding this proposal.

Sincerely,

Slavko Preocanin
Senior Vice President
Shell Trading Gas and Power Company

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Shell Trading

Shell Trading Gas and Power Company
909 Fannin, Plaza Level One
Houston, TX 77010
(713) 767-5400

May 26, 2004 Deleted: April

Via E-mail: rick.rhodes@pgnmail.com

Mr. Rick Rhodes
Term Gas Lead
Progress Energy Inc.
Term Gas and Logistics Unit
P.O. Box 1551 – PEB 10A
Raleigh, NC 27602

RE: RFP# LT040504-elba
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Deleted: origin
Deleted: gas supply

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Deleted: April
Deleted:

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Conditions Precedent

In addition to the credit requirements set forth above, Coral anticipates that the closing of the proposed supply arrangement would be subject to customary closing conditions including, but not limited to, the following:

(1) The Elba Island terminal expansion being completed and placed in-service, as certificated by the Federal Energy Regulatory Commission ("FERC").

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(2) The Cypress Pipeline expansion project being completed and placed in-service, as certificated by the FERC.

(3) The negotiation and execution of all definitive agreements relating to the proposed supply arrangement containing covenants, agreements, conditions, representations, warranties, and indemnities which are usual and customary in transactions of the type contemplated herein.

(4) The receipt by Coral and its affiliates of all necessary governmental and regulatory approvals, in form and substance acceptable to Coral in its sole discretion in connection with the proposed supply arrangement.

Because this proposal contains commercially sensitive information, Progress must maintain this proposal in a confidential manner, not disclose all or any portion of this proposal to any third party without first obtaining Coral's written consent, and use this proposal solely in connection with Progress' evaluation and determination of whether Progress desires to enter into further discussions or negotiations with Coral regarding the potential sale of gas to Progress.

Notwithstanding any other provision set forth herein, this proposal will expire as of close of business on September 30, 2004. In addition, Coral has the right to withdraw this proposal transaction at any time prior to the satisfaction of the conditions precedent set forth above, as determined by Coral in its sole discretion.

Coral appreciates the opportunity to submit this proposal to Progress. Please contact Mr. Doug Rephlo at (713) 767-5502 with any questions regarding this proposal.

Sincerely,

Slavko Preocanin
Senior Vice President
Shell Trading Gas and Power Company

THIS PROPOSAL IS FOR DISCUSSION PURPOSES ONLY AND IS NOT INTENDED TO BE COMPLETE AND ALL INCLUSIVE OF THE TERMS AND CONDITIONS OF THE RELATED TRANSACTION. THE PROPOSED TRANSACTION DESCRIBED HEREIN IS SUBJECT TO FURTHER REVIEW AND APPROVAL OF CORAL ENERGY RESOURCES, L.P AND EXECUTION OF DEFINITIVE AGREEMENTS CONTAINING ALL APPROPRIATE PROVISIONS, INCLUDING THOSE RELATING TO CREDIT AND LIMITATION OF DAMAGES. THIS PROPOSAL DOES NOT PURPORT TO IDENTIFY OR SUGGEST ANY OR ALL OF THE RISKS (DIRECT OR INDIRECT) WHICH MAY BE ASSOCIATED WITH THE PROPOSED TRANSACTION.

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Shell Trading

CONFIDENTIAL

Shell Trading Gas and Power Company
909 Fannin, Plaza Level One
Houston, TX 77010
(713) 767-5400

April 26, 2004

Via E-mail: rick.rhodes@pgnmail.com

Mr. Rick Rhodes
Term Gas Lead
Progress Energy Inc.
Term Gas and Logistics Unit
P.O. Box 1551 – PEB 10A
Raleigh, NC 27602

RE: RFP# LT040504-elba
Response of Coral Energy Resources, L.P.

Dear Rick:

Coral Energy Resources, L.P. ("Coral") is pleased to make the following proposal, subject to certain conditions precedent, to Florida Power Corporation d/b/a Progress Energy Florida, Inc ("Progress") to supply natural gas at the Elba Island LNG Terminal Outlet located in Savannah, Georgia ("Plant"):

Term
The term of this proposed supply arrangement would be effective for twenty (20) years, beginning May 1, 2008 and ending April 30, 2028.

Volume
(1) May 1, 2008 through October 31, 2008 - 60,000 Dth/day
November 1, 2008 through April 30, 2009 – 25,000 Dth/day

(2) May 1, 2009 through April 30, 2028 -
May 1 through October 31 (Summer Volumes) – 80,000 Dth/day
November 1 through April 30 (Winter Volumes) – 40,000 Dth/day

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DOCKET NO. 041414-EI

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The volume for both time periods would be delivered on a monthly baseload basis (the volume for each time period is referred to herein as the "Maximum Daily Quantity").

Delivery Point

Primary Delivery Point: Gas supply would be delivered at the interconnection between the Plant and Southern Natural Gas Company's ("SNG") proposed Cypress Pipeline expansion project, located at the outlet of the Plant in Savannah, Georgia.

Alternative Delivery Points: Progress' Hines Power Plant, located near Fort Meade, Florida, or mutually agreeable delivery points from time to time located in the Gulf Coast area on SNG, Florida Gas Transmission, or Gulfstream Natural Gas System.

Service

Coral would provide natural gas supply to Progress, on a firm basis, pursuant to the volume and price terms and conditions proposed herein.

This proposal assumes that Progress will receive gas, on a firm basis, in uniform hourly quantities during any day of the term of the proposed supply arrangement.

Natural gas deliveries by Coral at the Primary Delivery Point (or Alternative Delivery Points, if applicable) would be subject to standard natural gas industry force majeure provisions that would be applicable upstream to the origin of the LNG gas supply and subject to the scheduling of the nominations by the operators of the Plant and SNG. Acts of the government of the host country supplier that would effect or interfere with Coral's ability to deliver LNG quantities would not be considered force majeure events.

Price

Baseload Supply Price: The price for natural gas quantities nominated for delivery on a monthly baseload basis (which would equal the applicable Maximum Daily Quantity during each month of the term of the proposed supply arrangement) would equal the price published in Platts' *Inside FERC's Gas Market Report* for such month under the heading "Market Center Spot Gas Prices" "South Louisiana" "Henry Hub" "Index", plus $0.04 ("Index Premium"), plus an annual price escalator on the Index Premium based on a mutually agreed inflation index.

Commodity Keepwhole Provisions: In the event either party would fail to schedule the applicable Maximum Daily Quantity at the Primary Delivery Point, unless excused by an event of force majeure, the party that defaults would pay to the other party an amount equal to the sum of the product of the default quantity multiplied by the replacement price differential subject to the following provisions:

> In the event of a failure to deliver at the Primary Delivery Point, unless excused by an event of force majeure, Coral would have the right to either (1) replace the shortfall gas supply for such day at Progress' Hines Power Plant without having

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any other obligation, or replace the shortfall gas supply for such day at any other Alternative Delivery Point, if mutually agreed to by Coral and Progress, with Coral bearing any incremental transportation costs incurred by Progress, or (2) replace the shortfall gas supply for such day by providing alternate fuel or electricity at mutually agreed points without having any other obligation.

Alternative Pricing: For any given period during the term of the proposed supply arrangement, Coral could provide certain price risk management capabilities whereby Progress could elect to hedge the proposed market index at a mutually agreed alternative price through the use of natural gas swaps or options on natural gas futures contracts, subject to Progress receiving approval under Coral's credit review process.

Nominations

Progress would make a monthly baseload nomination to Coral by 9:00 am Central Prevailing Time ("CPT") five (5) business days prior to the first day of each month of the term of the proposed supply arrangement. This nomination would equal the applicable Maximum Daily Quantity during each month of the term of the proposed supply arrangement.

Progress would notify Coral promptly in the event actual purchase quantities would be lower than the monthly baseload nomination (which is the Maximum Daily Quantity) on any day during a month, subject to the Commodity Keepwhole provisions set forth herein.

Taxes

All taxes, including but not limited to ad valorem, excise, severance, and production taxes, that would be assessed upstream of the Delivery Point or any Alternative Delivery Points into the transporting pipeline would be borne by Coral. All such taxes assessed at or downstream of the Delivery Point into the transporting pipeline would be borne by Progress.

Credit

The proposed supply arrangement as described herein is subject to standard credit due diligence under Coral's credit review process. Progress will be required to execute a master contract with bilateral credit terms and conditions deemed necessary by Coral in its sole discretion.

Conditions Precedent

In addition to the credit requirements set forth above, Coral anticipates that the closing of the proposed supply arrangement would be subject to customary closing conditions including, but not limited to, the following:

(1) The Elba Island terminal expansion being completed and placed in-service, as certified by the Federal Energy Regulatory Commission ("FERC").

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(2) The Cypress Pipeline expansion project being certificated by the FERC, and completed and placed in-service, as certified by the FERC.

(3) Coral locating a LNG supply source at Elba Island and negotiating all necessary agreements regarding such LNG supply source under terms acceptable to Coral and its affiliates.

(4) The negotiation and execution of all definitive agreements relating to the proposed supply arrangement containing covenants, agreements, conditions, representations, warranties, and indemnities which are usual and customary in transactions of the type contemplated herein.

(5) The receipt by Coral and its affiliates of all necessary internal and external corporate, governmental, and regulatory approvals in form and substance acceptable to Coral in its sole discretion in connection with the proposed supply arrangement.

Because this proposal contains commercially sensitive information, Progress must maintain this proposal in a confidential manner, not disclose all or any portion of this proposal to any third party without first obtaining Coral's written consent, and use this proposal solely in connection with Progress' evaluation and determination of whether Progress desires to enter into further discussions or negotiations with Coral regarding the potential sale of gas to Progress.

Notwithstanding any other provision set forth herein, this proposal will expire as of close of business on September 30, 2004. In addition, Coral has the right to withdraw this proposal transaction at any time prior to the satisfaction of the Conditions Precedent set forth above, as determined by Coral in its sole discretion.

Coral appreciates the opportunity to submit this proposal to Progress. Please contact Mr. Doug Rephlo at (713) 767-5502 with any questions regarding this proposal.

Sincerely,

Slavko Preocanin
Senior Vice President
Shell Trading Gas and Power Company

THIS PROPOSAL IS FOR DISCUSSION PURPOSES ONLY AND IS NOT INTENDED TO BE COMPLETE AND ALL INCLUSIVE OF THE TERMS AND CONDITIONS OF THE RELATED TRANSACTION. THE PROPOSED TRANSACTION DESCRIBED HEREIN IS SUBJECT TO FURTHER REVIEW AND APPROVAL OF CORAL ENERGY RESOURCES, L.P AND EXECUTION OF DEFINITIVE AGREEMENTS CONTAINING ALL APPROPRIATE

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PROVISIONS, INCLUDING THOSE RELATING TO CREDIT AND LIMITATION OF DAMAGES. THIS PROPOSAL DOES NOT PURPORT TO IDENTIFY OR SUGGEST ANY OR ALL OF THE RISKS (DIRECT OR INDIRECT) WHICH MAY BE ASSOCIATED WITH THE PROPOSED TRANSACTION.

ConocoPhillips
Gas & Power Marketing

CONFIDENTIAL

June 24, 2004

Mr. Rick Rhodes
Progress Energy Inc.
P.O. Box 1551 – PEB 10A
Raleigh, NC 27602

Re: RFP# LT061404-01

Dear Rick:

ConocoPhillips Company (ConocoPhillips) is very interested in working with Florida Power Corp. (d/b/a Progress Energy Florida Inc.) to serve Progress Energy's long-term fuel supply requirements for its Hines Unit No. 4. ConocoPhillips currently produces and aggregates approximately 2.8 Bcf per day of natural gas supply in North America. In total, we market and trade over 10 Bcf per day of natural gas in North America. We are well positioned for future growth and access to new natural gas supply prospects. Our $84 billion asset base includes major ownership positions in both the Mackenzie Delta and Alaska North Slope areas. These two North American supply projects contain future potential deliverability of over 5 Bcf per day of natural gas to U.S. markets. ConocoPhillips' asset base also includes international and domestic LNG supply projects. In the U.S., ConocoPhillips shares ownership in one existing LNG facility (Kenai, Alaska) and has two recently announced LNG import terminal projects (Freeport, TX and offshore Mobile Bay, Alabama). We are also active in the deepwater Gulf of Mexico. By year-end, our new deepwater Magnolia Project is scheduled to come onshore with approximately 70,000 MMBtu per day of equity gas supply.

ConocoPhillip's Mobile Bay-area LNG import terminal project (Compass Port) will directly access Progress Energy's Gulfstream and Florida Gas Transmission (FGT) capacity. Subject to regulatory and management approvals, ConocoPhillips' will construct the Compass Port LNG terminal offshore in the Mobile Bay area. Compass Port LLC filed a Deepwater Port Application on March 29, 2004 with the U.S. Coast Guard for a license to construct and operate the offshore LNG port facility. Compass Pass Pipeline LLC filed its Section 7(c) certificate application for the companion pipeline facilities on April 16, 2004 at the F.E.R.C. in Docket Nos. CP04-114-000 and CP04-115-000. The Compass Pass Pipeline will have the ability to deliver up to 1 Bcf per day of natural gas supply from the Compass Port LNG terminal to the Gulfstream Natural Gas System at Coden, AL. Compass Pass Pipeline will also have interconnections with Transco and Gulf South at Coden. The facilities at Coden will include the ability to deliver natural gas into Florida Gas Transmission's transportation capacity. The necessary federal regulatory approvals are expected as early as April 2005. In the

interim, we would like to develop a long-term gas supply agreement with conditions precedent acceptable to both parties.

ConocoPhillips wants to pursue definitive pricing and terms for a 20-year supply relationship with Progress Energy. We want to seek those terms through a collaborative process that provides a good understanding of each other's needs. Subject to senior management approval based on terms and conditions to be negotiated, ConocoPhillips will sell up to 40,000 MMBtu per day of 20-year natural gas supply to Progress Energy for delivery into Gulfstream or FGT at Coden, AL. The mandatory pricing structure indicated in the RFP appears to be in a form acceptable to ConocoPhillips. In addition, we would entertain pricing discussions that include fixed pricing provisions and collars.

We look forward to the opportunity to meet with you and develop a proposal in more detail. If you have any questions about our response, please give Steve Salato (281-293-5620) or myself (281-293-6629) a call.

Sincerely,

C. Randall Courtney
Director - Southeast Origination
ConocoPhillips Gas & Power

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Steven M. Salato
Director – LNG Origination
ConocoPhillips Gas & Power

Progress Energy

Regulated Commercial Operations Department
P. O. Box 1551 - CPB 10A
Raleigh, North Carolina 27602

RFP# LT082203-Elba

August 22, 2003

Dear Sir or Madam:

Subject: Non-Binding Request for Proposal for Gas Supply

Florida Power Corporation d/b/a Progress Energy Florida, Inc. (hereinafter referred to as Buyer) is requesting proposals for long-term gas supply sourced out of Elba Island LNG Terminal.

Term	Buyer has interest in reviewing contract terms for 3, 5, 10, & 20 years beginning January 1, 2008.
Volume	Up to 75,000 Dth/day baseload.
Primary Receipt Point	Buyer receipt point will be downstream of the LNG facility outlet into the proposed Cypress Pipeline.
Service	Firm. Buyer requests that Seller address how it will warranty against delivery risk and provide an alternate or back-up source of gas (i.e. hurricanes diverting ships, foreign country political risk, etc.).
Desired Pricing	Buyer desires that Seller provide a response for 2 pricing scenarios - Fixed pricing or Zero Cost Collar pricing for the entire term.
Other Pricing	Buyer will consider other pricing options including, but not limited to: • Inside FERC First of the Month with Buyer's election to convert to Gas Daily Midpoint. • Call Option. Specify all appropriate terms & conditions. • Option to allow Buyer to swing down volumes a specific number of times per month. • Seller proposed pricing.
Nominations:	Pre-scheduled (day ahead of gas flow) and/or intraday (day of gas flow) may be submitted up until nomination deadline.
Requirements	GISB / NAESB with special provisions for gas purchases.
Gas Quality	Seller shall warranty to Buyer at delivery that all gas meets or exceeds pipeline gas quality specifications regarding Btu content and natural gas liquids. If gas is found to be insufficiently processed, Seller will join with Buyer to petition that the pipeline enforces required specifications on producers.

Proposals are DUE by: **Wednesday, September 3, 2003, 4:00 p.m. EST**

Proposals Proposals are preferred to be submitted via e-mail to the address below. Proposals may be submitted by FAX. Proposals received AFTER the DUE date may be considered at Buyer's discretion. All Proposals MUST reference **RFP# LT082203-elba.** Questions related to deal points should be directed to the author at the number listed during business hours (EST).

Please send proposals to:

Progress Energy Inc.
Attn: Rick Rhodes
Term Gas and Logistics Unit
P. O. Box 1551 - PEB 10A
Raleigh, North Carolina 27602
Telephone: 919-546-7613

Send e-mail responses to: **rick.rhodes@pgnmail.com**

Send FAX responses to: **919-546-2922**

Sincerely,

Rick Rhodes

Term Gas Lead
919-546-7613

Rhodes, Rick

From: Rhodes, Rick
Sent: Friday, August 22, 2003 5:08 PM
To: 'dwmowrey@marathonoil.com'; 'mfleming1@marthonoil.com'
Cc: Trimble, John
Subject: Non-Binding RFP

Importance: High
Sensitivity: Confidential

Progress Energy seeks non-binding proposals from your company to supply natural gas for the requirements listed in the attached RFP. Progress Energy is currently evaluating how LNG could play an integral role in its supply portfolio and your response will serve as a key input to this evaluation. A successful deal will require the execution of a NAESB with the attached Special Provisions, unless your firm already has an approved GISB or NAESB.

You are encouraged to submit your bid via e-mail. FAX response is acceptable, but e-mail is preferable.

We look forward to your response. Feel free to contact me with any questions. Thanks in advance for your timely response by this September 3, 2003 deadline.

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Rick Rhodes
Term Gas & Logistics
Progress Energy
919.546.7613
rick.rhodes@pgnmail.com

300

Rhodes, Rick

From: Rhodes, Rick
Sent: Friday, August 22, 2003 5:10 PM
To: 'kyle.hamrick@bglng.com'
Cc: Trimble, John
Subject: Non-Binding RFP

Importance: High
Sensitivity: Confidential

Progress Energy seeks non-binding proposals from your company to supply natural gas for the requirements listed in the attached RFP. Progress Energy is currently evaluating how LNG could play an integral role in its supply portfolio and your response will serve as a key input to this evaluation. A successful deal will require the execution of a NAESB with the attached Special Provisions, unless your firm already has an approved GISB or NAESB.

You are encouraged to submit your bid via e-mail. FAX response is acceptable, but e-mail is preferable.

We look forward to your response. Feel free to contact me with any questions. Thanks in advance for your timely response by this September 3, 2003 deadline.

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Rick Rhodes
Term Gas & Logistics
Progress Energy
919.546.7613
rick.rhodes@pgnmail.com

Rhodes, Rick

From: Rhodes, Rick
Sent: Friday, August 22, 2003 5:02 PM
To: 'drephlo@coral-energy.com'
Cc: Trimble, John
Subject: Non-Binding RFP

Importance: High
Sensitivity: Confidential

Progress Energy seeks non-binding proposals from your company to supply natural gas for the requirements listed in the attached RFP. Progress Energy is currently evaluating how LNG could play an integral role in its supply portfolio and your response will serve as a key input to this evaluation. A successful deal will require the execution of a NAESB with the attached Special Provisions, unless your firm already has an approved GISB or NAESB.

You are encouraged to submit your bid via e-mail. FAX response is acceptable, but e-mail is preferable.

We look forward to your response. Feel free to contact me with any questions. Thanks in advance for your timely response by this September 3, 2003 deadline.

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Rick Rhodes
Term Gas & Logistics
Progress Energy
919.546.7613
rick.rhodes@pgnmail.com

PEF 000036
DOCKET NO. 041414-EI

Progress Energy

Regulated Commercial Operations Department
P. O. Box 1551 - CPB 10A
Raleigh, North Carolina 27602

RFP# LT082203-gc/PEF

August 22, 2003

Dear Sir or Madam:

Subject: Non-Binding Request for Proposal for Gas Supply

Florida Power Corporation d/b/a Progress Energy Florida, Inc. (hereinafter referred to as Buyer) is requesting proposals for long-term gas supply sourced out of your company's Gulf Coast LNG Terminal.

Term	Buyer has interest in reviewing contract terms for 3, 5, 10, & 20 years, beginning January 1, 2008.
Volume	Up to 75,000 Dth/day baseload.
Primary Receipt Point	Buyer receipt point will be downstream of the LNG facility outlet into FGT Zone 3 or Gulfstream Mobile Bay.
Service	Firm. Buyer requests that Seller address how it will warranty against delivery risk and provide an alternate or back-up source of gas (i.e. hurricanes diverting ships, foreign country political risk, etc.).
Desired Pricing	Buyer desires that Seller provide a response for 2 pricing scenarios - Fixed pricing or Zero Cost Collar pricing for the entire term.
Other Pricing	Buyer will consider other pricing options including, but not limited to: • Inside FERC First of the Month with Buyer's election to convert to Gas Daily Midpoint. • Call Option. Specify all appropriate terms & conditions. • Option to allow Buyer to swing down volumes a specific number of times per month. • Seller proposed pricing.
Nominations:	Pre-scheduled (day ahead of gas flow) and/or intraday (day of gas flow) may be submitted up until nomination deadline.
Requirements	GISB / NAESB with special provisions for gas purchases.
Gas Quality	Seller shall warranty to Buyer at delivery that all gas meets or exceeds pipeline gas quality specifications regarding Btu content and natural gas liquids. If gas is found to be insufficiently processed, Seller will join with Buyer to petition that the pipeline enforces required specifications on producers.

PEF 000037
DOCKET NO. 041414-EI

Proposals are DUE by: **Wednesday, September 3, 2003, 4:00 p.m. EST**

Proposals Proposals are preferred to be submitted via e-mail to the address below. Proposals may be submitted by FAX. Proposals received AFTER the DUE date may be considered at Buyer's discretion. All Proposals MUST reference **RFP# LT082203-gc/PEF.** Questions related to deal points should be directed to the author at the number listed during business hours (EST).

Please send proposals to:

Progress Energy Inc.
Attn: Rick Rhodes
Term Gas and Logistics Unit
P. O. Box 1551 - PEB 10A
Raleigh, North Carolina 27602
Telephone: 919-546-7613

Send e-mail responses to: **rick.rhodes@pgnmail.com**

Send FAX responses to: **919-546-2922**

Sincerely,

Rick Rhodes

Term Gas Lead
919-546-7613

Rhodes, Rick

From: Rhodes, Rick
Sent: Friday, August 22, 2003 5:25 PM
To: 'tjacomini@sempratrading.com'
Cc: Trimble, John
Subject: Non-Binding RFP

Importance: High
Sensitivity: Confidential

Progress Energy seeks non-binding proposals from your company to supply natural gas for the requirements listed in the attached RFP. Progress Energy is currently evaluating how LNG could play an integral role in its supply portfolio and your response will serve as a key input to this evaluation. A successful deal will require the execution of a NAESB with the attached Special Provisions, unless your firm already has an approved GISB or NAESB.

You are encouraged to submit your bid via e-mail. FAX response is acceptable, but e-mail is preferable.

We look forward to your response. Feel free to contact me with any questions. Thanks in advance for your timely response by this September 3, 2003 deadline.

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Rick Rhodes
Term Gas & Logistics
Progress Energy
919.546.7613
rick.rhodes@pgnmail.com

Rhodes, Rick

From: Rhodes, Rick
Sent: Friday, August 22, 2003 5:18 PM
To: 'kyle.hamrick@bglng.com'
Cc: Trimble, John
Subject: Non-Binding RFP

Importance: High
Sensitivity: Confidential

Progress Energy seeks non-binding proposals from your company to supply natural gas for the requirements listed in the attached RFP. Progress Energy is currently evaluating how LNG could play an integral role in its supply portfolio and your response will serve as a key input to this evaluation. A successful deal will require the execution of a NAESB with the attached Special Provisions, unless your firm already has an approved GISB or NAESB.

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We look forward to your response. Feel free to contact me with any questions. Thanks in advance for your timely response by this September 3, 2003 deadline.

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Rick Rhodes
Term Gas & Logistics
Progress Energy
919.546.7613
rick.rhodes@pgnmail.com

306

Rhodes, Rick

From: Rhodes, Rick
Sent: Friday, August 22, 2003 5:28 PM
To: 'chris.w.gillette@exxonmobil.com'; 'ron.v.yates@exxonmobil.com'; 'diaco.m.avika@exxonmobil.com'
Cc: Trimble, John
Subject: Non-Binding RFP

Importance: High
Sensitivity: Confidential

Progress Energy seeks non-binding proposals from your company to supply natural gas for the requirements listed in the attached RFP. Progress Energy is currently evaluating how LNG could play an integral role in its supply portfolio and your response will serve as a key input to this evaluation. A successful deal will require the execution of a NAESB with the attached Special Provisions, unless your firm already has an approved GISB or NAESB.

You are encouraged to submit your bid via e-mail. FAX response is acceptable, but e-mail is preferable.

We look forward to your response. Feel free to contact me with any questions. Thanks in advance for your timely response by this September 3, 2003 deadline.

lng rfp gulf coast pef.doc (22...

Rick Rhodes
Term Gas & Logistics
Progress Energy
919.546.7613
rick.rhodes@pgnmail.com

307

Rhodes, Rick

From: Rhodes, Rick
Sent: Friday, August 22, 2003 5:23 PM
To: 'rlammons@chevrontexaco.com'
Cc: Trimble, John
Subject: Non-Binding RFP

Importance: High
Sensitivity: Confidential

Progress Energy seeks non-binding proposals from your company to supply natural gas for the requirements listed in the attached RFP. Progress Energy is currently evaluating how LNG could play an integral role in its supply portfolio and your response will serve as a key input to this evaluation. A successful deal will require the execution of a NAESB with the attached Special Provisions, unless your firm already has an approved GISB or NAESB.

You are encouraged to submit your bid via e-mail. FAX response is acceptable, but e-mail is preferable.

We look forward to your response. Feel free to contact me with any questions. Thanks in advance for your timely response by this September 3, 2003 deadline.

lng rfp gulf coast pef.doc (22...

Rick Rhodes
Term Gas & Logistics
Progress Energy
919.546.7613
rick.rhodes@pgnmail.com

Rhodes, Rick

From: Rhodes, Rick
Sent: Friday, August 22, 2003 5:21 PM
To: 'e-mail: dave_landry@fmi.com'
Cc: Trimble, John
Subject: Non-Binding RFP

Importance: High
Sensitivity: Confidential

Progress Energy seeks non-binding proposals from your company to supply natural gas for the requirements listed in the attached RFP. Progress Energy is currently evaluating how LNG could play an integral role in its supply portfolio and your response will serve as a key input to this evaluation. A successful deal will require the execution of a NAESB with the attached Special Provisions, unless your firm already has an approved GISB or NAESB.

You are encouraged to submit your bid via e-mail. FAX response is acceptable, but e-mail is preferable.

We look forward to your response. Feel free to contact me with any questions. Thanks in advance for your timely response by this September 3, 2003 deadline.

lng rfp gulf coast pef.doc (22...

Rick Rhodes
Term Gas & Logistics
Progress Energy
919.546.7613
rick.rhodes@pgnmail.com

Rhodes, Rick

From: Hamrick, Kyle [kyle.hamrick@bglng.com]
Sent: Wednesday, September 03, 2003 10:20 AM
To: Rick Rhodes (E-mail)
Cc: Evans, Mark
Subject: RFP Responses

RFP LC Response 09-03-03.doc (...

RFP Response 09-03-03 into Cyp...

Rick,

Please find copies of BG LNG Services' (BGLS) response to Progress Energy's Request for Proposals dated August 25, 2003. BGLS has provided indicative responses to RFP# LT082203-gc/PEC and RFP# LT082203-elba. BGLS has chosen not to respond to RFP#LT082203-gc/PEF as LNG supplies from BGLS are unable to meet the market delivery point requirements due to physical and economic factors.

<<RFP LC Response 09-03-03.doc>> <<RFP Response 09-03-03 into Cypress.doc>>
As previously discussed, we have scheduled a conference call for Friday, September 5, 2003 at 2:00pm CT to discuss in further detail the attached proposals. Once again, I appreciate the opportunity to provide supply services to Progress Energy, and I look forward to working with you in the future. Please feel free to call me with any questions of comments you may have.

Sincerely,

Kyle

Kyle Hamrick
Director, Origination
BG LNG Services, LLC.
713-599-3810

IMPORTANT NOTICE:
The information in this email is confidential and may be legally privileged. It is intended solely for the addressee. Access to this email by anyone else is unauthorized. If you are not the intended recipient, any disclosure, copying, distribution or any action taken or omitted to be taken in reliance on it, is prohibited and may be unlawful.
BG LNG SERVICES, LLC.
5444 Westheimer, Suite 1775
Houston, Texas 77056 USA
(713) 403-3741 - Voice
(713) 403-3781 - Fax

310

BG LNG Services, LLC

BG LNG Services, LLC
5444 Westheimer, Suite 1775
Houston, Texas 77056

Telephone: 713-403-3741
Facsimile: 713-403-3781

Mr. Rick Rhodes
Term Gas Lead
Progress Energy Inc.

September 03, 2003

Re: Firm Gas Supply Offer to Carolina Power & Light – VIA Electronic Mail

Dear Rick:

BG LNG Services LLC (BGLS) is pleased to provide the following quotes for Firm Gas Supplies to Carolina Power & Light (CP&L) as outlined in your request for proposal dated August 25, 2003. BGLS's offer can be found on the following pages.

BG LNG Services is the largest purchaser of liquefied natural gas (LNG) in North America at its Lake Charles, Louisiana receiving terminal with an estimated daily, non-peak send-out capacity of 630,000 Dth/day (The Lake Charles Terminal maintained continuous operation during 2002 hurricane activity under winds as high as 130 mph). BGLS can deliver to most points in the Louisiana Gulf Coast area. As LNG-sourced gas supply, coupled with high-deliverability storage, BGLS can tailor gas supply arrangements to meet specific customer requirements.

Please keep in mind that the following offer is merely an indication of the current market price at the time, and does not constitute an offer or obligation by BGLS or CP&L to a transaction. BGLS will be pleased to provide the most up-to-date price quote at CP&L's request.

Once again, we appreciate the opportunity to serve Carolina Power & Light and I look forward to hearing your favorable response.

Sincerely,

Kyle Hamrick
Director, Origination

CONFIDENTIAL

PEF 000045
DOCKET NO. 041414-EI

BG LNG Services, LLC

CONFIDENTIAL

BG LNG Services, LLC
5444 Westheimer, Suite 1775
Houston, Texas 77056

Telephone: 713-403-3741
Facsimile: 713-403-3781

Proposal for Firm Gas Supply
BG LNG Services, LLC. To
Carolina Power & Light d/b/a Progress Energy Carolinas, Inc.
RFP# LT082203-gc/PEC

Term: Begin date to Coincide with Lake Charles Express Pipeline (LCE) operations.
a.) First Quarter 2005 continuing for period of 3 Years
b.) First Quarter 2005 continuing for period of 5 Years
c.) First Quarter 2005 continuing for period of 10 Years
d.) First Quarter 2005 continuing for period of 20 Years
BGLS will consider deliveries at Ragley or Station 65 Pooling Point prior to LCE operations.

Pipeline: Into Transcontinental Gas Pipe Line (Transco)

Delivery: Interconnection between LCE and Transco Mainline located in Zone 3.
Transfer Point #: To Be Determined

Volume: Up to 10,000 Dth/day Baseload
CP&L shall elect a volume prior to execution of agreement to become Volume for the term.

Service: Firm. BGLS has provided CP&L with Special Provisions to the NAESB contract specifically addressing issues with warranty against delivery risk associated with Liquefied Natural Gas imports.

Pricing: **Fixed Pricing:** NYMEX Last Day Settlement
a.) Plus $0.04
b.) Plus $0.04
c.) Plus $0.04
d.) Plus $0.04
BGLS will provide CP&L the option to trigger NYMEX to establish a fixed price.

Index Pricing: Platt's Inside FERC Gas Market Report, First-of-the-Month Posting for Transcontinental Gas Pipe Line, Zone 3 Monthly Index
a.) Plus $0.01
b.) Plus $0.01
c.) Plus $0.01
d.) Plus $0.01
BGLS will provide CP&L the option to trigger NYMEX to establish a fixed price. BGLS and CP&L will agree to a basis differential prior to any NYMEX activity. Additionally, BLGS will provide CP&L the option to convert First-of-the-Month Index to a Gas Daily, Daily Midpoint Posting price.

BG LNG Services, LLC

CONFIDENTIAL

BG LNG Services, LLC
5444 Westheimer, Suite 1775
Houston, Texas 77056

Telephone: 713-403-3741
Facsimile: 713-403-3781

Cali Option: BGLS will provide CP&L the option to elect a monthly volume between 0 and 10,000 Dth, five business days prior to the beginning of each month. Commodity pricing will be Platt's Inside FERC Gas Market Report, First-of-the-Month Posting for Transcontinental Gas Pipe Line, Zone 3 Monthly Index

a.) Market Responsive Commodity, Demand $ x 10,000 x number of days in month
b.) Market Responsive Commodity, Demand $ x 10,000 x number of days in month
c.) Market Responsive Commodity, Demand $ x 10,000 x number of days in month
d.) Market Responsive Commodity, Demand $ x 10,000 x number of days in month

Intra-Month Swing: BGLS will consider this option as discussions progress. Notification for intra-month changes must be received by BGLS from CP&L by 8:30AM CT day prior to gas flow.

Gas Quality: BGLS will deliver to CP&L at the delivery point, gas that meets or exceeds upstream pipeline gas quality specifications regarding Btu content and natural gas liquids.

Conditions: This proposal is subject to the negotiation, preparation and execution of a definitive agreement as well as BGLS Senior Management approval. Prices contained in this proposal are indicative of the current market, and as such, are subject to change as market conditions change.

BG LNG Services, LLC

CONFIDENTIAL

BG LNG Services, LLC
5444 Westheimer, Suite 1775
Houston, Texas 77056

Telephone: 713-403-3741
Facsimile: 713-403-3781

Mr. Rick Rhodes
Term Gas Lead
Progress Energy Inc.

September 03, 2003

Re: Firm Gas Supply Offer to Florida Power Corporation – VIA Electronic Mail

Dear Rick:

BG LNG Services LLC (BGLS) is pleased to provide the following quotes for Firm Gas Supplies to Florida Power Corporation (FPC) as outlined in your request for proposal dated August 25, 2003. BGLS's offer can be found on the following pages.

BG LNG Services is the largest purchaser of liquefied natural gas (LNG) in North America at its Lake Charles, Louisiana receiving terminal with an estimated daily, non-peak send-out capacity of 630,000 Dth/day (The Lake Charles Terminal maintained continuous operation during 2002 hurricane activity under winds as high as 130 mph). BGLS can deliver to most points in the Louisiana Gulf Coast area. As LNG-sourced gas supply, coupled with high-deliverability storage, BGLS can tailor gas supply arrangements to meet specific customer requirements.

Please keep in mind that the following offer is merely an indication of the current market price at the time, and does not constitute an offer or obligation by BGLS or FPC to a transaction. BGLS will be pleased to provide the most up-to-date price quote at FPC's request.

Once again, we appreciate the opportunity to serve Florida Power Corporation and I look forward to hearing your favorable response.

Sincerely,

Kyle Hamrick
Director, Origination

BG LNG Services, LLC

BG LNG Services, LLC
5444 Westheimer, Suite 1775
Houston, Texas 77056

Telephone: 713-403-3741
Facsimile: 713-403-3781

Proposal for Firm Gas Supply
BG LNG Services, LLC. To
Florida Power Corporation d/b/a Progress Energy Carolinas, Inc.
RFP# LT082203-elba

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Term: a.) January 1, 2008 continuing for period of 3 Years
b.) January 1, 2008 continuing for period of 5 Years
c.) January 1, 2008 continuing for period of 10 Years
d.) January 1, 2008 continuing for period of 20 Years

Pipeline: Into Proposed Cypress Pipeline (Cypress)

Delivery: Interconnection between Southern Natural LNG and Proposed Cypress Pipeline

Volume: Up to 75,000 Dth/day Baseload
FPC shall elect a volume prior to execution of agreement to become Volume for the term.

Service: Firm. BGLS has provided FPC with Special Provisions to the NAESB contract specifically addressing issues with warranty against delivery risk associated with Liquefied Natural Gas imports.

Pricing: **Fixed Pricing:** NYMEX Last Day Settlement
a.) Plus $0.15
b.) Plus $0.15
c.) Plus $0.15
d.) Plus $0.15
BGLS will provide FPC the option to trigger NYMEX to establish a fixed price.

Intra-Month Swing: BGLS will consider this option as discussions progress. Notification for intra-month changes must be received by BGLS from FPC by 8:30AM CT day prior to gas flow.

Gas Quality: BGLS will deliver to FPC at the delivery point, gas that meets or exceeds upstream pipeline gas quality specifications regarding Btu content and natural gas liquids.

Conditions: This proposal is subject to the negotiation, preparation and execution of a definitive agreement as well as BGLS Senior Management approval. Prices contained in this proposal are indicative of the current market, and as such, are subject to change as market conditions change.

PEF 000049
DOCKET NO. 041414-EI

Rhodes, Rick

From: Bowden, Jim [JRBowden@MarathonOil.com]
Sent: Wednesday, September 03, 2003 2:16 PM
To: Rick Rhodes (E-mail)
Cc: Mowrey, Dan; Fleming, Matthew B.
Subject: RFP# LT082203-elba

Mr. Rhodes -

Attached please find our response to the above referenced RFP.

Thank you,

Jim Bowden

<<Progress Energy RFP.doc>>

PEF 000050
DOCKET NO. 041414-EI

CONFIDENTIAL

September 3, 2003

Progress Energy, Inc.
Attn: Rick Rhodes
Term Gas and Logistics Unit
P. O. Box 1551 – PEB 10A
Raleigh, NC 27602

Dear Mr. Rhodes:

Subject: Non-Binding Request for Proposal for Gas Supply
RFP# LT082203-Elba

Marathon Oil Company is pleased to provide the following response to the above referenced RFP of Florida Power Corporation d/b/a Progress Energy Florida, Inc. (hereinafter referred to as Buyer) for long-term gas supply sourced out of the Elba Island LNG Terminal:

Term January 1, 2008 – December 31, 2017.

Volume 20,000 Dth/day to 75,000 Dth/day baseload.

Primary Receipt Point Buyer receipt point will be at the tailgate of the Elba Island LNG facility into Southern Natural Gas Pipeline (the proposed Cypress expansion will be an integral part of Sonat).

Service Firm, with standard LNG force majeure provisions. As shown below, Marathon is providing alternate pricing in the event Buyer elects to have Marathon provide replacement supplies at mutually acceptable receipt points if Marathon is unable to provide gas at the Primary Receipt Point for reasons of force majeure. Price adjustments will be made to reflect Buyer's incremental transportation cost should replacement supplies be needed.

Pricing Fixed Price with force majeure: $5.08/MMBtu
Fixed Price with replacement supplies: $5.18/MMBtu
or
Zero Cost collar with force majeure: Inside FERC Henry Hub Index plus $0.08/MMBtu with a $5.50/MMBtu cap - $4.68/MMBtu floor or $6.00/MMBtu cap - $4.34/MMBtu floor
Zero cost collar with replacement supplies: Inside FERC Henry Hub Index plus $0.18/MMBtu with a $5.60/MMBtu cap - $4.78/MMBtu floor or $6.10 cap - $4.44/MMBtu floor
or
Inside FERC Henry Hub Index plus $0.08/MMBtu or Nymex last day settle plus $0.08/MMBtu (Buyer to retain trigger rights) with force

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majeure or Inside FERC Henry Hub Index plus $0.18/MMBtu or Nymex last day settle plus $0.18/MMBtu (Buyer to retain trigger rights) with replacement supplies.

Nominations: Pre-scheduled (day ahead of gas flow) may be submitted up until nomination deadline.

Requirements GISB / NAESB with special provisions for gas purchases (special provisions currently being reviewed by Marathon's attorney).

Gas Quality Seller shall warranty to Buyer at delivery that all gas meets or exceeds pipeline gas quality specifications regarding Btu content and natural gas liquids. If gas is found to be insufficiently processed, Seller will join with Buyer to petition that the pipeline enforces required specifications on producers.

We look forward to discussing this proposal with you further during the conference call that you have scheduled with Matt Fleming on Tuesday, September 9. Thank you for your consideration.

Sincerely,

James R. Bowden
Manager – Market Development

Rhodes, Rick

From: Rephlo, Doug [DRephlo@coral-energy.com]
Sent: Friday, September 05, 2003 12:14 PM
To: 'rick.rhodes@pgnmail.com'
Subject: FW: Non-Binding RFP

Importance: High
Sensitivity: Confidential

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lng rfp elba island.doc (218 K...

Progress Energy Florida Septem...

Rick,
Attached below is Coral's indicative non-binding response to Progress' non-binding request for proposal for gas supply sourced out of the Elba Island LNG Terminal. We hope you that you please understand that this is very preliminary and effectively kicks off any discussions that Progress and Coral will have regarding LNG supplies at Elba Island. We anticipate that details will be further defined as discussions progress.

We look forward to the conference call we have set up with you at 3 pm Eastern time next Monday (September 8) to discuss potential LNG arrangements at Elba Island.
Regards,
Doug

-----Original Message-----
From: Rhodes, Rick [mailto:Rick.Rhodes@pgnmail.com]
Sent: Friday, August 22, 2003 4:02 PM
To: Rephlo, Doug
Cc: Trimble, John
Subject: Non-Binding RFP
Importance: High
Sensitivity: Confidential

> Progress Energy seeks non-binding proposals from your company to supply natural gas for the requirements listed in the attached RFP. Progress Energy is currently evaluating how LNG could play an integral role in its supply portfolio and your response will serve as a key input to this evaluation. A successful deal will require the execution of a NAESB with the attached Special Provisions, unless your firm already has an approved GISB or NAESB.
>
> You are encouraged to submit your bid via e-mail. FAX response is acceptable, but e-mail is preferable.
>
> We look forward to your response. Feel free to contact me with any questions. Thanks in advance for your timely response by this September 3, 2003 deadline.
>
> > <<lng rfp elba island.doc>>
> Rick Rhodes
> Term Gas & Logistics
> Progress Energy
> 919.546.7613
> rick.rhodes@pgnmail.com
>
>
>

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PEF 000053
DOCKET NO. 041414-EI

Shell Trading

CONFIDENTIAL

Shell Trading Gas and Power Company
909 Fannin, Suite 700
Houston, TX 77010
(713) 767-5400

September 5, 2003

Via E-mail: rick.rhodes@pgnmail.com

Mr. Rick Rhodes
Term Gas Lead
Progress Energy Inc.
Term Gas and Logistics Unit
P.O. Box 1551 – PEB 10A
Raleigh, NC 27602

RE: Non-Binding Gas Supply Proposal at the Elba Island LNG Terminal Outlet

Dear Rick:

Coral Energy Resources, L.P. ("Coral") is pleased to make the following indicative non-binding proposal to Florida Power Corporation d/b/a Progress Energy Florida, Inc ("Progress") to supply natural gas at the Elba Island LNG Terminal Outlet located in Savannah, Georgia (the "Plant"). Coral appreciates the opportunity to review the non-binding request for proposal and submit this indicative non-binding proposal.

Term
The term of this proposed supply arrangement shall be effective for fifteen (15) years or twenty (20) years, beginning on January 1, 2008.

Volume
75,000 Dth/day on a monthly baseload basis ("Maximum Daily Quantity")

Delivery Point
Gas supply will be delivered at the interconnection between the Plant and Southern Natural Gas Company's ("SNG") proposed Cypress Pipeline expansion project, located at the outlet of the Plant in Savannah, Georgia.

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Alternative Delivery Point: Progress Energy's Hines Power Plant, located near Fort Meade, Florida.

Service

Coral will provide natural gas supply to Progress, on a firm basis, through monthly priced natural gas.

This non-binding proposal assumes that Progress will receive gas, on a firm basis, in uniform hourly quantities during any day of the term of the agreement between the parties.

Deliveries by Coral at the Delivery Point are subject to standard natural gas industry Force Majeure provisions that would be applicable upstream to the origin of the gas supply, and the operators of the Plant and SNG scheduling the nominations at the Delivery Point.

Monthly Baseload Priced Firm Supply

Baseload Supply Price: The price for natural gas quantities nominated for monthly baseload volumes (must be equal to the Maximum Daily Quantity during each month of the term) shall equal the price published in *Platts' Inside FERC's Gas Market Report* for such month under the heading "Market Center Spot Gas Prices" "South Louisiana" "Henry Hub" "Index", plus ____ ("Index Premium"), plus an annual price escalator on the Index Premium based on an agreed to inflation index.

Commodity Keepwhole: In the event either party fails to schedule the Maximum Daily Quantity at the Primary Delivery Point, unless excused by an event of Force Majeure, the party that defaults will pay to the other party an amount equal to the sum of the product of the default quantity multiplied by the replacement price differential subject to the following provisions.

In the event of a failure to deliver at the Delivery Point, unless excused by an event of Force Majeure, Coral shall have the right to either: replace the shortfall gas supply for such day at the Alternative Delivery Point without having any other obligation, or replace the shortfall gas supply for such day at any other delivery point mutually agreed to by Coral and Progress with Coral bearing any incremental transportation costs incurred by Progress, or replace the shortfall gas supply for such day by providing alternate fuel or electricity without having any other obligation.

Alternative Pricing: For any given period during the term hereof, Coral can provide certain price risk management capabilities whereby Progress can elect to hedge the proposed market index at a mutually agreeable alternative price through the use of natural

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gas swaps or options on natural gas futures contracts, subject to Progress receiving approval under Coral's credit review process.

Nominations

Progress will make a monthly baseload nomination to Coral by 9:00am Central Prevailing Time ("CPT") five (5) business days prior to the first day of each month. This nomination must be equal to the Maximum Daily Quantity during each month of the term.

Progress shall notify Coral promptly in the event actual purchase quantities are lower than the monthly baseload nomination (which is the Maximum Daily Quantity) on any day during the month, subject to the Commodity Keepwhole provisions.

Taxes

All ad valorem, excise, severance, production, and other taxes assessed upstream of the Delivery Point into the transporting pipeline will be borne by Coral. All such taxes assessed at or downstream of the Delivery Point into the transporting pipeline will be borne by Progress.

Credit

The proposed transaction as described hereunder is subject to Progress receiving approval under Coral's credit review process.

Other Conditions Precedent

Other conditions that would be precedent would include, but not be limited to, the Elba Island terminal expansion being placed in-service, the Cypress Pipeline project being built and placed in-service, and Coral finalizing arrangements with a LNG supply source at Elba Island. Coral would have the right to withdraw an offer for a proposed transaction at any time prior to Coral, in its sole discretion, being satisfied that the Cypress Pipeline project will be built.

This indicative proposal sets forth the preliminary, non-binding indication of interest of Coral and does not create and is not intended to create a binding and enforceable agreement between Coral and Progress and may not be relied upon by either party as the basis for any agreement by estoppel or otherwise, but rather evidences a non-binding expression of interest of Coral to endeavor, without obligation, to pursue the potential sale of gas to Progress. This Indicative Proposal is limited to the sale of gas set forth herein.

Because this Indicative Proposal contains commercially sensitive information, Coral respectfully requests that Progress maintain this Indicative Proposal in a confidential manner, not disclose all or any portion of this Indicative Proposal to any third party without first obtaining Coral's written consent, and use this Indicative Proposal solely in connection with Progress' evaluation and determination of whether Progress desires to

PEF 000056
DOCKET NO. 041414-EI

enter into further discussions or negotiations with Coral regarding the potential sale of gas to Progress.

Please contact me at (713) 767-5502 with any questions regarding this proposal. I look forward to our conference call scheduled for next Monday, September 8, 2003, to discuss this non-binding proposal in greater detail.

Sincerely,

CONFIDENTIAL

Doug Rephlo

Doug Rephlo
General Manager, South Origination
Shell Trading Gas and Power Co.

THIS PROPOSAL IS FOR DISCUSSION PURPOSES ONLY AND IS NOT INTENDED TO BE COMPLETE AND ALL INCLUSIVE OF THE TERMS AND CONDITIONS OF THE RELATED TRANSACTION. THIS PROPOSAL IS NOT AN OFFER, A SOLICITATION OF AN OFFER OR A COMMITMENT OF CORAL ENERGY RESOURCES, L.P. OR ANY PARENT OR AFFILIATE OF CORAL ENERGY RESOURCES, L.P.. THE PROPOSED TRANSACTION DESCRIBED HEREIN IS SUBJECT TO FURTHER REVIEW AND APPROVAL OF CORAL ENERGY RESOURCES, L.P AND EXECUTION OF DEFINITIVE AGREEMENTS CONTAINING ALL APPROPRIATE PROVISIONS, INCLUDING THOSE RELATING TO CREDIT AND LIMITATION OF DAMAGES. THIS PROPOSAL DOES NOT PURPORT TO IDENTIFY OR SUGGEST ANY OR ALL OF THE RISKS (DIRECT OR INDIRECT) WHICH MAY BE ASSOCIATED WITH THE PROPOSED TRANSACTION(S). AS THE INFORMATION CONTAINED HEREIN IS PROPRIETARY, PLEASE KEEP THIS MATERIAL CONFIDENTIAL.

PEF 000057
DOCKET NO. 041414-EI

Rhodes, Rick

From: Trimble, John
Sent: Thursday, September 04, 2003 7:35 AM
To: Rhodes, Rick
Subject: FW: Sempra's LNG RFP Responses

PEF lng rfp 9-03.doc (64 KB)

PEC lng rfp 9-03.doc (64 KB)

Rick:

Sempra's Response to LNG RFP.

John Trimble
Long Term Representative
Progress Energy
Ph: (919) 546-3323

-----Original Message-----
From: Thomas Jacomini [mailto:TJacomin@sempratrading.com]
Sent: Wednesday, September 03, 2003 4:51 PM
To: Trimble, John
Subject: Sempra's LNG RFP Responses

John -
Attached are 2 LNG RFP responses from Sempra.
Contact me should you have any questions.
Regards,
Tommy

tjacomini@sempratrading.com
713-361-7619

<<PEF lng rfp 9-03.doc>> <<PEC lng rfp 9-03.doc>>

****
This e-mail contains privileged attorney-client communications and/or confidential information, and is only for the use by the intended recipient. Receipt by an unintended recipient does not constitute a waiver of any applicable privilege.

Reading, disclosure, discussion, dissemination, distribution or copying of this information by anyone other than the intended recipient or his or her employees or agents is strictly prohibited. If you have received this communication in error, please immediately notify us and delete the original material from your computer.

Sempra Energy Trading Corp. (SET) is not the same company as SDG&E or SoCalGas, the utilities owned by SET's parent company. SET is not regulated by the California Public Utilities Commission and you do not have to buy SET's products and services to continue to receive quality regulated service from the utilities.
****

CONFIDENTIAL

Sempra Energy
Trading

Thomas P. Jacomini, Jr.
Vice President
(713) 361-7619

2500 CityWest Boulevard
Suite 1800
Houston, Texas 77042
Facsimile: (713) 361-7650

Confidential

September 3, 2003

Mr. John Trimble
Progress Energy Inc.
PO Box 1551 – PEB 10A
Raleigh, NC 27602

Via e-mail: john.trimble@pgnmail.com

Re: RFP# LT082203-gc/PEF

Dear John:

Thank you for including Sempra Energy Trading (Sempra) in Progress Energy Florida's Non-Binding Request for Proposal for Gas Supply.

In August, Sempra's Cameron LNG receiving terminal in Hackberry, La., received the final environmental impact statement (EIS) from the Federal Energy Regulatory Commission (FERC). This final EIS for Cameron LNG is the first issued to a new LNG receiving terminal in North America in more than 20 years and is the last hurdle before the FERC authorization to construct can get awarded. Located on the Calcasieu River near Lake Charles, about 150 miles east of Houston and 230 miles west of New Orleans, the $700 million project will have the capacity to process up to 1.5 billion Bcf per day of natural gas. An integral part of Cameron LNG is the 35 mile pipeline extending north from the terminal that will interconnect with several interstate pipelines. The growing need for other sources of supply are evident given recent indications of declining domestic gas production. Sempra's Cameron LNG takes a first step to fill this void. Sempra anticipates construction to begin in 2004, which provides for an in-service date of 2007.

Term: Sempra is interested in discussing gas supply terms of up to 20 years.

PEF 000059
DOCKET NO. 041414-EI

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Volume:	Up to 75,000 DT/day.
Primary Receipt Point:	Cameron LNG pipeline is proposed to interconnect with Florida Gas Transmission Mainline in Zone 2.
Service:	Firm. Sempra would be prepared to address risks associated with LNG transportation and other delivery interruptions.
Pricing:	Several pricing scenarios will be available, not limited to fixed, index, collars and options.
Nominations:	Various levels of nomination flexibility shall be available depending upon the type of contract and pricing desired.
Requirements:	Confirmation of definitive terms under existing executed GISB between Sempra and PEF.
Gas Quality:	Gas shall meet or exceed pipeline gas quality specifications.

John, I realize we are lacking some detail here. Sempra's in-service date of 2007 precludes us from addressing some of the issues/desires Progress Energy is seeking. As we refine our needs, Sempra looks forward to discussing supply options with Progress Energy.

Sincerely,

Thomas P. Jacomini, Jr.
Vice President

These terms are for discussion purposes only and are not intended to be a legally binding commitment, which will only result from the execution and delivery of definitive documentation acceptable to each party in its discretion. The information contained herein is believed to be reliable. However, Sempra makes no representation as to the accuracy or completeness of any information contained herein or otherwise provided by Sempra. Sempra is not acting as Counter Party's advisor and the ultimate decision to proceed with any transaction rests solely with the Counter Party. Therefore, before entering into any proposed transaction, Counter Party should determine the economic risks and merits, as well as the legal, tax and accounting characterizations and consequences of the transaction and that it is able to assume those risks.

POD #16

Rhodes, Rick

From: Bowden, Jim [JRBowden@MarathonOil.com]
Sent: Thursday, April 22, 2004 12:07 PM
To: Rhodes, Rick
Cc: Risser, Dave; Thompson, Carl
Subject: RFP# LT040504-Elba

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<<Progress Energy 4-5-04 RFP.doc>> Rick -

Attached please find Marathon's response to the above referenced RFP. Please let me know if you have any questions, and thank you for the opportunity to participate.

Jim Bowden

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April 22, 2004

Progress Energy, Inc.
Attn: Rick Rhodes
Term Gas and Logistics Unit
P. O. Box 1551 – PEB 10A
Raleigh, NC 27602

CONFIDENTIAL

Dear Mr. Rhodes:

Subject: Request for Proposal for Long-Term Gas Supply; RFP# LT040504 - Elba

Marathon Oil Company is pleased to provide the following response to the above referenced RFP of Florida Power Corporation d/b/a Progress Energy Florida, Inc. (hereinafter referred to as Buyer) for long-term gas supply sourced out of the Elba Island LNG Terminal:

Term May 1, 2008 – March 31, 2021.

Volume Cypress package #1: The following volume requirements starting May 2008 through April 2009.

- 60,000 Dth/day Summer volumes (May-Oct)
- 25,000 Dth/day Winter volumes (Nov-Apr)

Cypress package #2: The following volume requirements starting May 2009 through March 2021.

- 80,000 Dth/day Summer volumes (May-Oct)
- 40,000 Dth/day Winter volumes (Nov-Apr)

Primary Receipt Point Buyer receipt point will be at the tailgate of the Elba Island LNG facility into Southern Natural Gas Pipeline (the proposed Cypress expansion will be an integral part of Sonat).

Service Firm. Seller reserves the right to provide replacement supplies at mutually acceptable receipt points if Seller is unable to provide gas at the Primary Receipt Point. Price adjustments will be made to reflect Buyer's incremental transportation cost should replacement supplies be needed.

Pricing Inside FERC Henry Hub Index plus $0.18/MMBtu, Gas Daily daily Henry Hub Midpoint price plus $0.18/MMBtu, or Nymex last day settle plus $0.18/MMBtu (Buyer to retain trigger rights).

Force Majeure Pricing reflects import delivery risk such that Force Majeure (FM) will not apply to events upstream of the LNG import regasification facility. Examples of events not considered FM include host country risks (i.e.

host country war, strikes, etc.) as well as risks associated with facilities or vessels used for the liquefaction, loading, shipping, and unloading of import gas.

Nominations: Pre-scheduled (day ahead of gas flow) may be submitted up until nomination deadline. Intraday (day of gas flow) nominations will be handled on a best efforts basis.

Requirements GISB / NAESB with special provisions for gas purchases (special provisions currently being reviewed by Marathon's attorney).

Gas Quality Seller shall warranty to Buyer at delivery that all gas meets or exceeds pipeline gas quality specifications regarding Btu content and natural gas liquids. If gas is found to be insufficiently processed, Seller will join with Buyer to petition that the pipeline enforces required specifications on producers.

Acceptance Date This proposal is available for Buyer's acceptance through May 31, 2004. Thereafter, Buyer's acceptance will be subject to Seller's approval.

Conditions Precedent This proposal is contingent upon Seller's negotiation of a mutually acceptable definitive agreement for the delivery of merchantable quantities of natural gas at the tailgate of the Elba Island regasification facility, and upon Seller's negotiation of an agreement providing for sufficient quantities of LNG to be purchased and delivered to the Elba Island regasification facility..

Should you have any questions regarding this proposal please give me a call at 713-296-3700. Thank you for your consideration.

Sincerely,

CONFIDENTIAL

James R. Bowden
Manager – Market Development

Rhodes, Rick

From: Bowden, Jim [JRBowden@MarathonOil.com]
Sent: Wednesday, April 07, 2004 10:14 AM
To: Rhodes, Rick
Subject: RE: Long-Term Gas RFP Elba
Sensitivity: Confidential

CONFIDENTIAL

Rick -

Just confirming that we received your RFP.

Thanks,

Jim

-----Original Message-----
From: Rhodes, Rick [mailto:Rick.Rhodes@pgnmail.com]
Sent: Monday, April 05, 2004 12:51 PM
To: Bowden, Jim
Subject: Long-Term Gas RFP Elba
Importance: High
Sensitivity: Confidential

Jim,

Florida Power Corporation d/b/a Progress Energy Florida, Inc. (FPC) seeks proposals from you to supply natural gas for the requirements listed in the attached RFP. A successful deal will require the execution of a NAESB with the attached Special Provisions, unless your firm already has an approved GISB or NAESB with FPC.

You are encouraged to submit your bid via e-mail. FAX response is acceptable, but e-mail is preferable.

We look forward to your response. Feel free to contact me at the number below with any questions. Thanks in advance for your timely response by this April 26, 2004 deadline.

***** IMMEDIATELY UPON RECEIPT, PLEASE RESPOND TO THE E-MAIL TO CONFIRM RECEIPT *****

<<lng rfp elba island.doc>>

Rick Rhodes
Term Gas Lead
Progress Energy
919.546.7613
rick.rhodes@pgnmail.com

331

Rhodes, Rick

From: Bowden, Jim [JRBowden@MarathonOil.com]
Sent: Wednesday, April 07, 2004 10:14 AM
To: Rhodes, Rick
Subject: RE: Long-Term Gas RFP Elba
Sensitivity: Confidential

CONFIDENTIAL

Rick -

Just confirming that we received your RFP.

Thanks,

Jim

-----Original Message-----
From: Rhodes, Rick [mailto:Rick.Rhodes@pgnmail.com]
Sent: Monday, April 05, 2004 12:51 PM
To: Bowden, Jim
Subject: Long-Term Gas RFP Elba
Importance: High
Sensitivity: Confidential

Jim,

Florida Power Corporation d/b/a Progress Energy Florida, Inc. (FPC) seeks proposals from you to supply natural gas for the requirements listed in the attached RFP. A successful deal will require the execution of a NAESB with the attached Special Provisions, unless your firm already has an approved GISB or NAESB with FPC.

You are encouraged to submit your bid via e-mail. FAX response is acceptable, but e-mail is preferable.

We look forward to your response. Feel free to contact me at the number below with any questions. Thanks in advance for your timely response by this April 26, 2004 deadline.

***** IMMEDIATELY UPON RECEIPT, PLEASE RESPOND TO THE E-MAIL TO CONFIRM RECEIPT *****

<<lng rfp elba island.doc>>

Rick Rhodes
Term Gas Lead
Progress Energy
919.546.7613
rick.rhodes@pgnmail.com

332

Rhodes, Rick

From: Fleming, Matthew B. [MFleming1@MarathonOil.com]
Sent: Tuesday, September 09, 2003 4:19 PM
To: Rhodes, Rick
Cc: Bowden, Jim
Subject: RE: Non-Binding RFP

Sensitivity: Confidential

CONFIDENTIAL

Here is the link for Atlantic LNG, enjoy.

http://www.atlanticlng.com/

Also, please let me know who I should talk with about Destin supplies either daily or monthly. As we mentioned, we have production that will feed into Destin to serve Gulfstream and FGT.

Thanks,

Matt Fleming
713-296-2416

-----Original Message-----
From: Rhodes, Rick [mailto:Rick.Rhodes@pgnmail.com]
Sent: Monday, August 25, 2003 10:16 AM
To: Mowrey, Dan; Fleming, Matthew B.
Cc: Trimble, John
Subject: Non-Binding RFP
Importance: High
Sensitivity: Confidential

> Progress Energy seeks non-binding proposals from your company to supply natural gas for the requirements listed in the attached RFP. Progress Energy is currently evaluating how LNG could play an integral role in its supply portfolio and your response will serve as a key input to this evaluation. A successful deal will require the execution of a NAESB with the attached Special Provisions, unless your firm already has an approved GISB or NAESB.
>
> You are encouraged to submit your bid via e-mail. FAX response is acceptable, but e-mail is preferable.
>
> We look forward to your response. Feel free to contact me with any questions. Thanks in advance for your timely response by this September 3, 2003 deadline.
>
> > <<lng rfp elba island.doc>>
> Rick Rhodes
> Term Gas & Logistics
> Progress Energy
> 919.546.7613
> rick.rhodes@pgnmail.com
>
>
>

333

PEF 001010
Docket No. 041414-EI

Rhodes, Rick

From: Bowden, Jim [JRBowden@MarathonOil.com]
Sent: Wednesday, September 03, 2003 2:16 PM
To: Rick Rhodes (E-mail)
Cc: Mowrey, Dan; Fleming, Matthew B.
Subject: RFP# LT082203-elba

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Mr. Rhodes -

Attached please find our response to the above referenced RFP.

Thank you,

Jim Bowden

<<Progress Energy RFP.doc>>

334

September 3, 2003

Progress Energy, Inc.
Attn: Rick Rhodes
Term Gas and Logistics Unit
P. O. Box 1551 – PEB 10A
Raleigh, NC 27602

CONFIDENTIAL

Dear Mr. Rhodes:

Subject: Non-Binding Request for Proposal for Gas Supply
RFP# LT082203-Elba

Marathon Oil Company is pleased to provide the following response to the above referenced RFP of Florida Power Corporation d/b/a Progress Energy Florida, Inc. (hereinafter referred to as Buyer) for long-term gas supply sourced out of the Elba Island LNG Terminal:

Term January 1, 2008 – December 31, 2017.

Volume 20,000 Dth/day to 75,000 Dth/day baseload.

Primary Receipt Point Buyer receipt point will be at the tailgate of the Elba Island LNG facility into Southern Natural Gas Pipeline (the proposed Cypress expansion will be an integral part of Sonat).

Service Firm, with standard LNG force majeure provisions. As shown below, Marathon is providing alternate pricing in the event Buyer elects to have Marathon provide replacement supplies at mutually acceptable receipt points if Marathon is unable to provide gas at the Primary Receipt Point for reasons of force majeure. Price adjustments will be made to reflect Buyer's incremental transportation cost should replacement supplies be needed.

Pricing Fixed Price with force majeure: $5.08/MMBtu
Fixed Price with replacement supplies: $5.18/MMBtu
or
Zero Cost collar with force majeure: Inside FERC Henry Hub Index plus $0.08/MMBtu with a $5.50/MMBtu cap - $4.68/MMBtu floor or $6.00/MMBtu cap - $4.34/MMBtu floor
Zero cost collar with replacement supplies: Inside FERC Henry Hub Index plus $0.18/MMBtu with a $5.60/MMBtu cap - $4.78/MMBtu floor or $6.10 cap - $4.44/MMBtu floor
or
Inside FERC Henry Hub Index plus $0.08/MMBtu or Nymex last day settle plus $0.08/MMBtu (Buyer to retain trigger rights) with force

majeure or Inside FERC Henry Hub Index plus $0.18/MMBtu or Nymex last day settle plus $0.18/MMBtu (Buyer to retain trigger rights) with replacement supplies.

Nominations: Pre-scheduled (day ahead of gas flow) may be submitted up until nomination deadline.

Requirements GISB / NAESB with special provisions for gas purchases (special provisions currently being reviewed by Marathon's attorney).

Gas Quality Seller shall warranty to Buyer at delivery that all gas meets or exceeds pipeline gas quality specifications regarding Btu content and natural gas liquids. If gas is found to be insufficiently processed, Seller will join with Buyer to petition that the pipeline enforces required specifications on producers.

We look forward to discussing this proposal with you further during the conference call that you have scheduled with Matt Fleming on Tuesday, September 9. Thank you for your consideration.

Sincerely,

James R. Bowden
Manager – Market Development

PEF 001013
Docket No. 041414-EI

Shell Trading

Shell Trading Gas and Power Company
909 Fannin, Plaza Level One
Houston, TX 77010
(713) 767-5400

May 26, 2004

Via E-mail: rick.rhodes@pgnmail.com

Mr. Rick Rhodes
Term Gas Lead
Progress Energy Inc.
Term Gas and Logistics Unit
P.O. Box 1551 – PEB 10A
Raleigh, NC 27602

RE: RFP# LT040504-elba
Response of Coral Energy Resources, L.P.

Dear Rick:

Coral Energy Resources, L.P. ("Coral") is pleased to make the following proposal, subject to certain conditions precedent, to Florida Power Corporation d/b/a Progress Energy Florida, Inc ("Progress") to supply natural gas at the Elba Island LNG Terminal Outlet located in Savannah, Georgia ("Plant"):

Term
The term of this proposed supply arrangement would be effective for twenty (20) years, beginning May 1, 2008 and ending April 30, 2028.

Volume
(1) May 1, 2008 through October 31, 2008 - 60,000 Dth/day
November 1, 2008 through April 30, 2009 – 25,000 Dth/day

(2) May 1, 2009 through April 30, 2028 -
May 1 through October 31 (Summer Volumes) – 80,000 Dth/day
November 1 through April 30 (Winter Volumes) – 40,000 Dth/day

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The volume for both time periods would be delivered on a monthly baseload basis (the volume for each time period is referred to herein as the "Maximum Daily Quantity").

Delivery Point

Primary Delivery Point: Gas supply would be delivered at the interconnection between the Plant and Southern Natural Gas Company's ("SNG") proposed Cypress Pipeline expansion project, located at the outlet of the Plant in Savannah, Georgia.

Alternative Delivery Points: Progress' Hines Power Plant, located near Fort Meade, Florida, or mutually agreeable delivery points from time to time located in the Gulf Coast area on SNG, Florida Gas Transmission, or Gulfstream Natural Gas System.

Service

Coral would provide natural gas supply to Progress, on a firm basis, pursuant to the volume and price terms and conditions proposed herein.

This proposal assumes that Progress will receive gas, on a firm basis, in uniform hourly quantities during any day of the term of the proposed supply arrangement.

Natural gas deliveries by Coral at the Primary Delivery Point (or Alternative Delivery Points, if applicable) would be subject to standard natural gas industry force majeure provisions that would be applicable upstream to the inlet of the LNG liquifaction plant and subject to the scheduling of the nominations by the operators of the Plant and SNG. Acts of the government of the host country supplier that would effect or interfere with Coral's ability to deliver LNG quantities would not be considered force majeure events.

Price

Baseload Supply Price: The price for natural gas quantities nominated for delivery on a monthly baseload basis (which would equal the applicable Maximum Daily Quantity during each month of the term of the proposed supply arrangement) would equal the price published in Platts' *Inside FERC's Gas Market Report* for such month under the heading "Market Center Spot Gas Prices" "South Louisiana" "Henry Hub" "Index", minus $0.05 per MMBtu for the first 24 months and plus $0.04 per MMBtu for the balance of the term ("Index Premium"), plus an annual price escalator on the Index Premium based on a mutually agreed inflation index.

Commodity Keepwhole Provisions: In the event either party would fail to schedule the applicable Maximum Daily Quantity at the Primary Delivery Point, unless excused by an event of force majeure, the party that defaults would pay to the other party an amount equal to the sum of the product of the default quantity multiplied by the replacement price differential subject to the following provisions:

> In the event of a failure to deliver at the Primary Delivery Point, unless excused by an event of force majeure, Coral would have the right to either (1) replace the shortfall gas supply for such day at Progress' Hines Power Plant without having

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any other obligation, or replace the shortfall gas supply for such day at any other Alternative Delivery Point, if mutually agreed to by Coral and Progress, with Coral bearing any incremental transportation costs incurred by Progress, or (2) replace the shortfall gas supply for such day by providing alternate fuel or electricity at mutually agreed points without having any other obligation.

Alternative Pricing: For any given period during the term of the proposed supply arrangement, Coral could provide certain price risk management capabilities whereby Progress could elect to hedge the proposed market index at a mutually agreed alternative price through the use of natural gas swaps or options on natural gas futures contracts, subject to Progress receiving approval under Coral's credit review process.

Nominations

Progress would make a monthly baseload nomination to Coral by 9:00 am Central Prevailing Time ("CPT") five (5) business days prior to the first day of each month of the term of the proposed supply arrangement. This nomination would equal the applicable Maximum Daily Quantity during each month of the term of the proposed supply arrangement.

Progress would notify Coral promptly in the event actual purchase quantities would be lower than the monthly baseload nomination (which is the Maximum Daily Quantity) on any day during a month, subject to the Commodity Keepwhole provisions set forth herein.

Taxes

All taxes, including but not limited to ad valorem, excise, severance, and production taxes, that would be assessed upstream of the Delivery Point or any Alternative Delivery Points into the transporting pipeline would be borne by Coral. All such taxes assessed at or downstream of the Delivery Point into the transporting pipeline would be borne by Progress.

Credit

The proposed supply arrangement as described herein is subject to standard credit due diligence under Coral's credit review process. Progress will be required to execute a master contract with bilateral credit terms and conditions deemed necessary by Coral in its sole discretion.

Conditions Precedent

In addition to the credit requirements set forth above, Coral anticipates that the closing of the proposed supply arrangement would be subject to customary closing conditions including, but not limited to, the following:

(1) The Elba Island terminal expansion being completed and placed in-service, as certificated by the Federal Energy Regulatory Commission ("FERC").

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(2) The Cypress Pipeline expansion project being completed and placed in-service, as certificated by the FERC.

(3) The negotiation and execution of all definitive agreements relating to the proposed supply arrangement containing covenants, agreements, conditions, representations, warranties, and indemnities which are usual and customary in transactions of the type contemplated herein.

(4) The receipt by Coral and its affiliates of all necessary governmental and regulatory approvals, in form and substance acceptable to Coral in its sole discretion in connection with the proposed supply arrangement.

Because this proposal contains commercially sensitive information, Progress must maintain this proposal in a confidential manner, not disclose all or any portion of this proposal to any third party without first obtaining Coral's written consent, and use this proposal solely in connection with Progress' evaluation and determination of whether Progress desires to enter into further discussions or negotiations with Coral regarding the potential sale of gas to Progress.

Notwithstanding any other provision set forth herein, this proposal will expire as of close of business on September 30, 2004. In addition, Coral has the right to withdraw this proposal transaction at any time prior to the satisfaction of the conditions precedent set forth above, as determined by Coral in its sole discretion.

Coral appreciates the opportunity to submit this proposal to Progress. Please contact Mr. Doug Rephlo at (713) 767-5502 with any questions regarding this proposal.

Sincerely,

Slavko Preocanin
Senior Vice President
Shell Trading Gas and Power Company

THIS PROPOSAL IS FOR DISCUSSION PURPOSES ONLY AND IS NOT INTENDED TO BE COMPLETE AND ALL INCLUSIVE OF THE TERMS AND CONDITIONS OF THE RELATED TRANSACTION. THE PROPOSED TRANSACTION DESCRIBED HEREIN IS SUBJECT TO FURTHER REVIEW AND APPROVAL OF CORAL ENERGY RESOURCES, L.P AND EXECUTION OF DEFINITIVE AGREEMENTS CONTAINING ALL APPROPRIATE PROVISIONS, INCLUDING THOSE RELATING TO CREDIT AND LIMITATION OF DAMAGES. THIS PROPOSAL DOES NOT PURPORT TO IDENTIFY OR SUGGEST ANY OR ALL OF THE RISKS (DIRECT OR INDIRECT) WHICH MAY BE ASSOCIATED WITH THE PROPOSED TRANSACTION.

Shell Trading

Shell Trading Gas and Power Company
909 Fannin, Plaza Level One
Houston, TX 77010
(713) 767-5400

May 26, 2004 Deleted: April

Via E-mail: rick.rhodes@pgnmail.com

Mr. Rick Rhodes
Term Gas Lead
Progress Energy Inc.
Term Gas and Logistics Unit
P.O. Box 1551 – PEB 10A
Raleigh, NC 27602

CONFIDENTIAL

RE: RFP# LT040504-elba
Response of Coral Energy Resources, L.P.

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May 1 through October 31 (Summer Volumes) – 80,000 Dth/day
November 1 through April 30 (Winter Volumes) – 40,000 Dth/day

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This proposal assumes that Progress will receive gas, on a firm basis, in uniform hourly quantities during any day of the term of the proposed supply arrangement.

Natural gas deliveries by Coral at the Primary Delivery Point (or Alternative Delivery Points, if applicable) would be subject to standard natural gas industry force majeure provisions that would be applicable upstream to the inlet of the LNG liquifaction plant and subject to the scheduling of the nominations by the operators of the Plant and SNG. Acts of the government of the host country supplier that would effect or interfere with Coral's ability to deliver LNG quantities would not be considered force majeure events.

Deleted: origin
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Price

Baseload Supply Price: The price for natural gas quantities nominated for delivery on a monthly baseload basis (which would equal the applicable Maximum Daily Quantity during each month of the term of the proposed supply arrangement) would equal the price published in Platts' *Inside FERC's Gas Market Report* for such month under the heading "Market Center Spot Gas Prices" "South Louisiana" "Henry Hub" "Index", minus $0.05 per MMBtu for the first 24 months and plus $0.04 per MMBtu for the balance of the term ("Index Premium"), plus an annual price escalator on the Index Premium based on a mutually agreed inflation index.

Commodity Keepwhole Provisions: In the event either party would fail to schedule the applicable Maximum Daily Quantity at the Primary Delivery Point, unless excused by an event of force majeure, the party that defaults would pay to the other party an amount equal to the sum of the product of the default quantity multiplied by the replacement price differential subject to the following provisions:

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Deleted: April
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Credit

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Conditions Precedent

In addition to the credit requirements set forth above, Coral anticipates that the closing of the proposed supply arrangement would be subject to customary closing conditions including, but not limited to, the following:

(1) The Elba Island terminal expansion being completed and placed in-service, as certificated by the Federal Energy Regulatory Commission ("FERC").

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(2) The Cypress Pipeline expansion project being completed and placed in-service, as certificated by the FERC.

(3) The negotiation and execution of all definitive agreements relating to the proposed supply arrangement containing covenants, agreements, conditions, representations, warranties, and indemnities which are usual and customary in transactions of the type contemplated herein.

(4) The receipt by Coral and its affiliates of all necessary governmental and regulatory approvals, in form and substance acceptable to Coral in its sole discretion in connection with the proposed supply arrangement.

Because this proposal contains commercially sensitive information, Progress must maintain this proposal in a confidential manner, not disclose all or any portion of this proposal to any third party without first obtaining Coral's written consent, and use this proposal solely in connection with Progress' evaluation and determination of whether Progress desires to enter into further discussions or negotiations with Coral regarding the potential sale of gas to Progress.

Notwithstanding any other provision set forth herein, this proposal will expire as of close of business on September 30, 2004. In addition, Coral has the right to withdraw this proposal transaction at any time prior to the satisfaction of the conditions precedent set forth above, as determined by Coral in its sole discretion.

Coral appreciates the opportunity to submit this proposal to Progress. Please contact Mr. Doug Rephlo at (713) 767-5502 with any questions regarding this proposal.

Sincerely,

Slavko Preocanin
Senior Vice President
Shell Trading Gas and Power Company

THIS PROPOSAL IS FOR DISCUSSION PURPOSES ONLY AND IS NOT INTENDED TO BE COMPLETE AND ALL INCLUSIVE OF THE TERMS AND CONDITIONS OF THE RELATED TRANSACTION. THE PROPOSED TRANSACTION DESCRIBED HEREIN IS SUBJECT TO FURTHER REVIEW AND APPROVAL OF CORAL ENERGY RESOURCES, L.P AND EXECUTION OF DEFINITIVE AGREEMENTS CONTAINING ALL APPROPRIATE PROVISIONS, INCLUDING THOSE RELATING TO CREDIT AND LIMITATION OF DAMAGES. THIS PROPOSAL DOES NOT PURPORT TO IDENTIFY OR SUGGEST ANY OR ALL OF THE RISKS (DIRECT OR INDIRECT) WHICH MAY BE ASSOCIATED WITH THE PROPOSED TRANSACTION.

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Deleted: (3) Coral locating a LNG supply source at Elba Island and negotiating all necessary agreements regarding such LNG supply source under terms acceptable to Coral and its affiliates.¶
¶
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Caldwell, Rob

From: Varagona, Michael J (Mike) [Mike.Varagona@ElPaso.com]
Sent: Friday, May 21, 2004 3:30 PM
To: Caldwell, Rob
Subject: FW: SNG / FGT Transport Proposal

From: Varagona, Michael J (Mike)
Sent: Friday, May 21, 2004 2:28 PM
To: 'pam.murphy@pgnmail.com'
Cc: Hughes, Bruce H; 'Jack.Boatman@CrossCountryEnergy.com'
Subject: SNG / FGT Transport Proposal

Rob and Pam - attached above are the presentation materials that we are planning on discussing with you on Wednesday. Please take a look and feel free to give either me or Bruce a call if you have any questions. We look forward to seeing you on Wednesday.

Regards

Mike Varagona

Ph. (205) 325-7185 (Bham)
Fax (205) 325-3787
Cell (205) 908-7056
Email Mike.Varagona@ElPaso.com

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****
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****

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Progress / BG / SNG / FGT Meeting in Raleigh

Hines 4 Project
May 26, 2004

346

PEF 001064
Docket No. 041414-EI

Attendees

Rob Caldwell	Progress	(919) 546-4552
Pam Murphy	Progress	(919) 546-4553
Betsy Spomer	BG	(713) 403-3744
David Jenkins	BG	(713) 599-3857
Bob Hayes	FGT	(281) 853-3162
Jack Boatman	FGT	(281) 370-6154
Jim Yardley	SNG	(205) 325-3834
Bruce Hughes	SNG	(205) 325-7146
Mike Varagona	SNG	(205) 325-7185

PEF 001065
Docket No. 041414-EI
347

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Agenda

- Review commitment level and cost to-date
- New SNG/FGT Proposal
- Comparative Analysis
- Timeline
- Next Steps

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PEF 001066
Docket No. 041414-EI
348

Previous Proposal

(SNG Zone 3 max rate, FGT proposed settlement rate & $.10 FGT winter rate)

			Contract Quantities			Progress Cost		
	Days	Rates	2007	2008	2009	2007	2008	2009
FGT								
Summer	153	$0.769	60,000	80,000	100,000	$7,059,420	$9,412,560	$11,765,700
Winter	212	$0.100	25,000	40,000	50,000	$530,000	$848,000	$1,060,000
						$7,589,420	$10,260,560	$12,825,700
SNG								
Summer	153	$0.345	60,453	80,605	100,756	$3,192,912	$4,257,269	$5,321,573
Winter	212	$0.345	60,453	80,605	100,756	$4,424,166	$5,898,961	$7,373,683
						$7,617,078	$10,156,230	$12,695,256
Total Cost						**$15,206,498**	**$20,416,790**	**$25,520,956**
Effective Unit Rate						$0.694	$0.699	$0.699

PEF 001067

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New Proposal

(SNG Zone 3 max rate, FGT proposed settlement rate & $.10 FGT winter rate)

			Contract Quantities			Progress Cost		
	Days	Rates	2007	2008	2009	2007	2008	2009
FGT								
Summer	153	$0.769	60,000	80,000	100,000	$7,059,420	$9,412,560	$11,765,700
Winter	212	$0.100	25,000	40,000	50,000	$530,000	$848,000	$1,060,000
						$7,589,420	$10,260,560	$12,825,700
SNG 1/								
Summer	153	$0.355	60,453	80,605	100,756	$3,281,097	$4,374,851	$5,468,550
Winter	212	$0.355	25,189	40,302	50,378	$1,894,334	$3,030,905	$3,788,669
						$5,175,432	$7,405,755	$9,257,218
Total Cost						**$12,764,852**	**$17,666,315**	**$22,082,918**
Effective Unit Rate						$0.583	$0.605	$0.605

PEF 001068

1/SNG will market winter capacity in open season. If SNG is unsuccessful placing this capacity, BG will have an option to take the capacity or terminate its precedent agreement.

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SNG / FGT Advantages

- Supply Diversity
  - LNG
  - Conventional
  - Coal Seam
  - Pipeline Interconnects
  - Hurricane protection

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- New Pipeline Infrastructure into Florida

- Alternate receipt and delivery points
  - 171 receipt pts on SNG and 91 on FGT
  - 473 delivery pts on SNG and 240 on FGT

PEF 001069
Docket No 041414 EI
351

SNG / FGT Advantages

- Increased FGT pressure to Hines
- Progress CT's in-path on FGT

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- Long term firm supply contract / fixed basis
  - Gulfstream competes with Transco/SNG/FGT
  - Transco station 85 trades at +9¢ and rising
- Future opportunities at Suwanee

PEF 001070
Docket No. 041414-EI

SNG/FGT Advantages

- Access to storage
  - SNG - Muldon and Bear Creek
  - FGT - Bay Gas
  - Petal
- Multiple FGT delivery points Hines/Anclote
- SNG winter release value (Zone 3)
- Off-Peak transport value on FGT

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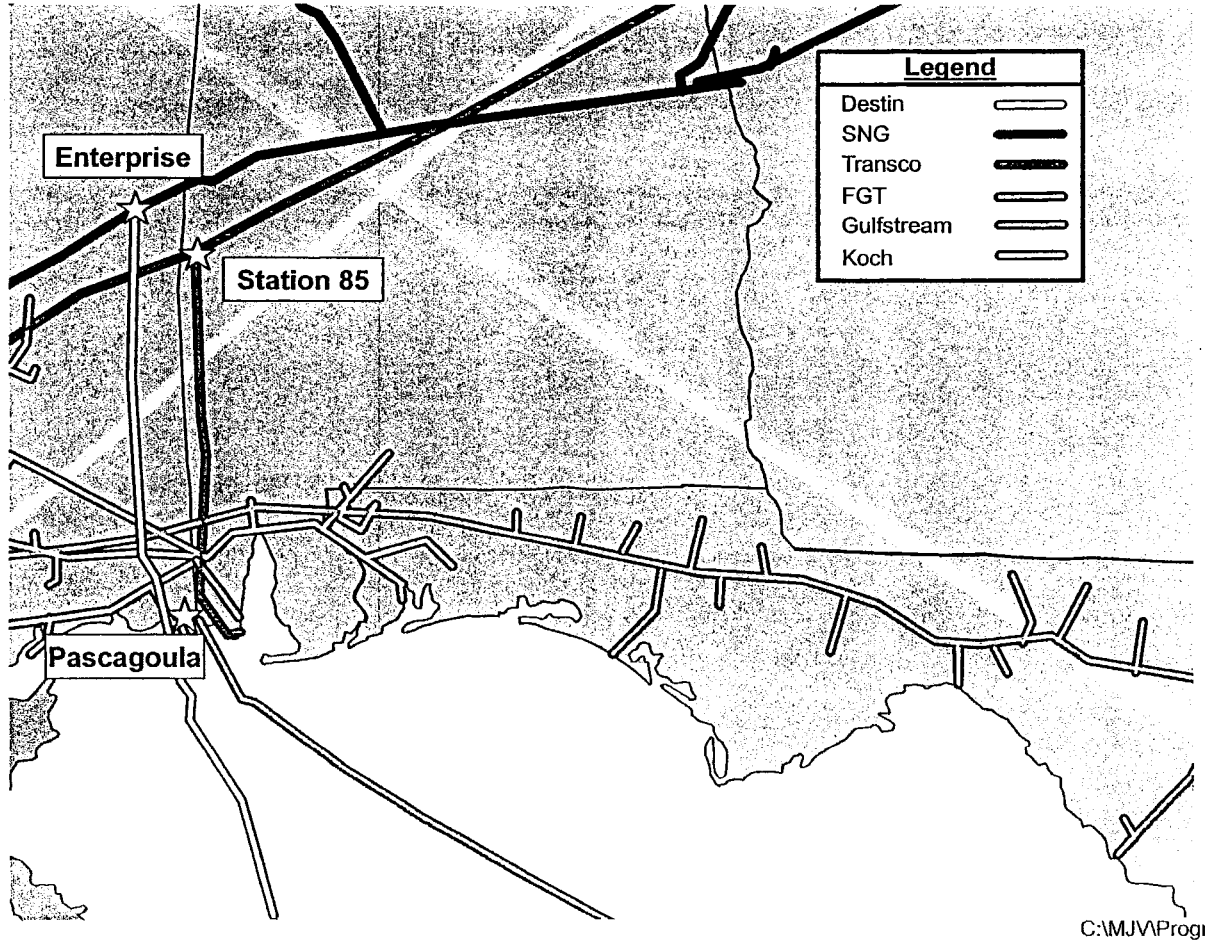
SNG/FGT Advantages

- SNG arbitrage value
  - Sell supply into SNG on high winter demand days
  - Augment Hines with FGT released capacity

PEF 001072
Docket No. 041414-EI

Eastern Gulf Pipeline Infrastructure

- FGT, SNG, Transco, and Gulfstream all compete for limited eastern gulf supply
- Last major expansions on SNG, FGT and Transco all out of eastern gulf
- Gulfstream captive to eastern gulf



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PEF 001073
Docket No. 041414-EI

Future Dependence on Eastern Gulf

ep

Pipeline	Eastern Gulf Sourced Firm Capacity	Total FT Capacity	% of Total
SNG	570	3,370	17%
Transco	1,295	6,300	21%
FGT	923	2,150	38%
Gulfstream	1,100	1,100	100%
	3,888		

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- Eastern Gulf Production ~2.8 BCF
- As Gulfstream picks up with increased contract volumes to FP&L's Martin and Manatee plant, basis pressure will increase
- Current basis into Transco station 85 is +.09 YTD & rising
- Future effect of Bahamas uncertain

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PEF 001074
Docket No. 041414-EI

Gulfstream Basis Pressure

- Through 2003 Gulfstream actual utilization has only been ~17%
  - GS Firm Service Contract Volumes (MMBtu/day)

	June 2003	June 2004	June 2005
Total	227,000	322,000	722,000
% Subscribed	21 %	29 %	66 %

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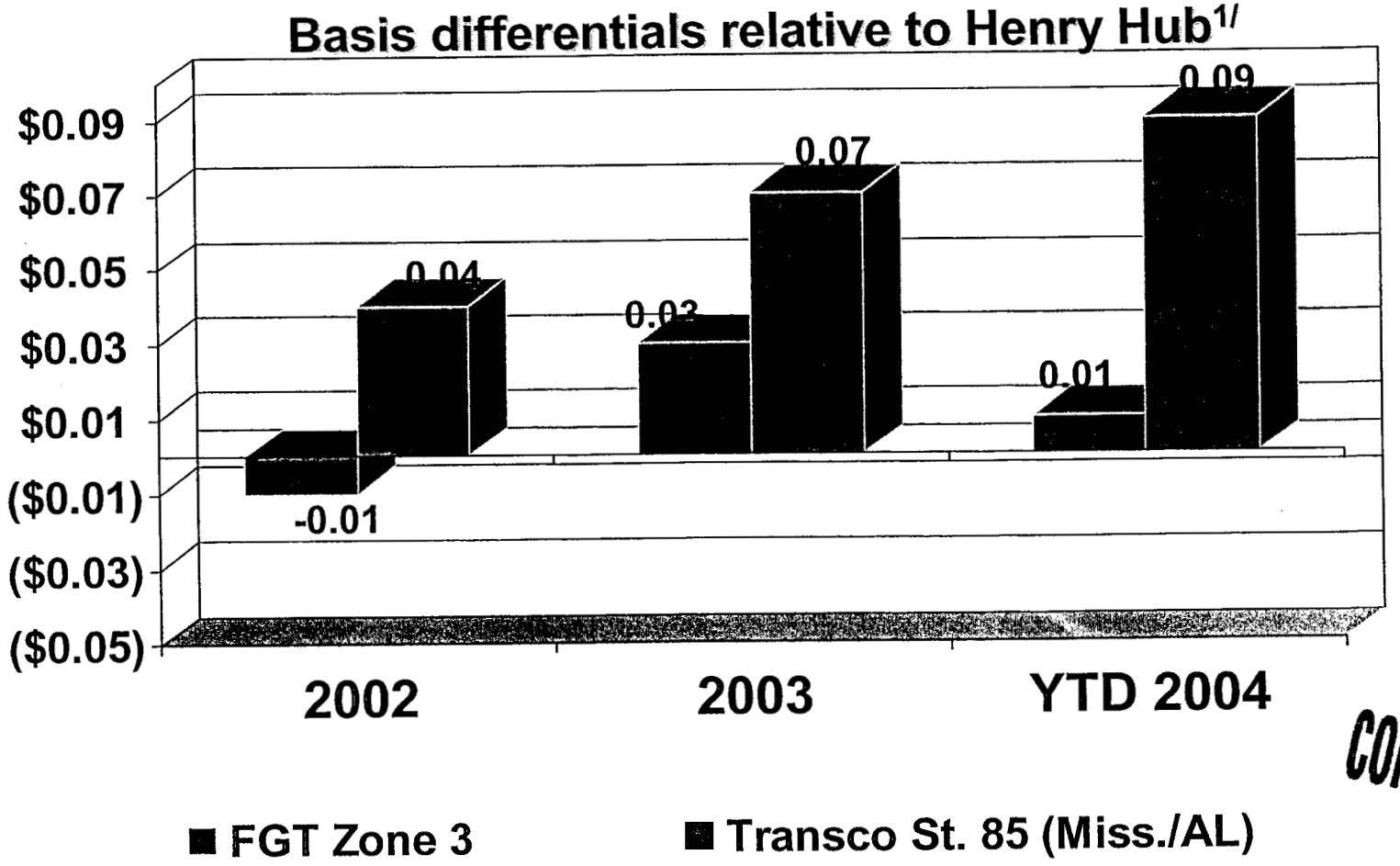
- As contracted volumes on Gulfstream increase, upward basis pressure in Mobil Bay (the only Gulfstream supply source) has occurred and may be more pronounced in the future

PEF 001075
Docket No. 041414-EI
357

Historical Basis Trends



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1/ Historical data based on [illegible] 20th first of the month index for May, 2004.

C:\MJV\Progress 5-26-04.ppt

PEF 001076
Docket No. 041414-EI

358

Timeline

Precedent Agreements	June 4
Open Season	June 15 – July 30
Board Approvals	August 2004
FERC Application	November 2004
Florida PSC	May 2005
In-Service	May 2007

PEF 001077
Docket No. 041414-EI

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Next Steps

- Progress response
- Progress Hines 5
- SNG open season
- FGT open season
- Open season review
- Board approvals
- Contracting process

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PEF 001078
Docket No. 041414-EI
360

Caldwell, Rob

CONFIDENTIAL

From: Mazo, Gary
Sent: Thursday, November 11, 2004 10:19 AM
To: Caldwell, Rob; Schiller, Frank; Byone, Steve
Cc: McCallister, Joseph; Daly, John; McQuade, Mark; Murphy, Pam (CP&L); Torres, Pete; Bechard, Gary
Subject: Southern Natural Gas

As follow up to the meeting last week regarding Southern Natural Gas Company, the credit group performed a detail review of Southern Natural Gas' 2003 10-K and 6/30/04 10-Q.

The main driver of Southern Natural Gas' weak credit ratings is its affiliation with El Paso. El Paso is rated CCC+ by S&P and Moody's and are on negative watch for further downgrades. Moody's KMV a service that uses predictive analytics to assess credit risk rates El Paso over 50 times riskier than the S&P median and the 4th riskiest firm in the S&P 500 index.

Southern Natural Gas states in its filings "Due to our relationship with El Paso, adverse developments or announcements concerning El Paso could adversely affect our financial condition, even if we have not suffered any similar development". Southern Natural Gas further discloses "If El Paso were the subject of a voluntary or involuntary bankruptcy proceedings, El Paso and its other subsidiaries and their creditors could attempt to make claims against us, including claims to substantively consolidate our assets and liabilities with those of El Paso and its other subsidiaries." In that event, "...there could be a material adverse effect on our financial condition and our liquidity"

This is important because El Paso has substantial control over Southern Natural Gas' payment of dividends, decisions about financings and capital raising activities, mergers and other business combinations, acquisition and disposition of assets and participation in El Paso's cash management program. The 10-K states, "El Paso may exercise such control in its interests and not necessarily in the interests of us or the holders of our long term debt." This control is highlighted by the following:

- El Paso took a $600mm dividend in 2003. This resulted in reducing Southern Natural Gas' equity by almost 40%.
- In 2003 $400mm in debt was added to Southern Natural Gas' balance sheet
- All of Southern Natural Gas' cash surpluses are sent to El Paso as part of the cash management program. Southern Natural Gas maintains no cash and is currently owed $160mm from El Paso.
- $140mm of Southern Natural Gas' assets (Bear Creek Storage Co) serve as collateral under El Paso's revolving credit facility.

A bankruptcy by El Paso could have further impacts to Southern Natural Gas' liquidity:

- Loss of a "significant potential liquidity" through the El Paso cash management program
- "No assurance that El Paso could repay amounts owed to us" requiring write-offs that could have a "material impact on our stockholders equity". Such a write-off "...could prohibit us from incurring additional debt..."

What does all this mean? Even though Southern Natural Gas is a profitable entity with positive cash flows from operations, it financial resources are being drained by their parent company El Paso. As a result, you can not look at Southern Natural Gas credit with out taking into account their relationship with El Paso (this is why the major rating agencies rate them as a B). We see 3 likely outcomes for Southern Natural Gas:

- As part of El Paso's restructuring, Southern Natural Gas is sold to a stronger player in the industry
- Claims are made against Southern Natural Gas in an El Paso bankruptcy proceeding
- Southern Natural Gas is forced to enter bankruptcy (at least for a short time) after an El Paso bankruptcy because they have no short term liquidity to pay creditors or service debt

As far as probabilities of bankruptcy, we got some additional predictive information from Moody's KMV to go along with the historical default rates we also got from Moody's. With this information we have come up with some ranges of bankruptcy probabilities. Please note that once you get past 10 years the data is less reliable as we must extrapolate the curves.

1 year - 6 to 7 percent
5 years - 18 to 30 percent
10 years - 23 to 43 percent
20 years - 50 to 76 percent

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PEF 001079
Docket No. 041414-EI

Keep in mind, these percentages do not represent the probabilities of Southern Natural Gas not performing under the BG contract. They only represent the probabilities of Southern Natural Gas declaring bankruptcy. Many companies operate in bankruptcy. However, it does increase the risk that unfavorable contacts are set aside by the courts.

If anyone has additional question let me know.

Gary P. Mazo
Manager - Progress Ventures Credit
Enterprise Risk Management Department
Progress Energy Service Company, LLC
Phone - (919) 546-7189
Cell - (919) 812-1898

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Caldwell, Rob

From: Cornutt, Barbara H [Barbara.Cornutt@ElPaso.com]
Sent: Wednesday, July 07, 2004 3:34 PM
To: Caldwell, Rob
Cc: Rhodes, Rick; Murphy, Pam (CP&L)
Subject: Elba Advantages

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Rob,

I understand your team is taking a hard look at our project, the Bahama projects and Gulfstream. We have spent a considerable amount of time discussing the merits of our project. We believe the combination of SNG and FGT firm transportation capacity offers significant flexibility and value to Progress at a competitive rate. In addition, we feel BG has really stepped up to support the project by offering Progress an attractive supply deal and by committing to take a substantial portion of firm transportation capacity on SNG to support the project scope requirements.

Attached are three charts which attempt to distinguish our project from the Bahama projects. You probably have a better perspective than we do on the schedule risk, but the charts reflect our view. Betsy Spomer is probably better informed than either of us on gas supply matters and she has shared her views with you and us. On the Bahama project economics, we can see the attraction of a landed price in south Florida in the fifty cent range for FPL but it is not clear to us if that is sufficient to attract gas supply. Furthermore, if FGT requires a rate comparable to the proposed Progress rate from either the SNG Jacksonville interconnection or any of the proposed Bahama project interconnections as we understand they will, we do not believe any of the Bahama projects offer significant commercial advantages in the Tampa area.

Bruce Hughes
SNG Business Development
Phone: 205-325-7145
Fax: 205-325-3787

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Elba Advantages

July 7, 2004

Southern Natural Gas
an El Paso company

PEF 001082
Docket No. 041414-EI

Elba Advantages

- Project certainty (terminal, gas supply, pipeline infrastructure)
  - Service provided from existing U.S. terminal
  - Gas supply under contract from British Gas (multiple sources)
  - Pipeline infrastructure from SNG / FGT
- Project flexibility (SNG, FGT, BG)
  - Firm interstate transport capacity
  - Gas supply diversity
  - Alternative receipt / delivery points on SNG and FGT
  - Storage access on SNG / FGT
  - Seasonality on transport capacity and gas supply
  - Increased contract delivery pressure on FGT
- Competitive rates
  - Regulated rates on interstate pipelines (with rate caps)
  - Capacity release rights on SNG and FGT
  - Segmentation opportunities on SNG and FGT

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Bahamas Projects

- Project certainty
  - Project siting risk, capital risk and schedule risk difficult to access
  - Project(s) appear dependent on FPL to provide economic scale
- Project gas supply
  - Only one project has any confirmed gas supply (quantity is insufficient to support project)
  - Gas quality issues have not been addressed
- Project summary
  - Any of the three projects appear plausable for 2010 or beyond but all appear unlikely near term and have significant development issues

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Bahama Project Economics

- Capital Cost approx. $650 Mil /($120 rev. req'd)
  - Sendout 800 MMcfd
  - Advertised rate 40¢
- Projected ramp-up

	2008	2009	2010	2011	2012
Capacity (MMCFD)	160	320	480	640	800

- Project Economics

w/ Ramp-up Volume		Plus $.10 on Unsubscribed Capacity	
Req'd Rate	IRR	Req'd Rate	IRR
$ 0.40	8.0%	$ 0.40	8.6%
$ 0.44	9.0%	$ 0.42	9.0%
$ 0.48	10.0%	$ 0.45	10.0%
$ 0.56	12.0%	$ 0.53	12.0%

S:\bd\Hughes 2004\Elba advantage 7-7-04.ppt

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Caldwell, Rob

From: Murphy, Pam (CP&L)
Sent: Thursday, May 20, 2004 10:25 AM
To: Caldwell, Rob
Subject: RE: Cypress/Elba

Importance: High

That's fine. I can set up the meeting here. Also attached is hopefully the final version of the analysis you requested. I asked John to add one more scenario which is "Cypress (Elba LNG) Option 2a" as well as to match up the TECO volumes with their actual proposal and raise the Gulfstream volumes to 28,000 Dth so that it would equal 60,000 under the "Gulfstream/TECO options".

Please review
'Supply Options ...

In addition, I am working with the attorneys to be sure that the max cost rate for Hines 4 is the S.6639 OR the total cost when you multiply the volumes times the rate times 365 days based on the evaluation that was conducted on the RFP proposals. Another concern I have is tying the extra volumes in 2009 forward (80,000 Dth/day) with the Hines 4 Precedent Agreement when the evaluation and cost was based on a lower volume.

The original Cypress/BG/FGT proposal was delivered to us using the following volumes: 60,000 Dth/d year round on Cypress in 2007, 80,000 Dth/d year round in 2008 and 100,000 Dth/d year round in 2009. FGT was 60,000 Dth/d May-Sept and 25,000 October-April in 2007, 80,000 Dth/d May-Sept and 40,000 in October-April in 2008 and 120,000 Dth/d May-Sept and 60,000 October-April in 2009.

I want to be sure you are aware that the volumes we are looking at are 60,000/25,000 in 2008 and then 80,000/40,000 in 2009 forward. We cannot do the 120,000 Dth/day scenario. I did discuss with Javier if there was a risk to start the 60,000/25,000 in 2007 and we both thought we could sell that to the Public Staff and the Commission.

Pam

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-----Original Message-----
From: Caldwell, Rob
Sent: Wednesday, May 19, 2004 1:12 PM
To: Murphy, Pam (CP&L)
Subject: Cypress/Elba

Pam, I just talked to Norman Holmes. They would like to come up on Weds 5/26 8 to 10am , with BG, to take a final shot at seeing if we can make it work. We need to be ready before then to with our position or potential solutions, if any. Let's get our internal team together before then and finalize our analysis and thoughts. I believe this is going to be the go or no-go decisions for BG and SNG. Please call if you would like to discuss. Thanks. Rob

Murphy, Pam (CP&L)

From: Cornutt, Barbara H [Barbara.Cornutt@ElPaso.com]
Sent: Wednesday, July 07, 2004 3:34 PM
To: Caldwell, Rob
Cc: Rhodes, Rick; Murphy, Pam (CP&L)
Subject: Elba Advantages

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Bruce Hughes
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Phone: 205-325-7145
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July 7, 2004

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an El Paso company

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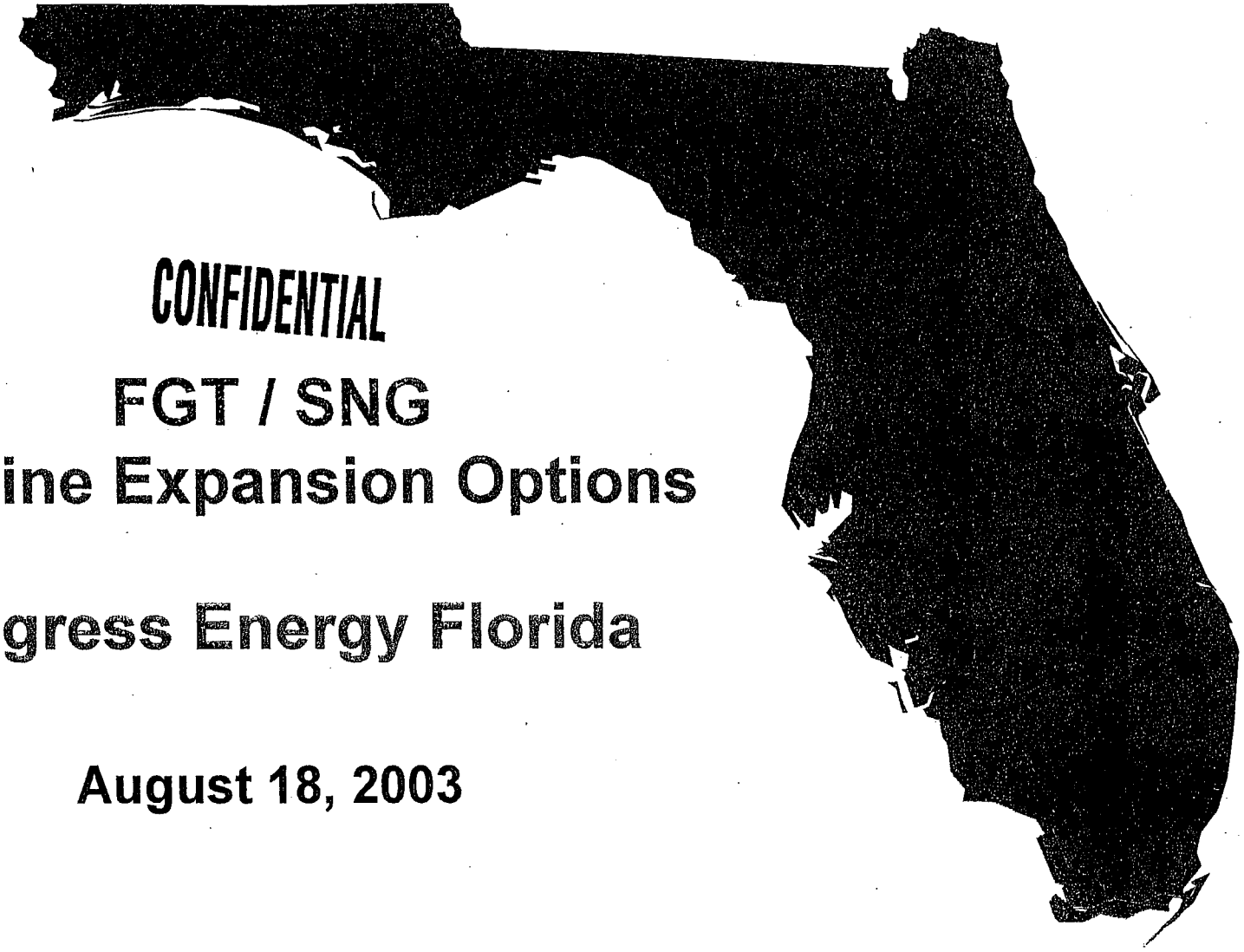

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FGT / SNG
Pipeline Expansion Options

Progress Energy Florida

August 18, 2003

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PEF 001092
Docket No. 041414-EI

FGT / SNG Expansion Project
Proposed Service Parameters

- "Seamless" firm transportation service across SNG - Cypress and FGT from Elba to Progress Energy delivery points in Florida
- Supply access
  - Primary – direct access to Elba LNG Supply
  - Alternate access on FGT and SNG
- Multiple delivery points - primary firm transport service to multiple Progress Energy Florida plants
- FGT Rate Schedule FTS-2 Service – commodity rate & fuel
- Seasonal contract volumes or negotiated rate

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Cypress

FGT / SNG Expansion Project
Progress Energy Florida

- Direct access to Elba LNG supply
- Alternate supply access on SNG and FGT
- Primary firm transportation service to multiple Progress Energy Florida plants
- Negotiated demand rate: 60 - 65 cents
- Seasonal contract volumes:

	May-Sept	October	Nov-Mar	April	Annual Dly Avg
Example	100,000	100,000	55,000	100,000	81,000

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FGT / SNG Expansion Project Advantages

- "Seamless" firm transportation service across SNG – Cypress and FGT from Elba to Progress Energy delivery points in Florida
- Flexibility on firm service volume desired
- Supply access and diversity
  - Direct access to Elba LNG
  - Access to supply on FGT and SNG
  - Access to storage on FGT and SNG
- Competitive Pricing
  - Seasonal contract volumes or negotiated rate
- FGT's and SNG's proven track record in meeting customer's timing requirements

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Rhodes, Rick

From: Cornutt, Barbara H [Barbara.Cornutt@ElPaso.com]
Sent: Friday, January 21, 2005 10:03 AM
To: Rhodes, Rick
Cc: Hughes, Bruce H
Subject: Bruce Hughes' Cypress Testimony

Per your conversation with Bruce Hughes yesterday, see the middle schedule. Please call Bruce if you need additional information. Thanks.

Barbara Cornutt for Bruce Hughes
Executive Administrative Assistant
Southern Natural Gas Company
Phone: 205-325-7545
Fax: 205-325-3787
Barbara.Cornutt@elpaso.com

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Rhodes, Rick

From: Cornutt, Barbara H [Barbara.Cornutt@ElPaso.com]
Sent: Friday, January 21, 2005 10:03 AM
To: Rhodes, Rick
Cc: Hughes, Bruce H
Subject: Bruce Hughes' Cypress Testimony

Per your conversation with Bruce Hughes yesterday, see the middle schedule. Please call Bruce if you need additional information. Thanks.

Barbara Cornutt for Bruce Hughes
Executive Administrative Assistant
Southern Natural Gas Company
Phone: 205-325-7545
Fax: 205-325-3787
Barbara.Cornutt@elpaso.com

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FPSC DOCKET NO.

IN RE: PROGRESS ENERGY FLORIDA, INC.'S PETITION FOR APPROVAL OF LONG-TERM FUEL SUPPLY AND TRANSPORTATION CONTRACTS FOR HINES UNIT 4 AND ADDITIONAL SYSTEM SUPPLY AND TRANSPORTATION

DIRECT TESTIMONY
OF
BRUCE H. HUGHES
ON BEHALF OF
SOUTHERN NATURAL GAS COMPANY
AND
PROGRESS ENERGY FLORIDA, INC.

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I. INTRODUCTION AND QUALIFICATIONS

Q. Please state your name, address and position with Southern Natural Gas Company.

A. My name is Bruce H. Hughes. I am a Director of Business Development for Southern Natural Gas Company ("Southern Natural") and my business address is P. O. Box 2563, Birmingham, Alabama 35202.

Q. Please describe briefly your education and business experience.

A. I graduated from the University of Alabama in 1976 with a Bachelor's degree in Business and a major in Accounting. I have been employed by Southern in various financial, regulatory, gas supply, and business development positions for nearly thirty years.

Q. What are your current responsibilities?

A. As Director of Business Development, my primary responsibilities are to develop and market pipeline expansion and/or pipeline extensions to serve Southern Natural's traditional customer base and to attract new customers.

II. PURPOSE OF TESTIMONY

Q. What is the purpose of your testimony?

A. I will describe a major pipeline expansion/extension project to connect Southern Natural's existing interstate pipeline system to Florida Gas Transmission Company ("FGT"). In addition, I will testify concerning the status of Southern Natural's Elba Island LNG terminal near Savannah, Georgia.

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Q. Are you sponsoring any exhibits?

A. Yes, I am sponsoring the following exhibits:

BHH-1 Map of Interstate Pipelines

BHH-2 Map of Southern Natural's Pipeline Expansion Project

BHH-3 Aerial Photo of LNG Facilities

Exhibit _____ (BHH-1) contains two maps. The first map shows the major interstate pipeline infrastructure serving the southeastern United States, including Florida. The second map shows the route of Southern Natural's pipeline extension project. Exhibit ____ (BHH-2) is a project timeline schedule that shows the critical path tasks for preparing and processing an application to construct the project, major preconstruction activities and the time required to construct the project. Exhibit _____ (BHH-3) shows an aerial photo of Southern

Natural's LNG facilities with the expansion added. BHH-3 also outlines the capacity of the LNG terminal storage and regasification capacity. Each of these exhibits was prepared under my direction, and each is true and accurate.

III. THE LNG FACILITIES

Q. Please describe the Elba Island LNG regasification terminal near Savannah, Georgia.

A. The Southern Natural terminal is strategically located in southeastern Georgia on an island in the Savannah River. The terminal location is ideally sited from a shipping, safety and security standpoint. In addition, the terminal is well positioned to provide incremental gas supply diversity for gas consumers in the southeastern United States including Florida. The current storage capacity of the terminal is 4 billion cubic feet and the current regasification capacity is 675 million cubic feet per day. This incremental source of natural gas supply will be required to meet existing market demand for natural gas and will be critical for meeting new market demand.

The terminal has been in current operation since December, 2001. In 2002, Southern Natural announced plans to expand the terminal, the expansion was approved and construction is currently underway. The expansion is expected to be completed and ready for service in the first quarter of 2006. The expansion will add an additional 3.3 Billion cubic feet of storage capacity and an additional 540 million cubic feet a day of regasification capacity.

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Q. Who will provide gas supply for the regasification terminal?

A. Southern Natural's subsidiary Southern LNG has contracted to provide terminal capacity to BG LNG Services, LLC ("BG") and Shell LNG NA. BG has contracted with multiple supply sources that can be delivered to Southern including LNG from Trinidad, Egypt, and Equatorial Guinea.

Q. Will the Progress Energy, Florida contract be served from the existing capacity or the expansion capacity?

A. Progress Energy Florida, Inc.'s ("PEF's") gas supply contract is with BG LNG. BG has contracted with Southern LNG for the existing terminal capacity.

IV. THE PIPELINE EXPANSION PROJECT

Q. Would you briefly descript the scope of the pipeline project and a project timeline for completion and service?

A. Phase I of the pipeline extension will consist initially of approximately 165 miles of 24" pipeline. The northern point begins at an interconnection with Southern Natural's existing system and the southern end of the project is an interconnection with FGT in Clay County, Florida. The initial phase will be placed in service May 1, 2007 with a capacity of approximately 220 MMcf/d. Phases II and III will expand the capacity to 500 MMcf/d by adding compression as incremental markets along the pipeline corridor, Southern Natural's South Georgia lateral, and future incremental markets in Florida require additional natural gas supplies.

Q. Would you please elaborate on the project route and schedule?

A. Yes, I will. Exhibit ___ (BHH-1) is a map containing the project route. Southern Natural's existing pipeline facilities are connected to Southern LNG's regasification terminal at Elba Island near Savannah, Georgia. The new pipeline will interconnect with Southern's existing system at a point where Southern's existing pipeline right-of-way intersects with an existing power line right- of-way. The new pipeline will be installed adjacent to the existing power line right-of-way the entire route and interconnect to FGT's Jacksonville lateral near Clay County, Florida. Exhibit ___ (BHH-2) shows the timeline required for regulatory approval and construction. Southern Natural will prepare and file an application with the Federal Energy Regulatory Commission ("FERC") in the second quarter of 2005. FERC approval for a project of this size generally requires approximately twelve months. Construction will require approximately nine months.

Q. Has Southern Natural accessed the route from an environmental, pipeline constructability, and landowner perspective?

A. Yes. Southern Natural has made extensive route selection efforts to identify and select a route that would minimize environmental impacts, meet the requirements of all state and federal regulatory agencies, and minimize the impacts to individual landowners. In fact, in late 2000 and early 2001, Southern sought and received survey permission for a large portion of the route, performed cultural resource and archaeological surveys, prepared and filed an application to

construct the pipeline with the FERC. The application was subsequently withdrawn for commercial reasons. However, the route was fully evaluated and I believe the route we have selected will be approved by all federal and state agencies.

Q. Does Southern Natural have sufficient commitments to proceed with the project at this time?

A. Southern Natural has precedent agreements with PEF and BG that commit approximately ninety percent of the contracted capacity and revenue required to proceed with the project. Southern Natural has announced an open season that will extend until January 17, 2005 to solicit bids for the remaining quantities required to support the project.

Q. Would you please discuss in more detail the Project Schedule presented as Exhibit____ (BHH-3).

A. Yes. Southern Natural and Progress have agreed to an in- service date of May 1, 2007. As an interstate pipeline, Southern Natural must file for and receive certificate authorization from the Federal Energy Regulatory Commission prior to construction. BHH-3 contains each of the critical path tasks required to file and process the application. I believe the schedule will be met. First and foremost, the project meets FERC's public interest requirements. Second, the project route has been thoroughly evaluated and most of the route has been surveyed. Therefore, I believe the timeline for preparing and processing the application is

sufficient given the route selected and the environmental information gathered from our surveys. Third, our timeline for right-of- way acquisition, material acquisition and construction is consistent with our recent experience on similarly sized projects.

Q. What assurance does Progress have that the pipeline will be completed by May 1, 2007?

A. Southern Natural has committed to file and process the FERC application. Subject to the receipt of an acceptable certificate from FERC and permits from federal and state agencies, Southern has agreed to use due diligence to meet the May1, 2007, in service date. Southern has also agreed to provide Progress monthly progress reports so that Progress can monitor the status of the project. In addition, Southern has committed significant resources to this project and has spent in excess of $9 million on the project to date. We expect to spend an additional $6 million to file and process the FERC application. Southern's total capital expenditures for Phase I are expected to exceed $240 million. Southern therefore has substantial financial incentives to place the project in service on schedule.

Q. Does this complete your testimony?

A. Yes.

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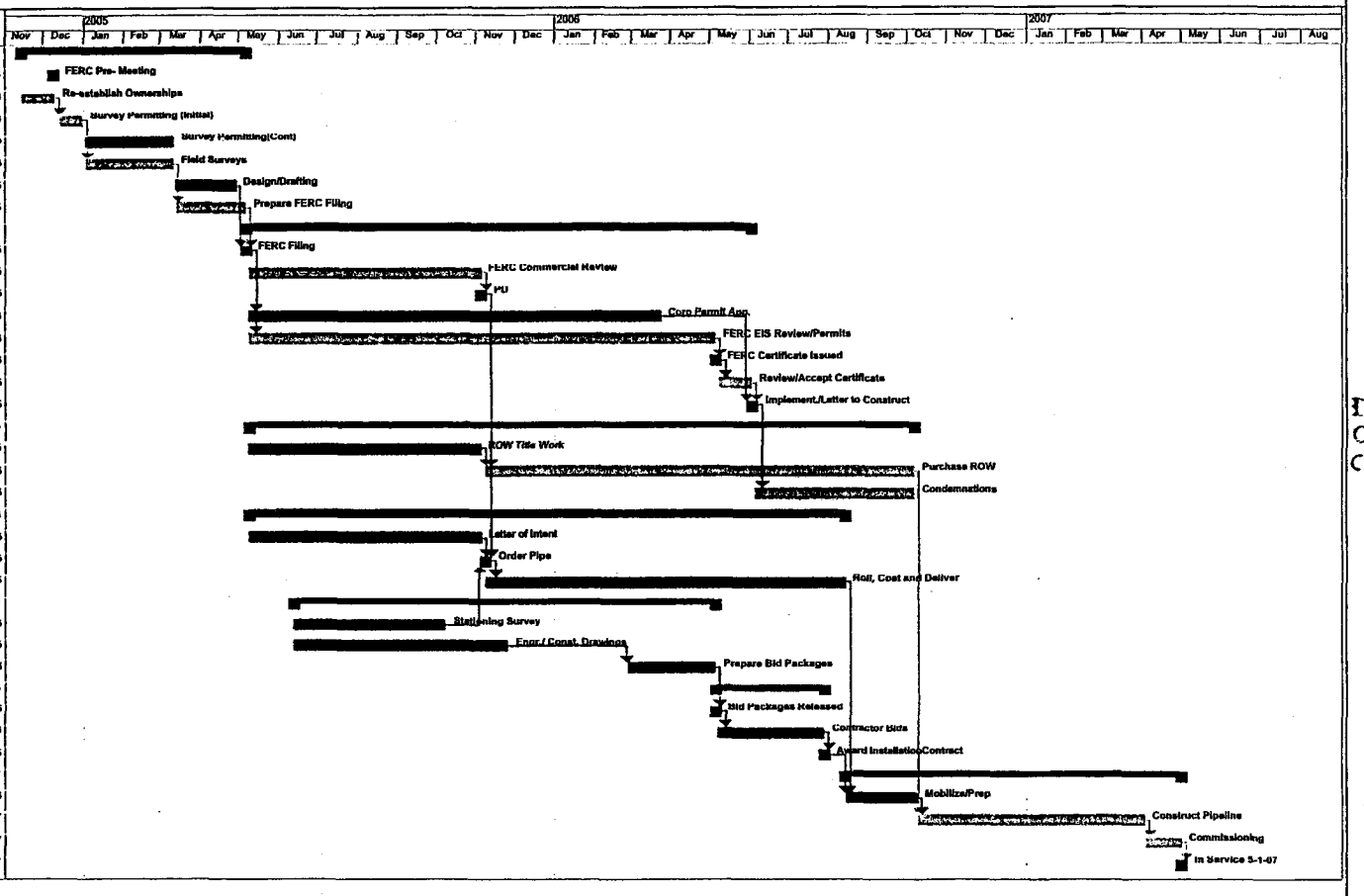
Cypress Project - Phase 1 - 166 mile 24" Pipe
Project Schedule
December 1, 2004

ID	Task Name	Duration	Start	Finish
1	Pre-FERC Filing	128 days	Mon 11/15/04	Fri 5/6/05
2	FERC Pre- Meeting	0 days	Thu 12/9/04	Thu 12/9/04
3	Re-establish Ownerships	20 days	Mon 11/15/04	Fri 12/10/04
4	Survey Permitting (Initial)	15 days	Mon 12/13/04	Fri 12/31/04
5	Survey Permitting(Cont)	50 days	Mon 1/3/05	Fri 3/11/05
6	Field Surveys	50 days	Mon 1/3/05	Fri 3/11/05
7	Design/Drafting	35 days	Mon 3/14/05	Fri 4/29/05
8	Prepare FERC Filing	40 days	Mon 3/14/05	Fri 5/6/05
9	FERC Process	260 days	Fri 5/6/05	Fri 6/2/06
10	FERC Filing	0 days	Fri 5/6/05	Fri 5/6/05
11	FERC Commercial Review	130 days	Mon 5/9/05	Fri 11/4/05
12	PD	0 days	Fri 11/4/05	Fri 11/4/05
13	Corp Permit App.	230 days	Mon 5/9/05	Fri 3/24/06
14	FERC EIS Review/Permits	260 days	Mon 5/9/05	Fri 5/5/06
15	FERC Certificate Issued	0 days	Fri 5/5/06	Fri 5/5/06
16	Review/Accept Certificate	20 days	Mon 5/8/06	Fri 6/2/06
17	Implement./Letter to Constr	0 days	Fri 6/2/06	Fri 6/2/06
18	ROW	370 days	Mon 5/9/05	Fri 10/6/06
19	ROW Title Work	130 days	Mon 5/9/05	Fri 11/4/05
20	Purchase ROW	240 days	Mon 11/7/05	Fri 10/6/06
21	Condemnations	90 days	Mon 6/5/06	Fri 10/6/06
22	Materials	331 days	Mon 5/9/05	Mon 8/14/06
23	Letter of Intent	130 days	Mon 5/9/05	Fri 11/4/05
24	Order Pipe	0 days	Mon 11/7/05	Mon 11/7/05
25	Roll, Coat and Deliver	200 days	Tue 11/8/05	Mon 8/14/06
26	Engineering	235 days	Mon 6/13/05	Fri 5/5/06
27	Stationing Survey	85 days	Mon 6/13/05	Fri 10/7/05
28	Engr./ Const. Drawings	120 days	Mon 6/13/05	Fri 11/25/05
29	Prepare Bid Packages	50 days	Mon 2/27/06	Fri 5/5/06
30	Contracting	80 days	Fri 5/5/06	Fri 7/28/06
31	*Bid Packages Released*	*0 days*	*Fri 5/5/06*	*Fri 5/5/06*
32	Contractor Bids	60 days	Mon 5/8/06	Fri 7/28/06
33	Award InstallationContract	0 days	Fri 7/28/06	Fri 7/28/06
34	Construction	186 days	Tue 8/15/06	Tue 5/1/07
35	Mobilize/Prep	40 days	Tue 8/15/06	Mon 10/9/06
36	Construct Pipeline	125 days	Tue 10/10/06	Mon 4/2/07
37	Commissioning	21 days	Tue 4/3/07	Tue 5/1/07
38	In Service 5-1-07	0 days	Tue 5/1/07	Tue 5/1/07



Project: Cypress Pipeline
Date: Wed 12/1/04

Task | Progress | Milestone | Summary | Rolled Up Task | Rolled Up Milestone | Rolled Up Progress | Split | External Tasks | Project Summary | Group By Summary

Page 1

PEF 001105
Docket No. 041414-EI

SNG Cypress Project

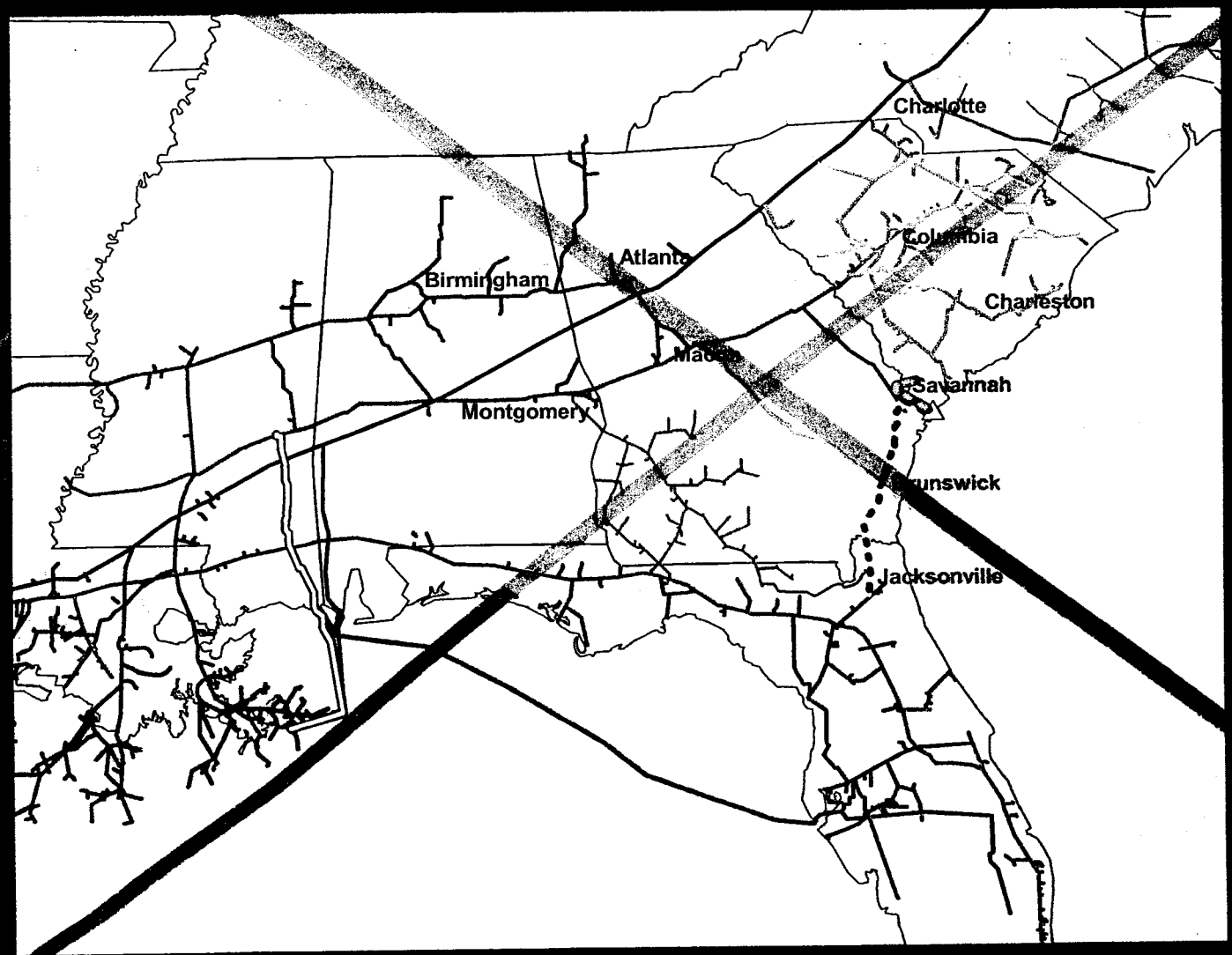


Exhibit BHH-1 Page 1 of 2

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SNG Cypress Project

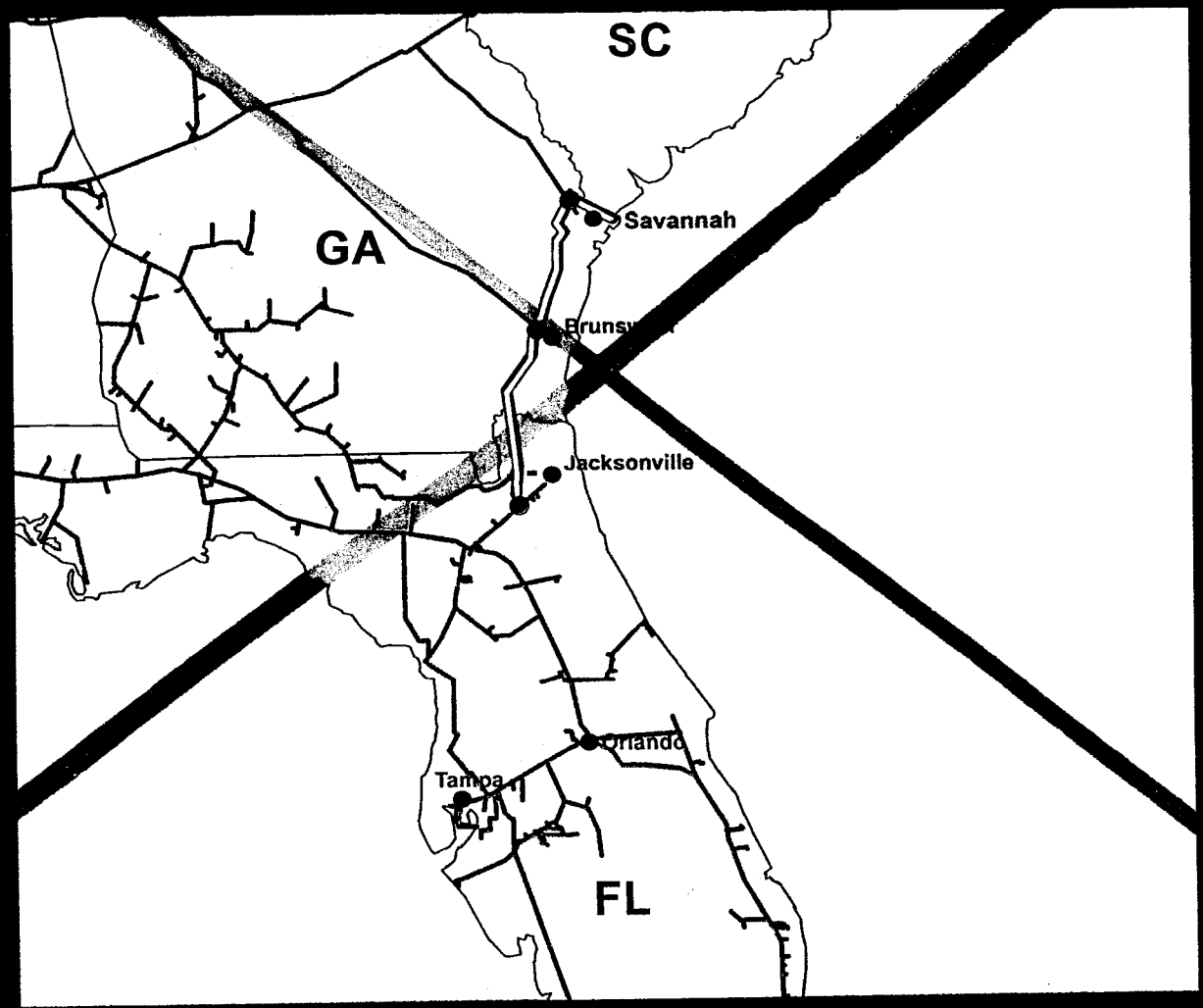

Exhibit BHH-1 Page 2 of 2

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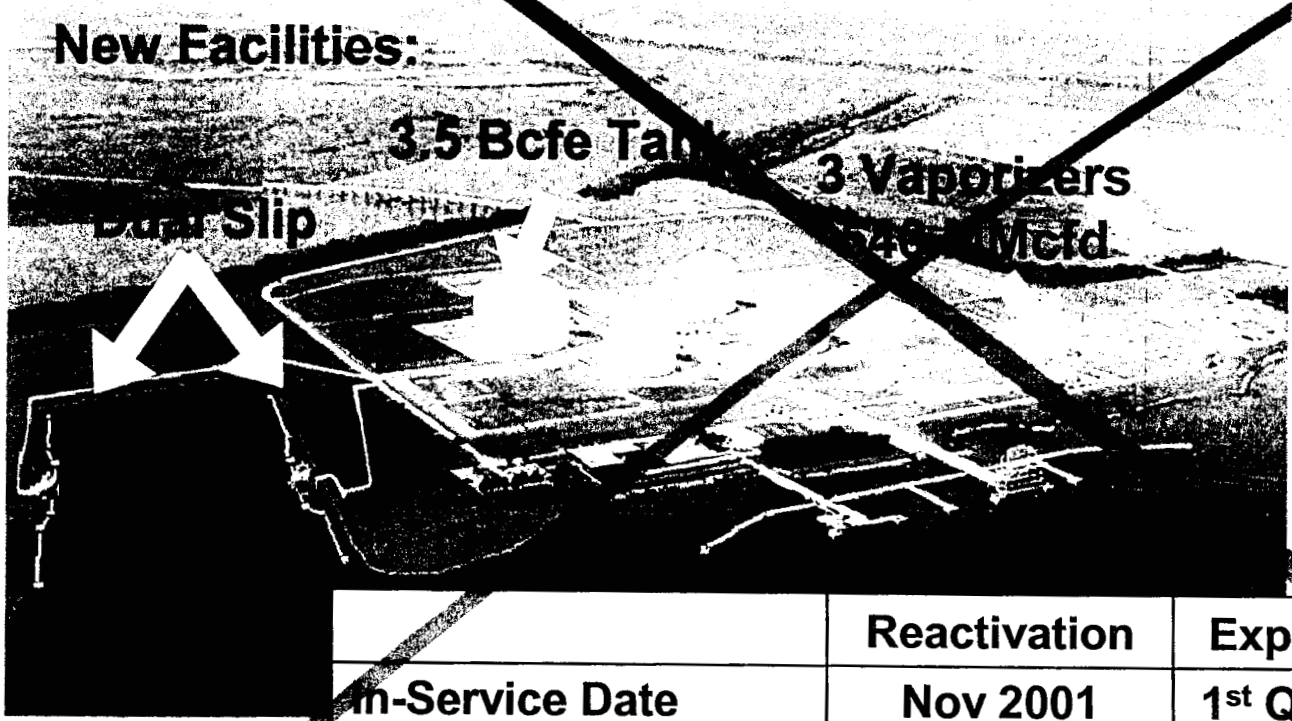
Southern LNG
Elba Island LNG Import Terminal



Major Gas Suppliers
- British Gas
- Shell

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	Reactivation	Expansion	Combined
In-Service Date	Nov 2001	1st Qtr 2006	
Storage Capacity	4.0 Bcf	3.33 Bcf	7.33 Bcf
Base Load Sendout	446 MMcfd	360 MMcfd	806 MMcfd
Peak Sendout	675 MMcfd	540 MMcfd	1215 MMcfd

Exhibit BHH-3

Rhodes, Rick

From: Varagona, Michael J (Mike) [Mike.Varagona@ElPaso.com]
Sent: Wednesday, September 01, 2004 3:08 PM
To: Caldwell, Rob; Murphy, Pam (CP&L); Rhodes, Rick
Cc: Hughes, Bruce H; Francis, Patricia S; Holmes, Norman G
Subject: Draft Precedent Agreement

Attached for your review is our latest version of the draft Precedent Agreement between Southern Natural Gas Company and Progress Energy Florida, Inc. for Hines IV. We believe this version reflects most of the changes that we have been discussing over the last several days. We are also working on a conforming System Supply Agreement and should have that document available for your review before the end of the week. We look forward to sitting down with you face to face in Raleigh next week to hammer out any remaining differences. Please feel free to call me or Bruce Hughes if you have any questions.

<<PRECEDENT AGREEMENT-Progress 09-01-2004.doc>>

Regards

Mike Varagona
Ph. (205) 325-7185 (Bham)
Fax (205) 325-3787
Cell (205) 908-7056
Email Mike.Varagona@ElPaso.com

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****

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Progress / BG / SNG / FGT Meeting in Raleigh

Hines 4 Project
May 26, 2004

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Attendees

Rob Caldwell	Progress	(919) 546-4552
Pam Murphy	Progress	(919) 546-4553
Betsy Spomer	BG	(713) 403-3744
David Jenkins	BG	(713) 599-3857
Bob Hayes	FGT	(281) 853-3162
Jack Boatman	FGT	(281) 370-6154
Jim Yardley	SNG	(205) 325-3834
Bruce Hughes	SNG	(205) 325-7146
Mike Varagona	SNG	(205) 325-7185

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Agenda

- Review commitment level and cost to-date
- New SNG/FGT Proposal
- Comparative Analysis
- Timeline
- Next Steps

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Previous Proposal

(SNG Zone 3 max rate, FGT proposed settlement rate & $.10 FGT winter rate)

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			Contract Quantities			Progress Cost		
	Days	Rates	2007	2008	2009	2007	2008	2009
FGT								
Summer	153	$0.769	60,000	80,000	100,000	$7,059,420	$9,412,560	$11,765,700
Winter	212	$0.100	25,000	40,000	50,000	$530,000	$848,000	$1,060,000
						$7,589,420	$10,260,560	$12,825,700
SNG								
Summer	153	$0.345	60,453	80,605	100,756	$3,192,912	$4,257,269	$5,321,573
Winter	212	$0.345	60,453	80,605	100,756	$4,424,166	$5,898,961	$7,373,683
						$7,617,078	$10,156,230	$12,695,256
Total Cost						**$15,206,498**	**$20,416,790**	**$25,520,956**
Effective Unit Rate						$0.694	$0.699	$0.699

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New Proposal

(SNG Zone 3 max rate, FGT proposed settlement rate & $.10 FGT winter rate)

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			Contract Quantities			Progress Cost		
	Days	Rates	2007	2008	2009	2007	2008	2009
FGT								
Summer	153	$0.769	60,000	80,000	100,000	$7,059,420	$9,412,560	$11,765,700
Winter	212	$0.100	25,000	40,000	50,000	$530,000	$848,000	$1,060,000
						$7,589,420	$10,260,560	$12,825,700
SNG 1/								
Summer	153	$0.355	60,453	80,605	100,756	$3,281,097	$4,374,851	$5,468,550
Winter	212	$0.355	25,189	40,302	50,378	$1,894,334	$3,030,905	$3,788,669
						$5,175,432	$7,405,755	$9,257,218
Total Cost						**$12,764,852**	**$17,666,315**	**$22,082,918**
Effective Unit Rate						$0.583	$0.605	$0.605

963

1/ SNG will market winter capacity in open season. If SNG is unsuccessful placing this capacity, BG will have an option to take the capacity or terminate its precedent agreement.

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SNG / FGT Advantages

- Supply Diversity
  - LNG
  - Conventional
  - Coal Seam
  - Pipeline Interconnects
  - Hurricane protection

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- New Pipeline Infrastructure into Florida

- Alternate receipt and delivery points
  - 171 receipt pts on SNG and 91 on FGT
  - 473 delivery pts on SNG and 240 on FGT

SNG / FGT Advantages

- Increased FGT pressure to Hines

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- Progress CT's in-path on FGT

- Long term firm supply contract / fixed basis
  - Gulfstream competes with Transco/SNG/FGT
  - Transco station 85 trades at +9¢ and rising

- Future opportunities at Suwanee

SNG/FGT Advantages

- Access to storage
  - SNG - Muldon and Bear Creek
  - FGT - Bay Gas
  - Petal

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- Multiple FGT delivery points Hines/Anclote
- SNG winter release value (Zone 3)
- Off-Peak transport value on FGT

SNG/FGT Advantages

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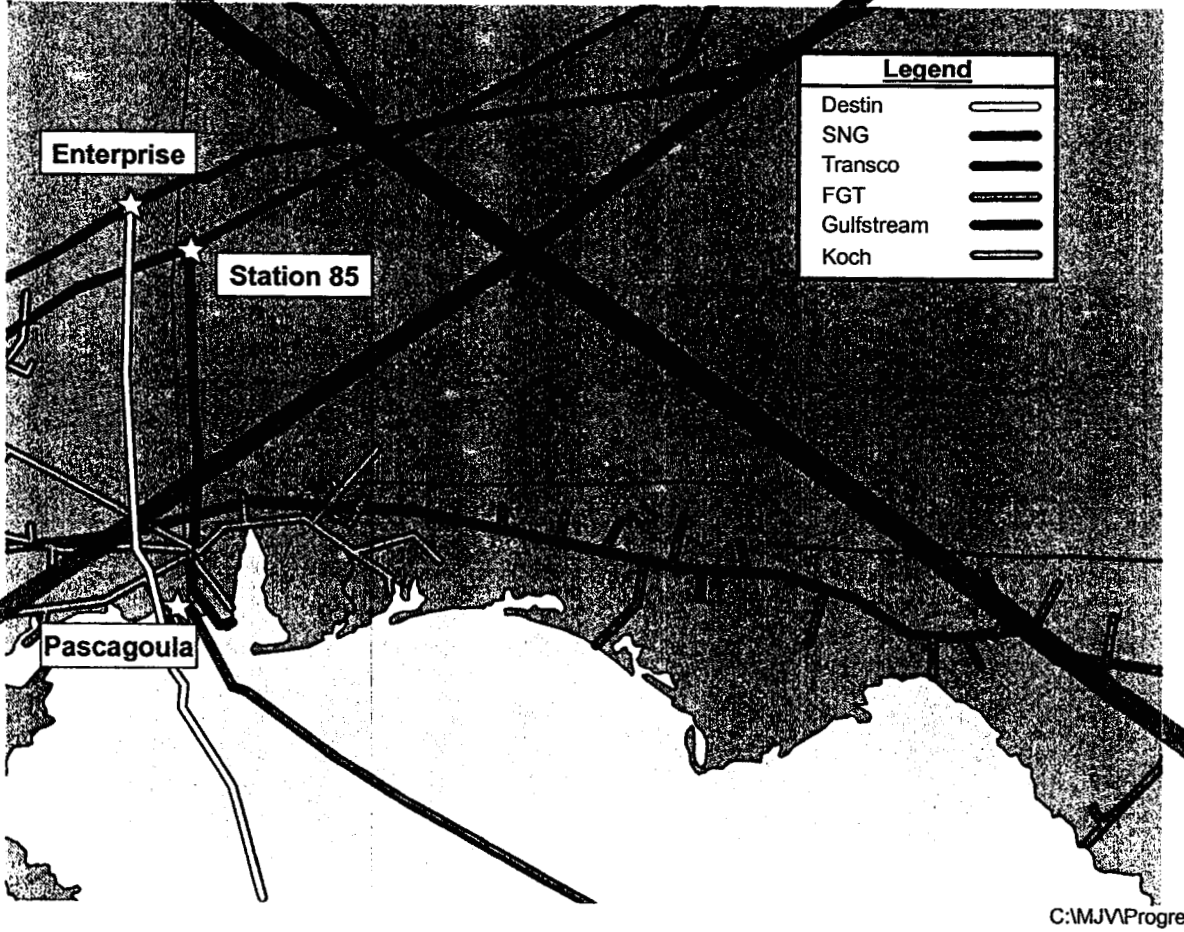
- SNG arbitrage value
  - Sell supply into SNG on high winter demand days
  - Augment Hines with FGT released capacity

400

Eastern Gulf Pipeline Infrastructure

- FGT, SNG, Transco, and Gulfstream all compete for limited eastern gulf supply
- Last major expansions on SNG, FGT and Transco all out of eastern gulf
- Gulfstream captive to eastern gulf



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Future Dependence on Eastern Gulf

Pipeline	Eastern Gulf Sourced Firm Capacity	Total FT Capacity	% of Total
SNG	570	3,370	17%
Transco	1,295	6,300	21%
FGT	923	2,150	38%
Gulfstream	1,100	1,100	100%
	3,888		

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- Eastern Gulf Production ~2.8 BCF
- As Gulfstream picks up with increased contract volumes to FP&L's Martin and Manatee plant, basis pressure will increase
- Current basis into Transco station 85 is +.09 YTD & rising
- Future effect of Bahamas uncertain

Gulfstream Basis Pressure

- Through 2003 Gulfstream actual utilization has only been ~17%

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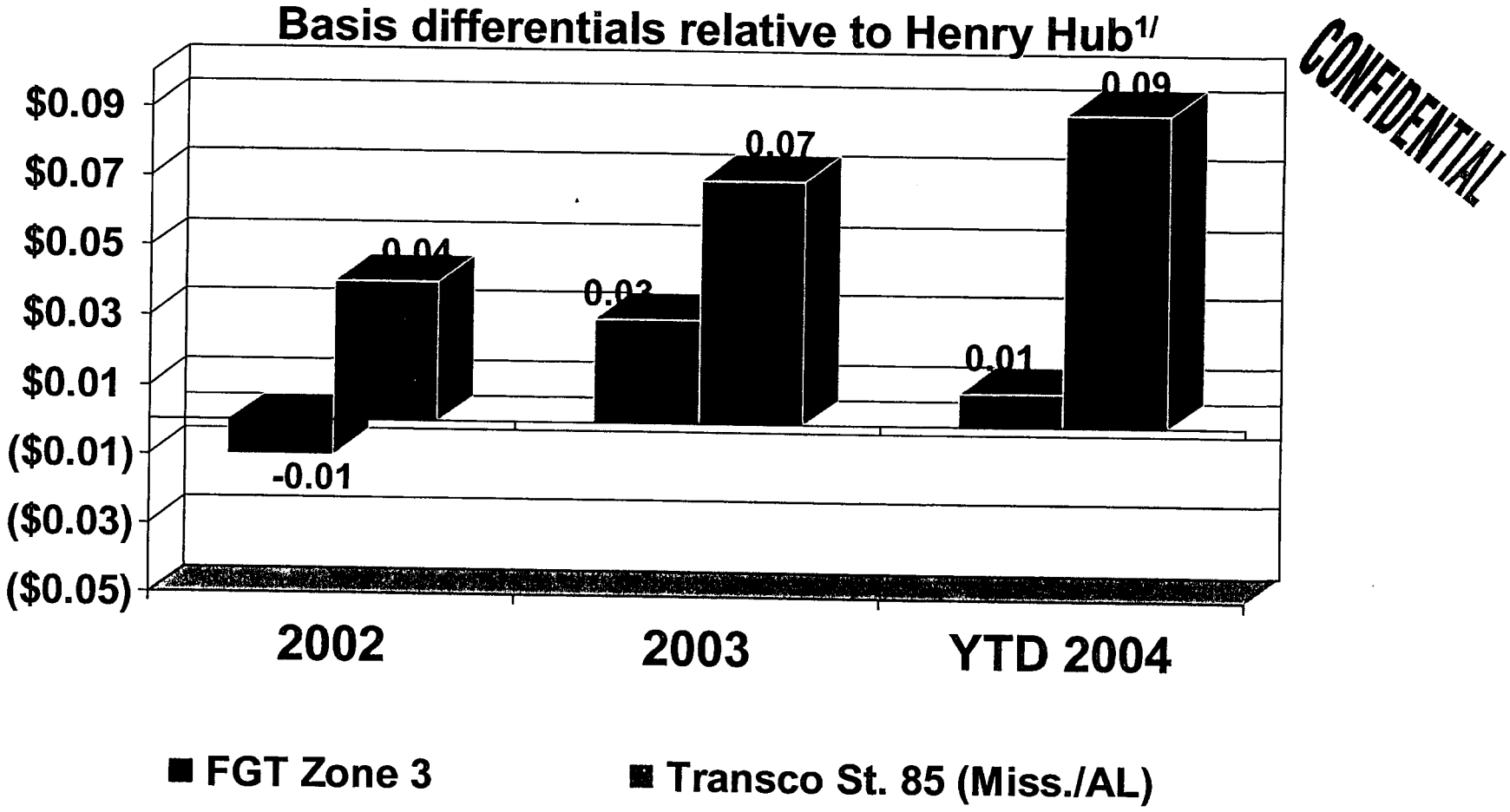
  - GS Firm Service Contract Volumes (MMBtu/day)

	June 2003	June 2004	June 2005
Total	227,000	322,000	722,000
% Subscribed	21 %	29 %	66 %

- As contracted volumes on Gulfstream increase, upward basis pressure in Mobil Bay (the only Gulfstream supply source) has occurred and may be more pronounced in the future

Historical Basis Trends



Timeline

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Precedent Agreements	June 4
Open Season	June 15 – July 30
Board Approvals	August 2004
FERC Application	November 2004
Florida PSC	May 2005
In-Service	May 2007

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Next Steps

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- Progress response
- Progress Hines 5
- SNG open season
- FGT open season
- Open season review
- Board approvals
- Contracting process

POD #28

Adams, Melanie

From: Rhodes, Rick
Sent: Wednesday, June 30, 2004 8:16 AM
To: Rhodes, Rick; Caldwell, Rob; Murphy, Pam (CP&L); Adams, Melanie; Boulmay, Ramon
Subject: RE: Gas Strategy - Updated

Per Ramon, I added the Elba/Cypress option to the following spreadsheet.

LNG Alternative
nalysis baham..

Rick Rhodes
Term Gas Lead
Progress Energy
919.546.7613
rick.rhodes@pgnmail.com

-----Original Message-----
From: Rhodes, Rick
Sent: Tuesday, June 29, 2004 7:08 PM
To: Caldwell, Rob; Murphy, Pam (CP&L); Adams, Melanie; Boulmay, Ramon
Subject: Gas Strategy - Updated
Importance: High

Attached is the updated presentation and LNG Bahamas Summary.

<< File: Gas Strategy V8.ppt >> << File: LNG Alternative Analysis bahamas.xls >>

Rick Rhodes
Term Gas Lead
Progress Energy
919.546.7613
rick.rhodes@pgnmail.com

Project	Ownership	Transport Demand Rate	Supply Price	Delivery Point	Options	Volume Req's	Force Majeure	Status	Estimated In Service	Assumed Upstream Supply	Assumed Project Breakeven
Cypress/Elba - BG	BG 36% ownership in Terminal Capacity Rights. Southern 100% ownership in Cypress Pipeline and FGT 100% ownership in expansion.	**$.85/Dth (Weighted Ave)** $1.124/Dth (Summer) $.455/Dth (Winter)	Take or Pay IFERCHH+$.05 or NYMEXHH+$.05	Hines Plant	Choice of NYMEX HH Settle or IFERC HH	60k Summer (07) 25k Winter (07-08) 80k Summer (08) 40k Winter (08-09) 100k Summer (09-28) 50k Winter (09-28)	Excludes events upstream of the Savannah River Channel	No approvals to date.	2007	Trinidad and Tobago where BG has ownership in Trains	~$2.20 to 3.25 (Morgan Stanley)
Bahamas/Calypso - Tractebel	Tractebel 100% ownership in Terminal and Pipeline	2008-2009 (w/Capital) $.640/Dth (Weighted Ave) $66/Dth (Summer) $.61/Dth (Winter) 2009-2013 (w/Capital) $.617/Dth (Weighted Ave) $66/Dth (Summer) $.55375/Dth (Winter) 2013-2028 (w/Capital) $.578/Dth (Weighted Ave) $66/Dth (Summer) $.46/Dth (Winter) **2008-2028 (w/o Capital)** **$.518/Dth (Weighted Ave)** **$60/Dth (Summer)** **$.40/Dth (Winter)**	Take or Pay IFERCHH Flat	Hines Plant	Put back 100% of volume and swap with Gulf Coast Gas. Convert to GD, trigger NYMEX, fix price, ceiling price, floor price, or collar Will waive Tractebel CP's	60k Summer (08) 25k Winter (08-09) 80k Summer (09-28) 40k Winter (09-28)	Excludes events upstream of the LNG Import Terminal (See NAESB for Detail) If FM occurs, will provide least expensive replacement gas, fuel oil, or electricity for 1st 30 days. After 30 days of FM, liquidated damages apply. Contract out option if FM last longer than 24 months	Florida voted to grant a Sovereign Submerged Lands Easement and approve the Florida Department of Environmental Protection's issuance of an Environmental Resource Permit ("ERP") Received a Certificate of Public Convenience and Necessity from the FERC Still Req's Bahamian Gov't Approval	2007	Trinidad and Tobago where Tractebel has ownership in Trains	~$2.20 to 3.25 (Morgan Stanley)
Bahamas/Ocean Cay - Repsol	Repsol has option to assume 100% Ownership in Terminal and Pipeline from AES LNG Marketing	$.395/Dth Annual (Ocean Cay only) w/inflation adj **$.7821/Dth Annual** (Ocean Cay plus FTS-1) w/inflation adj	Take or Pay IFERCHH Flat	Ocean Express P/L and FGT	Trigger fixed price or convert to GD	60k Summer (08) 25k Winter (08-09) 80k Summer (09-28) 40k Winter (09-28)	Excludes events upstream of regasification facility	Florida voted to grant a Sovereign Submerged Lands Easement and approve the Florida Department of Environmental Protection's issuance of an Environmental Resource Permit ("ERP") Received a Certificate of Public Convenience and Necessity from the FERC Still Req's Bahamian Gov't Approval	2007	Trinidad and Tobago where Repsol has ownership Trains	~$2.20 to 3.25 (Morgan Stanley)
Bahamas/Seafarer - FPL	FPL has option to assume 100% ownership in the Bahamas terminal and 50% ownership Seafarer Pipeline	$.52/Dth Annual **$.9071/Dth Annual** (Seafarer plus FTS-1)	Take or Pay IFERCHH Flat	Seafarer P/L and FGT	NYMEX Settle	60k Annual (08-09) 80k Annual (09-33)	Excludes acts by host country gov't. Excludes loss of production to events occurring below the wellhead block valve. Contract out option if FM last longer than 24 months	No approvals to date.	2008	Not Announced	~$2.20 to 3.80 (Morgan Stanley)

Note : Bold Red Font indicates the demand rate for comparison on similar conditions

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Adams, Melanie

From: Trimble, John
Sent: Thursday, May 20, 2004 10:07 AM
To: Murphy, Pam (CP&L)
Cc: Rhodes, Rick; Adams, Melanie
Subject: Please review 'Supply Options For PB4a'

Follow Up Flag: Review
Flag Status: Flagged

Pam:

I've fixed the bust in the summation formula on Elba LNG - Cypress PL Opt2a.
When I copied Opt2, I inserted a few lines and the formula did not change to compensate.
Sorry. It works now.

John

Please review the attached document.

Supply Options
for PB4a.xls (5..

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PEF 001457
Docket No. 041414-EI

CYPRESS (ELBA LNG) OPTION 1

Firm Transportation

Cypress (Sonat):	MDQ (Dt)		Demand ($/Mo)		Months (Days)		Fixed Costs ($/Yr)
Term = May - Apr	60,000	x	$ 10.50	x	12	=	$ 7,560,000
		or	$.3452/dt (100% LF)	or	365 Days		

FGT (CrossCountryEnergy)	MDQ (Dt)		Demand (100% LF)		Months (Days)		Fixed Costs ($/Yr)
Term = May - Sep	60,000	x	$ 0.769	x	153	=	$ 7,059,420
Dts/Term	9,180,000						
Term = Oct - Apr	25,000	x	$ 0.080	x	212	=	$ 424,000
Dts/Term	5,300,000						
Total Dt/Yr	14,480,000		$ 0.5168		Sub Total	=	$ 7,483,420

Total Fixed Costs (FGT & Cypress) = $ 15,043,420

Pipeline	Fixed Costs		Vol/Yr		Demand Rate (100% LF)
Cypress	$ 7,560,000	/	21,900,000	=	$ 0.3452
FGT	$ 7,483,420	/	14,480,000	=	$ 0.5168

PROS

* Access To Elba LNG Terminal Provides Supply Diversity
* Hurricane Insurance In The Event Hurricane Enters Gulf Of Mexico
* Third Pipeline Into Florida
* Can Serve Suwannee Plant via Sonat BH
* Existing LNG Terminal

CONS

* Rates Are Too High And This Option With Next Highest Annual Fixed Costs
* Transportation Volumes Don't Match With Supply Proposal From BG In 2009
* 35,000 Dts/Day On Cypress Without A Home In Winter Due To Capacity Mismatch On I
* Greenfield Pipeline With 3 Year Lead Time Until In Service
* Cypress Pipeline & FGT Incremental Capacity Must Be Approved By FERC Which Requires Three (3) Years From Start Of Open Season Until Completion.

Probability Of Success < 50%

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CYPRESS (ELBA LNG) OPTION 2

Firm Transportation

Cypress (Sonat):	MDQ (Dt)		Demand ($/Mo)		Months (Days)		Fixed Costs ($/Yr)
Term = May - Apr	60,000	x	$ 10.50	x	12	=	$ 7,560,000
		or	$.3452/dt (100% LF)	or	365 Days		

FGT (CrossCountryEnergy)	MDQ (Dt)		Demand (100% LF)		Months (Days)		Fixed Costs ($/Yr)
Term = May - Oct	60,000	x	$ 0.769	x	184	=	$ 8,489,760
Dts/Term	11,040,000						
Term = Nov - Apr	25,000	x	$ 0.080	x	181	=	$ 362,000
Dts/Term	4,525,000						
Total Dt/Yr	15,565,000		$ 0.5687		Sub Total	=	$ 8,851,760

Total Fixed Costs (FGT & Cypress) = $ 16,411,760

Pipeline	Fixed Costs		Vol/Yr		Demand Rate (100% LF)
Cypress	$ 7,560,000	/	21,900,000	=	$ 0.3452
FGT	$ 8,851,760	/	15,565,000	=	$ 0.5687

PROS

* Access To Elba LNG Terminal Provides Supply Diversity
* Hurricane Insurance In The Event Hurricane Enters Gulf Of Mexico
* Third Pipeline Into Florida
* Can Serve Suwannee Plant via Sonat BH
* Existing LNG Terminal

CONS

* Rates Are Too High And This Option With Highest Annual Fixed Costs
* Transportation Volumes Don't Match With Supply Proposal From BG In 2009
* 35,000 Dts/Day On Cypress Without A Home In Winter Due To Capacity Mismatch On I
* Greenfield Pipeline With 3 Year Lead Time Until In Service
* Cypress Pipeline & FGT Incremental Capacity Must Be Approved By FERC Which Requires Three (3) Years From Start Of Open Season Until Completion.

Probability Of Success < 50%

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CYPRESS (ELBA LNG) OPTION 2a

Firm Transportation

Cypress (Sonat):	MDQ (Dt)		Demand ($/Mo)		Months (Days)		Fixed Costs ($/Yr)
Term = May - Oct	60,000	x $	0.3452	x	184	= $	3,811,008
Dts/Term	11,040,000						
Term = Nov - Apr	25,000	x $	0.3452	x	181	= $	1,562,030
Dts/Term	4,525,000						
Total Dt/Yr	15,565,000	$	0.3452		Sub Total	= $	5,373,038

FGT (CrossCountryEnergy)	MDQ (Dt)		Demand (100% LF)		Months (Days)		Fixed Costs ($/Yr)
Term = May - Oct	60,000	x $	0.769	x	184	= $	8,489,760
Dts/Term	11,040,000						
Term = Nov - Apr	25,000	x $	0.080	x	181	= $	362,000
Dts/Term	4,525,000						
Total Dt/Yr	15,565,000	$	0.5687		Sub Total	= $	8,851,760
	Wt Avg	= $	0.9139		Total	= $	14,224,798

Pipeline	Fixed Costs		Vol/Yr		Demand Rate (100% LF)
Cypress	$	5,373,038	/	15,565,000	= $ 0.3452
FGT	$	8,851,760	/	15,565,000	= $ 0.5687
				Wt Avg Rate	$ 0.9139

PROS

* Access To Elba LNG Terminal Provides Supply Diversity
* Hurricane Insurance In The Event Hurricane Enters Gulf Of Mexico
* Third Pipeline Into Florida
* Can Serve Suwannee Plant via Sonat BH
* Existing LNG Terminal

CONS

* Rates Are Too High And This Option With Highest Annual Fixed Costs
* Transportation Volumes Don't Match With Supply Proposal From BG In 2009
* 35,000 Dts/Day On Cypress Without A Home In Winter Due To Capacity Mismatch On I
* Greenfield Pipeline With 3 Year Lead Time Until In Service
* Cypress Pipeline & FGT Incremental Capacity Must Be Approved By FERC Which Requires Three (3) Years From Start Of Open Season Until Completion.

Probability Of Success < 50%

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BG LNG ELBA OPTION 1

Firm Transportation

Firm Supply

British Gas (BG)	MDQ (Dt)	Supply Value	Months (Days)
May 2007 - Sep 2007	60,000	HH + $.0725	153
Oct 2007 - Apr 2008	25,000	HH + $.0725	212
May 2008 - Sep 2008	60,000	HH + $.0725	153
Oct 2008 - Apr 2009	25,000	HH + $.0725	212
May 2009 - Sep 2009	80,000	HH + $.0725	153
Oct 2009 - Apr 2010	40,000	HH + $.0725	212

PROS

* Supply Diversity From Global LNG Sources
* Hurricane Insurance In Event Hurricane Enters Gulf Of Mexico
* Access To Florida Market Via Third Pipeline
* Can Serve Suwannee Plant via Sonat BH
* Supply To US Via Existing LNG Terminal

CONS

* Rates Are Too High
* Supply Into Cypress Does Not Match Transportation Capacity On FGT
* BG Supply Adder Unjustfied
* 35,000 Dts/Day On Cypress Without A Home In Winter

Probability Of Success < 50%

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BG LNG ELBA OPTION 2

BG Firm LNG Supply

British Gas (BG)	MDQ (Dt)	Supply Value	Term Months (Days)
May 2007 - Oct 2007	60,000	HH + $.0725	184
Nov 2007 - Apr 2008	25,000	HH + $.0725	181
May 2008 - Oct 2008	60,000	HH + $.0725	184
Nov 2008 - Apr 2009	25,000	HH + $.0725	181
May 2009 - Oct 2009	80,000	HH + $.0725	184
Nov 2009 - Apr 2010	40,000	HH + $.0725	181

PROS

* Supply Diversity From Global LNG Sources
* Hurricane Insurance In Event Hurricane Enters Gulf Of Mexico
* Access To Florida Market Via Third Pipeline
* Can Serve Suwannee Plant via Sonat BH
* Supply To US Via Existing LNG Terminal

CONS

* Rates Are Too High
* Supply Into Cypress Does Not Match Transportation Capacity On FGT
* BG Supply Adder Unjustfied
* 35,000 Dts/Day On Cypress Without A Home In Winter

Probability Of Success < 50%

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GULFSTREAM OPTIONS

1. GNGS (Duke / Williams)	MDQ		Demand (100% LF)		Months (Days)		Fixed Costs ($/Yr)
Term = May - Sept	60,000	x $	0.6639	x	153	= $	6,094,602
Term = Oct - Apr	25,000	x $	0.6639	x	212	= $	3,518,670
					Total	= $	9,613,272

2. GNGS (Duke / Williams)	MDQ		Demand (100% LF)		Months (Days)		Fixed Costs ($/Yr)
Term = May - Apr	60,000	x $	0.5500	x	365	= $	12,045,000

3. GNGS (Duke / Williams)	MDQ		Demand (100% LF)		Months (Days)		Fixed Costs ($/Yr)
Term = May - Oct	60,000	x $	0.6639	x	184	= $	7,329,456
Term = Nov - Apr	25,000	x $	0.5500	x	181	= $	2,488,750
					Total	= $	9,818,206

PROS

- Unsubsribed FT Capacity Available
- Already Connect To Hines Site
- Backhaul Opportunities Off Of Gulfstream Interconnects
- Lower Cost Option Than Elba LNG Via Cypress Pipeline

CONS

- No Supply Diversity Unless LNG Terminals Deployed In Mobile Bay
- Supply Vulnerable To Hurricanes
- Too Much Gulfstream Capacity With Direct Access To Only Three Plants

Probability Of Success

1. > 50%
2. > 50%
3. > 50%

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GULFSTREAM / TECO OPTIONS

1. GNGS (Duke / Williams)	MDQ		Demand (100% LF)		Months (Days)		Fixed Costs ($/Yr)
Term = May - Apr	28,000	x	$ 0.5500	x	365	=	$ 5,621,000
2. TECO Peoples Gas System	MDQ		Demand (100% LF)		Months (Days)		Fixed Costs ($/Yr)
Term = May - Oct	32,000	x	$ 0.6216	x	184	=	$ 3,659,809
			$ 0.5762		Total Fixed		$ 9,280,809

PROS

* Supply Diversity On FGT
* Incremental Hurricane Insurance Pending TECO PGS Revealing Primary Receipt Points In FGT Zones 1, 2 & 3
* Seasonal Sculpting
* One Of The Lowest Cost Options

CONS

* Gulfstream Capacity Offers No Immediate Supply Diversity

Probability Of Success > 50%

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TECO Peoples Release Proposal

Maximum Daily Quantity(MDQ) and Rates

	MDQ	S&A Rates	Daily Dem
FGT FTS-1	7,895	$ 0.3855	$ 3,044
FGT FTS-2	14,105	$ 0.7690	$ 10,847
GNGS	10,000	$ 0.6000	$ 6,000
Total	32,000	$ 0.6216	$ 19,890
TECO Release Of 10,000 dts/day	10,000	$ 0.6000	
Note: Rate Negotiated w/ GNGS	*35,000*	*$ 0.5572*	

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GULFSTREAM OPTIONS (Big Enchilada or MASH)

Incremental Projects

1. GNGS (DFS) Bay Gas Storage	MDQ		Demand (100% LF)		Months (Days)		Fixed Costs ($/Yr)
Term = May - Apr	60,000	x	$ 0.0871	x	365	=	$ 1,907,928

2. GNGS (DFS) Bay Gas & Cty Line	MDQ		Demand (100% LF)		Months (Days)		Fixed Costs ($/Yr)
Term = May - Apr	60,000	x	$ 0.1228	x	365	=	$ 2,688,444

3. GNGS (DFS) Offs LNG	MDQ		Demand (100% LF)		Months (Days)		Fixed Costs ($/Yr)
Term = May - Apr	60,000	x	$ 0.1188	x	365	=	$ 2,601,720

PROS

- Access To High Deliverability Storage
- Supply Diversity With Access To Future Mobile Bay Area LNG Terminals
- Access To Storage May Provide Hurricane Insurance If Storm Enters Gulf Of Mexico
- Phase III Will Likely Be Built By LNG Suppliers (Freeport McMoRan or ConocoPhillips or ExxonMobil)

CONS

- Still Too Much Reliance On Mobile Bay Area Supply
- Does Not Provide Seasonal Sculpting
- Does Not Provide Incremental Firm Capacity To Hines PB4

Probability Of Success < 50%

Note: DFS = Duke Field Services
MASH = Mobile Area Supply Header

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BAHAMAS LNG OPTIONS

1. Tractebel / Calypso LNG	MDQ		Demand (100% LF)		Months (Days)		Fixed Costs ($/Yr)
Term = May - Oct	60,000	x $	0.6000	x	184	= $	6,624,000.00
Term = Nov - Apr	25,000	x $	0.4000		181	= $	1,810,000.00
		$	0.5419			$	8,434,000.00

PROS

* Tractebel / Calypso Supply Is A Bundled Delivered Product To Hines PB4
* Supply Diversity From Global LNG Supply Sources
* Hurricane Insurance If Storm Strikes In Gulf Of Mexico
* Third Pipeline Into Florida
* Tractebel / Calypso has received State and Federal project authorizations.

CONS

* AES and FPL Proposals Did Not Provide For Firm Delivered Gas To Hines PB4
* Calypso Does Not Have Primary FT Rights On FGT
* Tractebel / Calypso Project Has Not Been Approved By Bahamian Government
* AES Project Does Not Meet FGT Quality Specifications
* FPL Project Has Not Received State, Federal Or Bahamian Government Approval

Probability Of Success

AES & FPL Projects < 50%
Tractebel / Calypso Project > 50%

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Adams, Melanie

From: Murphy, Pam (CP&L)
Sent: Wednesday, July 21, 2004 1:53 PM
To: Adams, Melanie; Rhodes, Rick; Boulmay, Ramon
Subject: FW: LNG Alternative Analysis REV.xls

Rob made some changes to the attached. Here is the final version.
Pam

-----Original Message-----
From: Norberg, Linda
Sent: Wednesday, July 21, 2004 1:45 PM
To: Murphy, Pam (CP&L)
Subject: LNG Alternative Analysis REV.xls

Rob revised (see 3rd column under Annual Average FT Rate and Annual Average FT Cost)

LNG Alternative
Analysis REV.x..

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Tractebel vs. Cypress
Status of Issues

Issue	Tractebel	Cypress/FGT/BG
Capital Cost	FT Rate includes blending and pressure upgrades	FT Rate includes pressure upgrades, but not $1.2MM for blending
Average FT Rate	$0.59	$0.85
Supply	HH Flat	HH + $.05
Project Conditions Precedent	Receipt of Board approval year end.	Receipt of government authorizations by 5/1/2006. Receipt of Board approval by 10/1/2005. Receipt of subscribed FT of 386,000 Dth/day by 9/1/2004.
PEF Conditions Precedent	Receipt of Board approval year end. Receipt of FPSC and other regulatory authorizations by 6/30/2005.	Receipt of Board approval by 9/30/04. Receipt of executed FGT Agreement by 8/31/04. Receipt of FPSC and other regulatory authorizations by 5/1/2006.
Termination	No termination provision - contract is not conditioned or dependent on construction of Tractebel Facilities.	If PEF terminates PA due to FERC changes, PEF will pay Southern lower of $6MM or 1/3 cost of project development. If either terminates PA due other reasons, PEF will pay Southern lower of $1.4MM or 1/3 cost of project development. Southern removed FPC's right to terminate (with no penalty) pending successful procurement of FGT Capacity and BG LNG Supplies.
Rate Cap	Negotiating w/FGT not to exceed estimates for PEF blending and pressure facilities.	Rate cap $0.41/Dth, however, Southern added language to allow rates to increase pending certain regulation or legislative changes.
Guarantee	PEF would require guarantee ($85 million) from Suez (Parent) and would be amortized over project life and reduced further when service commences.	PEF would require guarantee from Southern due to lower credit rating.
Physical Gas Fallback Strategy	Gulfstream - capacity estimated available until 2009	Gulfstream and Tractebel
Project Timeline	Negotiable - preferred year end.	Southern PA, FGT Service Agreement, and BG Supply Agreement executed by 7/29/04.

Murphy, Pam (CPL)

From: Murphy, Pam (CP&L)
Sent: Wednesday, July 21, 2004 1:53 PM
To: Adams, Melanie; Rhodes, Rick; Boulmay, Ramon
Subject: FW: LNG Alternative Analysis REV.xls

Rob made some changes to the attached. Here is the final version.
Pam

-----Original Message-----
From: Norberg, Linda
Sent: Wednesday, July 21, 2004 1:45 PM
To: Murphy, Pam (CP&L)
Subject: LNG Alternative Analysis REV.xls

Rob revised (see 3rd column under Annual Average FT Rate and Annual Average FT Cost)

LNG Alternative
Analysis REV.x...

Tractebel vs. Cypress
Status of Contract Negotiation

Key Contract Terms	Tractebel	Cypress/FGT/BG
Capital Cost	FT Rate includes blending and pressure upgrades	FT Rate includes pressure upgrades, but not $1.2MM for blending
Annual Average FT Rate	$0.59/Dth	$0.85/Dth
Annual Average FT Cost	$11.4 million	$17.1 million
Supply	HH Flat	HH + $.05
Project Conditions Precedent	Board approval by 12/31/04.	Subscribed FT of 386,000 Dth/day by 9/15/2004. Board approval by 9/30/2004. Government authorizations by 5/1/2006.
PEF Conditions Precedent	Board approval by 12/31/04. FPSC and other regulatory authorizations by 6/30/2005.	Executed FGT Agreement by 8/31/04. Board approval by 9/30/04. FPSC and other regulatory authorizations by 5/1/2006.
Termination	No termination provision - contract is not conditioned or dependent on construction of Tractebel Facilities.	If PEF terminates PA due to FERC changes, PEF will pay Southern lower of $6MM or 1/3 cost of project development. If either terminates PA due to not meeting certain CPs, PEF will pay Southern lower of $1.4MM or 1/3 cost of project development. Southern removed FPC's right to terminate (with no penalty) pending successful procurement of FGT Capacity and BG LNG Supplies.
Rate Cap	Negotiating w/FGT not to exceed estimates for PEF blending and pressure facilities. (FT Rate would increase ~ $.01/Dth)	Rate cap $0.41/Dth, however, Southern added language to allow rates to increase pending certain regulation or legislative changes. (FT Rate would increase ~ $.06/Dth, assuming Cypress Rate of $.41/Dth)
Credit Requirements	PEF would require a Guarantee ($85 million) from Suez (Parent) and would be adjusted over project life and reduced further when service commences.	PEF would require Southern to post a Letter Of Credit due to lower credit rating.
Timeline to Execute Agreements	Negotiable - preferred 12/31/04.	Southern PA, FGT Service Agreement, and BG Supply Agreement executed by 7/29/04.
Physical Gas Fallback Strategy	Gulfstream - capacity estimated available until 2009	Gulfstream and Tractebel

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Murphy, Pam (CP&L)

From: Rhodes, Rick

Sent: Monday, February 28, 2005 1:39 PM

To: Trimble, John; Mccluskey, Edward; Lewis, Robert; Trimble, John; Murphy, Pam (CP&L); Adams, Melanie

Subject: FW: PIRA's Global LNG Special Feature (02/25/2005)

FYI - more background on the Shell/Qatar deal and Shell's proposed Gulf Landing Project.

Rick Rhodes
Term Gas Lead
Progress Energy
919.546.7613
rick.rhodes@pgnmail.com

-----Original Message-----
From: PIRA Distribution [mailto:distribution@pira.com]
Sent: Friday, February 25, 2005 3:52 PM
To: PIRA Global LNG Client
Subject: PIRA's Global LNG Special Feature (02/25/2005)

Attached is the latest special feature from PIRA's Global LNG Service, titled *The Age of Mega-Deals: Shell Enters Qatar.*

To access the latest monthly forecast as well as the LNG database and Netback Calculator on PIRA Online, go to the following web page, log in to PIRA Online, and click on the "Monthly Forecast" link (under the "Global LNG" section of the Main Reports menu bar on the left-hand side of the page.)

http://www.pira.com/web/pirawebr.nsf

If you have any questions about your PIRA services or need assistance logging into PIRA Online, contact Client Services at (212) 686-6808, email: support@pira.com.

Contact Client Services regarding delivery of your PIRA reports, address changes, or technical support at (212) 686-6808, email: support@pira.com.

If you have any questions regarding the contents of a PIRA Global LNG report, please contact Ira Joseph (email: iraj@pira.com), Madeline Jowdy (email: madeline@pira.com), or Harvey Harmon (email: hharmon@pira.com) at (212) 686-6808.

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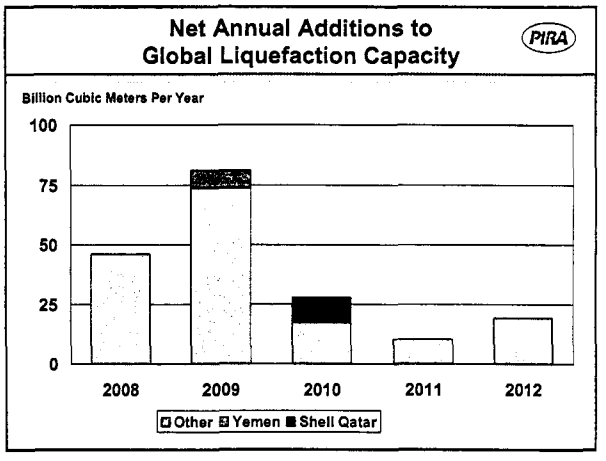
PIRA Energy Group

The Age of Mega-Deals: Shell Enters Qatar

Several new and larger liquefaction projects are sprouting up for commissioning near the end of the decade that will add nearly 20-bcm/yr. to the supply pool coming out of the Mideast. Next week Qatar Petroleum (QP) will sign a Heads of Agreement (HOA) with Shell for a stake in Qatargas IV, which is essentially the seventh train in the Qatargas family.[1]

The deal further solidifies the role of Mideast LNG in the Atlantic Basin market for years to come, echoing the precedents set by Exxon/Mobil and ConocoPhillips in similar-sized deals to the U.S. and U.K. All tolled, the three Qatargas deals will supply 60-bcm/yr. of LNG into an Atlantic Basin market that PIRA is forecasting to grow from 60-bcm/yr. in 2004 to 300-bcm/yr. by 2015.

The deal also reflects an increasing escalation of contract size and project integration, as customer-free marketing has arrived in LNG in conjunction with fully integrated supply chains that include not only liquefaction and shipping, but also regasification as well.



The seventh train is the latest of three massive 7.5 million tons per year (10.4-bcm/yr. or ~1 BCF/D) liquefaction trains being developed in this phase of Qatargas' LNG expansion. Shell is generally expected to receive a 30% stake in the so-called Qatargas IV, which is being developed primarily for the U.S. market and scheduled for completion in 2010. Its location in Qatar does also allow it to target seasonal plays or arbitrage opportunities in Europe and Asia as well.

This award will help Shell's competitive position in the Atlantic Basin relative to BG and ExxonMobil. BG, in particular, had leaped ahead of Shell the last few years with supply contracts from Trinidad, Egypt, Equatorial Guinea and Nigeria. ExxonMobil, with four new trains from Qatar, also was threatening to pass Shell in the Atlantic Basin.

Shell had a supply crunch with only Nigerian supply and a two–year bridging supply contract with Repsol, which expires in 2006. Shell had been counting on supply from the proposed Mariscal Sucre project in Venezuela, which does not appear to be likely any time soon. Shell did not have enough supply to fill its capacity positions at Cove Point, Elba Island and Altamira, much less Gulf Landing or the proposed Broadwater terminal in Long Island Sound.

The upstream agreement matches up with a 10.4-bcm/yr. (1-bcf/d) regasification project at Gulf Landing just southwest of Henry Hub. Like other majors, Shell is adopting a more integrated approach to its gas marketing, thereby guaranteeing access to the U.S. market, particularly now that the door has been opened to building new terminals that do not require third party access. A U.S. FERC approval in 2003 for Cameron LNG set this precedent.

The Shell deal also supports the commercial evolution of the tanker business, as the new tankers for this project will be roughly 50% larger than the current standard. Unlike other Shell access points at

[1] Qatar is also home to RasGas, which currently operates three trains totaling 15.6-bcm/yr., with four more due to add 34.5-bcm (13-bcm by 2007 and 21.52-bcm in 2009) by the end of the decade.

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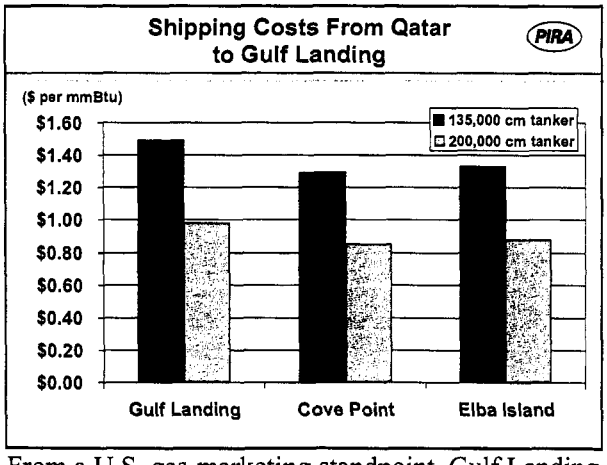
PEF 001473
Docket No. 041414-EI

Cove Point or Elba Island that have size limitations, Gulf Landing will allow Shell to use significantly larger tankers (at least 200,000 cm tankers), so what is lost in terms of the farther distance is made up for in terms of cost savings by using larger tankers. Using a larger 200,000 cm tanker at Gulf Landing will save Shell roughly 50c per mmBtu on its netback to Qatar, while the difference in savings between a larger tanker at Gulf Landing and a smaller 135,000 cm tanker at a U.S. East Coast terminal is roughly 30c per mmBtu.



From a U.S. gas-marketing standpoint, Gulf Landing offers excellent access to the Gulf Coast pipeline grid with interconnections proposed to five interstate pipelines. Unlike some of the other proposed Gulf Coast LNG regas terminals, there is plenty of existing downstream pipeline capacity. Gulf Landing supply also appears in a position to achieve a favorable pricing basis relative to other proposed Gulf Coast terminals.

Gulf Landing also has some significant geographic advantages. It allows for offshore loading that avoids local political problems that have plagued so many other projects. Gulf Landing is a concrete gravity-based structure (GBS) that will be similar to those used for oil and gas production in the North Sea. Using a GBS structure for an LNG regasification terminal is not necessarily new technology, but will require some refinement and a different use of the technology.

While not the first to try, Shell will likely be the first company to build a GBS LNG regasification terminal. With the Port Pelican GBS project being placed on hold by ChevronTexaco and ExxonMobil's offshore project not as far advanced as their onshore projects, it seems likely Gulf Landing will become the first GBS terminal to be built and after Excelerate's Energy Bridge, the second offshore regas terminal.

Since launching its first three trains in 1997, Qatargas has signed HOAs for the next four trains with ExxonMobil, ConocoPhillips, and Shell. ExxonMobil has 30% stakes in both the Qatargas II trains totaling (20-bcm/yr. (15.6 mtpa) destined for European markets and scheduled to be completed in 2007-08. ConocoPhillips has a 30% stake in the Qatargas III 10-bcm/yr. (7.5 mtpa train) for the U.S. market and scheduled to be completed in 2009. Also destined for the U.S. market, ExxonMobil has 30% stakes in both (20-bcm/yr.) 7.8 mtpa trains being developed for RasGas III.

Considered a top priority as recently as last year, Shell initially had focused on a Qatari gas-to-liquids project and signed to build the second Qatar GTL plant back in 2003. The plant will use 17-bcm/yr. of gas feed to produce 60,000 b/d of NGLs and 140,000 b/d of condensate.

For comments, suggestions or questions, please contact Ira Joseph, Madeline Jowdy, or Harvey Harmon.

Or email lng@pira.com.

PEF 001474
Docket No. 041414-EI

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Murphy, Pam (CPL)

From: Rhodes, Rick
Sent: Wednesday, April 14, 2004 9:40 AM
To: Murphy, Pam (CP&L)
Cc: Adams, Melanie
Subject: BG Contract Supply Risks

Pam,

Attached is an updated summary of the supply risks associated with the BG contract. Also, the attached NAESB provisions include the updated language that clarifies BG taking on risks upstream of the liquefaction facility.

Supply Risks.ppt
(254 KB)

FW: Florida Power Corporation,...

Rick Rhodes
Term Gas Lead
Progress Energy
919.546.7613
rick.rhodes@pgnmail.com

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Supply Risks

- BG Risks
  - Host Country Risk
    - Events which could exclusively affect foreign liquefaction facilities or other facilities, pipes, transportation or gas supply upstream of such foreign liquefaction facilities
- PEF Risks
  - Standard Force Majeure (at U.S.)
    - Acts of God (earthquakes, hurricanes, lightning, etc)
    - Interruption or curtailment of FT or storage
    - Other acts (strikes, riots, wars, etc)
    - Government actions (court orders, regulation, policies)
  - Events affecting facilities or vessels used for loading, transportation, unloading, storage, revaporization.

Progress Energy

Murphy, Pam (CPL)

From: Rhodes, Rick
Sent: Thursday, April 01, 2004 4:06 PM
To: Murphy, Pam (CP&L)
Cc: Adams, Melanie
Subject: Risks with BG Contract

Pam,

Attached is a slide that summarizes the BG supply risks. Although the current NAESB does not reflect the summary, BG is planning to send up an updated contract that is consistent with this summary in the next few days.

Supply Risks.ppt
(254 KB)

Rick Rhodes
Term Gas Lead
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919.546.7613
rick.rhodes@pgnmail.com

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Supply Risks

- BG Risks
  - Host Country Risk (Per discussion with BG)
    - Defined as upstream of Liquefaction Facility
- PEF Risks
  - Standard Force Majeure
    - Acts of God (earthquakes, hurricanes, lightning, etc)
    - Weather related (low temps - well freeze offs)
    - Interruption or curtailment of FT or storage
    - Other acts (strikes, riots, wars, etc)
    - Government actions (court orders, regulation, policies)
  - Marine related (loading, transportation, unloading, storage, revaporization, etc)

Progress Energy

Murphy, Pam (CPL)

From: Murphy, Pam (CP&L)
Sent: Thursday, September 02, 2004 4:27 PM
To: Caldwell, Rob
Cc: Boulmay, Ramon; Rhodes, Rick; Trimble, John; Adams, Melanie
Subject: Cypress Matrix Analysis Criteria

Here is the matrix you requested.

Thanks
Pam

Cypress Matrix Analysis Criter...

Analysis Criteria

	Importance	Gulfstream		Cypress		Tractabel	
		Rank	Weighted	Rank	Weighted	Rank	Weighted
Certainty of Project's Success	4	10	40	8	32	4	16
Economics	3	6	18	6	18	10	30
Operational Flexibility	2	4	8	8	16	8	16
Maximize Supply Diversity	1	3	3	10	10	10	10
Sum of Weighted			69%		76%		72%

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Caldwell, Rob

From: Murphy, Pam (CP&L)
Sent: Thursday, September 02, 2004 1:22 PM
To: Caldwell, Rob
Subject: RE: Sonat's Precedent Agreement

Still May 1st, 2007.

-----Original Message-----
From: Caldwell, Rob
Sent: Thursday, September 02, 2004 10:58 AM
To: Murphy, Pam (CP&L)
Subject: Re: Sonat's Precedent Agreement

What is expected in service date. Rob

Sent from my BlackBerry Wireless Handheld

-----Original Message-----
From: Murphy, Pam (CP&L) <pam.murphy@pgnmail.com>
To: Caldwell, Rob <rob.caldwell@pgnmail.com>
CC: Boulmay, Ramon <ramon.boulmay@pgnmail.com>; Rhodes, Rick <Rick.Rhodes@pgnmail.com>; Adams, Melanie <Melanie.Adams@pgnmail.com>; Trimble, John <John.Trimble@pgnmail.com>
Sent: Thu Sep 02 09:50:13 2004
Subject: Sonat's Precedent Agreement

Rob:

I have reviewed subject agreement and here is my interpretation of the agreement.

1) Sonat did not provide a hard cap at $0.36/Dth. Sonat did provide a soft cap at $0.37/Dth with language that they can increase the rate if their costs are materially and adversely increased by 25% or more. Sonat did file their Section 4 rate case on 9/1/04 and their current and proposed rates are as follows:

	Current	Proposed	Delta
Demand	$0.3547	$0.3916	$0.0369
Commodity	$0.0141	$0.0109	($0.0032)
Total	$0.3688	$0.4025	$0.0337

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2) Sonat took out PEF's FERC out provision.
3) Sonat allowed for FPSC approval for the BG gas deal only.
4) Sonat did not reduce the fuel to 1%.
5) Sonat did provide PEF a condition precedent for: receipt by PEF of an agreement with FGT to provide firm transportation on or before 12/15/04
6) Sonat did not provide PEF a condition precedent for: receipt by PEF of an agreement for BG LNG supply

The NEW timeline proposed by Sonat is as follows:

September 30, 2004 - Precedent Agreement between PEF and Sonat
December 15, 2004 - Service Agreement between FGT and PEF for firm transportation
January 31, 2005 - Board of Directors approval for Sonat and PEF*
February 1, 2005 - Approval by FPSC on the BG supply deal only
May 1, 2005 - Approval by FPSC on the Hines 4 self build

* The proposed timeline in the PA indicates January 1, 2005 however the text reflects January 31.

Pam

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Caldwell, Rob

From: Trimble, John
Sent: Wednesday, September 01, 2004 6:14 PM
To: Caldwell, Rob
Subject: FW: Southern Natural Gas Company (SONAT) Section 4 Rate Case - Docket No. RP04-523 - Filed on Tuesday, August 31, 2004

FYI, SONAT's rate case filing.

-----Original Message-----
From: Trimble, John
Sent: Wednesday, September 01, 2004 6:12 PM
To: Murphy, Pam (CP&L); 'jim.jeffries@nelsonmullins.com'
Cc: Adams, Melanie; Rhodes, Rick
Subject: Southern Natural Gas Company (SONAT) Section 4 Rate Case - Docket No. RP04-523 - Filed on Tuesday, August 31, 2004

I believe that I captured most of this correctly. Please excuse the formatting (not wysiwig).

At 11:32 AM EST, on Tuesday August 31, 2004, Southern Natural Gas Company (SONAT) filed its required Section 4 Rate Case with the FERC in Docket No. RP04-523.
The filing was made to be effective October 1, 2004. Standard procedure is for FERC to suspend the rates as filed for a period of 180 days.

In it's filing, SONAT filed for the following rate increase with no change to its fuel retention percentages:

Southern Natural Gas Company Rate Schedule FT (Zone 3-3)

Rates are daily rates inclusive of $.001 Storage Cost Surcharge and $.0019 ACA Surcharge

	Current	Filed	Delta
Demand Rate	**$0.3547**	**$0.3916**	**$0.0369**
Commodity	**$0.0141**	**$0.0109**	**($0.0032)**
Total	**$0.3688**	**$0.4025**	**$0.0337**

South Georgia Incremental Lateral

	Current	Filed	Delta
Demand Rate	**$0.1562**	**$0.1765**	**$0.0203**
Commodity	**$0.0110**	**$0.0160**	**$0.0050**
Total	**$0.1672**	**$0.1925**	**$0.0253**

	Proposed	Current	Delta
Total Cost of Service	**$ 439,556,447**	**$ 321,796,969**	**$ 117,759**
Rate Base	**$1,438,820,723**	**$1,044,940,395**	**$393,880,328**
Throughput (Dth)	**602,127,192**	**646,484,394**	**(44,357,202)**
Annual Billing Determinants	**35,510,231**	**28,345,719**	**7,164,512**

The proposed rates incorporate an overall cost of capital of 10.99 percent (%) based on SONAT's test period capitalization.

Capital Component	Weight	Cost	Amount	Weighted Cost
Long-Term Debt	**47.44%**	**8.20%**	**$1,200,000,000**	**3.89%**
Preferred Stock	**-------**	**------**	**----------**	**---------**

Common Equity	52.56%	13.50%	$1,329,709,805	7.10%	
Overall Cost of Capital				10.99%	Current 10.24%

Depreciation	Current		Proposed	Delta
Onshore Trans Facilities	1.47%	2.22%	0.75%	
Underground Storage	0.80%	1.24%	0.44%	
Offshore Trans Facilities	1.10%	0.74%	(0.36%)	

Southern proposed to change the classification of its WRENS - SAVANNAH Line Facilities from non-mileage based to mileage based because of the activation of Southern LNG's LNG Terminal at Elba Island.

John Trimble
Long Term Gas Representative
Progress Energy
410 S. Wilmington St (PO Box 1551), PEB 10A
Raleigh, NC 27601 (27602-1551)
Ph: (919) 546-3323

Caldwell, Rob

From: Murphy, Pam (CP&L)
Sent: Tuesday, June 15, 2004 6:36 PM
To: Caldwell, Rob
Subject: FW: Seafarer One-Pager

Rob:

Attached is the one-pager you requested on the Seafarer project (now known as Sailfish Natural Gas Ltd).
Pam

-----Original Message-----
From: Rhodes, Rick
Sent: Tuesday, June 15, 2004 4:09 PM
To: Murphy, Pam (CP&L)
Cc: Adams, Melanie
Subject: Seafarer One-Pager

FPL.ppt (662 KB)

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Pam,

Per your request, attached is the summary for Seafarer and FPL. I hope this addresses what you are looking for.

-Rick

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FPL Group Resources

Seafarer Project

- Originally an El Paso Project, Seafarer is a proposed 800,000 Dth/day, 128 mile, 26-inch pipeline from the Bahamas to Florida.
- Seafarer could supply Florida through the proposed High Rock LNG Facility at Grand Bahamas Island.
- El Paso announced in February 2003, its plans to exit the LNG business and sell the Seafarer project.
- FPL Group Resources announced January 2004 it signed an option agreement with El Paso to assume 100% ownership in the Bahamas terminal and 50% ownership Seafarer Pipeline.
- April 2004, El Paso announced execution of binding precedent agreements with an affiliate of FPL Group Resources for full capacity rights (800,000 dekatherms per day) on the proposed Seafarer Pipeline System.
- FPL Group Resources forms "Sailfish Natural Gas, Ltd." to market supplies out of the LNG Bahamas terminal to Florida.
- FPL estimates commercial operation to begin in 2008.

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Progress Energy

PEF 001485
Docket No. 041414-EI

Caldwell, Rob

From: Boulmay, Ramon
Sent: Monday, August 23, 2004 5:47 PM
To: Caldwell, Rob; Murphy, Pam (CP&L); Rhodes, Rick; Trimble, John
Subject: Condensed Executive Summary

Given the data revisions to the detailed BAP, have updated the Condensed Executive Summary. See the attached.

Cypress Summ_082304.doc

Ramon

PEF Long-Term Gas Supply and Transportation Requirements

Recommendation

Execute precedent and related agreements with Southern Natural Gas Company (SONAT), Florida Gas Transmission Company (FGT) and BG LNG Services, LLC (BG), collectively referred to as "Cypress", for up to 100,000 Dth/d of LNG supply and associated firm pipeline transportation (FT) to meet PEF gas supply needs.

The Need for New Gas Supply

Demand growth will require the addition of approximately 2,800 MW of new generation capacity to the PEF system by the end of this decade[1], all of which will be gas-fired[2]. PEF is currently seeking regulatory approval to commence development of the Hines 4 Combined Cycle (CC) facility which is scheduled for commercial operation by December 2007. Less than 2 years after Hines 4 becomes operational, an additional CC will be required to be added to the PEF system (by the summer of 2009). In this regard, PEF has sought solutions designed to provide incremental gas supply and associated transportation commensurate with a December 2007 commercial operation of Hines 4, additional gas supply needs for the testing of Hines 4 that will begin in the months prior to it becoming operational, options for the 2009 CC and other PEF system needs.

Proposal Summary

Cost and Quantity Commitment (by calendar year) for the 5/1/07 through 4/30/27 (20 year) term:

($ In Millions)	2007	2008	2009	2010	2011-2027	Total
Transportation	13.0	19.3	24.7	25.5	445.8	501.8
LNG Supply	59.9	89.2	117.0	123.2	2,531.1	2,754.5
Total	**72.9**	**108.5**	**141.7**	**148.7**	**2,976.9**	**3,256.3**
Bcf	11.5	18.9	24.7	25.9	420.6	501.0

Additionally, estimated capital expenditures of $2.51 million will be required to upgrade gas infrastructure at Hines and to handle the increased volumes and pressures. Treasury does not expect rating agencies to impute any debt due to recoverability through pass-through clauses.

BG LNG supply will originate from the Elba Island LNG facility located near Savannah, Georgia. Firm transportation (FT) needed to deliver LNG supplies to PEF generation will be provided by a SONAT expansion coupled with an expansion of Florida Gas Transmission (FGT) system. The SONAT expansion is a new 160-mile $240 million interstate pipeline ("Cyrpess") being developed by SONAT that will originate at Elba Island and terminate in Florida at an interconnection with the FGT system. Both expansion projects are expected to be in service by May 2007.

Strategic Fit

This project is in alignment with the Company's strategy and policies to procure firm transportation capacity and supply for 100% and 60%, respectively, of its baseload projected fuel usage requirements. In addition to locking-up long-term supply and transportation, this alternative provides: (1) certainty regarding the availability of supply and transportation for Hines 4; (2) operational flexibility for the entire PEF system fleet including geographical diversity of supply; (3) reduced dependence on Mobil Bay / Destin supplies; (4) optionality for future supply and transportation needs; and (5) potential for serving other current or future PEF plants.

[1] Per July 2004 GFF Growth Case.
[2] Conclusion of the *Baseload Generation Team.*

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Alternatives Considered

- Gulfstream Natural Gas System (Gulfstream), an existing interstate pipeline with excess capacity that is jointly owned by Duke Energy and Williams Energy.
- Tractebel Calypso LNG Marketing, LLC (Tractebel), an affiliate of Suez. This alternative is dependent upon the development of an $800 million Greenfield project consisting of an LNG gasification facility in the Bahamas and an associated undersea gas pipeline from the Bahamas to the Florida peninsular.

Analysis Criteria

The recommendation was made on the basis of a comparative analysis utilizing the following criteria (listed in order of priority).

- *Certainty of a Project's Success* - The project's ability to deliver gas supply to Hines 4 at or near the plant's expected commercial operation date of December 2007.
- *Economics* – Cost of each alternative, principally those deemed to able to deliver gas supply.
- *Operational Flexibili*ty - Features that provide flexibility or benefit to PEF.
- *Maximize Supply Diversity* - Ability of each alternative to reduce PEF reliance upon the Mobile Bay / Destin supply area.

Conclusions

The recommendation of the Cypress alternative is based upon the following conclusions.

- There is a tremendous amount of uncertainty regarding the timely development of a Greenfield LNG gasification facility and associated pipeline required with the Tractebel alternative. The risk and potential problematic mitigation strategy associated with pursuing this alternative resulted in the Tractebel alternative not being recommended to serve the gas supply needs of Hines 4. The recommendation does not preclude future consideration of a Bahama-based LNG supply alternative for future PEF gas supply needs beyond Hines 4. RCO recommends continuing ongoing dialogue with developers of Bahamas-based LNG alternatives with regards to longer-term PEF needs.
- The Elba Island LNG gasification plant and FGT pipeline are existing and operating facilities. Additionally, there is high probability of the success in the development of the SONAT and FGT expansion projects in a timeline consistent with the gas supply needs of Hines 4.
- The economics between Cypress and Gulfstream are fairly similar given comparable quantities from each alternative; quantities that are consistent with amount of supply and transportation being sought for Hines 4 and other system needs.
- The recommended alternative:
    1. Possesses operational flexibility somewhat more favorable than Gulfstream; and
    2. Would decrease PEF's reliance upon the Mobile Bay / Destin supply area.

Risks

The main risks associated with the recommended proposal are:

- Foreign (host country) political risks that could interrupt shipments of LNG;
- Delays in development of Cypress Pipeline and FGT system expansions;
- Delays in development of Hines 4 beyond FPSC approval; and
- FPSC prudency review.

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APPENDIX

Analysis Summary

	Cypress	Gulfstream	Tractebel
CERTAINTY OF PROJECT'S SUCCESS			
Overall Outlook	**High** With PEF as customer	**High** Existing / Operating system	**Uncertain** Extremely dependent on FPL
New LNG facility required?	No (facility already exist)	No	Yes, awaiting Bahamas approval
Upstream LNG supply secured?	Yes	-	No
Expansion of Existing Pipelines?	Yes (FGT)	No	Yes (FGT)
Greenfield Pipeline - Project required?	Yes – 220,000 Dt/d Phase 1 386,000 Dt/d Phase 2	No	Yes – 800,000 Dt/d
" " - Status of FERC approval	Application to be filed	-	Received
" " - Licenses & Permits	None Received	-	Received
PEF - Market share of Greenfield pipeline	32% of Phase 1	-	7%
ECONOMICS - DIRECT COST			
Nominal Value ($ Millions)	**2,685.9**[1]	**2,687.6**	**2,517.6**
Present Value ($ Millions)	**968.4**	**968.9**	**905.5**
OPERATIONAL FLEXIBILITY	**More Than Gulfstream; On-par with Tractebel**	**Relatively Less than Other Options**	**More Than Gulfstream; On-par with SONAT / FGT / BG**
REDUCE RELIANCE ON MOBILE BAY / DESTIN SUPPLY AREA	**Yes**	**No**[2]	**Yes**

[1] Cost associated with 80,000 Dt/d during summer months and 40,000 Dt/d during winter months, May 2008 through April 2028, which is comparable to Gulfstream and Tractebel alternatives. The recommended alternative reflects additional volumes for other system needs - 60,000 (Summer) / 25,000 (Winter) Dt/d in 2007 and 20,000 /10,000 Dt/d beginning May 2009.
[2] Supply reliance could be mitigated with additional future Gulf-coast based LNG development.

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POD#30
POD#31
POD#32

Domestic Supply RFP

Florida Power
A Progress Energy Company

Regulated Commercial Operations Department
P. O. Box 1551 - CPB 10A
Raleigh, North Carolina 27602

RFP# LT061404-01

CONFIDENTIAL

June 14, 2004

Dear Sir or Madam:

Subject: Request for Proposal for Long Term Gas Supply

Florida Power Corporation d/b/a Progress Energy Florida, Inc. (hereinafter referred to as Buyer) is requesting proposals for long-term gas supply delivered to Gulfstream Natural Gas System (GNGS) pipelines. Day-ahead flexibility to switch gas supply between FGT and GNGS, either by physical connection to both and/or contract flexibility is desired.

Term

20 years, beginning May 1, 2008

Volume

Package #1: The following volume requirements starting May 2008 through April 2009.

- Up to 30,000 Dth/day Summer volumes (May-Sept)
- Up to 15,000 Dth/day Winter volumes (Oct-Apr)

Package #2: The following volume requirements starting May 2009 through April 2028.

- Up to 40,000 Dth/day Summer volumes (May-Sept)
- Up to 20,000 Dth/day Winter volumes (Oct-Apr)

Primary Receipt Point

Deliveries should be made to buyer's primary receipt points.

Pipeline	Receipt Point	1LINE#	DRN
GSNG	DIGP Offshore Pipeline	8205164	322651
GSNG	Mobile Bay Processing Plant	8205179	323583
GSNG	ExxonMobil Mary Ann Plant	8205178	323610
GSNG	Williams Mobile Bay Plant	8205171	323485
GSNG	Destin Pipeline	8205175	323580

Service

Firm

Mandatory Pricing

Buyer desires to use an Inside FERC First of the Month Index with Buyer's election to convert to Gas Daily Midpoint Index or fixed pricing. Buyer desires Seller state pricing based on indexes for both IFERC Henry Hub and IFERC FGT Zone 3.

Optional Pricing

Buyer has interest in reviewing pricing options including, but not limited to:

- Fixed pricing – entire term
- Costless Collar pricing – annual or entire term
- Call Option on facilities. Specify all appropriate terms & conditions.
- Option to allow Buyer to swing down volumes a specific number of times per month.

- Seller proposed pricing.

Nominations: Pre-scheduled (day ahead of gas flow) and/or intraday (day of gas flow) may be submitted up until nomination deadline.

Requirements GISB / NAESB with special provisions for gas purchases.

Gas Quality Seller shall warranty to Buyer at delivery that all gas meets or exceeds pipeline gas quality specifications regarding Btu content and natural gas liquids. If gas is found to be insufficiently processed, Seller will join with Buyer to petition that the pipeline enforces required specifications on producers.

General Terms Buyer reserves the right to accept or reject any and all bids. Buyer may request a second round of bids from a short list of bidders, if deemed necessary in Buyer's sole discretion. Florida Power Corporation d/b/a Progress Energy Florida, Inc. is an equal opportunity buyer.

Proposals are DUE by: **Thursday, June 24, 2004, 4:00 p.m. EST**

Proposals Proposals are preferred to be submitted via e-mail to the address below. Proposals may be submitted by FAX. Proposals received AFTER the DUE date may be considered at Buyer's discretion. All Proposals MUST reference **RFP# LT061404-01** Questions related to deal points should be directed to the author at the number listed during business hours (EST).
Please send proposals to:

Progress Energy Inc.
Attn: Rick Rhodes
Oil/Term Gas Unit
P. O. Box 1551 - PEB 10A
Raleigh, North Carolina 27602
Telephone: 919-546-7613

CONFIDENTIAL

Send e-mail responses to: **rick.rhodes@pgnmail.com**

Send FAX responses to: **919-546-2922**

Sincerely,

Rick Rhodes

Term Gas Lead
919-546-7613

Attachment: Special Provisions for Sale And Purchase Of Natural Gas

Rhodes, Rick

From: Rhodes, Rick
Sent: Monday, June 14, 2004 5:58 PM
Cc: Rhodes, Rick; Trimble, John
Subject: Long-Term Supply RFP

CONFIDENTIAL

Importance: High

Expires: Friday, June 25, 2004 4:00 PM

Bcc: 'tporter@hess.com'; 'david.benninger@apachecorp.com'; 'wanda_carter@anadarko.com'; 'john_ripple@anadarko.com'; 'jking@callon.com'; 'doncullum@chevrontexaco.com'; 'bob.crites@chevrontexaco.com'; 'randy.courtney@conocophillips.com'; 'mchambers@coral-energy.com'; 'don.mauldin@dvn.com'; 'bill.green@dvn.com'; 'ricky.henagan@oceanenergy.com'; 'tina_l_harmon@dom.com'; 'rpmouton@duke-energy.com'; 'bledbetter@duke-energy.com'; 'carol.landis@elpaso.com'; 'steve.hanan@entergykoch.com'; 'david_deal@eogresources.com'; 'sandra.k.payne@exxonmobil.com'; 'vdevincenzo@huntoil.com'; 'keith.sawyer@cinergy.com'; 'dwmowrey@marathonoil.com'; 'rbanks@mariner-energy.com'; 'larry_bryan@murphyoilcorp.com'; 'jdwtidwell@net-lp.com'; 'tgonzales@newfld.com'; 'calvinb@noex.com'; 'psedita@arm-ltd.com'; 'bginsburg@noblegas.com'; 'jprincipato@nui.com'; 'doug_davis@oxy.com'; 'David.Rucker@oneok.com'; 'harvardj@pogoproducing.com'; 'tjacomini@sempratrading.com'; 'tdepaoli@sequentenergy.com'; 'jgipson@shamrock-energy.com'; 'leo@shorelinegas.com'; 'rblevins@texicannaturalgas.com'; 'jared.kaiser@total.com'; 'rfford@unocal.com'; 'stephen.hanshaw@unocal.com'; 'christy.perritt@williams.com'; 'kornutnj@bp.com'; 'dave_landry@fmi.com'; 'tim.bourn@epochenergy.com'; 'diaco.m.aviki@exxonmobil.com'; 'matthew.j.cross@exxonmobil.com'; 'kmeyer@cheniere.com'; 'evitela@cheniere.com'; 'thomas_dickey@dom.com'; 'martin_minnaugh@dom.com'

Florida Power Corporation d/b/a Progress Energy Florida, Inc. (FPC) seeks proposals from you to supply natural gas for the requirements listed in the attached RFP. A successful deal will require the execution of a NAESB with the attached Special Provisions, unless your firm already has an approved GISB or NAESB with FPC.

You are encouraged to submit your bid via e-mail. FAX response is acceptable, but e-mail is preferable.

We look forward to your response. Feel free to contact me at the number below with any questions. Thanks in advance for your timely response by this June 24, 2004 deadline.

Gulfstream
FP2004.doc (414 KB

NAESB-FPC-Special
Provisions-1...

Rick Rhodes
Term Gas Lead
Progress Energy
919.546.7613
rick.rhodes@pgnmail.com

ConocoPhillips
Gas & Power Marketing

June 24, 2004

CONFIDENTIAL

Mr. Rick Rhodes
Progress Energy Inc.
P.O. Box 1551 – PEB 10A
Raleigh, NC 27602

Re: RFP# LT061404-01

Dear Rick:

ConocoPhillips Company (ConocoPhillips) is very interested in working with Florida Power Corp. (d/b/a Progress Energy Florida Inc.) to serve Progress Energy's long-term fuel supply requirements for its Hines Unit No. 4. ConocoPhillips currently produces and aggregates approximately 2.8 Bcf per day of natural gas supply in North America. In total, we market and trade over 10 Bcf per day of natural gas in North America. We are well positioned for future growth and access to new natural gas supply prospects. Our $84 billion asset base includes major ownership positions in both the Mackenzie Delta and Alaska North Slope areas. These two North American supply projects contain future potential deliverability of over 5 Bcf per day of natural gas to U.S. markets. ConocoPhillips' asset base also includes international and domestic LNG supply projects. In the U.S., ConocoPhillips shares ownership in one existing LNG facility (Kenai, Alaska) and has two recently announced LNG import terminal projects (Freeport, TX and offshore Mobile Bay, Alabama). We are also active in the deepwater Gulf of Mexico. By year-end, our new deepwater Magnolia Project is scheduled to come onshore with approximately 70,000 MMBtu per day of equity gas supply.

ConocoPhillip's Mobile Bay-area LNG import terminal project (Compass Port) will directly access Progress Energy's Gulfstream and Florida Gas Transmission (FGT) capacity. Subject to regulatory and management approvals, ConocoPhillips' will construct the Compass Port LNG terminal offshore in the Mobile Bay area. Compass Port LLC filed a Deepwater Port Application on March 29, 2004 with the U.S. Coast Guard for a license to construct and operate the offshore LNG port facility. Compass Pass Pipeline LLC filed its Section 7(c) certificate application for the companion pipeline facilities on April 16, 2004 at the F.E.R.C. in Docket Nos. CP04-114-000 and CP04-115-000. The Compass Pass Pipeline will have the ability to deliver up to 1 Bcf per day of natural gas supply from the Compass Port LNG terminal to the Gulfstream Natural Gas System at Coden, AL. Compass Pass Pipeline will also have interconnections with Transco and Gulf South at Coden. The facilities at Coden will include the ability to deliver natural gas into Florida Gas Transmission's transportation capacity. The necessary federal regulatory approvals are expected as early as April 2005. In the

interim, we would like to develop a long-term gas supply agreement with conditions precedent acceptable to both parties.

ConocoPhillips wants to pursue definitive pricing and terms for a 20-year supply relationship with Progress Energy. We want to seek those terms through a collaborative process that provides a good understanding of each other's needs. Subject to senior management approval based on terms and conditions to be negotiated, ConocoPhillips will sell up to 40,000 MMBtu per day of 20-year natural gas supply to Progress Energy for delivery into Gulfstream or FGT at Coden, AL. The mandatory pricing structure indicated in the RFP appears to be in a form acceptable to ConocoPhillips. In addition, we would entertain pricing discussions that include fixed pricing provisions and collars.

We look forward to the opportunity to meet with you and develop a proposal in more detail. If you have any questions about our response, please give Steve Salato (281-293-5620) or myself (281-293-6629) a call.

Sincerely,

C. Randall Courtney
Director - Southeast Origination
ConocoPhillips Gas & Power

Steven M. Salato
Director – LNG Origination
ConocoPhillips Gas & Power

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Florida Power Corp.
Natural Gas Supply Proposal from BP Energy Company
July 15, 2004

Term:	June 1, 2006 through May 31, 2016 (10 years)
Delivery Point:	Destin Pipeline into Gulfstream Natural Gas System, or other points as mutually agreed.
Contract Quantity:	40,000 MMBtu/day at Delivery Point
Nature of Service:	Firm, baseload for the Contract Term. The above volume may be nominated in any combination into Gulfstream or FGT, with notice by 2 days prior to final NYMEX settlement for each month for the first of the month selection. FPC may change the allocation of baseload volume between the 2 pipelines during any month with adequate notice and subject to operational capability and other terms and conditions to be negotiated by the parties.
Price per MMBtu:	***The highest of the following Inside FERC Indexes for the month of flow +$0.10/MMBtu: Transco Zone 3, Transco Zone 4 or FGT Zone 3*** Buyer and Seller may agree to modify the contract price, by mutual consent, during this agreement. Such modification may include Fixed Price, Gas Daily Pricing, Collars, Caps, etc., based on prevailing conditions at the time contemplated.
Force Majeure:	This contract is subject to Force Majeure disruptions on the part of either Party. A definition of Force Majeure will be contained within any contract that may be negotiated between BP and Progress.

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CONFIDENTIAL-This proposal does not represent a binding offer and is for discussion purposes only. The noted prices and basis represent a "snapshot" of market conditions. As the market changes, BP Energy Corporation reserves the right to adjust its prices accordingly. This proposal is submitted as a basis for further negotiation and does not constitute a binding offer. This proposal is subject to final BP Energy management and credit approval. This proposal does not create and it is not intended to create an enforceable contract between the parties. Any such contract will only be created upon execution and delivery of a mutually acceptable definitive agreement covering the proposed transaction.

June 25, 2004

Progress Energy Inc.
Attn: Rick Rhodes
Term Gas and Logistics Unit
P.O. Box 1551 – PEB 10A
Raleigh, North Carolina 27602

Rick.rhodes@pgnmail.com

CONFIDENTIAL

RE: RFP LT061404-01

Dear Mr. Rhodes,

I am pleased to present Total Gas & Power North America's indication and proposal in response to Progress' RFP.

Our indication is provided as guidance for pricing and as good faith intent for further negotiation, subject to Total board approval.

Our proposal is provided to cover the tenure our strategic policy allows.

Our strategic policy currently limits the tenure of our transactions such that we cannot provide a 20 year offer; however, further negotiation may invite board approval and policy exception.

I would be happy to discuss in detail with you.

Kind regards,

Jared L. Kaiser
Southeast Marketing Manager
Total Gas & Power North America, Inc.
One Memorial City Place
800 Gessner Rd. Suite 700
Houston, Tx 77024
713-647-4059

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PROPOSAL TO
FLORIDA POWER CORPORTATION
FROM
TOTAL GAS & POWER NORTH AMERICA

RFP# LT061404-01

CONFIDENTIAL

SCOPE

The intent of this proposal is to provide pricing and the general terms and conditions of a supply transaction intended to serve Florida Power Corporation ("FPC"). FPC currently owns or will own transportation capacity to move proposed gas supply from the receipt points indicated.

TERM

Beginning May 1, 2008 and continuing everyday through June 30, 2014

PRICE

Inside FERC Florida Gas Transmission Zone 3 – First of the Month Posting plus $.05

VOLUME

May – September	20,000 Mmbtu/day
October – April	15,000 Mmbtu/day

DELIVERY POINT

Gulfstream: Destin or any Mobile Bay Point Primary

CONFIDENTIALITY

Neither FPC nor Total, or any affiliate thereof, shall be under any obligation to enter into any further agreement with the other party or affiliate of any nature whatsoever as a result of this proposal. Each party reserves the right, in its sole discretion, to decline, make, retract, or reject at any time any proposal that has not yet become legally binding by

execution of a written agreement between the parties and to terminate all further discussions and negotiations. FPC and Total agree that the terms of this proposal are confidential and shall not be disclosed to any third party without the prior written consent of the other party.

CONFIDENTIAL

INDICATION TO
FLORIDA POWER CORPORTATION
FROM
TOTAL GAS & POWER NORTH AMERICA

CONFIDENTIAL

RFP# LT061404-01

SCOPE

The intent of this **indication** is to provide pricing and show good faith intent to negotiate further, subject to Total board approval, the general terms and conditions of a supply transaction intended to serve Florida Power Corporation ("FPC"). FPC currently owns or will own transportation capacity to move proposed gas supply from the receipt points indicated.

TERM

Beginning May 1, 2008 and continuing everyday through April 30, 2018

PRICE

Inside FERC Florida Gas Transmission Zone 3 – First of the Month Posting plus $.05

VOLUME

May – September	20,000 Mmbtu/day
October – April	15,000 Mmbtu/day

DELIVERY POINT

Gulfstream: Destin or any Mobile Bay Point Primary

CONFIDENTIALITY

Neither FPC nor Total, or any affiliate thereof, shall be under any obligation to enter into any further agreement with the other party or affiliate of any nature whatsoever as a result of this indication. Each party reserves the right, in its sole discretion, to decline, make,

retract, or reject at any time any proposal that has not yet become legally binding by execution of a written agreement between the parties and to terminate all further discussions and negotiations. FPC and Total agree that the terms of this indication are confidential and shall not be disclosed to any third party without the prior written consent of the other party.

CONFIDENTIAL

PEF 001593
Docket No. 041414-EI

ChevronTexaco Natural Gas
A Division of Chevron U.S.A. Inc. 1111
Bagby Street, Room 4354-1, Houston,
TX 77002
Tel 713 752 6465
Fax 713 752 3999
Mobile 281 726 1703
mail to: doncullum@chevrontexaco.com

Don Cullum
Regional Director – Gulf Coast
Natural Gas Marketing – U.S.

ChevronTexaco

June 24, 2004

Mr. Rick Rhodes
Term Gas Lead
Oil/Term Gas Unit
Florida Power Corporation
P. O. Box 1551, PEB 10A
Raleigh, NC 27602-1551

CONFIDENTIAL

Email: rick.rhodes@pgnmail.com

REQUEST FOR PROPOSAL - Long Term Gas Supply – RFP# LT061404-01

Dear Mr. Rhodes,

Thank you for the opportunity to discuss an "indicative quote" for natural gas supply to Florida Power Corporation (FPC). ChevronTexaco appreciates our current business relationship with FPC and looks forward to discussions regarding new opportunities.

The attached sheet represents an indicative quote for the sale of natural gas and is considered confidential. This quote is for discussion purposes only. It is not intended to create a binding contract and is not an offer capable of acceptance. This quote is subject to further review and management approval and to the negotiation and execution of a definitive agreement containing all relevant provisions, including, but not limited to, those relating to credit, limitation of damages and remedies and force majeure.

Although this quote is shown for only five (5) years, ChevronTexaco Natural Gas would be willing to discuss longer term obligations.

We look forward to working with you as you go through your analysis. Should you have any questions, please do not hesitate to contact me at (713) 752-6465 or doncullum@chevrontexaco.com.

Sincerely,

Don Cullum

Chevron

CONFIDENTIAL

"Confidential"

Florida Power Corporation

Term: ChevronTexaco is interested in discussing your request for a long-term (20 year) supply proposal. Such a proposal could have synergies with our LNG strategy and expected terminal development projects. However, we are **not** currently in a position to provide you with a 20 year indicative price quote.

Price: For a five year deal, with a similar start date (May 2008 through April 2009), we would expect an indicative bid based on a market reflective index price plus $0.07 to $0.10 per MMBtu (range dependent upon final agreed to terms and conditions). An earlier start date could result in a discount to the indicative prices noted above.

Quantity: ChevronTexaco would be willing to discuss the quantity ranges noted in the RFP (15,000 – 40,000 MMBtu per day).

Delivery Point: ChevronTexaco expects to have the capability to effect deliveries at the point(s) noted in the RFP

Confidentiality: Both parties agree not to disclose to any third party the proposal or contract or any contents without the express written consent of the other party, except when disclosure is required by law or a governmental body.

Binding Elba LNG RFP

Progress Energy

Regulated Commercial Operations Department
P. O. Box 1551 - PEB 10A
Raleigh, North Carolina 27602

RFP# LT040504-Elba

April 5, 2004

CONFIDENTIAL

Dear Sir or Madam:

Subject: Request for Proposal for Long-Term Gas Supply

Florida Power Corporation d/b/a Progress Energy Florida, Inc. (hereinafter referred to as Buyer) is requesting proposals for long-term gas supply sourced out of Elba Island LNG Terminal.

Term 20 years beginning May 1, 2008.

Volume Cypress package #1: The following volume requirements starting May 2008 through April 2009.

- 60,000 Dth/day Summer volumes (May-Oct)
- 25,000 Dth/day Winter volumes (Nov-Apr)

Cypress package #2: The following volume requirements starting May 2009 through April 2028.

- 80,000 Dth/day Summer volumes (May-Oct)
- 40,000 Dth/day Winter volumes (Nov-Apr)

Primary Receipt Point Buyer receipt point will be downstream of the LNG facility outlet at the interconnection of the proposed Cypress Pipeline.

Service Firm.

Mandatory Pricing Buyer desires to use The Inside FERC First of the Month Index Posting with Buyer's election to convert to Gas Daily Midpoint or Fixed pricing.

Optional Pricing Buyer has interest in reviewing pricing options including, but not limited to:

- Fixed pricing – entire term
- Zero Collar pricing – annual or entire term
- Call Option.
- Option to allow Buyer to swing down volumes a specific number of times per month.
- Seller proposed pricing.

Force Majeure Buyer requests that Seller's pricing reflect import delivery risk such that Force Majeure (FM) will not apply to events upstream of the LNG import re-gasification facility. Examples of events not considered FM includes, but not limited to, host country risks (i.e. host county war, strikes, etc.) as well as risks associated with facilities or vessels used for the liquefaction, loading, shipping, and unloading of import gas.

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Nominations: Pre-scheduled (day ahead of gas flow) and/or intraday (day of gas flow) may be submitted up until nomination deadline.

Requirements GISB / NAESB with special provisions for gas purchases.

Gas Quality Seller shall warranty to Buyer at delivery that all gas meets or exceeds pipeline gas quality specifications. If gas is found to be insufficiently processed, Seller will join with Buyer to petition that the pipeline enforces required specifications on producers.

Proposals are DUE by: **Monday, April 26, 2004, 4:00 p.m. EST**

Proposals Proposals are preferred to be submitted via e-mail to the address below. Proposals may be submitted by FAX. Proposals received AFTER the DUE date may be considered at Buyer's discretion. All Proposals MUST reference **RFP# LT040504-elba.** Questions related to deal points should be directed to the author at the number listed during business hours (EST).

Please send proposals to:

CONFIDENTIAL

Progress Energy Inc.
Attn: Rick Rhodes
P. O. Box 1551 - PEB 10A
Raleigh, North Carolina 27602
Telephone: 919-546-7613

Send e-mail responses to: **rick.rhodes@pgnmail.com**

Send FAX responses to: **919-546-2922**

Sincerely,

Rick Rhodes

Term Gas Lead
919-546-7613

458

Rhodes, Rick

From: Rhodes, Rick
Sent: Monday, April 05, 2004 1:51 PM
To: 'JRBowden@MarathonOil.com'
Subject: Long-Term Gas RFP Elba

Importance: High
Sensitivity: Confidential

CONFIDENTIAL

Expires: Monday, April 26, 2004 4:00 PM

Jim,

Florida Power Corporation d/b/a Progress Energy Florida, Inc. (FPC) seeks proposals from you to supply natural gas for the requirements listed in the attached RFP. A successful deal will require the execution of a NAESB with the attached Special Provisions, unless your firm already has an approved GISB or NAESB with FPC.

You are encouraged to submit your bid via e-mail. FAX response is acceptable, but e-mail is preferable.

We look forward to your response. Feel free to contact me at the number below with any questions. Thanks in advance for your timely response by this April 26, 2004 deadline.

***** IMMEDIATELY UPON RECEIPT, PLEASE RESPOND TO THE E-MAIL TO CONFIRM RECEIPT *****

lng rfp elba island.doc (232 K...

Rick Rhodes
Term Gas Lead
Progress Energy
919.546.7613
rick.rhodes@pgnmail.com

459

PEF 001598
Docket No. 041414-EI

Rhodes, Rick

From: Rhodes, Rick
Sent: Monday, April 05, 2004 1:49 PM
To: 'mark.evans@bglng.com'
Subject: Long-Term Gas RFP Elba

Importance: High
Sensitivity: Confidential

CONFIDENTIAL

Expires: Monday, April 26, 2004 4:00 PM

Mark,

Florida Power Corporation d/b/a Progress Energy Florida, Inc. (FPC) seeks proposals from you to supply natural gas for the requirements listed in the attached RFP. A successful deal will require the execution of a NAESB with the attached Special Provisions, unless your firm already has an approved GISB or NAESB with FPC.

You are encouraged to submit your bid via e-mail. FAX response is acceptable, but e-mail is preferable.

We look forward to your response. Feel free to contact me at the number below with any questions. Thanks in advance for your timely response by this April 26, 2004 deadline.

***** IMMEDIATELY UPON RECEIPT, PLEASE RESPOND TO THE E-MAIL TO CONFIRM RECEIPT *****

lng rfp elba island.doc (232 K...

Rick Rhodes
Term Gas Lead
Progress Energy
919.546.7613
rick.rhodes@pgnmail.com

460

PEF 001599
Docket No. 041414-EI

Rhodes, Rick

From: Rhodes, Rick
Sent: Monday, April 05, 2004 1:48 PM
To: 'drephlo@coral-energy.com'
Subject: Long-Term Gas RFP Elba

Importance: High
Sensitivity: Confidential

CONFIDENTIAL

Expires: Monday, April 26, 2004 4:00 PM

Doug,

Florida Power Corporation d/b/a Progress Energy Florida, Inc. (FPC) seeks proposals from you to supply natural gas for the requirements listed in the attached RFP. A successful deal will require the execution of a NAESB with the attached Special Provisions, unless your firm already has an approved GISB or NAESB with FPC.

You are encouraged to submit your bid via e-mail. FAX response is acceptable, but e-mail is preferable.

We look forward to your response. Feel free to contact me at the number below with any questions. Thanks in advance for your timely response by this April 26, 2004 deadline.

***** IMMEDIATELY UPON RECEIPT, PLEASE RESPOND TO THE E-MAIL TO CONFIRM RECEIPT *****

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Rick Rhodes
Term Gas Lead
Progress Energy
919.546.7613
rick.rhodes@pgnmail.com

401

PEF 001600
Docket No. 041414-EI

BG LNG Services, LLC

BG LNG Services, LLC
5444 Westheimer, Suite 1775
Houston, Texas 77056

Telephone: 713-403-3741
Facsimile: 713-403-3781

April 26, 2004

Mr. Rick Rhodes
Progress Energy Inc.
P.O. Box 1551 – PEB 10A
Raleigh, NC 27602

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Re: RFP# LT040504- Elba

Dear Mr. Rhodes:

BG LNG Services LLC (BGLS) is pleased to provide the following response to Florida Power Corporation d/b/a Progress Energy Florida (FPC) request for proposal dated April 5th.

As you know, the proposed Cypress pipeline project will provide FPC and its customers an additional natural gas supply source into Florida, in addition to pipeline transportation capacity from the Gulf of Mexico. To ensure the development of the Cypress pipeline project, significant market and supplier commitments will be required. BGLS looks forward to working with FPC to secure the success of this project.

Please keep in mind that the offer below is merely an indication of the current market price at the time, and does not constitute an offer or obligation by BGLS or FPC to a transaction. BGLS will be pleased to provide the most up-to-date price quote at FPC's request.

If you have any questions regarding our proposal, please don't hesitate to call me.

Sincerely,

David M. Jenkins

David Jenkins
Director, Origination

Indicative Terms for Proposed Definitive Agreement

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Seller: BG LNG Services, LLC or affiliate

Buyer: Florida Power Corporation d/b/a Progress Energy Florida Inc.

Definitive Agreement: A fully termed agreement will be entered into between Buyer and Seller setting out in detail the terms and conditions for the delivery and sale of natural gas by Seller and the receipt and purchase of natural gas by Buyer. The definitive agreement will be in the form of a NAESB Base Contract for Sale and Purchase of Natural Gas Standard Form 6.3.1 (the "NAESB Contract"), with Transaction Confirmation and special provisions as described herein.

Supply Date: May 1, 2007

Contract Term: 20 years from Cypress expansion in-service date

Re-gas Plant: Elba Island, LNG receiving terminal and associated facilities, including pipelines.

Delivery Point: Southern Natural Gas Pipeline interconnect with Elba Island

Title and Risk: In accordance with NAESB Contract Section 8.

Contract Quantity:

May 2007 through October 2007:
40,000 MMBtu/day Summer Quantities (May-Oct)

May 2008 through April 2009:
80,000 MMBtu/day Summer Quantities (May-Oct)
40,000 MMBtu/day Winter Quantities (Nov-April)

May 2009 through April 2028:
120,000 MMBtu/day Summer Quantities (May-Oct)
60,000 MMBtu/day Winter Quantities (Nov-April)

THIS IS A DRAFT DOCUMENT FOR DISCUSSIONS ONLY. IT IS NON-BINDING

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Natural Gas Price:

The amount payable by Buyer to Seller pursuant to the Definitive Agreement will be determined in accordance with the following formula:

MP = (QD x HH) + Demand Charge

Where:

MP = The monthly payment ("Monthly Payment") in US Dollars due from Buyer to Seller with respect to a month ("Month A") for natural gas under the Definitive Agreement.

QD = The quantity of natural gas (in MMBtu) delivered by Seller to Buyer at the Delivery Point for Month A.

HH = Buyers choice of The final settlement price for the NYMEX Henry Hub natural gas futures contract or Inside FERC First-of-Month Monthly posting for Henry Hub (in US$/MMBtu) for Month A. Buyer may alternate monthly between the choices above provided 3 business days notice to seller prior to expiration of the applicable NYMEX Henry Hub natural gas futures contract.

Demand Charge

Delivery Point	Calculation	Demand Rate per MMBtu
Elba Island LNG Regas Terminal	DCQ x Days in Month A	$0.0725

Seller may deliver natural gas via alternate pipelines at its sole discretion, subject to Buyers ability to receive such.

Specifications: Seller will deliver natural gas to Buyer at the Delivery Point that meets the quality specifications as mutually agreed by the Parties.

Force Majeure: In accordance with NAESB Contract Section 11, as modified below:

Section 11.1 is modified by adding at the end thereof:

"In an event of Force Majeure (including an event of Force Majeure that affects the Re-Gas Plant), the party claiming excuse shall have no obligation to seek alternate Gas or

LNG supplies in order to satisfy any obligation hereunder. Buyer acknowledges that, with respect to sales of Gas by Seller, it is anticipated that such Gas will primarily be derived from LNG that Seller or its affiliates import through the Re-Gas Plant."

Section 11.2 is modified by deleting the word "and" before subsection 11.2(v) and adding the following at the end of the first sentence thereof: "(vi) any event, action or circumstance described in the preceding clauses (i) through (v) which impacts the Re-Gas Plant; and (vii) any port closure, weather related events or acts of others that impede the unloading, storage or revaporization of LNG at the Re-Gas Plant."

Section 11.3 is modified by adding the words "out of path" before "Firm transportation unless primary" and the words "or secondary," before "in-path," in subsection 11.3(i).

Section 11.3 is further modified by deleting the word "or" before subsection 11.3(v) and adding the following at the end of the first sentence thereof:

"or (vi) the failure to perform was caused by the gross negligence or willful misconduct of the party claiming excuse."

Duties and Taxes:

In accordance with NAESB Contract Section 6. The parties will select "Buyer pays at and after Delivery Point."

Conditions Precedent:

The obligations of Seller under the Definitive Agreement will be subject to the satisfaction of a number of conditions precedent (the "**Conditions Precedent**"), including the following:

- Seller's senior management and board approval.
- In service of Cypress Pipeline and associated Florida Gas Transmission facilities.

Seller will inform Buyer, on a timely and regular basis, as to the progress being made in satisfying each Condition Precedent.

Seller will have the right, but not the obligation, to waive each such Condition Precedent.

Governing Law:

The Definitive Agreement will be governed by and construed in accordance with the laws of the State of New York, USA without reference to choice of law doctrine. The United Nations Convention on Contracts for the International Sale of Goods (1980) will not apply to the Definitive Agreement or to the performance thereof or to any aspect of any dispute arising therefrom.

Dispute Resolution:

All disputes arising out of or relating to the Definitive Agreement will be resolved by final and binding arbitration in accordance with the International Arbitration Rules of the American Arbitration Association. Each Party will appoint an arbitrator, and the two so chosen will appoint the third, who will act as Chair. The place of arbitration will be New York City, State of New York, USA. The language of arbitration will be English. Judgment on the award may be entered by any court of competent jurisdiction.

The Parties will jointly evaluate the merits of including an expert resolution process in the Definitive Agreement in order to resolve certain disputes.

Credit Support:

Buyer and Seller will each provide the other with credit assurances as necessary to secure its respective financial obligations under the Definitive Agreement.

Buyer will provide Seller a Parent Company Guarantee, or some other mutually acceptable support mechanism, for its obligations under the Definitive Agreement in the amount of $_____ million.

Seller will provide Buyer a Parent Company Guarantee, or some other mutually acceptable support mechanism, for its obligations under the Definitive Agreement in the amount of $_____ million.

Effect:

This term sheet is for discussion purposes only and does not constitute an offer by either Party to enter into any agreement or evidence any intention to enter into any such agreement. Any agreement of the Parties with regard to the matters set forth in this document shall be evidenced only by the execution by both Seller and Buyer of a binding Definitive Agreement. At any time prior to execution of a Definitive Agreement, either Buyer or Seller, at its sole discretion, may cancel and cease any further negotiations without liability to the other.

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Shell Trading

Shell Trading Gas and Power Company
909 Fannin, Plaza Level One
Houston, TX 77010
(713) 767-5400

April 26, 2004

Via E-mail: rick.rhodes@pgnmail.com

Mr. Rick Rhodes
Term Gas Lead
Progress Energy Inc.
Term Gas and Logistics Unit
P.O. Box 1551 – PEB 10A
Raleigh, NC 27602

RE: RFP# LT040504-elba
Response of Coral Energy Resources, L.P.

Dear Rick:

Coral Energy Resources, L.P. ("Coral") is pleased to make the following proposal, subject to certain conditions precedent, to Florida Power Corporation d/b/a Progress Energy Florida, Inc ("Progress") to supply natural gas at the Elba Island LNG Terminal Outlet located in Savannah, Georgia ("Plant"):

Term
The term of this proposed supply arrangement would be effective for twenty (20) years, beginning May 1, 2008 and ending April 30, 2028.

Volume
(1) May 1, 2008 through October 31, 2008 - 60,000 Dth/day
November 1, 2008 through April 30, 2009 – 25,000 Dth/day

(2) May 1, 2009 through April 30, 2028 -
May 1 through October 31 (Summer Volumes) – 80,000 Dth/day
November 1 through April 30 (Winter Volumes) – 40,000 Dth/day

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The volume for both time periods would be delivered on a monthly baseload basis (the volume for each time period is referred to herein as the "Maximum Daily Quantity").

Delivery Point

Primary Delivery Point: Gas supply would be delivered at the interconnection between the Plant and Southern Natural Gas Company's ("SNG") proposed Cypress Pipeline expansion project, located at the outlet of the Plant in Savannah, Georgia.

Alternative Delivery Points: Progress' Hines Power Plant, located near Fort Meade, Florida, or mutually agreeable delivery points from time to time located in the Gulf Coast area on SNG, Florida Gas Transmission, or Gulfstream Natural Gas System.

Service

Coral would provide natural gas supply to Progress, on a firm basis, pursuant to the volume and price terms and conditions proposed herein.

This proposal assumes that Progress will receive gas, on a firm basis, in uniform hourly quantities during any day of the term of the proposed supply arrangement.

Natural gas deliveries by Coral at the Primary Delivery Point (or Alternative Delivery Points, if applicable) would be subject to standard natural gas industry force majeure provisions that would be applicable upstream to the origin of the LNG gas supply and subject to the scheduling of the nominations by the operators of the Plant and SNG. Acts of the government of the host country supplier that would effect or interfere with Coral's ability to deliver LNG quantities would not be considered force majeure events.

Price

Baseload Supply Price: The price for natural gas quantities nominated for delivery on a monthly baseload basis (which would equal the applicable Maximum Daily Quantity during each month of the term of the proposed supply arrangement) would equal the price published in Platts' *Inside FERC's Gas Market Report* for such month under the heading "Market Center Spot Gas Prices" "South Louisiana" "Henry Hub" "Index", plus $0.04 ("Index Premium"), plus an annual price escalator on the Index Premium based on a mutually agreed inflation index.

Commodity Keepwhole Provisions: In the event either party would fail to schedule the applicable Maximum Daily Quantity at the Primary Delivery Point, unless excused by an event of force majeure, the party that defaults would pay to the other party an amount equal to the sum of the product of the default quantity multiplied by the replacement price differential subject to the following provisions:

> In the event of a failure to deliver at the Primary Delivery Point, unless excused by an event of force majeure, Coral would have the right to either (1) replace the shortfall gas supply for such day at Progress' Hines Power Plant without having

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any other obligation, or replace the shortfall gas supply for such day at any other Alternative Delivery Point, if mutually agreed to by Coral and Progress, with Coral bearing any incremental transportation costs incurred by Progress, or (2) replace the shortfall gas supply for such day by providing alternate fuel or electricity at mutually agreed points without having any other obligation.

Alternative Pricing: For any given period during the term of the proposed supply arrangement, Coral could provide certain price risk management capabilities whereby Progress could elect to hedge the proposed market index at a mutually agreed alternative price through the use of natural gas swaps or options on natural gas futures contracts, subject to Progress receiving approval under Coral's credit review process.

Nominations

Progress would make a monthly baseload nomination to Coral by 9:00 am Central Prevailing Time ("CPT") five (5) business days prior to the first day of each month of the term of the proposed supply arrangement. This nomination would equal the applicable Maximum Daily Quantity during each month of the term of the proposed supply arrangement.

Progress would notify Coral promptly in the event actual purchase quantities would be lower than the monthly baseload nomination (which is the Maximum Daily Quantity) on any day during a month, subject to the Commodity Keepwhole provisions set forth herein.

Taxes

All taxes, including but not limited to ad valorem, excise, severance, and production taxes, that would be assessed upstream of the Delivery Point or any Alternative Delivery Points into the transporting pipeline would be borne by Coral. All such taxes assessed at or downstream of the Delivery Point into the transporting pipeline would be borne by Progress.

Credit

The proposed supply arrangement as described herein is subject to standard credit due diligence under Coral's credit review process. Progress will be required to execute a master contract with bilateral credit terms and conditions deemed necessary by Coral in its sole discretion.

Conditions Precedent

In addition to the credit requirements set forth above, Coral anticipates that the closing of the proposed supply arrangement would be subject to customary closing conditions including, but not limited to, the following:

(1) The Elba Island terminal expansion being completed and placed in-service, as certified by the Federal Energy Regulatory Commission ("FERC").

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(2) The Cypress Pipeline expansion project being certificated by the FERC, and completed and placed in-service, as certified by the FERC.

(3) Coral locating a LNG supply source at Elba Island and negotiating all necessary agreements regarding such LNG supply source under terms acceptable to Coral and its affiliates.

(4) The negotiation and execution of all definitive agreements relating to the proposed supply arrangement containing covenants, agreements, conditions, representations, warranties, and indemnities which are usual and customary in transactions of the type contemplated herein.

(5) The receipt by Coral and its affiliates of all necessary internal and external corporate, governmental, and regulatory approvals in form and substance acceptable to Coral in its sole discretion in connection with the proposed supply arrangement.

Because this proposal contains commercially sensitive information, Progress must maintain this proposal in a confidential manner, not disclose all or any portion of this proposal to any third party without first obtaining Coral's written consent, and use this proposal solely in connection with Progress' evaluation and determination of whether Progress desires to enter into further discussions or negotiations with Coral regarding the potential sale of gas to Progress.

Notwithstanding any other provision set forth herein, this proposal will expire as of close of business on September 30, 2004. In addition, Coral has the right to withdraw this proposal transaction at any time prior to the satisfaction of the Conditions Precedent set forth above, as determined by Coral in its sole discretion.

Coral appreciates the opportunity to submit this proposal to Progress. Please contact Mr. Doug Rephlo at (713) 767-5502 with any questions regarding this proposal.

Sincerely,

Slavko Preocanin
Senior Vice President
Shell Trading Gas and Power Company

THIS PROPOSAL IS FOR DISCUSSION PURPOSES ONLY AND IS NOT INTENDED TO BE COMPLETE AND ALL INCLUSIVE OF THE TERMS AND CONDITIONS OF THE RELATED TRANSACTION. THE PROPOSED TRANSACTION DESCRIBED HEREIN IS SUBJECT TO FURTHER REVIEW AND APPROVAL OF CORAL ENERGY RESOURCES, L.P AND EXECUTION OF DEFINITIVE AGREEMENTS CONTAINING ALL APPROPRIATE

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PROVISIONS, INCLUDING THOSE RELATING TO CREDIT AND LIMITATION OF DAMAGES. THIS PROPOSAL DOES NOT PURPORT TO IDENTIFY OR SUGGEST ANY OR ALL OF THE RISKS (DIRECT OR INDIRECT) WHICH MAY BE ASSOCIATED WITH THE PROPOSED TRANSACTION.

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April 22, 2004

Progress Energy, Inc.
Attn: Rick Rhodes
Term Gas and Logistics Unit
P. O. Box 1551 – PEB 10A
Raleigh, NC 27602

Dear Mr. Rhodes:

Subject: Request for Proposal for Long-Term Gas Supply; RFP# LT040504 - Elba

Marathon Oil Company is pleased to provide the following response to the above referenced RFP of Florida Power Corporation d/b/a Progress Energy Florida, Inc. (hereinafter referred to as Buyer) for long-term gas supply sourced out of the Elba Island LNG Terminal:

Term May 1, 2008 – March 31, 2021.

Volume Cypress package #1: The following volume requirements starting May 2008 through April 2009.

- 60,000 Dth/day Summer volumes (May-Oct)
- 25,000 Dth/day Winter volumes (Nov-Apr)

Cypress package #2: The following volume requirements starting May 2009 through March 2021.

- 80,000 Dth/day Summer volumes (May-Oct)
- 40,000 Dth/day Winter volumes (Nov-Apr)

Primary Receipt Point Buyer receipt point will be at the tailgate of the Elba Island LNG facility into Southern Natural Gas Pipeline (the proposed Cypress expansion will be an integral part of Sonat).

Service Firm. Seller reserves the right to provide replacement supplies at mutually acceptable receipt points if Seller is unable to provide gas at the Primary Receipt Point. Price adjustments will be made to reflect Buyer's incremental transportation cost should replacement supplies be needed.

Pricing Inside FERC Henry Hub Index plus $0.18/MMBtu, Gas Daily daily Henry Hub Midpoint price plus $0.18/MMBtu, or Nymex last day settle plus $0.18/MMBtu (Buyer to retain trigger rights).

Force Majeure Pricing reflects import delivery risk such that Force Majeure (FM) will not apply to events upstream of the LNG import regasification facility. Examples of events not considered FM include host country risks (i.e.

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host country war, strikes, etc.) as well as risks associated with facilities or vessels used for the liquefaction, loading, shipping, and unloading of import gas.

Nominations: Pre-scheduled (day ahead of gas flow) may be submitted up until nomination deadline. Intraday (day of gas flow) nominations will be handled on a best efforts basis.

Requirements GISB / NAESB with special provisions for gas purchases (special provisions currently being reviewed by Marathon's attorney).

Gas Quality Seller shall warranty to Buyer at delivery that all gas meets or exceeds pipeline gas quality specifications regarding Btu content and natural gas liquids. If gas is found to be insufficiently processed, Seller will join with Buyer to petition that the pipeline enforces required specifications on producers.

Acceptance Date This proposal is available for Buyer's acceptance through May 31, 2004. Thereafter, Buyer's acceptance will be subject to Seller's approval.

Conditions Precedent This proposal is contingent upon Seller's negotiation of a mutually acceptable definitive agreement for the delivery of merchantable quantities of natural gas at the tailgate of the Elba Island regasification facility, and upon Seller's negotiation of an agreement providing for sufficient quantities of LNG to be purchased and delivered to the Elba Island regasification facility..

Should you have any questions regarding this proposal please give me a call at 713-296-3700. Thank you for your consideration.

Sincerely,

James R. Bowden
Manager – Market Development

PEF 001612
Docket No. 041414-EI

Binding Bahamas LNG RFP

Progress Energy

Regulated Commercial Operations Department
P. O. Box 1551 - PEB 10A
Raleigh, North Carolina 27602

RFP# LT040504-bahamas

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April 5, 2004

Dear Sir or Madam:

Subject: Request for Proposal for Long-Term Gas Supply - Bundled

Florida Power Corporation d/b/a Progress Energy Florida, Inc. (hereinafter referred to as Buyer) is requesting proposals for long-term gas supply sourced out of your company's Bahamas LNG Terminal.

Term

20 years beginning May 1, 2008.

Volume

Bahamas package #1: The following volume requirements starting May 2008 through April 2009.

- 60,000 Dth/day Summer volumes (May-Oct)
- 25,000 Dth/day Winter volumes (Nov-Apr)

Bahamas package #2: The following volume requirements starting May 2009 through April 2028.

- 80,000 Dth/day summer volumes (May-Oct)
- 40,000 Dth/day Winter volumes (Nov-Apr)

Primary Receipt Point

Buyer receipt point will be at Buyer's Hines Energy Complex in Polk County, Fl, near the town of Bartow.

Service

Firm.

Mandatory Pricing

Buyer desires to use The Inside FERC First of the Month Index Posting with Buyer's election to convert to Gas Daily Midpoint or Fixed pricing. Seller should address whether pricing includes M&R facility installation costs (FGT Meter Loc# 220764) at Hines to deliver full volume requirements. If pricing includes M&R installation costs, Seller should assume a delivery pressure requirement of 550 psi downstream of the M&R station.

Optional Pricing

Buyer has interest in reviewing pricing options including, but not limited to:

- Fixed pricing – entire term
- Zero collar pricing – annual or entire term
- Call Option.
- Option to allow Buyer to swing down volumes a specific number of times per month.
- Seller proposed pricing.

Force Majeure

Buyer requests that Seller's pricing reflect import delivery risk such that Force Majeure (FM) will not apply to events upstream of the LNG import re-gasification facility. Examples of events not considered FM includes, but not limited to, host country risks (i.e. host county war, strikes, etc.) as well as risks associated with facilities or vessels used for the liquefaction, loading, shipping, and unloading of import gas.

PEF 001613
Docket No. 041414-EI

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Nominations: Pre-scheduled (day ahead of gas flow) and/or intraday (day of gas flow) may be submitted up until nomination deadline.

Requirements GISB / NAESB with special provisions for gas purchases.

Gas Quality Seller shall warranty to Buyer at delivery that all gas meets or exceeds pipeline gas quality specifications. If gas is found to be insufficiently processed, Seller will join with Buyer to petition that the pipeline enforces required specifications on producers.

Proposals are DUE by: **Monday, April 26, 2004, 4:00 p.m. EST**

Proposals Proposals are preferred to be submitted via e-mail to the address below. Proposals may be submitted by FAX. Proposals received AFTER the DUE date may be considered at Buyer's discretion. All Proposals MUST reference **RFP# LT040504-bahamas.** Questions related to deal points should be directed to the author at the number listed during business hours (EST).

Please send proposals to:

Progress Energy Inc.
Attn: Rick Rhodes
P. O. Box 1551 - PEB 10A
Raleigh, North Carolina 27602
Telephone: 919-546-7613

Send e-mail responses to: **rick.rhodes@pgnmail.com**

Send FAX responses to: **919-546-2922**

Sincerely,

Rick Rhodes

Term Gas Lead
919-546-7613

Rhodes, Rick

From: Rhodes, Rick
Sent: Monday, April 05, 2004 1:57 PM
To: 'Heather_Subblefield@fpl.com'
Subject: Long-Term Gas RFP Bahamas

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Importance: High
Sensitivity: Confidential

Expires: Monday, April 26, 2004 4:00 PM

Heather,

Florida Power Corporation d/b/a Progress Energy Florida, Inc. (FPC) seeks proposals from you to supply natural gas for the requirements listed in the attached RFP. A successful deal will require the execution of a NAESB with the attached Special Provisions, unless your firm already has an approved GISB or NAESB with FPC.

You are encouraged to submit your bid via e-mail. FAX response is acceptable, but e-mail is preferable.

We look forward to your response. Feel free to contact me at the number below with any questions. Thanks in advance for your timely response by this April 26, 2004 deadline.

***** IMMEDIATELY UPON RECEIPT, PLEASE RESPOND TO THE E-MAIL TO CONFIRM RECEIPT *****

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Rick Rhodes
Term Gas Lead
Progress Energy
919.546.7613
rick.rhodes@pgnmail.com

476

Rhodes, Rick

From: Rhodes, Rick
Sent: Monday, April 05, 2004 1:56 PM
To: 'ed.cahill@aes.com'; 'pribbeck@gastream.com'
Subject: Long-Term Gas RFP Bahamas

Importance: High
Sensitivity: Confidential

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Expires: Monday, April 26, 2004 4:00 PM

Ed and Phil,

Florida Power Corporation d/b/a Progress Energy Florida, Inc. (FPC) seeks proposals from you to supply natural gas for the requirements listed in the attached RFP. A successful deal will require the execution of a NAESB with the attached Special Provisions, unless your firm already has an approved GISB or NAESB with FPC.

You are encouraged to submit your bid via e-mail. FAX response is acceptable, but e-mail is preferable.

We look forward to your response. Feel free to contact me at the number below with any questions. Thanks in advance for your timely response by this April 26, 2004 deadline.

***** IMMEDIATELY UPON RECEIPT, PLEASE RESPOND TO THE E-MAIL TO CONFIRM RECEIPT *****

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ahamas.doc (234 KE

Rick Rhodes
Term Gas Lead
Progress Energy
919.546.7613
rick.rhodes@pgnmail.com

477

PEF 001616
Docket No. 041414-EI

Rhodes, Rick

From: Rhodes, Rick
Sent: Monday, April 05, 2004 1:54 PM
To: 'Fairley, David'
Cc: 'gmason@tractebelusa.com'
Subject: Long-Term Gas RFP Bahamas

CONFIDENTIAL

Importance: High
Sensitivity: Confidential

Expires: Monday, April 26, 2004 4:00 PM

David,

Florida Power Corporation d/b/a Progress Energy Florida, Inc. (FPC) seeks proposals from you to supply natural gas for the requirements listed in the attached RFP. A successful deal will require the execution of a NAESB with the attached Special Provisions, unless your firm already has an approved GISB or NAESB with FPC.

You are encouraged to submit your bid via e-mail. FAX response is acceptable, but e-mail is preferable.

We look forward to your response. Feel free to contact me at the number below with any questions. Thanks in advance for your timely response by this April 26, 2004 deadline.

***** IMMEDIATELY UPON RECEIPT, PLEASE RESPOND TO THE E-MAIL TO CONFIRM RECEIPT *****

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Rick Rhodes
Term Gas Lead
Progress Energy
919.546.7613
rick.rhodes@pgnmail.com

478

PEF 001617
Docket No. 041414-EI

Tractebel Electricity & Gas International

Tractebel Calypso LNG Marketing LLC
1990 Post Oak Boulevard, Suite 1900
Houston, TX 77056

April 28, 2004

Progress Energy Inc.
Attn: Rick Rhodes
P. O. Box 1551 - PEB 10A
Raleigh, North Carolina 27602

Dear Mr. Rhodes:

RFP# LT040504-bahamas

Enclosed is Tractebel Calypso LNG Marketing LLC's ("Calypso Marketing") response to your letter dated April 7, 2004. Note that the proposal is submitted in express reliance on Progress Energy, Inc's ("Progress") maintenance of the confidentiality of the proposal and its terms, subject to Progress' legal and regulatory obligations. In the event Progress is unwilling to maintain the confidentiality of the such proposal on this basis, we request that Progress comment on the enclosed form of Calypso Marketing's Confidentiality Agreement, and that we execute a mutually agreeable form of Confidentiality Agreement prior to Progress' consideration of the proposal. In any case, we believe that it would be appropriate to execute a Confidentiality Agreement prior to further clarification and discussion regarding our proposal.

We look forward to working with you to develop a mutually beneficial arrangement for gas supply to FPC's ratepayers.

For: Tractebel Calypso LNG Marketing LLC

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By: Joy S Thakur
Joy S Thakur
Its: Vice President

Attachments: Proposal
Confidentiality Agreement

Copies: Paul Cavicchi
Bart Clark
David Fairley
Greg Mason

Joy S Thakur
Direct Line: 713-636-1752
Direct Fax: 713-636-1859
Email: jthakur@tractebelusa.com

Tractebel Electricity & Gas International

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DRAFT

REVISED PROPOSAL TO
PROGRESS ENERGY FLORIDA, INC.
BY
TRACTEBEL CALYPSO LNG MARKETING LLC
(RFP# LT040504-bahamas)
April 22, 2003

Buyer: Florida Power Corporation d/b/a Progress Energy Florida, Inc. ("Buyer")

Seller: Tractebel Calypso LNG Marketing LLC ("Calypso Marketing" or "TCLNG")

Tractebel Companies Involved in the Overall Project: Various Tractebel affiliated companies (collectively, Tractebel) would be involved in the overall Project to include at least Calypso Marketing, Tractebel Project Development, Inc. (TPDI), Tractebel LNG North America (TLNG NA), Tractebel Gas Engineering (TGE), and Tractebel Energy Marketing, Inc. (TEMI). The overall "Project" consists of the Tractebel Bahamas LNG Terminaland its associated pipeline in the Bahamas, Tractebel Calypso Pipeline, and appurtenant facilities.

TRANSACTION

Description of Transaction for Firm Delivered Gas Supply

As indicated in Calypso Marketing's previous proposals to Buyer, gas deliveries from Calypso Marketing will be delivered to Buyer's plants. This further revised proposal incorporates items outlined in Buyer's RFP revisions received April 7, 2004, as well as information exchanged during various discussions between Buyer and Calypso Marketing.

The overall purpose of this proposal is to outline general terms and conditions for Calypso Marketing to provide a new contract for long term, firm *delivered gas supply*, utilizing gas supplies available to Calypso Marketing from its LNG supplies delivered into Florida Gas Transmission (FGT) from Tractebel Calypso Pipeline, as well as from Gulf Coast sources as appropriate, combined with capacity committed to the contract by the Buyer, if appropriate, and capacity owned or controlled by Calypso Marketing. *Calypso Marketing's intent is to provide a transaction for the Buyer that is competitive, reliable, flexible, and tailored for the specific needs and requirements of the Buyer.*

Term of Agreement

The term of the agreement shall begin upon execution of a definitive Gas Sales Agreement, and extend until the date that is twenty (20) years after the date of first gas flows under the agreement scheduled to occur on May 1, 2008.

Preliminary Notional Proposal: This document constitutes a preliminary indication of interest on the part of Tractebel Calypso LNG Marketing LLC (Calypso Marketing), and affiliates and is intended solely as a basis for discussions. It does not constitute an offer capable of acceptance and no legally binding commitment or obligation related to the subject matter of this letter shall exist unless and until the execution and delivery of definitive contracts containing terms and conditions acceptable to Calypso Marketing and Buyer, each in its sole discretion.

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Contract Quantity

The Daily Contract Quantity (DCQ) at the Delivery Point(s) shall be as follows:

Bahamas package #1: The following volume requirements starting May 2008 through April 2009.

- 60,000 MMBtu/day Summer volumes (May-Oct)
- 25,000 MMBtu/day Winter volumes (Nov-Apr)

Bahamas package #2: The following volume requirements starting May 2009 through April 2028.

- 80,000 MMBtu/day Summer volumes (May-Oct)
- 40,000 MMBtu/day Winter volumes (Nov-Apr)

Price

The Buyer shall pay Calypso Marketing a two-part rate consisting of a Demand Charge and a Commodity Charge:

Demand Charge - The Buyer shall pay Calypso Marketing a monthly Demand Charge per MMBtu equal to $0.60 per MMBtu during the Summer months and $0.40 per MMBtu during the Winter months (annual average of $0.50 per MMBtu for baseload quantity), times the DCQ, times the number of days for such month. The Demand Charge is analogous to a pipeline demand charge.

Buyer shall have the option to specify that Calypso Marketing would cover the expense of the proposed new FGT meter and regulator installation for Hines Unit 4. The Demand Charge would be adjusted accordingly. The current estimate of cost provided by FGT to Buyer is approximately $1.35 million. The increase in Demand Charge is estimated to be less than $0.01 per MMBtu.

Commodity Charge - The Buyer shall pay Calypso Marketing a Commodity Charge per MMBtu each month, equal to the sum of (1) the Inside FERC First of the Month Index Posting for the NYMEX Henry Hub location (Index Price), times the DCQ, times the number of days for such month, plus (2) fuel retention for the applicable Pipeline.

Flexible Pricing

The Buyer would have the option to request Calypso Marketing to periodically or permanently modify the contract price to reflect a price other than the Index Price, such as a fixed price or other NYMEX based price, a different monthly index price, a ***Gas Daily*** midpoint price, addition of a ceiling price, floor price, or collar, or any other mutually agreed to pricing structure, to be more fully described in a definitive agreement.

Delivery Point(s)

The primary Delivery Point would be the interconnection between the Pipeline and the Hines Energy Complex near the town of Bartow in Polk County, Florida (Hines). The "Pipeline" referred to above is understood to be the pipeline where actual deliveries are made (Gulfstream or FGT - to be discussed). Calypso Marketing will also deliver to alternate locations for the Buyer, if requested by the Buyer. The secondary Delivery Point(s) would be any other Delivery Point(s) on the Pipeline system, subject to normal limitations by the Pipeline for secondary deliveries. Potential deliveries from both the

Preliminary Notional Proposal: This document constitutes a preliminary indication of interest on the part of Tractebel Calypso LNG Marketing LLC (Calypso Marketing), and affiliates and is intended solely as a basis for discussions. It does not constitute an offer capable of acceptance and no legally binding commitment or obligation related to the subject matter of this letter shall exist unless and until the execution and delivery of definitive contracts containing terms and conditions acceptable to Calypso Marketing and Buyer, each in its sole discretion.

Gulfstream and FGT systems also to be discussed. It is understood that the Buyer may desire to adjust its primary delivery point from time to time, and Calypso Marketing would accommodate such changes to the extent allowed by or negotiated with the Pipeline. The contract price proposed herein would be adjusted for any resulting increases or decreases in transport cost, if any, due to such changes.

Put-Back Provision

On any day, by providing notice prior to 8 a.m. Eastern Prevailing Time on the day of the Pipeline's twenty-four (24) hour, day-ahead nomination deadline, the Buyer may put back to Calypso Marketing up to 100% of the DCQ. In such an event, Calypso Marketing shall be obligated to buy back the gas at a mutually agreeable price, or as a default price at the ***Gas Daily***, Midpoint posting for FGT-Zone 2. Intraday Put-Back provision to be discussed.

Calypso Marketing may request that Buyer put back gas to Calypso Marketing at Gulf Coast receipt points while maintaining Calypso Marketing's delivery of gas to Buyer in order to assist Calypso Marketing with its upstream shipping and take or pay gas supply obligations.

Nominations and Scheduling

The Buyer will be responsible for requesting its daily gas supply requirements in a timely manner from Calypso Marketing. Under this agreement, Calypso Marketing will be responsible for the scheduling of gas supply to the Buyer's Delivery Point(s). The Buyer and Calypso Marketing will adhere to the Pipeline's and GISB, or successor, standards on nominating, scheduling, etc. On a commercially reasonable basis, Calypso Marketing will accommodate changes requested by the Buyer after day-ahead and intraday nomination deadlines.

Take and Delivery Obligations

The Buyer shall take 100% of the gas that it requests. Calypso Marketing shall schedule 100% of the gas requested.

Transportation

Transportation of gas requested by the Buyer to the delivery point would be Calypso Marketing's obligation. At termination of the agreement for reasons other than Buyer's default, Calypso Marketing would agree to provide to the Buyer, permanent capacity release of firm transportation agreements and other capacity rights held by Calypso Marketing to serve the Delivery Point(s). In addition, Calypso Marketing would be obligated to exercise reasonable commercial efforts to assist the Buyer to otherwise protect its ability to transport additional gas on laterals to the Delivery Point(s).

Calypso Marketing would have the option to utilize a quantity of Buyer's segmented "backhaul" FT equal to the DCQ under this agreement for a cost of $0.05 per MMBtu plus fuel. If Buyer's segmented FT is utilized to transport gas to Buyer's Delivery Point on a secondary firm basis, Calypso Marketing would retain the risk of interruption or proration to the extent that Firm transportation is not also curtailed.

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GENERAL TERMS

Liquidated Damages

Failure to Take or Deliver: The parties would seek to negotiate an industry standard cost of cover mechanism for any failure to take, or deliver, the firm DCQ hereunder. Such cover standard would take into consideration the Buyer's alternate fuel options.

Reasonable efforts shall be exercised by Calypso Marketing and the Buyer for mitigation of replacement costs and associated factors. Both parties shall use reasonable efforts to inform the other party of its intent not to schedule or take requested quantities of gas prior to taking such actions.

Credit and Security

The parties would negotiate industry standard arrangements for credit and security including a Tractebel parent guaranty. A Limit of Liability for liquidated damages under the agreement would be mutually agreed to between the parties.

Agreements

The Parties may enter into a non-binding Letter of Intent (LOI) setting forth the mutual intent of Buyer and Calypso Marketing to negotiate and enter into a definitive agreement based on the NAESB Gas Sales Agreement (draft previously provided to Buyer), which is currently contemplated to reflect the commercial terms and conditions set forth in this proposal and such other terms and conditions as may be mutually agreed upon including those provisions outlined below.

Calypso Marketing previously provided a NAESB form of gas sales agreement for consideration by Buyer. Calypso Marketing is currently in the process of incorporating Buyer's NAESB Special Conditions and the terms and conditions described in this proposal into the NAESB form of agreement. A draft will be provided to Buyer shortly.

Representations and Warranties

In addition to industry standard representations and warranties to be made by Buyer and Calypso Marketing, Calypso Marketing would provide a representation and warranty to Buyer that Calypso Marketing or its affiliates will either own or hold the firm rights to (1) transportation on Tractebel Calypso Pipeline, (2) terminalling capacity at the Terminal and associated pipeline, (3) shipping capacity, and (4) LNG supplies, all in quantities sufficient to meet Calypso Marketing's obligations to Buyer.

Conditions Precedent

Calypso Marketing's obligations shall be subject to the granting in a form satisfactory to Calypso Marketing or its affiliates, prior to June 30, 2005 (to be discussed), of all licenses, permits, approvals and authorizations required for development, construction, and operation of the Project (all of which are well underway and on schedule or ahead of schedule for completion), and financing arrangements. Buyer's obligations shall be subject to the granting in a form satisfactory to Buyer of approval by the Florida Public Service Commission for the installation and operations of Hines Unit 4 prior to June 30, 2005. The final definitive agreement shall be subject to review and approval by Buyer's and Calypso

Preliminary Notional Proposal: This document constitutes a preliminary indication of interest on the part of Tractebel Calypso LNG Marketing LLC (Calypso Marketing), and affiliates and is intended solely as a basis for discussions. It does not constitute an offer capable of acceptance and no legally binding commitment or obligation related to the subject matter of this letter shall exist unless and until the execution and delivery of definitive contracts containing terms and conditions acceptable to Calypso Marketing and Buyer, each in its sole discretion.

Marketing's Boards of Directors.

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Force Majeure

The parties would negotiate modified force majeure provisions based on Buyer's request "that Seller's pricing reflect import delivery risk such that Force Majeure (FM) will not apply to events upstream of the LNG import re-gasification facility. Examples of events not considered FM includes, but not limited to, host country risks (i.e. host county war, strikes, etc.) as well as risks associated with facilities or vessels used for the liquefaction, loading, shipping, and unloading of import gas."

Seller acknowledges Buyer's concerns regarding "Upstream Force Majeure," and is prepared to negotiate mutually agreeable language to allocate risks equitably. Seller proposes for Buyer's consideration, the following concepts, to be further refined during negotiation of the definitive agreement:

(1) A "cover" standard would apply to the first 30 days of any Upstream Force Majeure event, such cover to be based on the least expensive of replacement (i) natural gas, (ii) fuel oil, or (iii) electricity to cover Buyer's load requirements.
(2) Beyond 30 days, Seller will pay liquidated damages to Buyer, such damage payments to be based on insurance proceeds from coverage secured on a commercially reasonable basis.
(3) The party claiming force majeure (Upstream Force Majeure or standard Force Majeure) will take reasonable steps to cure such force majeure. If despite reasonable efforts, a cure cannot be effected within 24 months, either party shall have the right to terminate the agreement.

Gas Quality

All Gas delivered by Calypso Marketing would meet the pressure, quality and heat content requirements of the receiving pipeline(s).

Confidentiality

All terms and conditions of this proposal are confidential proprietary trade secrets of Calypso Marketing and must be kept confidential between the Buyer, Calypso Marketing, and their duly appointed representatives or agents.

Preliminary Notional Proposal: This document constitutes a preliminary indication of interest on the part of Tractebel Calypso LNG Marketing LLC (Calypso Marketing), and affiliates and is intended solely as a basis for discussions. It does not constitute an offer capable of acceptance and no legally binding commitment or obligation related to the subject matter of this letter shall exist unless and until the execution and delivery of definitive contracts containing terms and conditions acceptable to Calypso Marketing and Buyer, each in its sole discretion.

REPSOL YPF

Comercializadora de Gas

Paseo de la Castellana, 278-280
28046 Madrid
España

www.repsolypf.com

April 27, 2004

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VIA E-MAIL

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Progress Energy Inc.
Attn: Rick Rhodes
Term Gas and Logistics Unit
P.O. Box 1551 – PEB 10A
Raleigh, NC 27602

Re: Non Binding Proposal responding to RFP LT 040504-bahamas

Dear Rick:

Enclosed for your consideration is a non-binding proposal being submitted by Repsol Comercializadora de Gas S.A. ("Repsol") to meet the incremental supply needs of Florida Power Corporation d/b/a Progress Energy Florida, Inc. ("Progress Energy"), on a firm basis, in response to the referenced RFP. This non-binding proposal is provided on a confidential basis and should not be discussed with anyone outside Progress Energy other than your advisers and your agents and consultants assisting you in relation to this RFP.

Please note that this proposal is purely indicative and is non-binding. It is not an offer capable of acceptance. Any transaction to be entered into pursuant to this non-binding proposal would be subject to the approval of Repsol's Board and entering into a definitive agreement on terms agreeable to Repsol. No binding obligations shall be created unless such approval is received and such definitive agreement is executed.

It is also subject to Repsol completing its proposed investment in, and the timely completion of construction of: (i) the LNG regasification facility in Ocean Cay Bahamas and (ii) the pipeline from that facility to the FGT interconnection (the "*Ocean Cay Project*") including the purchase of AES LNG Marketing, L.L.C. which is the entity which is proposed to market natural gas from the Ocean Cay Project. Repsol is continuing its due diligence and negotiations in relation to that potential investment.

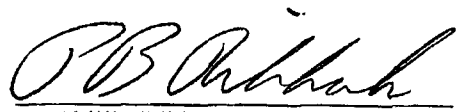
It is our understanding that there may be system modifications required by Florida Gas Transmission (FGT) to effectuate delivery to the Progress Energy Hines facility and the cost for these modifications has not been established. Therefore, our non-binding proposal is based on our delivery to the proposed interconnect between AES Ocean Express, L.L.C. and FGT. We would be willing to discuss alternatives relating to

Repsol Comercializadora de Gas, S.A. Inscrita en el Registro Mercantil de Madrid, Hoja n.º 303502, Folio 79, Tomo 17634, Sección 8. C.I.F.: A-83303776

deliveries to Progress Energy's Hines facility when the additional cost of transportation through FGT becomes more definitive.

I look forward to further discussing the enclosed non-binding proposal with you, at your convenience.

Very truly yours,



Mr Phillip Ribbeck
Director, LNG Marketing & Trading
Repsol Comercializadora de Gas S.A.

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Enclosure

RFP# LT040504-bahamas

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Request for Proposal for Long-Term Gas Supply

Non Binding Proposal by Repsol Comercializadora de Gas S.A. ("Repsol") to Florida Power Corp d/b/a Progress Energy Florida, Inc ("Progress Energy")

Term	20 years beginning May 1, 2008.
Volume	Bahamas package #1: The following Maximum Daily Quantities starting May 2008 through April 2009. • Summer (May-Oct) - 60,000 Dth/day • Winter (Nov-Apr) - 25,000 Dth/day Bahamas package #2: The following Maximum Daily Quantities starting May 2009 through April 2028. • Summer (May-Oct) - 80,000 Dth/day • Winter (Nov-Apr) - 40,000 Dth/day
Primary Receipt Point	Buyer receipt point will be at the interconnect between the pipeline owned by AES Ocean Express, L.L.C. delivering natural gas from Ocean Cay, Bahamas and the Florida Gas Transmission system.
Service	Firm.
Pricing	***Base Price:*** Inside F.E.R.C's Gas Market Report, First of the Month Index under the heading South Louisiana: Henry Hub. This price is applied to all MMBtus of natural gas that Seller delivers to Buyer at the receipt point. ***Reservation Fee:*** $0.395/Dth on the Maximum Daily Quantity to be adjusted effective each January 1 for the term of the definitive agreement, at a rate equal to twenty-five percent (25%) of the change in the annual index number of the Producer Price Index. The base year for the Producer Price Index shall be 2008. ***Monthly Reservation Charge:*** Each month the Buyer will pay an amount equal to the product of the Maximum Daily Quantity multiplied by the Reservation Fee multiplied by the number of days in that month.
Options	Repsol would provide Progress Energy the option to "trigger" the Base Price to a fixed price for any portion of the term of the

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	agreement (not to exceed five year increments) provided there is adequate liquidity to effectuate the transaction. Such option would be subject to a mutually agreeable basis. The total price would then be the "triggered" price (including the basis) plus the Reservation Fee. Repsol is open to providing other pricing arrangements, such as a "costless collar" or a "swap" to Gas Daily pricing. Such arrangements would be subject to adequate liquidity in the market to effectuate the transactions and final agreement upon mutually acceptable terms.
Force Majeure	Force Majeure will not cover events upstream of the inlet flange of the receiving lines of the regasification facility at Ocean Cay, Bahamas.
Nominations	Pre-scheduled (day ahead of gas flow) and/or intraday (day of gas flow) may be submitted up until two hours before the nomination deadline.
Requirements	The form of contract is to be based on GISB/NAESB conditions with special conditions to be negotiated between the parties.
Gas Quality	Gas delivered to Progress Energy shall meet FGT quality specifications.

This non-binding proposal is issued as an attachment to, and is to be read subject to, the letter from Phillip Ribbeck, Director of LNG Marketing and Trading for Repsol, addressed to Rick Rhodes of Progress Energy dated 27 April 2004. It is indicative and solely meant for discussion purposes. It is not an offer capable of acceptance. It is subject to the approval of Progress Energy's and Repsol's respective Boards and the entry into of a definitive agreement on terms mutually agreeable to Progress Energy and Repsol. No binding obligations shall be created unless such approvals are received and such definitive agreement is executed.

PEF 001627
Docket No. 041414-EI

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April 26, 2004

Progress Energy Inc.
P.O. Box 1551 – PEB 10A
Raleigh, NC 27602

Attention: Rick Rhodes

Re: Letter of Intent

Ladies and Gentlemen:

Sailfish Natural Gas, Ltd., a limited liability company organized under the laws of the Commonwealth of The Bahamas ("Seller"), has been formed for the purpose of marketing supplies of regasified liquefied natural gas ("LNG") from international supply sources. Seller and **Florida Power Corporation d/b/a Progress Energy Florida, Inc.**, a [_____] company ("Buyer"), have had discussions with respect to Seller's potential firm sale and delivery to Buyer and Buyer's potential firm purchase and receipt of quantities of natural gas from Seller. It is anticipated that the primary source of supply for this commitment will be imported natural gas from an LNG storage and regasification facility located in The Bahamas (the "LNG Terminal") delivering gas via Seafarer Bahamas Pipeline System, Ltd. ("Seafarer Bahamas Pipeline") and Seafarer US Pipeline System, Inc. ("Seafarer US Pipeline") into Florida Gas Transmission Company ("FGT") from international supply basins. This Letter of Intent (the "LOI") sets forth the mutual intent of Buyer and Seller to negotiate and to enter into a firm sales agreement and such other documents as the Parties deem necessary (the "Definitive Agreements") reflecting the commercial terms and conditions set forth in Exhibit "A" hereto and upon such other terms and conditions as the Parties may mutually agree. Each of Seller and Buyer may be referred individually as a "Party," or together as the "Parties."

1. **Negotiation of Definitive Agreement.** By execution of this LOI, Buyer and Seller do hereby agree to proceed with the negotiation in good faith of the Definitive Agreements containing the commercial terms set forth in the attached Exhibit A and any other terms mutually agreed upon by Buyer and Seller. Both Buyer and Seller shall use commercially reasonable efforts to conclude the negotiation and execution of such Definitive Agreements by the earlier of (i) one hundred twenty (120) days following execution of the LOI or (ii) _____ 2004, unless extended by mutual agreement of the Parties (the "Negotiation Period").

2. **Term.** This LOI shall become effective as of the date first stated above and shall remain in effect until the earlier of (i) execution of the Definitive Agreements contemplated by this LOI in accordance with Paragraph 1 above, or (ii) the Negotiation Period as defined in Paragraph 1 above, at which time this LOI shall automatically terminate.

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3. **Governing Law.** Any disputes regarding the interpretation of this LOI or regarding enforcement of the matters set forth herein shall be governed by and construed in accordance with the laws of the State of New York, without giving effect to conflicts of law principles.

4. **Scope of Project.** It is anticipated that Seller's LNG supplies would be delivered to the proposed LNG Terminal. Regasified LNG would then be transported by Seafarer Bahamas Pipeline which would extend from the LNG terminal to an interconnection at the international offshore boundary of the United States with Seafarer US Pipeline that will in turn transport the natural gas to a proposed interconnection with FGT's interstate pipeline system at FGT Mile Post 831.2 in Palm Beach County, Florida.

5. **Relationship of the Parties.** Seller and Buyer shall not be deemed to be in a relationship of partners or joint ventures by virtue of this LOI nor shall either of them be deemed to be an agent, representative, trustee or fiduciary of the other. Neither Seller nor Buyer shall have any authority to bind the other to any agreement other than as expressly set forth herein.

6. **Binding Nature.** With the exception of the non-exclusivity, confidentiality and choice of law provisions provided herein, this LOI shall not be binding in any respect and neither Party shall be obligated to proceed with the transaction described herein until and unless the parties have negotiated and executed the Definitive Agreements implementing the transaction. In the event that the Parties fail to reach agreement as to the Definitive Agreements, neither Party shall be entitled to assert a claim against the other Party except with regard to the binding provisions noted in this Paragraph 6.

7. **Assignment.** This LOI shall be binding upon and inure to the benefit of the Parties hereto and their respective successors and permitted assigns. Neither Party may assign any of its rights or obligations under this LOI or delegate any obligation or liability under this LOI without the prior written consent of the other Party, provided, however, that Buyer's consent shall not be required for Seller's assignment of its rights and obligations hereunder to an affiliate that is of at least equivalent creditworthiness to Seller and can demonstrate its ability to perform Seller's obligations under the Definitive Agreements.

8. **Dispute Resolution.** In the event of any dispute, controversy, or claim arising under or relating to the binding provisions of this LOI, the Parties agree to attempt in good faith to resolve such dispute, controversy, or claim through negotiation or settlement for a period of thirty (30) days. If at the conclusion of such thirty (30) day period the matter has not been resolved, subject to Paragraph 9 below, either Party may pursue any remedy in law or at equity to which it is entitled.

9. **Damages.** Neither Party to this LOI shall be liable to the other Party for any consequential, incidental, special or punitive damages arising out of or related to this

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LOI. In addition, neither Party to this LOI shall be liable to the other for any fees and expenses incurred in connection with this LOI.

10. **Non-Exclusivity.** Until the Definitive Agreements are executed by the Parties, nothing herein shall preclude the Parties from discussing, negotiating, or entering into agreements with third parties regarding the purchase and delivery or sale of natural gas.

11. **Corporate Approvals.** Each Party acknowledges that the other Party may be required to obtain, on or before the end of the Negotiation Period, the review and approval of the Definitive Agreements by its senior management and, if necessary, its or its ultimate parent company's Board of Directors, prior to the execution of the Definitive Agreements.

12. **Confidentiality.** The Confidentiality Agreement dated February 10, 2004 between Seller and Buyer in incorporated herein in its entirety.

If the provisions set forth above correctly set forth our binding agreement, please execute each of the enclosed originals of this LOI in the space provided below.

Very truly yours,

Sailfish Natural Gas, Ltd.

By: _____

Its: VP Natural Gas

Accepted and Agreed to this _____ Day of _____, 2004:

Florida Power Corporation

By: _____

Its: _____

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EXHIBIT "A" to
Letter of Intent dated April 26, 2004

Major Commercial Terms of Definitive Agreements
Between **Sailfish Natural Gas, Ltd.** and **Florida Power Corporation d/b/a Progress Energy Florida, Inc.**

Term:

Commencing on or about May 1, 2008 or such other date as the parties mutually agree (such date being the "Effective Date") and extending a period of twenty-five (25) years from the Effective Date.

Daily Contract Quantity ("DCQ"):

Seller agrees to sell and deliver to Buyer, and Buyer agrees to purchase and take from Seller, on a firm baseload basis, a daily contract quantity (the "DCQ") delivered on a ratable basis throughout the twenty-four (24) hour gas day. Buyer must elect, prior to execution of the Definitive Agreements, a fixed, single quantity which shall apply for each period.

DCQ for Period 1 (May 1, 2008 – April 30, 2009):
45,000 – 60,000 MMBtu per day as elected by Buyer and mutually agreed by the Parties in the Definitive Agreements

DCQ for Period 2 (May 1, 2009 – April 30, 2033):
60,000 – 100,000 MMBtu per day as elected by Buyer and mutually agreed by the Parties in the Definitive Agreements

Delivery Point:

Seller will sell and deliver and Buyer will purchase and take the DCQ to Buyer at the interconnection of the facilities of FGT and Seafarer US Pipeline in Palm Beach County, Florida (the "Delivery Point"). Buyer shall be responsible for all transportation costs and requirements on FGT to move gas from the Delivery Point to Buyer's Hines Energy Complex in Polk County, Florida (the "Hines Facility"). Seller will cooperate with Buyer to minimize Buyer's transportation costs on FGT required to transport the DCQ to the Hines Facility.

Contract Price:

The contract price per MMBtu shall be equal to the sum of the Final Day Settlement Price for the applicable NYMEX Henry Hub natural gas futures contract for such month and either (a) $0.495 per MMBtu if Buyer elects to accept the Force Majeure language as included in the Force Majeure section of this Exhibit "A" or (b)

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$0.52 per MMBtu if Buyer elects to modify the Force Majeure language by including the Force Majeure Exclusions, as detailed in this Exhibit "A", in the Definitive Agreements..

Liquidated Damages:

For Seller's unexcused failure to deliver and sell all or any portion of the DCQ, Seller shall pay Buyer the amount, if positive, between (i) the actual cost of replacement gas per MMBtu at the Delivery Point less (ii) the Contract Price per MMBtu payable by Buyer to Seller under the terms of the Definitive Agreements, multiplied by the deficiency quantity. Seller shall use commercially reasonable efforts to find a replacement supply from domestic and international sources in the event of an impending unexcused failure to deliver.

For Buyer's unexcused failure to purchase and take all or any portion of the DCQ, Buyer shall pay Seller the amount, if positive, between (i) Contract Price per MMBtu payable by Buyer to Seller under the terms of the Definitive Agreements less (ii) the actual price per MMBtu that Seller can obtain by selling the delivered quantities to other buyers in the open market, multiplied by the deficiency quantity. Buyer shall use commercially reasonable efforts to find a replacement market in the event Buyer is unable to purchase and take the DCQ at the Delivery Point.

Force Majeure:

The Definitive Agreements will provide that neither Buyer nor Seller shall be liable for any failure to perform or for any delay in performing any obligation, except the obligation to pay money when due, to the extent that such Party's performance is prevented, interfered with or delayed (in whole or in part) as a result of Force Majeure. Force Majeure shall extend to any event, whether or not enumerated herein, outside the reasonable control of the affected Party acting as a Reasonable and Prudent Operator that precludes both performance and alternative performance as required under the Definitive Agreements.

"Seller's Facilities" shall mean Seller's (or Seller's affiliates) or Seller's LNG Supplier's (or such LNG Supplier's affiliates) natural gas production, transmission, compression, processing, treatment and liquefaction facilities, LNG storage and loading facilities, LNG tanker berthing and Loading Port facilities at the host country and all modifications and additions thereto, LNG Tankers designated for the delivery of LNG to Seller, the LNG Terminal, Seafarer Bahamas Pipeline and Seafarer US Pipeline and all additions and modifications thereto.

"Buyer's Facilities" shall mean Buyer's Hines Facility and the portion of FGT's interstate pipeline system which is necessary to

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transport the DCQ away from the interconnection of FGT and Seafarer US Pipeline to Buyer's Hines Facility.

"Force Majeure" shall apply to Seller's Facilities, Buyer's Facilities, and, if applicable, the Suez Canal and shall apply to any of the events listed below to the extent that such event is beyond the reasonable control of the Party affected to avoid, prevent or overcome:

(a) fire, flood, atmospheric disturbance, lightning, storm, typhoon, hurricane, cyclone, tornado, earthquake, landslide, soil erosion, subsidence, washout or epidemic or other acts of God (landslide, soil erosion, subsidence and washout do not apply to LNG Tankers);

(b) war (whether declared or undeclared), riot, civil war, blockade, insurrection, acts of public enemies, acts of terrorism or civil disturbances;

(c) strike, lockout or other industrial disturbances including any such disturbances that occur aboard an LNG Tanker or at a port or facility where such LNG Tanker calls while in passage en-route to and from the Loading Port, including the Suez Canal, if applicable;

(d) loss of or damage to or failure of any of the Seller's Facilities, Buyer's Facilities or, if applicable, the Suez Canal; and

(e) acts of any state, local, national or international governmental authority, or compliance with such acts, that directly affect such Party's ability to perform its obligations hereunder.

The above notwithstanding, the Definitive Agreements shall specify that the following events shall not constitute Force Majeure:

(a) Seller's ability to sell LNG at a higher or more advantageous price than the Contract Price; and

(b) Buyer's ability to purchase LNG or natural gas at a lower or more advantageous price than the Contract Price.

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For the purposes of declaring Force Majeure, an event shall not be considered to be beyond the reasonable control of a Party unless in the case of Seller, it is beyond the reasonable control of Seller, the operator of Seller's Facilities, Seller's transporter and any servant or agent of any such persons or in the case of Buyer, it is beyond the reasonable control of Buyer, the operator of Buyer's Facilities and any servant or agent of any of such persons.

The Definitive Agreements shall provide that the Parties shall take all measures that are reasonable in the circumstances to resume normal performance of the Definitive Agreements after the occurrence of an event of Force Majeure. Prior to resumption of normal performance, the Parties shall continue to perform their obligations under the Definitive Agreements to the extent not prevented by such event of Force Majeure.

In the event performance by either Party under the Definitive Agreements is substantially or totally impaired by a single event of Force Majeure which either (a) lasts for a period of twenty-four (24) consecutive months or more, or (b) is agreed between the Parties that the affected Party will not be able to resume normal performance of the Definitive Agreements within the said twenty-four (24) month period, either Party shall have the right to terminate the Definitive Agreements with ninety (90) days notice to the other Party. In such event, each Party's liabilities shall be limited to those accrued prior to the date of such termination.

Force Majeure Exclusion:

Buyer may elect, prior to execution of the Definitive Agreements, to revise the Force Majeure language in the previous section of this Exhibit "A" as follows:

Replacement language for (e) of the defined Force Majeure events:

(e) acts of any state, local or national governmental authority, *excluding acts of the government of the host country of the LNG supply* or compliance with such acts, that directly affect such Party's ability to perform its obligations hereunder.

Additional language to be added to the events that shall not constitute Force Majeure:

(c) *loss of LNG Supplier's production related to events occurring below the wellhead block valve.*

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If the Buyer elects to adopt this exclusion language in the Definitive Agreements, the Contract Price will be adjusted according to the Contract Price provisions of this Exhibit "A."

Conditions Precedent:

Buyer's obligations under the Definitive Agreement shall be subject to and conditioned upon:

(a) Approval of the Definitive Agreement by Buyer's senior management and, if necessary, Board of Directors or (comparable management committee or body), which approval may be withheld by such board (or comparable management committee or body) at its sole discretion.

Seller's obligations under the Definitive Agreement shall be subject to and conditioned upon:

(a) Approval of the Definitive Agreement by Seller's senior management and, if necessary, Board of Directors, which approval may be withheld by such board at its sole discretion; and

(b) Granting of all licenses, permits, rights-of-way, approvals and authorizations required for securing control of and developing, constructing and operating the Pipelines, the Terminal and associated facilities, and the import of gas sold hereunder in a form satisfactory to Seller's or its affiliates.

If mutually agreeable, the Parties may elect to add additional Conditions Precedent to the Definitive Agreements

Billing and Payment:

Seller shall invoice Buyer by the tenth (10^{th}) day of each month for quantities delivered in the previous month; Buyer shall remit full payment by electronic funds transfer on or before the twentieth (20^{th}) day of such month.

Quality Specifications:

The quality of the gas sold and delivered to Buyer will meet FGT pipeline specifications proposed by FGT for LNG deliveries from the Bahamas at sufficient pressure to make deliveries into FGT at the Delivery Point.

Nominations and Balancing:

The Parties agree to include within the Definitive Agreements the various commercial terms regarding nominations and balancing that will, in all respects, comply with the terms and conditions of the tariffs of FGT and Seafarer US Pipeline.

CONFIDENTIAL

Credit and Security: The Definitive Agreements shall contain mutually agreeable credit support provisions including adequate assurances in certain events, and the Parties shall be required to post a parent company guarantee or letter of credit to secure their obligations under the Definitive Agreements.

Limitation of Damages: Except as provided in the Definitive Agreements, neither Party to the Definitive Agreements shall be liable to the other Party for any costs incurred prior to the satisfaction of all conditions precedent. Except as otherwise specifically provided in the Definitive Agreements, neither Party to the Definitive Agreements shall be liable to the other Party for any consequential, incidental, special or punitive damages arising out of or related to the Definitive Agreements.

Assignment: Neither Party may assign any of its rights or obligations under the Definitive Agreements or delegate any obligation or liability under this LOI without the prior written consent of the other Party, provided, however, that Buyer's consent shall not be required for Seller's assignment of its rights and obligations hereunder to an affiliate that is of at least equivalent creditworthiness to Seller and can demonstrate its ability to perform Seller's obligations under the Definitive Agreements. The Definitive Agreements shall contain language allowing Seller to pledge, mortgage or assign its rights in the Definitive Agreement as security for its indebtedness or assign to a lender (or to a trustee or mortgagee for a holder of indebtedness) any monies due or to become due under the Definitive Agreements.

Miscellaneous: The Definitive Agreements shall contain such other terms and provisions customary for this type of natural gas sales and purchase agreement including, but not limited to transfer of title, risk of loss, responsibility for taxes, measurement, pressure, confidentiality, indemnities and dispute resolution.

This proposal is submitted as a basis for further negotiation and does not constitute a binding offer.

Non-Binding Bahamas LNG RFP

Progress Energy

Regulated Commercial Operations Department
P. O. Box 1551 - CPB 10A
Raleigh, North Carolina 27602

RFP# LT082203-bahamas

August 22, 2003

CONFIDENTIAL

Dear Sir or Madam:

Subject: Non-Binding Request for Proposal for Gas Supply

Florida Power Corporation d/b/a Progress Energy Florida, Inc. (hereinafter referred to as Buyer) is requesting proposals for long-term gas supply sourced out of your company's Bahamas LNG Terminal.

Term	Buyer has interest in reviewing contract terms for 3, 5, 10, & 20 years beginning January 1, 2008.
Volume	Up to 75,000 Dth/day baseload.
Primary Receipt Point	Buyer receipt point will be downstream of the LNG facility outlet into Florida Gas Transmission interstate pipeline.
Service	Firm. Buyer requests that Seller address how it will warranty against delivery risk and provide an alternate or back-up source of gas (i.e. hurricanes diverting ships, foreign country political risk, etc.).
Desired Pricing	Buyer desires that Seller provide a response for 2 pricing scenarios - Fixed pricing or Zero Cost Collar pricing for the entire term.
Other Pricing	Buyer will consider other pricing options including, but not limited to: • Inside FERC First of the Month with Buyer's election to convert to Gas Daily Midpoint. • Call Option. Specify all appropriate terms & conditions. • Option to allow Buyer to swing down volumes a specific number of times per month. • Seller proposed pricing.
Nominations:	Pre-scheduled (day ahead of gas flow) and/or intraday (day of gas flow) may be submitted up until nomination deadline.
Requirements	GISB / NAESB with special provisions for gas purchases.
Gas Quality	Seller shall warranty to Buyer at delivery that all gas meets or exceeds pipeline gas quality specifications regarding Btu content and natural gas liquids. If gas is found to be insufficiently processed, Seller will join with Buyer to petition that the pipeline enforces required specifications on producers.

Proposals are DUE by: **Wednesday, September 3, 2003, 4:00 p.m. EST**

Proposals Proposals are preferred to be submitted via e-mail to the address below. Proposals may be submitted by FAX. Proposals received AFTER the DUE date may be considered at Buyer's discretion. All Proposals MUST reference **RFP# LT082203-bahamas.** Questions related to deal points should be directed to the author at the number listed during business hours (EST).

Please send proposals to:

CONFIDENTIAL

Progress Energy Inc.
Attn: Rick Rhodes
Term Gas and Logistics Unit
P. O. Box 1551 - PEB 10A
Raleigh, North Carolina 27602
Telephone: 919-546-7613

Send e-mail responses to: **rick.rhodes@pgnmail.com**

Send FAX responses to: **919-546-2922**

Sincerely,

Rick Rhodes

Term Gas Lead
919-546-7613

Rhodes, Rick

From: Rhodes, Rick
Sent: Friday, August 22, 2003 5:16 PM
To: 'ed.cahill@aes.com'
Cc: Trimble, John
Subject: Non-Binding RFP

Importance: High
Sensitivity: Confidential

Progress Energy seeks non-binding proposals from your company to supply natural gas for the requirements listed in the attached RFP. Progress Energy is currently evaluating how LNG could play an integral role in its supply portfolio and your response will serve as a key input to this evaluation. A successful deal will require the execution of a NAESB with the attached Special Provisions, unless your firm already has an approved GISB or NAESB.

You are encouraged to submit your bid via e-mail. FAX response is acceptable, but e-mail is preferable.

We look forward to your response. Feel free to contact me with any questions. Thanks in advance for your timely response by this September 3, 2003 deadline.

lng rfp ahamas.doc (222 KE

CONFIDENTIAL

Rick Rhodes
Term Gas & Logistics
Progress Energy
919.546.7613
rick.rhodes@pgnmail.com

Rhodes, Rick

From: Rhodes, Rick
Sent: Friday, August 22, 2003 5:13 PM
To: 'DFairley@tractebelusa.com'
Cc: Trimble, John
Subject: Non-Binding RFP

Importance: High
Sensitivity: Confidential

Progress Energy seeks non-binding proposals from your company to supply natural gas for the requirements listed in the attached RFP. Progress Energy is currently evaluating how LNG could play an integral role in its supply portfolio and your response will serve as a key input to this evaluation. A successful deal will require the execution of a NAESB with the attached Special Provisions, unless your firm already has an approved GISB or NAESB.

You are encouraged to submit your bid via e-mail. FAX response is acceptable, but e-mail is preferable.

We look forward to your response. Feel free to contact me with any questions. Thanks in advance for your timely response by this September 3, 2003 deadline.

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CONFIDENTIAL

Rick Rhodes
Term Gas & Logistics
Progress Energy
919.546.7613
rick.rhodes@pgnmail.com

501

Non-Binding Elba LNG RFP

Progress Energy

Regulated Commercial Operations Department
P. O. Box 1551 - CPB 10A
Raleigh, North Carolina 27602

RFP# LT082203-Elba

August 22, 2003

CONFIDENTIAL

Dear Sir or Madam:

Subject: Non-Binding Request for Proposal for Gas Supply

Florida Power Corporation d/b/a Progress Energy Florida, Inc. (hereinafter referred to as Buyer) is requesting proposals for long-term gas supply sourced out of Elba Island LNG Terminal.

Term	Buyer has interest in reviewing contract terms for 3, 5, 10, & 20 years beginning January 1, 2008.
Volume	Up to 75,000 Dth/day baseload.
Primary Receipt Point	Buyer receipt point will be downstream of the LNG facility outlet into the proposed Cypress Pipeline.
Service	Firm. Buyer requests that Seller address how it will warranty against delivery risk and provide an alternate or back-up source of gas (i.e. hurricanes diverting ships, foreign country political risk, etc.).
Desired Pricing	Buyer desires that Seller provide a response for 2 pricing scenarios - Fixed pricing or Zero Cost Collar pricing for the entire term.
Other Pricing	Buyer will consider other pricing options including, but not limited to: • Inside FERC First of the Month with Buyer's election to convert to Gas Daily Midpoint. • Call Option. Specify all appropriate terms & conditions. • Option to allow Buyer to swing down volumes a specific number of times per month. • Seller proposed pricing.
Nominations:	Pre-scheduled (day ahead of gas flow) and/or intraday (day of gas flow) may be submitted up until nomination deadline.
Requirements	GISB / NAESB with special provisions for gas purchases.
Gas Quality	Seller shall warranty to Buyer at delivery that all gas meets or exceeds pipeline gas quality specifications regarding Btu content and natural gas liquids. If gas is found to be insufficiently processed, Seller will join with Buyer to petition that the pipeline enforces required specifications on producers.

Proposals are DUE by: **Wednesday, September 3, 2003, 4:00 p.m. EST**

Proposals Proposals are preferred to be submitted via e-mail to the address below. Proposals may be submitted by FAX. Proposals received AFTER the DUE date may be considered at Buyer's discretion. All Proposals MUST reference **RFP# LT082203-elba.** Questions related to deal points should be directed to the author at the number listed during business hours (EST).

Please send proposals to:

CONFIDENTIAL

Progress Energy Inc.
Attn: Rick Rhodes
Term Gas and Logistics Unit
P. O. Box 1551 - PEB 10A
Raleigh, North Carolina 27602
Telephone: 919-546-7613

Send e-mail responses to: **rick.rhodes@pgnmail.com**

Send FAX responses to: **919-546-2922**

Sincerely,

Rick Rhodes

Term Gas Lead
919-546-7613

Rhodes, Rick

From: Rhodes, Rick
Sent: Friday, August 22, 2003 5:10 PM
To: 'kyle.hamrick@bglng.com'
Cc: Trimble, John
Subject: Non-Binding RFP

Importance: High
Sensitivity: Confidential

Progress Energy seeks non-binding proposals from your company to supply natural gas for the requirements listed in the attached RFP. Progress Energy is currently evaluating how LNG could play an integral role in its supply portfolio and your response will serve as a key input to this evaluation. A successful deal will require the execution of a NAESB with the attached Special Provisions, unless your firm already has an approved GISB or NAESB.

You are encouraged to submit your bid via e-mail. FAX response is acceptable, but e-mail is preferable.

We look forward to your response. Feel free to contact me with any questions. Thanks in advance for your timely response by this September 3, 2003 deadline.

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CONFIDENTIAL

Rick Rhodes
Term Gas & Logistics
Progress Energy
919.546.7613
rick.rhodes@pgnmail.com

504

Rhodes, Rick

From: Rhodes, Rick
Sent: Friday, August 22, 2003 5:08 PM
To: 'dwmowrey@marathonoil.com'; 'mfleming1@marthonoil.com'
Cc: Trimble, John
Subject: Non-Binding RFP

Importance: High
Sensitivity: Confidential

Progress Energy seeks non-binding proposals from your company to supply natural gas for the requirements listed in the attached RFP. Progress Energy is currently evaluating how LNG could play an integral role in its supply portfolio and your response will serve as a key input to this evaluation. A successful deal will require the execution of a NAESB with the attached Special Provisions, unless your firm already has an approved GISB or NAESB.

You are encouraged to submit your bid via e-mail. FAX response is acceptable, but e-mail is preferable.

We look forward to your response. Feel free to contact me with any questions. Thanks in advance for your timely response by this September 3, 2003 deadline.

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CONFIDENTIAL

Rick Rhodes
Term Gas & Logistics
Progress Energy
919.546.7613
rick.rhodes@pgnmail.com

505

PEF 001644
Docket No. 041414-EI

Rhodes, Rick

From: Rhodes, Rick
Sent: Friday, August 22, 2003 5:02 PM
To: 'drephlo@coral-energy.com'
Cc: Trimble, John
Subject: Non-Binding RFP

Importance: High
Sensitivity: Confidential

Progress Energy seeks non-binding proposals from your company to supply natural gas for the requirements listed in the attached RFP. Progress Energy is currently evaluating how LNG could play an integral role in its supply portfolio and your response will serve as a key input to this evaluation. A successful deal will require the execution of a NAESB with the attached Special Provisions, unless your firm already has an approved GISB or NAESB.

You are encouraged to submit your bid via e-mail. FAX response is acceptable, but e-mail is preferable.

We look forward to your response. Feel free to contact me with any questions. Thanks in advance for your timely response by this September 3, 2003 deadline.

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CONFIDENTIAL

Rick Rhodes
Term Gas & Logistics
Progress Energy
919.546.7613
rick.rhodes@pgnmail.com

506

Non-Binding Gulf Coast LNG RFP

Progress Energy

Regulated Commercial Operations Department
P. O. Box 1551 - CPB 10A
Raleigh, North Carolina 27602

RFP# LT082203-gc/PEF

August 22, 2003

CONFIDENTIAL

Dear Sir or Madam:

Subject: Non-Binding Request for Proposal for Gas Supply

Florida Power Corporation d/b/a Progress Energy Florida, Inc. (hereinafter referred to as Buyer) is requesting proposals for long-term gas supply sourced out of your company's Gulf Coast LNG Terminal.

Term	Buyer has interest in reviewing contract terms for 3, 5, 10, & 20 years, beginning January 1, 2008.
Volume	Up to 75,000 Dth/day baseload.
Primary Receipt Point	Buyer receipt point will be downstream of the LNG facility outlet into FGT Zone 3 or Gulfstream Mobile Bay.
Service	Firm. Buyer requests that Seller address how it will warranty against delivery risk and provide an alternate or back-up source of gas (i.e. hurricanes diverting ships, foreign country political risk, etc.).
Desired Pricing	Buyer desires that Seller provide a response for 2 pricing scenarios - Fixed pricing or Zero Cost Collar pricing for the entire term.
Other Pricing	Buyer will consider other pricing options including, but not limited to: • Inside FERC First of the Month with Buyer's election to convert to Gas Daily Midpoint. • Call Option. Specify all appropriate terms & conditions. • Option to allow Buyer to swing down volumes a specific number of times per month. • Seller proposed pricing.
Nominations:	Pre-scheduled (day ahead of gas flow) and/or intraday (day of gas flow) may be submitted up until nomination deadline.
Requirements	GISB / NAESB with special provisions for gas purchases.
Gas Quality	Seller shall warranty to Buyer at delivery that all gas meets or exceeds pipeline gas quality specifications regarding Btu content and natural gas liquids. If gas is found to be insufficiently processed, Seller will join with Buyer to petition that the pipeline enforces required specifications on producers.

Proposals are DUE by: **Wednesday, September 3, 2003, 4:00 p.m. EST**

Proposals Proposals are preferred to be submitted via e-mail to the address below. Proposals may be submitted by FAX. Proposals received AFTER the DUE date may be considered at Buyer's discretion. All Proposals MUST reference **RFP# LT082203-gc/PEF**. Questions related to deal points should be directed to the author at the number listed during business hours (EST).

Please send proposals to:

CONFIDENTIAL

Progress Energy Inc.
Attn: Rick Rhodes
Term Gas and Logistics Unit
P. O. Box 1551 - PEB 10A
Raleigh, North Carolina 27602
Telephone: 919-546-7613

Send e-mail responses to: **rick.rhodes@pgnmail.com**

Send FAX responses to: **919-546-2922**

Sincerely,

Rick Rhodes

Term Gas Lead
919-546-7613

Rhodes, Rick

From: Rhodes, Rick
Sent: Friday, August 22, 2003 5:28 PM
To: 'chris.w.gillette@exxonmobil.com'; 'ron.v.yates@exxonmobil.com'; 'diaco.m.avika@exxonmobil.com'
Cc: Trimble, John
Subject: Non-Binding RFP

Importance: High
Sensitivity: Confidential

CONFIDENTIAL

Progress Energy seeks non-binding proposals from your company to supply natural gas for the requirements listed in the attached RFP. Progress Energy is currently evaluating how LNG could play an integral role in its supply portfolio and your response will serve as a key input to this evaluation. A successful deal will require the execution of a NAESB with the attached Special Provisions, unless your firm already has an approved GISB or NAESB.

You are encouraged to submit your bid via e-mail. FAX response is acceptable, but e-mail is preferable.

We look forward to your response. Feel free to contact me with any questions. Thanks in advance for your timely response by this September 3, 2003 deadline.

lng rfp gulf coast pef.doc (22...

Rick Rhodes
Term Gas & Logistics
Progress Energy
919.546.7613
rick.rhodes@pgnmail.com

509

Rhodes, Rick

From: Rhodes, Rick
Sent: Friday, August 22, 2003 5:25 PM
To: 'tjacomini@sempratrading.com'
Cc: Trimble, John
Subject: Non-Binding RFP

Importance: High
Sensitivity: Confidential

Progress Energy seeks non-binding proposals from your company to supply natural gas for the requirements listed in the attached RFP. Progress Energy is currently evaluating how LNG could play an integral role in its supply portfolio and your response will serve as a key input to this evaluation. A successful deal will require the execution of a NAESB with the attached Special Provisions, unless your firm already has an approved GISB or NAESB.

You are encouraged to submit your bid via e-mail. FAX response is acceptable, but e-mail is preferable.

We look forward to your response. Feel free to contact me with any questions. Thanks in advance for your timely response by this September 3, 2003 deadline.

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CONFIDENTIAL

Rick Rhodes
Term Gas & Logistics
Progress Energy
919.546.7613
rick.rhodes@pgnmail.com

510

Rhodes, Rick

From: Rhodes, Rick
Sent: Friday, August 22, 2003 5:23 PM
To: 'rlammons@chevrontexaco.com'
Cc: Trimble, John
Subject: Non-Binding RFP

Importance: High
Sensitivity: Confidential

Progress Energy seeks non-binding proposals from your company to supply natural gas for the requirements listed in the attached RFP. Progress Energy is currently evaluating how LNG could play an integral role in its supply portfolio and your response will serve as a key input to this evaluation. A successful deal will require the execution of a NAESB with the attached Special Provisions, unless your firm already has an approved GISB or NAESB.

You are encouraged to submit your bid via e-mail. FAX response is acceptable, but e-mail is preferable.

We look forward to your response. Feel free to contact me with any questions. Thanks in advance for your timely response by this September 3, 2003 deadline.

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CONFIDENTIAL

Rick Rhodes
Term Gas & Logistics
Progress Energy
919.546.7613
rick.rhodes@pgnmail.com

511

PEF 001650
Docket No. 041414-EI

Rhodes, Rick

From: Rhodes, Rick
Sent: Friday, August 22, 2003 5:23 PM
To: 'dave_landry@fmi.com'
Cc: Trimble, John
Subject: Non-Binding RFP

Importance: High
Sensitivity: Confidential

Progress Energy seeks non-binding proposals from your company to supply natural gas for the requirements listed in the attached RFP. Progress Energy is currently evaluating how LNG could play an integral role in its supply portfolio and your response will serve as a key input to this evaluation. A successful deal will require the execution of a NAESB with the attached Special Provisions, unless your firm already has an approved GISB or NAESB.

You are encouraged to submit your bid via e-mail. FAX response is acceptable, but e-mail is preferable.

We look forward to your response. Feel free to contact me with any questions. Thanks in advance for your timely response by this September 3, 2003 deadline.

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CONFIDENTIAL

Rick Rhodes
Term Gas & Logistics
Progress Energy
919.546.7613
rick.rhodes@pgnmail.com

Rhodes, Rick

From: Rhodes, Rick
Sent: Friday, August 22, 2003 5:21 PM
To: 'e-mail: dave_landry@fmi.com'
Cc: Trimble, John
Subject: Non-Binding RFP

Importance: High
Sensitivity: Confidential

Progress Energy seeks non-binding proposals from your company to supply natural gas for the requirements listed in the attached RFP. Progress Energy is currently evaluating how LNG could play an integral role in its supply portfolio and your response will serve as a key input to this evaluation. A successful deal will require the execution of a NAESB with the attached Special Provisions, unless your firm already has an approved GISB or NAESB.

You are encouraged to submit your bid via e-mail. FAX response is acceptable, but e-mail is preferable.

We look forward to your response. Feel free to contact me with any questions. Thanks in advance for your timely response by this September 3, 2003 deadline.

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CONFIDENTIAL

Rick Rhodes
Term Gas & Logistics
Progress Energy
919.546.7613
rick.rhodes@pgnmail.com

513

Rhodes, Rick

From: Rhodes, Rick
Sent: Friday, August 22, 2003 5:18 PM
To: 'kyle.hamrick@bglng.com'
Cc: Trimble, John
Subject: Non-Binding RFP

Importance: High
Sensitivity: Confidential

Progress Energy seeks non-binding proposals from your company to supply natural gas for the requirements listed in the attached RFP. Progress Energy is currently evaluating how LNG could play an integral role in its supply portfolio and your response will serve as a key input to this evaluation. A successful deal will require the execution of a NAESB with the attached Special Provisions, unless your firm already has an approved GISB or NAESB.

You are encouraged to submit your bid via e-mail. FAX response is acceptable, but e-mail is preferable.

We look forward to your response. Feel free to contact me with any questions. Thanks in advance for your timely response by this September 3, 2003 deadline.

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CONFIDENTIAL

Rick Rhodes
Term Gas & Logistics
Progress Energy
919.546.7613
rick.rhodes@pgnmail.com

514

Sempra Energy
Trading

Thomas P. Jacomini, Jr.
Vice President
(713) 361-7619

2500 CityWest Boulevard
Suite 1800
Houston, Texas 77042
Facsimile: (713) 361-7650

Confidential

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September 3, 2003

Mr. John Trimble
Progress Energy Inc.
PO Box 1551 – PEB 10A
Raleigh, NC 27602

Via e-mail: john.trimble@pgnmail.com

Re: RFP# LT082203-gc/PEF

Dear John:

Thank you for including Sempra Energy Trading (Sempra) in Progress Energy Florida's Non-Binding Request for Proposal for Gas Supply.

In August, Sempra's Cameron LNG receiving terminal in Hackberry, La., received the final environmental impact statement (EIS) from the Federal Energy Regulatory Commission (FERC). This final EIS for Cameron LNG is the first issued to a new LNG receiving terminal in North America in more than 20 years and is the last hurdle before the FERC authorization to construct can get awarded. Located on the Calcasieu River near Lake Charles, about 150 miles east of Houston and 230 miles west of New Orleans, the $700 million project will have the capacity to process up to 1.5 billion Bcf per day of natural gas. An integral part of Cameron LNG is the 35 mile pipeline extending north from the terminal that will interconnect with several interstate pipelines. The growing need for other sources of supply are evident given recent indications of declining domestic gas production. Sempra's Cameron LNG takes a first step to fill this void. Sempra anticipates construction to begin in 2004, which provides for an in-service date of 2007.

Term: Sempra is interested in discussing gas supply terms of up to 20 years.

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Volume:	Up to 75,000 DT/day.
Primary Receipt Point:	Cameron LNG pipeline is proposed to interconnect with Florida Gas Transmission Mainline in Zone 2.
Service:	Firm. Sempra would be prepared to address risks associated with LNG transportation and other delivery interruptions.
Pricing:	Several pricing scenarios will be available, not limited to fixed, index, collars and options.
Nominations:	Various levels of nomination flexibility shall be available depending upon the type of contract and pricing desired.
Requirements:	Confirmation of definitive terms under existing executed GISB between Sempra and PEF.
Gas Quality:	Gas shall meet or exceed pipeline gas quality specifications.

John, I realize we are lacking some detail here. Sempra's in-service date of 2007 precludes us from addressing some of the issues/desires Progress Energy is seeking. As we refine our needs, Sempra looks forward to discussing supply options with Progress Energy.

Sincerely,

Thomas P. Jacomini, Jr.
Vice President

These terms are for discussion purposes only and are not intended to be a legally binding commitment, which will only result from the execution and delivery of definitive documentation acceptable to each party in its discretion. The information contained herein is believed to be reliable. However, Sempra makes no representation as to the accuracy or completeness of any information contained herein or otherwise provided by Sempra. Sempra is not acting as Counter Party's advisor and the ultimate decision to proceed with any transaction rests solely with the Counter Party. Therefore, before entering into any proposed transaction, Counter Party should determine the economic risks and merits, as well as the legal, tax and accounting characterizations and consequences of the transaction and that it is able to assume those risks.

Tractebel Electricity & Gas International

CONFIDENTIAL

Proposal To
Progress Energy Florida, Inc.
By
Tractebel Calypso LNG Marketing, LLC
(RFP# LT082203-bahamas)
September 3, 2003

Buyer: Progress Energy Florida, Inc. (Buyer)

Seller: Tractebel Calypso LNG Marketing, LLC (Calypso Marketing)

Overall Project: Various Tractebel affiliated companies (collectively, Tractebel) would be involved in the overall Project to include at least Tractebel Calypso LNG Marketing, LLC (Calypso Marketing), Tractebel Energy Marketing Inc. (TEMI), Tractebel Project Development, Inc. (TPDI), Tractebel LNG North America (TLNG NA), and Tractebel Gas Engineering (TGE).

Description of Transaction and Major Benefits: The purpose of this proposal is to outline general terms and conditions by which Calypso Marketing or its affiliates may: (1) provide a new, competitive, long term contract for natural gas supply primarily from Tractebel's proposed Project consisting of the Bahamas LNG Terminal (Terminal), Blue Marlin Pipeline, and Calypso Pipeline (Calypso Pipeline) with deliveries into Florida Gas Transmission (FGT).

Transaction:
The gas supply would be delivered to Buyer at the interconnection between Calypso Pipeline and the Florida Gas Transmission (FGT) mainline in Broward County, Florida (Delivery Point) for re-delivery to Buyer's FGT citygate(s) utilizing segmented or other capacity from Buyer's existing FGT Firm Transportation (FT) Agreements or other capacity as allowed by FGT. Alternatively, the gas supply would be delivered to the Buyer's FGT citygate(s) using FGT capacity owned or managed by Calypso Marketing. *Calypso Marketing's intent is to provide a transaction for the Buyer that is competitive, reliable, flexible, and tailored for the specific needs and requirements of the Buyer.*

Confidential

Preliminary Notional Proposal: This document constitutes a preliminary indication of interest on the part of Tractebel Calypso LNG Marketing, LLC (Calypso Marketing), and affiliates and is intended solely as a basis for discussions. It does not constitute an offer capable of acceptance and no legally binding commitment or obligation related to the subject matter of this letter shall exist unless and until the execution and delivery of definitive contracts containing terms and conditions acceptable to Calypso Marketing and Buyer, each in its sole discretion.

Calypso Tractebel

PEF 001656
Docket No. 041414-EI

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Benefits:

The proposal outlines a potential gas supply transaction for Buyer by Tractebel, which is customized for Buyer, and is intended to present an opportunity that is uniquely more competitive with lower risk among competing transactions. Upon careful analysis by Buyer, including site visits to Tractebel's other LNG facilities, Tractebel is confident that Buyer will confirm Tractebel's assertion that based upon each of the points listed below, Tractebel should be Buyer's clear practical choice to accommodate Buyer's future gas supply requirements.

- Tractebel's existing and future gas supply for the Bahamas Project to Florida is sourced from LNG supplies controlled by and delivery facilities largely designed, built, owned, and operated by various Tractebel companies. Tractebel is by far the most experienced LNG operator in the U.S., and is one of the most active and experienced designers, builders, owners, and operators of LNG facilities worldwide (see previously provided materials describing Tractebel's experience). Tractebel Gas Engineering (TGE) has designed and built over twenty (20) major LNG facilities. In addition, Tractebel owns and operates thousands of miles of gas transmission and distribution facilities on four continents.

- Tractebel's LNG development efforts (design, planning, permitting, and land/equipment acquisition) for the Bahamas and Florida were acquired from Enron, and were significantly advanced and improved from every standpoint, giving Tractebel a significant time, cost, and risk advantage over competing projects. Tractebel's analysis of competing projects has demonstrated that Tractebel has the least expensive and lowest risk project concept for delivery of reliable, firm gas into Florida, all of which accrues to the ultimate benefit of the Buyer.

- Tractebel controls significant quantities of long term LNG supplies and shipping capacity for this Project, and its related businesses, including a significant ownership and gas supply position from Atlantic LNG in nearby Trinidad, and from numerous sources across the Atlantic Basin.

- Tractebel has been in business for over 100 years and has the long-term financial capacity to support the development, ownership, and operation of this Project and the contractual commitment to Buyer.

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Preliminary Notional Proposal: This document constitutes a preliminary indication of interest on the part of Tractebel Calypso LNG Marketing, LLC (Calypso Marketing), and affiliates and is intended solely as a basis for discussions. It does not constitute an offer capable of acceptance and no legally binding commitment or obligation related to the subject matter of this letter shall exist unless and until the execution and delivery of definitive contracts containing terms and conditions acceptable to Calypso Marketing and Buyer, each in its sole discretion.

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- Tractebel's knowledge and understanding of: (1) Buyer's needs and requirements, (2) Buyer's operations on FGT and Gulfstream, (3) overall FGT, Gulfstream, and NUI system capabilities (particularly relative to physical operations, regulatory and tariff limitations, and gas delivery economics), and application of such knowledge in designing a long term gas supply solution for Buyer is unique among competitors.

- Tractebel's gas supply pricing is intended to be competitive with all other gas delivered to Buyer. Additionally, the benefits derived from the more efficient usage of Buyer's existing FT portfolio can be significant. Further, the pricing is intended (1) to avoid any devaluing of Buyer's current FT position, (2) to avoid reducing Buyer's current competitive position for delivered gas in the state, and (3) to avoid stranding FT costs for Buyer.

- Tractebel's gas supplies will comply with the gas quality specifications of FGT, Gulfstream, NUI, and other interstate pipelines around the country. [Buyer's suggested joint producer enforcement unclear]

- Based on discussions with FGT, Buyer should be able to deliver gas from Tractebel to many if not all of its plants currently served by FGT FT agreements.

Term: Tractebel is ready to begin discussions immediately to pursue definitive agreements for long term gas supply. Tractebel plans to begin finalizing long term, firm gas supply contracts early this year for quantities starting after the commercial operations date (COD) of Calypso Pipeline and the Bahamas Terminal, which is conservatively estimated to be between mid-2006 and mid-2007, and extending for up to twenty (20) years.

Daily Contract Quantity (DCQ): On a firm basis, Buyer would purchase and take, and Calypso Marketing would schedule and deliver a Daily Contract Quantity (DCQ) of 75,000 MMBtu per day at the Delivery Point. [For further discussion]

Delivery Point: The Delivery Point would be the proposed interconnect between Calypso Pipeline and FGT in Broward County, Florida, unless otherwise agreed between the parties.

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Pricing: The price per MMBtu for all gas delivered each month at the Delivery Point, would be either (1) The NYMEX Henry Hub Natural Gas settlement price for the last day of trading for each month plus $0.50 per MMBtu, [for further discussion – term and quantity sensitive]; (2) a published monthly bid week index acceptable to both parties plus comparable adder; (3) either index above with a zero cost collar or similar structure; or (4) fixed pricing, for all or part of the quantity and/or term. This pricing is intended to be competitive with FGT FTS-1 and Gulfstream economics for gas delivered to Buyer using segmented capacity. [Fixed pricing and collars to be priced on a mutually agreeable market sensitive basis for Buyer's request for term and quantity.]

Flexible Pricing: Buyer would have the option to periodically request Calypso Marketing to modify the contract price to reflect a price other than the Nymex based price (or other applicable index or fixed price), such as a fixed price, a monthly index price, a ***Gas Daily*** price, or any other mutually agreed to pricing structure, as more fully described in the definitive agreement.

Flexible Takes and Delivered Gas Transactions: Transactions that might include (1) flexible takes, (2) gas delivered to Buyer's citygate, or (3) gas deliveries prior to COD of the Project, would be structured and priced individually based on Buyer's specific needs and requirements. Day ahead or intraday scheduling limited only by FGT requirements.

Nominations and Scheduling: Each party would be responsible for nominations and scheduling requirements on its respective capacity unless otherwise arranged. Both would also agree to adhere to the applicable pipeline tariffs and GISB standards for nominating and scheduling of gas.

Transportation: Calypso Marketing would provide for transportation of gas upstream of the Delivery Point(s), and Buyer would provide transportation from the Delivery Point(s) to its facilities, unless otherwise agreed by the parties.

Agreements: The Parties may enter into a non-binding Letter of Intent (LOI) setting forth the mutual intent of Buyer and Calypso Marketing to negotiate and enter into a Definitive Agreement based on the NAESB Gas Sales Agreement reflecting the

Preliminary Notional Proposal: This document constitutes a preliminary indication of interest on the part of Tractebel Calypso LNG Marketing, LLC (Calypso Marketing), and affiliates and is intended solely as a basis for discussions. It does not constitute an offer capable of acceptance and no legally binding commitment or obligation related to the subject matter of this letter shall exist unless and until the execution and delivery of definitive contracts containing terms and conditions acceptable to Calypso Marketing and Buyer, each in its sole discretion.

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commercial terms and conditions set forth in this proposal and such other terms and conditions as may be mutually agreed upon including those provisions outlined below.

Representations and Warranties: Calypso Marketing would provide a representation and warranty to Buyer that Calypso Marketing or its affiliates will either own or hold the firm rights to (1) transportation on Calypso Pipeline, (2) terminalling capacity at the Terminal including Blue Marlin Pipeline, (3) shipping capacity, and (4) LNG supplies, all in quantities sufficient to meet Calypso Marketing's obligations to Buyer.

Conditions Precedent: Calypso Marketing's obligations shall be subject to the granting in a form satisfactory to Calypso Marketing or its affiliates, prior to _____, of all licenses, permits, approvals and authorizations required for development, construction, and operation of the Project (all of which are well underway and on schedule or ahead of schedule for completion), and financing arrangements. The final definitive agreement shall be subject to review and approval by Buyer's and Calypso Marketing's Boards of Directors.

Liquidated Damages: The parties would negotiate an industry standard cost of cover mechanism for any failure to take or deliver the firm DCQ hereunder. Such cover standard would take into consideration alternate fuel and power options.

Commercially reasonable efforts would be exercised by Calypso Marketing and Buyer for mitigation of replacement fuel or market costs, respectively, and associated factors. Both parties would use reasonable efforts (1) to inform the other party of its intent not to schedule, take, or deliver quantities of gas, or (2) to replace such quantities, prior to taking such actions.

Credit: The parties would negotiate industry standard arrangements for credit and security including a Tractebel parent guaranty.

Assignment: Either party would have the right to assign all or part of the agreement with the prior written consent of the other party; such consent not to be unreasonably withheld. Such assignment would not exclude any of its obligations under the agreement.

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Preliminary Notional Proposal: This document constitutes a preliminary indication of interest on the part of Tractebel Calypso LNG Marketing, LLC (Calypso Marketing), and affiliates and is intended solely as a basis for discussions. It does not constitute an offer capable of acceptance and no legally binding commitment or obligation related to the subject matter of this letter shall exist unless and until the execution and delivery of definitive contracts containing terms and conditions acceptable to Calypso Marketing and Buyer, each in its sole discretion.

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Either party would have the right to assign all or part of the agreement to any affiliate, or for financing purposes, without prior consent. Such assignment would not exclude any obligations under the agreement or of the original contracting party, without the prior written consent of the other party, such consent not to be unreasonably withheld.

Force Majeure: The parties would negotiate industry standard force majeure provisions.

Confidentiality: All terms and conditions of this proposal are confidential proprietary trade secrets of Calypso Marketing and must be kept confidential between Buyer, Calypso Marketing, and their duly appointed agents.

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Preliminary Notional Proposal: This document constitutes a preliminary indication of interest on the part of Tractebel Calypso LNG Marketing, LLC (Calypso Marketing), and affiliates and is intended solely as a basis for discussions. It does not constitute an offer capable of acceptance and no legally binding commitment or obligation related to the subject matter of this letter shall exist unless and until the execution and delivery of definitive contracts containing terms and conditions acceptable to Calypso Marketing and Buyer, each in its sole discretion.

AES LNG Marketing, L.L.C.

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September 3, 2003

Progress Energy Inc.
Attn: Rick Rhodes
Term Gas and Logistics Unit
P.O. Box 1551 – PEB 10A
Raleigh, NC 27602

Re: RFP No. LT 082203-bahamas

Dear Rick:

I enclose for your consideration a proposal providing for the sale on a firm basis of up to 75,000 Dth/day of natural gas by AES LNG Marketing, L.L.C. to meet incremental supply needs of Progress Energy Florida, Inc. ("Progress Energy") in response to the referenced RFP.

We have prepared this Term Sheet proposal to serve as the basis for further discussions. It does not represent a binding offer by AES LNG Marketing to sell gas to Progress Energy, but is intended to establish a framework for the negotiation of a definitive gas sales agreement covering the services described.

I look forward to hearing from you and to further discussions regarding the enclosed Term Sheet response to the RFP.

Very truly yours,

Edward Cahill

Enclosure

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PEF 001662
Docket No. 041414-EI

Two Alhambra Plaza, Suite 1104, Coral Gables, FL 33134 • Tel: 305-444-4002 • Fax: 305-445-0615

Re: RFP No. LT 082203-bahamas

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Proposed Major Commercial Terms for Firm Gas Purchase Contract between AES LNG Marketing, L.L.C. and Progress Energy Florida, Inc.

Parties:	AES LNG Marketing, L.L.C. ("SUPPLIER") and Progress Energy Florida, Inc. ("Progress Energy")
Term:	SUPPLIER shall provide Gas on a firm basis for a period of **[ten]** or **[twenty]** years following First Gas Delivery. First Gas Delivery: January 1, 2008, or any later date resulting from a Force Majeure event.
Maximum Daily Quantity ("MDQ"):	75,000 Dth/day. On a daily basis, Progress Energy may nominate any volumes up to the MDQ. There is no take obligation.
Nature of Service:	Firm
Primary Delivery Point(s):	The interconnection between the AES Ocean Express Pipeline ("Ocean Express") and the Florida Gas Transmission ("FGT") pipeline at FPL's Fort Lauderdale Plant take station.
Price:	The Definitive Agreement will include a pricing arrangement based on one of the following: (1) Reservation Charge plus Commodity Charge: Reservation Charge: $16.72/Dth initially (to be adjusted upward each January 1 for the term of the Definitive Agreement, at a rate equal to one-half of the increase in the annual index number of the Producer Price Index). The Monthly Reservation Charge Obligation shall be equal to the product of (i) the Reservation Charge and (ii) the MDQ. Commodity Charge: Final Day Settlement Price for the applicable NYMEX Henry Hub Natural Gas Futures Contract for such month plus 1% fuel and losses. (2) Zero Cost Collar: SUPPLIER is willing to consider a zero cost collar pricing structure.

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Quality Specifications: The quality of the gas delivered and sold to Progress Energy will meet FGT Tariff specifications.

Nominations: Pre-scheduled (day ahead of gas flow) and/or intraday (day of gas flow) nominations may be submitted up until the nomination deadline.

Conditions Precedent: SUPPLIER's obligations would be conditioned on SUPPLIER and its affiliates obtaining the following, provided that SUPPLIER may waive any and all of these conditions:

(1) Execution of Definitive agreements with lenders and/or investors to provide financing for the Ocean Cay Project (including the Ocean Cay LNG Terminal and the Ocean Express Pipeline) in form and substance acceptable to SUPPLIER in its discretion; and

(2) Issuance by the Federal Energy Regulatory Commission of all approvals necessary for the construction, interconnection and operation of the Ocean Express Pipeline, and acceptance thereof by Ocean Express.

Force Majeure: The Definitive Agreement shall provide that neither party shall be liable to the other for any breach, loss, damage, delay, or non-performance because of that party's inability to perform its obligations, in whole or in part, to the extent that such inability is caused by a Force Majeure event. Force Majeure shall include but not be limited to acts of God, acts of public enemy, wars, blockades, insurrections, storms, explosions, or other similar events which preclude performance. Force Majeure relief shall be available for delivery failures due to (i) Force Majeure events affecting transportation from the Ocean Cay LNG Terminal and (ii) Force Majeure events or conditions affecting the delivery and receipt of LNG that are recognized as Force Majeure under the LNG supply agreement for delivery of LNG to the Ocean Cay Terminal. Force Majeure relief shall only be available to the extent that performance is actually prevented due to the event or condition and only for the portion of the MDQ affected and only for the time period so affected. Force Majeure relief shall not be available to relieve Progress Energy of its obligation to pay the Monthly Reservation Charge if SUPPLIER is able to make available the MDQ at the delivery point(s). The

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parties shall be obligated to use commercially reasonable efforts to overcome a Force Majeure event or condition, including, without limitation, the use of any alternative arrangement available to it on commercially reasonable terms and conditions in order to overcome the adverse effects of any Force Majeure.

Each party shall have the right to terminate the Definitive Agreement, without liability of either party to the other as a result of such termination, if due to the occurrence of Force Majeure a party is unable to perform its obligations under the Definitive Agreement for three-hundred-sixty-five (365) consecutive days.

Liquidated Damages:

Liquidated Damages for SUPPLIER's failure to deliver gas after the commencement of deliveries shall be determined using the lesser of the product of the deficiency quantity and the positive difference, if any, between (a) the replacement price and the contract price, and (b) the replacement cost of # 2 fuel oil and the contract price. Replacement price means the price at which Progress Energy could purchase (however, no actual purchase would be required) replacement natural gas and have such gas delivered to the delivery point in a commercially reasonably manner and contract price means the delivered price per MMBtu to be paid by Progress Energy to SUPPLIER under the terms of the Definitive Agreement. Such Liquidated Damages shall be capped at $20,000,000.

Damages:

Except as otherwise specifically provided here, neither party to the Definitive Agreement shall be liable to the other party for any consequential, incidental, special or punitive damages arising out of or related to the Definitive Agreement.

Miscellaneous Provisions

The Definitive Agreement shall include typical provisions addressing such matters as billing and payment; termination; assignment; metering; measurement; dispute resolution; notice; and other customary provisions for agreements of the nature of the Definitive Agreement.

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September 3, 2003

Progress Energy, Inc.
Attn: Rick Rhodes
Term Gas and Logistics Unit
P. O. Box 1551 – PEB 10A
Raleigh, NC 27602

Dear Mr. Rhodes:

Subject: Non-Binding Request for Proposal for Gas Supply
RFP# LT082203-Elba

Marathon Oil Company is pleased to provide the following response to the above referenced RFP of Florida Power Corporation d/b/a Progress Energy Florida, Inc. (hereinafter referred to as Buyer) for long-term gas supply sourced out of the Elba Island LNG Terminal:

Term January 1, 2008 – December 31, 2017.

Volume 20,000 Dth/day to 75,000 Dth/day baseload.

Primary Receipt Point Buyer receipt point will be at the tailgate of the Elba Island LNG facility into Southern Natural Gas Pipeline (the proposed Cypress expansion will be an integral part of Sonat).

Service Firm, with standard LNG force majeure provisions. As shown below, Marathon is providing alternate pricing in the event Buyer elects to have Marathon provide replacement supplies at mutually acceptable receipt points if Marathon is unable to provide gas at the Primary Receipt Point for reasons of force majeure. Price adjustments will be made to reflect Buyer's incremental transportation cost should replacement supplies be needed.

Pricing Fixed Price with force majeure: $5.08/MMBtu
Fixed Price with replacement supplies: $5.18/MMBtu
or
Zero Cost collar with force majeure: Inside FERC Henry Hub Index plus $0.08/MMBtu with a $5.50/MMBtu cap - $4.68/MMBtu floor or $6.00/MMBtu cap - $4.34/MMBtu floor
Zero cost collar with replacement supplies: Inside FERC Henry Hub Index plus $0.18/MMBtu with a $5.60/MMBtu cap - $4.78/MMBtu floor or $6.10 cap - $4.44/MMBtu floor
or
Inside FERC Henry Hub Index plus $0.08/MMBtu or Nymex last day settle plus $0.08/MMBtu (Buyer to retain trigger rights) with force

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majeure or Inside FERC Henry Hub Index plus $0.18/MMBtu or Nymex last day settle plus $0.18/MMBtu (Buyer to retain trigger rights) with replacement supplies.

Nominations: Pre-scheduled (day ahead of gas flow) may be submitted up until nomination deadline.

Requirements GISB / NAESB with special provisions for gas purchases (special provisions currently being reviewed by Marathon's attorney).

Gas Quality Seller shall warranty to Buyer at delivery that all gas meets or exceeds pipeline gas quality specifications regarding Btu content and natural gas liquids. If gas is found to be insufficiently processed, Seller will join with Buyer to petition that the pipeline enforces required specifications on producers.

We look forward to discussing this proposal with you further during the conference call that you have scheduled with Matt Fleming on Tuesday, September 9. Thank you for your consideration.

Sincerely,

James R. Bowden
Manager – Market Development

BG LNG Services, LLC

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BG LNG Services, LLC
5444 Westheimer, Suite 1775
Houston, Texas 77056

Telephone: 713-403-3741
Facsimile: 713-403-3781

Mr. Rick Rhodes
Term Gas Lead
Progress Energy Inc.

September 03, 2003

Re: Firm Gas Supply Offer to Florida Power Corporation – VIA Electronic Mail

Dear Rick:

BG LNG Services LLC (BGLS) is pleased to provide the following quotes for Firm Gas Supplies to Florida Power Corporation (FPC) as outlined in your request for proposal dated August 25, 2003. BGLS's offer can be found on the following pages.

BG LNG Services is the largest purchaser of liquefied natural gas (LNG) in North America at its Lake Charles, Louisiana receiving terminal with an estimated daily, non-peak send-out capacity of 630,000 Dth/day (The Lake Charles Terminal maintained continuous operation during 2002 hurricane activity under winds as high as 130 mph). BGLS can deliver to most points in the Louisiana Gulf Coast area. As LNG-sourced gas supply, coupled with high-deliverability storage, BGLS can tailor gas supply arrangements to meet specific customer requirements.

Please keep in mind that the following offer is merely an indication of the current market price at the time, and does not constitute an offer or obligation by BGLS or FPC to a transaction. BGLS will be pleased to provide the most up-to-date price quote at FPC's request.

Once again, we appreciate the opportunity to serve Florida Power Corporation and I look forward to hearing your favorable response.

Sincerely,

Kyle Hamrick
Director, Origination

BG LNG Services, LLC

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BG LNG Services, LLC
5444 Westheimer, Suite 1775
Houston, Texas 77056

Telephone: 713-403-3741
Facsimile: 713-403-3781

Proposal for Firm Gas Supply
BG LNG Services, LLC. To
Florida Power Corporation d/b/a Progress Energy Carolinas, Inc.
RFP# LT082203-elba

Term: a.) January 1, 2008 continuing for period of 3 Years
b.) January 1, 2008 continuing for period of 5 Years
c.) January 1, 2008 continuing for period of 10 Years
d.) January 1, 2008 continuing for period of 20 Years

Pipeline: Into Proposed Cypress Pipeline (Cypress)

Delivery: Interconnection between Southern Natural LNG and Proposed Cypress Pipeline

Volume: Up to 75,000 Dth/day Baseload
FPC shall elect a volume prior to execution of agreement to become Volume for the term.

Service: Firm. BGLS has provided FPC with Special Provisions to the NAESB contract specifically addressing issues with warranty against delivery risk associated with Liquefied Natural Gas imports.

Pricing: **Fixed Pricing:** NYMEX Last Day Settlement
a.) Plus $0.15
b.) Plus $0.15
c.) Plus $0.15
d.) Plus $0.15
BGLS will provide FPC the option to trigger NYMEX to establish a fixed price.

Intra-Month Swing: BGLS will consider this option as discussions progress. Notification for intra-month changes must be received by BGLS from FPC by 8:30AM CT day prior to gas flow.

Gas Quality: BGLS will deliver to FPC at the delivery point, gas that meets or exceeds upstream pipeline gas quality specifications regarding Btu content and natural gas liquids.

Conditions: This proposal is subject to the negotiation, preparation and execution of a definitive agreement as well as BGLS Senior Management approval. Prices contained in this proposal are indicative of the current market, and as such, are subject to change as market conditions change.

Shell Trading

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Shell Trading Gas and Power Company
909 Fannin, Suite 700
Houston, TX 77010
(713) 767-5400

September 5, 2003

Via E-mail: rick.rhodes@pgnmail.com

Mr. Rick Rhodes
Term Gas Lead
Progress Energy Inc.
Term Gas and Logistics Unit
P.O. Box 1551 – PEB 10A
Raleigh, NC 27602

RE: Non-Binding Gas Supply Proposal at the Elba Island LNG Terminal Outlet

Dear Rick:

Coral Energy Resources, L.P. ("Coral") is pleased to make the following indicative non-binding proposal to Florida Power Corporation d/b/a Progress Energy Florida, Inc ("Progress") to supply natural gas at the Elba Island LNG Terminal Outlet located in Savannah, Georgia (the "Plant"). Coral appreciates the opportunity to review the non-binding request for proposal and submit this indicative non-binding proposal.

Term
The term of this proposed supply arrangement shall be effective for fifteen (15) years or twenty (20) years, beginning on January 1, 2008.

Volume
75,000 Dth/day on a monthly baseload basis ("Maximum Daily Quantity")

Delivery Point
Gas supply will be delivered at the interconnection between the Plant and Southern Natural Gas Company's ("SNG") proposed Cypress Pipeline expansion project, located at the outlet of the Plant in Savannah, Georgia.

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Alternative Delivery Point: Progress Energy's Hines Power Plant, located near Fort Meade, Florida.

Service

Coral will provide natural gas supply to Progress, on a firm basis, through monthly priced natural gas.

This non-binding proposal assumes that Progress will receive gas, on a firm basis, in uniform hourly quantities during any day of the term of the agreement between the parties.

Deliveries by Coral at the Delivery Point are subject to standard natural gas industry Force Majeure provisions that would be applicable upstream to the origin of the gas supply, and the operators of the Plant and SNG scheduling the nominations at the Delivery Point.

Monthly Baseload Priced Firm Supply

Baseload Supply Price: The price for natural gas quantities nominated for monthly baseload volumes (must be equal to the Maximum Daily Quantity during each month of the term) shall equal the price published in *Platts' Inside FERC's Gas Market Report* for such month under the heading "Market Center Spot Gas Prices" "South Louisiana" "Henry Hub" "Index", plus ____ ("Index Premium"), plus an annual price escalator on the Index Premium based on an agreed to inflation index.

Commodity Keepwhole: In the event either party fails to schedule the Maximum Daily Quantity at the Primary Delivery Point, unless excused by an event of Force Majeure, the party that defaults will pay to the other party an amount equal to the sum of the product of the default quantity multiplied by the replacement price differential subject to the following provisions.

In the event of a failure to deliver at the Delivery Point, unless excused by an event of Force Majeure, Coral shall have the right to either: replace the shortfall gas supply for such day at the Alternative Delivery Point without having any other obligation, or replace the shortfall gas supply for such day at any other delivery point mutually agreed to by Coral and Progress with Coral bearing any incremental transportation costs incurred by Progress, or replace the shortfall gas supply for such day by providing alternate fuel or electricity without having any other obligation.

Alternative Pricing: For any given period during the term hereof, Coral can provide certain price risk management capabilities whereby Progress can elect to hedge the proposed market index at a mutually agreeable alternative price through the use of natural

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gas swaps or options on natural gas futures contracts, subject to Progress receiving approval under Coral's credit review process.

Nominations

Progress will make a monthly baseload nomination to Coral by 9:00am Central Prevailing Time ("CPT") five (5) business days prior to the first day of each month. This nomination must be equal to the Maximum Daily Quantity during each month of the term.

Progress shall notify Coral promptly in the event actual purchase quantities are lower than the monthly baseload nomination (which is the Maximum Daily Quantity) on any day during the month, subject to the Commodity Keepwhole provisions.

Taxes

All ad valorem, excise, severance, production, and other taxes assessed upstream of the Delivery Point into the transporting pipeline will be borne by Coral. All such taxes assessed at or downstream of the Delivery Point into the transporting pipeline will be borne by Progress.

Credit

The proposed transaction as described hereunder is subject to Progress receiving approval under Coral's credit review process.

Other Conditions Precedent

Other conditions that would be precedent would include, but not be limited to, the Elba Island terminal expansion being placed in-service, the Cypress Pipeline project being built and placed in-service, and Coral finalizing arrangements with a LNG supply source at Elba Island. Coral would have the right to withdraw an offer for a proposed transaction at any time prior to Coral, in its sole discretion, being satisfied that the Cypress Pipeline project will be built.

This indicative proposal sets forth the preliminary, non-binding indication of interest of Coral and does not create and is not intended to create a binding and enforceable agreement between Coral and Progress and may not be relied upon by either party as the basis for any agreement by estoppel or otherwise, but rather evidences a non-binding expression of interest of Coral to endeavor, without obligation, to pursue the potential sale of gas to Progress. This Indicative Proposal is limited to the sale of gas set forth herein.

Because this Indicative Proposal contains commercially sensitive information, Coral respectfully requests that Progress maintain this Indicative Proposal in a confidential manner, not disclose all or any portion of this Indicative Proposal to any third party without first obtaining Coral's written consent, and use this Indicative Proposal solely in connection with Progress' evaluation and determination of whether Progress desires to

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enter into further discussions or negotiations with Coral regarding the potential sale of gas to Progress.

Please contact me at (713) 767-5502 with any questions regarding this proposal. I look forward to our conference call scheduled for next Monday, September 8, 2003, to discuss this non-binding proposal in greater detail.

Sincerely,

Doug Rephlo

Doug Rephlo
General Manager, South Origination
Shell Trading Gas and Power Co.

THIS PROPOSAL IS FOR DISCUSSION PURPOSES ONLY AND IS NOT INTENDED TO BE COMPLETE AND ALL INCLUSIVE OF THE TERMS AND CONDITIONS OF THE RELATED TRANSACTION. THIS PROPOSAL IS NOT AN OFFER, A SOLICITATION OF AN OFFER OR A COMMITMENT OF CORAL ENERGY RESOURCES, L.P. OR ANY PARENT OR AFFILIATE OF CORAL ENERGY RESOURCES, L.P.. THE PROPOSED TRANSACTION DESCRIBED HEREIN IS SUBJECT TO FURTHER REVIEW AND APPROVAL OF CORAL ENERGY RESOURCES, L.P AND EXECUTION OF DEFINITIVE AGREEMENTS CONTAINING ALL APPROPRIATE PROVISIONS, INCLUDING THOSE RELATING TO CREDIT AND LIMITATION OF DAMAGES. THIS PROPOSAL DOES NOT PURPORT TO IDENTIFY OR SUGGEST ANY OR ALL OF THE RISKS (DIRECT OR INDIRECT) WHICH MAY BE ASSOCIATED WITH THE PROPOSED TRANSACTION(S). AS THE INFORMATION CONTAINED HEREIN IS PROPRIETARY, PLEASE KEEP THIS MATERIAL CONFIDENTIAL.

POD#35-36

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Long-Term Natural Gas Supply for Hines Energy Facility

Summary

At the request of PV-RCO, Enterprise Risk Management - Risk Analytics is assisting in valuing and assessing the market and cost risk associated with select long-term, natural gas (NG) supply and transportation alternatives for the Hines Energy Facility in Florida.

The alternatives assessed and valued in this document are the following:

- Bahamas
- Elba 100 / 50
- Elba 80 / 40
- Gulfstream Option 1
- Gulfstream Option 2

Scope of Review

This document does not constitute a full risk assessment. The focus of this analysis is on market and cost risk. Only the items outlined below were taken into account. Also in this section is a list of some of the major risks not quantified by this analysis.

The valuation shown in this summary takes all of the following market risks into account given the caveats and assumptions described later in this document:

- The costs, volumes, and general terms and conditions of the alternatives
- Volatility of NG prices (Henry Hub (HH) and Transco Zone 4 (TZ4))
- Cost of having to sell "must take" NG when it is not burned
- Cost of incremental, excessive firm transportation

This valuation considers extensive details of the alternatives and the results indicate a material difference in the net present cost (NPC) of the alternatives. The NPC of each alternative is discussed in the Conclusions & Recommendations section of this summary.

Although this valuation is thorough, its results are not all inclusive. The following risk issues are outside the scope of this valuation:

- Locational NG Supply Diversity (the benefits of diversity in the physical location of NG supply facilities)
- Pipeline build-out (construction of pipelines expected for transportation under several of these alternatives may be delayed or canceled)
- In-depth Credit Risk (a more extensive analysis will be done by the Credit group)

General Assumptions

All alternatives are priced on the monthly Inside FERC index. For all alternatives the supply volume is considered "must take."

The monthly HH NG price and PEF system NG burn are simulated along 1,600 trajectories which are used to produce the distributions of the cost.

Prepared by: Albert Hopping, Enterprise Risk Management – Risk Analytics 10/11/04

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The monthly mean of the simulated PEF system NG burn matches the projected burn from the April 2004 Generation Fuel Forecast (GFF) excluding undesignated CCs, undesignated CTs, and Vandolah.

The yearly mean of the simulated monthly HH NG price matches the forecasted price from the GFF. The GFF only specifies HH prices on a yearly basis; however, a seasonal HH price is clearly much more representative. The shape of the forward curve from 5/27/2004 was used to create a shaped GFF price curve. See Appendix.

The volume of "must take" NG from these alternatives never exceeds the monthly *mean* burn. However as the burn varies daily, there will be some days that the burn is less then the total "must take" supply (this includes the existing BP "must take" supply contract). The simulated burn is used to find the excessive NG. This volume of gas is assumed to be sold at HH + $0.02 per decatherm (approximating FGT Zone 3) for all alternatives. Variable cost and fuel are not paid on this gas with the exception of Bahamas since it is purchased on a delivered basis. This volume of gas is small and decreases quickly as the projected burn rises. There is assumed to be no excessive "must take" NG supply after the year 2015.

Transportation equal to gas supplied comes with all of these alternatives. The additional transport makes PEF slightly long part of the year. The simulated burn is used to calculate the incremental excess transportation capacity. This transport is assumed to be a total loss due to market illiquidity and is marked at the cost of our most expensive existing transport first. Due to generation additions incremental excess capacity is assumed to be zero after 2013. See Appendix.

The TZ4 price is calculated as HH price plus a basis. This basis is the 2005 basis from late May. This part of the basis curve was used for its seasonal shape; which is then escalated with LIBOR. See Appendix.

The Elba deals and the Bahamas deal are "LNG" deals. By this it is meant that regasified imported LNG is expected to be the delivered gas. However, PV will never take title of LNG and it is not required that LNG be the original source of the gas. PV will be taking title of NG as would happen in any other contract.

The capital expense associated with all of the proposed alternatives is to allow Hines to receive higher gas volumes, and to add the capability of receiving gas from both Gulfstream and FGT at the same time. For some alternatives, some of the capital costs are included in the reservation rate. The line item expenses relating to the capital expenditures are as follows:

- Pressure upgrades to 550 psi (from 500 psi) $ 8,020,000
- Blending station for FGT / Gulfstream simultaneous flow $ 1,160,000
- Measurement facility capable of 88,800 Dth per day $ 1,350,000

Gas Supply Alternatives

This section details the specific assumptions of each alternative.

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- Bahamas
- Elba 100 / 50
- Elba 80 / 40
- Gulfstream Option 1
- Gulfstream Option 2

Bahamas

Counterparty: Tractebel
Term: May 1, 2008 through April 30, 2028
Volume: 80/40 Delivery Schedule (see below)

Tractebel is planning to build the Calypso pipeline from the Bahamas which will bring gasified, foreign LNG into the FGT system. Tractebel will supply delivered NG at Hines (supply and transport are bundled). These assumptions are consistent with the current proposed contract.

Costs:

	Bahamas		Fixed	08-09	09-13	13-28			
	Gas $	Variable	Summer	Winter	Winter	Winter	Fuel	Prob.	Capital
Low	HH	0.0094	0.6600	0.6100	0.5538	0.4600	1.25%	33%	$ 1,350,000
Base	HH	0.0094	0.6600	0.6100	0.5538	0.4600	1.25%	33%	$ 1,350,000
High	HH	0.0094	0.6600	0.6100	0.5538	0.4600	1.25%	33%	$ 1,350,000

* The pressure upgrade and blending station are included in the fixed rate.

NG Delivery Schedule 80/40:

- May 1, 2008 through April 30, 2009
  - 60,000 MMBTU/day Summer (May-Sept)
  - 25,000 MMBTU/day Winter (Oct-Apr)
- May 1, 2009 through April 30, 2028
  - 80,000 MMBTU/day Summer (May-Sept)
  - 40,000 MMBTU/day Winter (Oct-Apr)

Elba 100/50

Counterparties: BG LNG Services, SGN, FGT
Term: May 1, 2007 through April 30, 2028
Volume: 100/50 Delivery Schedule (see below)

Southern Natural Gas Company (SNG) is building the Cyprus pipeline which will bring gas from the Elba Island LNG facility to the FGT system. This alternative has several separate contracts: one for NG supply from BG LNG Services and a couple for transport with SNG and FGT.

Costs:

	Elba 100 / 50		SNG		FGT				
	Gas $	Variable	Fixed	Fuel	Summer	Winter	Fuel	Prob.	Capital
Low	HH + 0.05	0.0211	0.3550	1.50%	0.7690	0.1000	0.75%	33%	$ 2,510,000
Base	HH + 0.05	0.0211	0.3550	1.50%	0.7690	0.1000	0.75%	33%	$ 2,510,000
High	HH + 0.05	0.0211	0.4100	1.50%	0.8000	0.1000	0.75%	33%	$ 2,510,000

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* Only the pressure upgrade is included in the fixed rate.

NG Delivery Schedule 100/50:

- May 1, 2007 through April 30, 2008
  - 60,000 MMBTU/day Summer (May-Sept)
  - 25,000 MMBTU/day Winter (Oct-Apr)
- May 1, 2008 through April 30, 2009
  - 80,000 MMBTU/day Summer (May-Sept)
  - 40,000 MMBTU/day Winter (Oct-Apr)
- May 1, 2009 through April 30, 2028
  - 100,000 MMBTU/day Summer (May-Sept)
  - 50,000 MMBTU/day Winter (Oct-Apr)

Elba 80 / 40

Possible Counterparties: BG LNG Services, Southern Natural Gas, FGT
Term: May 1, 2008 through April 30, 2028
Volume: 80/40 Delivery Schedule (see below)

This alternative matches the delivery schedule of the Bahamas alternative. This is for easier comparison to Bahamas. The assumptions are the Elba costs with the volumes of the Bahamas alternative.

Costs:

	Elba		SNG		FGT				
	Gas $	Variable	Fixed	Fuel	Summer	Winter	Fuel	Prob.	Capital
Low	HH + 0.05	0.0211	0.3550	1.50%	0.7690	0.1000	0.75%	33%	$ 2,510,000
Base	HH + 0.05	0.0211	0.3550	1.50%	0.7690	0.1000	0.75%	33%	$ 2,510,000
High	HH + 0.05	0.0211	0.4100	1.50%	0.8000	0.1000	0.75%	33%	$ 2,510,000

* Only the pressure upgrade is included in the fixed rate.

NG Delivery Schedule 80/40:

- May 1, 2008 through April 30, 2009
  - 60,000 MMBTU/day Summer (May-Sept)
  - 25,000 MMBTU/day Winter (Oct-Apr)
- May 1, 2009 through April 30, 2028
  - 80,000 MMBTU/day Summer (May-Sept)
  - 40,000 MMBTU/day Winter (Oct-Apr)

Gulfstream Option 1

Counterparties: GulfStream and an unnamed supplier
Term: May 1, 2008 through April 30, 2028
Volume: 80/60 Delivery Schedule (see below)

This alternative is based on an offer from GulfStream; however it is not based on a particular supply offer. This alternative assumes a risk free sale of 20,000 Dth/day of

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capacity in the winters for $0.3871 per decatherm on a fixed cost basis. The cost to PEF of this winter release is $0.4929 instead since October is a winter volume that is released, but is a summer reservation price. Therefore, a loss of $452,696 is incurred every winter.

Costs:

	Gulfstream 1 Gas $	Variable	May-Oct Summer	Nov-Apr Winter	Fuel	Prob.	Capital
Low	TZ4	0.0055	0.7500	0.4500	2.00%	33%	$7,030,000
Base	TZ4	0.0055	0.7500	0.4500	2.00%	33%	$7,030,000
High	TZ4	0.0055	0.7500	0.4500	2.00%	33%	$7,030,000

* The fixed rate includes $3.5 million in capital costs.

NG Delivery Schedule 80/60:

- May 1, 2008 through April 30, 2009
  - 60,000 MMBTU/day Summer (May-Sept)
  - 40,000 MMBTU/day Winter (Oct-Apr)
- May 1, 2009 through April 30, 2028
  - 80,000 MMBTU/day Summer (May-Sept)
  - 60,000 MMBTU/day Winter (Oct-Apr)

Gulfstream Option 2

Counterparties: GulfStream and an unnamed supplier
Term: May 1, 2008 through April 30, 2028
Volume: 80/40 Delivery Schedule (see below)

This alternative is assumed to be agreeable with GulfStream; however, it is not based on a written proposal from GulfStream (It is based on their revenue requirements). This alternative is not based on a current supply offer.

Costs:

	Gulfstream 2 Gas $	Variable	Fixed	Fuel	Prob.	Capital
Low	TZ4	0.0055	0.8456	2.00%	33%	$7,030,000
Base	TZ4	0.0055	0.8456	2.00%	33%	$7,030,000
High	TZ4	0.0055	0.8456	2.00%	33%	$7,030,000

* The fixed rate includes $3.5 million in capital costs.

NG Delivery Schedule 80/40:

- May 1, 2008 through April 30, 2009
  - 60,000 MMBTU/day Summer (May-Sept)
  - 25,000 MMBTU/day Winter (Oct-Apr)
- May 1, 2009 through April 30, 2028
  - 80,000 MMBTU/day Summer (May-Sept)
  - 40,000 MMBTU/day Winter (Oct-Apr)

Conclusions & Recommendations

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The nominal cost and discounted cost (net present cost, NPC) of each of the alternatives discussed above are shown in the following table. In general, the range of the highest to lowest NPC of the alternatives is $522.8 million. The least cost alternative is the Tractebel proposal to deliver natural gas from the Bahamas ($1.254 billion) while the highest cost alternative is the Southern Natural Gas proposal to deliver FGT gas pursuant to the Elba 100/50 proposal ($1.777 billion). The other alternatives have NPCs within this range (arrayed from lowest to highest): Gulfstream 2 ($1.338 billion), Elba 80/40 ($1.339 billion), and Gulfstream 1 ($2.774 billion). Of course some of this cost difference is due to the differences in volume. The average cost per decatherm ranges from $6.2461 for the Bahamas alternative to $6.6647 for Elba 100/50. The others are within this range (arrayed from lowest to highest): GulfStream 1 $6.4866, Gulfstream 2 $6.6556 and Elba 80/40 $6.6583.

For practical purposes, the costs associated with the Bahamas, Elba 80/40, and Gulfstream 2 alternatives have the lowest projected costs. While some capital costs are recovered through the fixed gas charges instead of outright capital outlays, the capital expenditures shown for each of the above three lowest cost alternatives are also different. All capital costs, however, are properly reflected in the NPC of each alternative and should not, therefore, be used as a separate criterion of the acceptability of the alternatives.

Given the results of this analysis, the least cost proposal is the Tractebel Bahamas project. Absent any compelling facts and circumstances to the contrary which are not included in this analysis, it is recommended that this alternative be selected.

Financial Summary of Alternatives

	Total Cost	Discounted Cost	Volume	Cost per Dth
Bahamas	(2,550,655,228)	(1,254,152,590)	408,360,000	(6.2461)
Elba 100 / 50	(3,516,134,787)	(1,776,981,528)	527,575,000	(6.6647)
Elba 80 / 40	(2,718,999,961)	(1,338,908,789)	408,360,000	(6.6583)
Gulfstream 1	(3,192,713,863)	(1,566,599,836)	492,200,000	(6.4866)
Gulfstream 2	(2,717,892,491)	(1,338,139,048)	408,360,000	(6.6556)

Continued	Capital	Natural Gas	Transport	xCap loss	xNG loss
Bahamas	(1,350,000)	(2,246,036,553)	(272,441,776)	(30,741,906)	(83,099)
Elba 100 / 50	(2,510,000)	(2,921,285,099)	(541,270,507)	(50,842,514)	(226,520)
Elba 80 / 40	(2,510,000)	(2,266,454,553)	(419,183,096)	(30,741,906)	(110,203)
Gulfstream 1	(7,030,000)	(2,774,239,175)	(373,370,436)	(37,923,407)	(150,845)
Gulfstream 2	(7,030,000)	(2,285,810,196)	(394,203,666)	(30,741,906)	(106,005)

Supporting data and detailed results are provided in the appendix.

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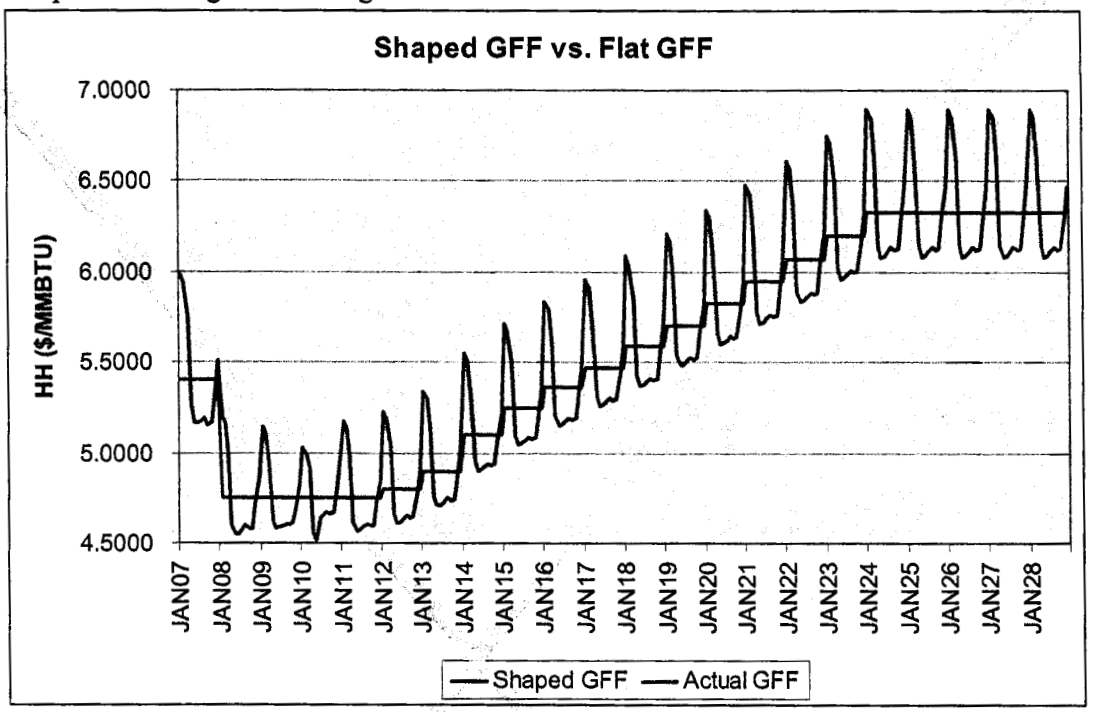
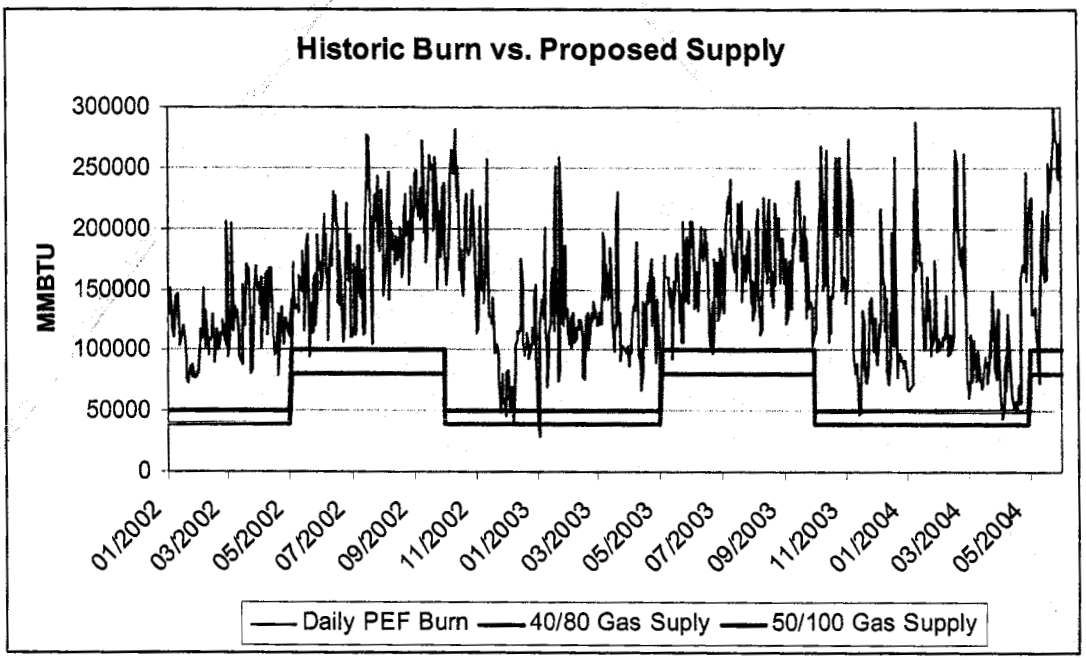
Appendix

The price of HH gas according to the GFF:



This graph shows daily PEF burn for the last two years against the full volume proposed supply (80 summer, 40 winter) of the Gulfstream or Bahamas alternatives and the Elba alternative (100 summer, 50 winter). Suwannee is excluded.



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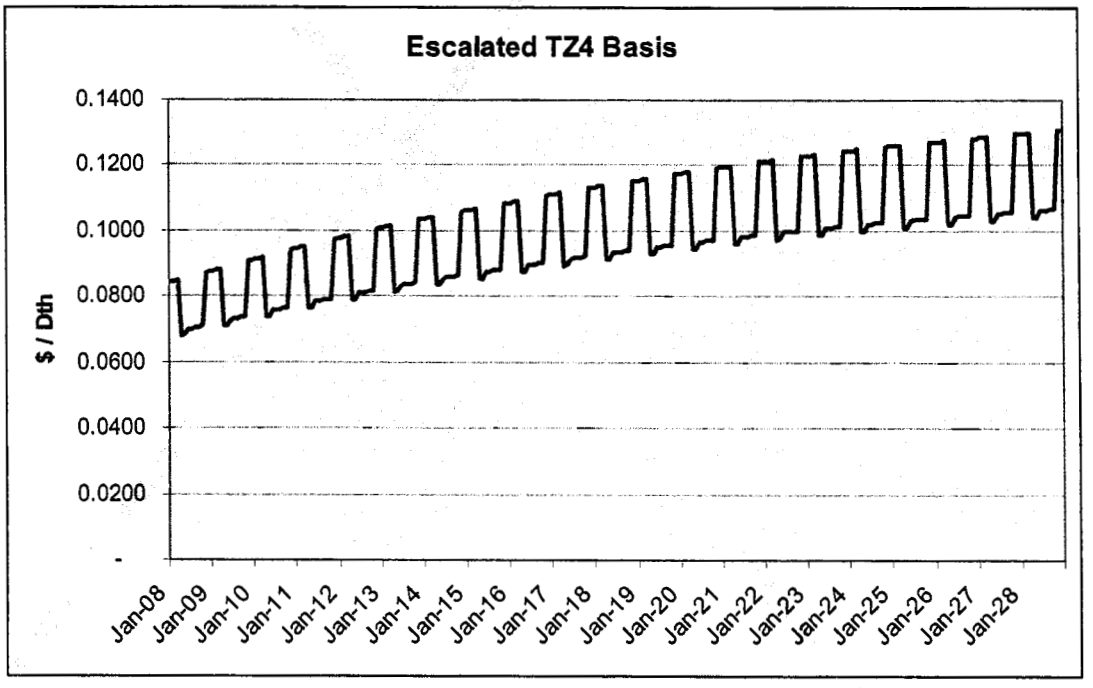
Volumes and costs used to calculate cost of incremental excessive transport:

	FGT FTS2	GulfStream
Jan	22,774	152,000
Feb	22,774	152,000
Mar	22,017	152,000
Apr	19,847	170,000
May	55,836	170,000
Jun	55,836	170,000
Jul	55,836	170,000
Aug	55,836	170,000
Sep	55,836	170,000
Oct	26,251	170,000
Nov	22,774	152,000
Dec	22,774	152,000

	Cost per Dth
FGT FTS2	$ 0.76
GulfStream	$ 0.55
FGT FTS1	$ 0.37

FGT FTS1 is assumed for all volumes exceeding both FGT FTS2 and GulfStream.



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Elba 100 / 50 6/25/04

Total Cost (Future dollars)

Mean	10%	20%	30%	40%	50%	60%	70%	80%	90%
(3,516,134,787)	(4,769,422,507)	(4,231,908,471)	(3,850,135,225)	(3,593,798,955)	(3,384,742,163)	(3,183,325,299)	(2,945,166,461)	(2,707,695,565)	(2,442,694,743)

Total Cost (Libor Discounted present dollars)

Mean	10%	20%	30%	40%	50%	60%	70%	80%	90%
(1,776,981,528)	(2,326,410,748)	(2,099,398,627)	(1,937,314,662)	(1,818,125,034)	(1,729,453,488)	(1,633,385,669)	(1,523,055,154)	(1,418,294,274)	(1,296,190,026)

Yearly Cost (Future dollars)

Year	Mean	10%	20%	30%	40%	50%	60%	70%	80%	90%
2007	(82,276,509)	(101,342,826)	(93,178,983)	(88,191,343)	(84,115,977)	(81,134,408)	(77,853,374)	(73,867,344)	(69,952,802)	(65,145,086)
2008	(117,040,148)	(147,568,389)	(136,059,514)	(126,494,419)	(120,564,904)	(114,944,456)	(108,710,011)	(103,199,956)	(96,906,337)	(89,884,103)
2009	(151,373,421)	(193,637,863)	(177,282,115)	(165,394,248)	(155,813,637)	(147,547,953)	(139,458,348)	(131,075,720)	(123,492,589)	(112,448,371)
2010	(157,745,496)	(204,375,358)	(185,559,653)	(171,937,277)	(161,462,484)	(152,827,463)	(144,711,366)	(136,744,364)	(127,195,066)	(115,001,737)
2011	(155,646,943)	(208,693,414)	(185,397,633)	(170,933,895)	(158,587,272)	(148,931,157)	(140,829,782)	(132,126,396)	(123,150,955)	(110,538,907)
2012	(157,824,166)	(211,838,744)	(190,208,461)	(173,875,337)	(162,423,886)	(151,903,267)	(141,779,468)	(132,914,732)	(122,514,000)	(109,601,346)
2013	(159,276,399)	(218,319,197)	(191,704,695)	(176,119,090)	(164,123,127)	(153,328,529)	(142,520,105)	(132,243,100)	(122,392,943)	(109,469,444)
2014	(158,283,632)	(222,355,795)	(193,390,831)	(175,237,539)	(161,629,732)	(150,139,290)	(139,817,901)	(130,268,476)	(119,546,327)	(106,749,158)
2015	(162,213,947)	(232,016,721)	(203,460,915)	(179,666,844)	(165,313,122)	(152,074,347)	(141,266,994)	(130,579,004)	(118,833,119)	(105,222,960)
2016	(165,425,943)	(245,956,551)	(205,894,684)	(181,649,105)	(166,961,514)	(152,971,071)	(142,575,410)	(131,348,764)	(119,915,434)	(105,661,899)
2017	(168,052,525)	(251,045,697)	(211,869,254)	(187,867,215)	(170,324,111)	(155,492,702)	(143,719,154)	(131,335,952)	(117,904,157)	(102,095,916)
2018	(171,064,930)	(254,263,398)	(217,976,160)	(193,705,870)	(175,287,038)	(159,636,950)	(144,903,836)	(132,612,255)	(118,975,521)	(103,787,925)
2019	(174,140,914)	(259,344,023)	(218,648,384)	(195,670,484)	(177,325,589)	(162,731,887)	(149,534,860)	(134,617,605)	(119,642,292)	(103,351,997)
2020	(177,630,769)	(266,396,696)	(223,369,535)	(199,893,825)	(182,270,212)	(164,484,479)	(150,982,276)	(135,630,430)	(121,193,054)	(104,890,712)
2021	(180,487,922)	(275,110,345)	(230,123,055)	(203,606,606)	(183,998,256)	(165,754,235)	(151,136,165)	(136,291,497)	(122,465,944)	(105,603,704)
2022	(183,762,077)	(287,853,377)	(238,386,807)	(208,820,579)	(186,525,963)	(167,482,554)	(152,527,672)	(139,023,999)	(123,297,156)	(105,991,770)
2023	(187,103,836)	(291,250,481)	(242,645,773)	(213,375,655)	(192,581,204)	(173,234,603)	(155,336,158)	(138,320,335)	(124,234,920)	(106,245,137)
2024	(190,893,774)	(296,923,249)	(244,062,598)	(217,441,157)	(194,683,509)	(174,971,414)	(158,955,970)	(141,623,819)	(124,948,454)	(104,585,915)
2025	(190,516,645)	(299,465,292)	(245,522,518)	(218,043,958)	(195,171,836)	(173,000,846)	(155,167,972)	(139,117,765)	(123,559,053)	(101,940,131)
2026	(190,517,101)	(302,827,953)	(252,810,389)	(218,550,068)	(194,985,481)	(172,266,150)	(153,878,669)	(137,114,230)	(120,654,171)	(100,639,982)
2027	(190,516,794)	(304,343,379)	(248,860,504)	(216,538,786)	(192,197,352)	(173,841,975)	(153,538,023)	(136,254,382)	(118,505,067)	(99,887,828)
2028	(44,340,896)	(75,319,778)	(60,257,194)	(51,537,439)	(44,644,796)	(38,936,944)	(33,726,149)	(29,122,866)	(24,698,358)	(20,227,265)
	(3,516,134,787)	**(5,150,248,526)**	**(4,396,669,655)**	**(3,934,550,740)**	**(3,590,991,001)**	**(3,287,636,680)**	**(3,022,527,563)**	**(2,765,432,989)**	**(2,504,177,716)**	**(2,188,951,292)**

Yearly Cost (Libor Discounted present dollars)

Year	Mean	10%	20%	30%	40%	50%	60%	70%	80%	90%
2007	(73,784,230)	(90,921,301)	(83,535,050)	(79,056,867)	(75,433,366)	(72,755,198)	(69,607,749)	(66,235,726)	(62,719,353)	(58,430,879)
2008	(99,889,151)	(125,800,668)	(116,106,586)	(107,944,251)	(102,864,288)	(98,164,606)	(92,789,819)	(88,104,037)	(82,754,403)	(76,765,583)
2009	(122,290,952)	(156,490,050)	(143,248,701)	(133,624,080)	(125,845,130)	(119,254,391)	(112,589,000)	(105,906,027)	(99,751,670)	(90,890,726)
2010	(120,269,285)	(155,883,044)	(141,441,823)	(131,155,071)	(123,131,505)	(116,496,978)	(110,329,482)	(104,216,837)	(97,073,445)	(87,703,589)
2011	(111,723,496)	(149,584,704)	(133,146,206)	(122,638,423)	(113,922,623)	(106,936,851)	(101,095,036)	(94,817,952)	(88,422,633)	(79,427,939)
2012	(106,547,164)	(142,957,731)	(128,424,708)	(117,441,841)	(109,648,149)	(102,521,649)	(95,675,052)	(89,747,266)	(82,614,792)	(73,936,053)
2013	(101,121,013)	(138,511,633)	(121,888,765)	(111,705,465)	(104,248,969)	(97,291,793)	(90,476,037)	(83,995,874)	(77,762,347)	(69,582,801)
2014	(94,821,762)	(133,151,466)	(115,916,007)	(105,059,126)	(96,787,756)	(89,910,705)	(83,742,769)	(78,021,698)	(71,586,990)	(63,961,725)
2015	(92,168,102)	(131,912,954)	(115,632,818)	(102,161,338)	(94,024,550)	(86,477,485)	(80,273,532)	(74,216,933)	(67,584,734)	(59,771,017)
2016	(88,482,048)	(131,600,338)	(110,142,144)	(97,214,431)	(89,269,366)	(81,787,626)	(76,277,738)	(70,238,631)	(64,108,900)	(56,576,317)
2017	(84,598,488)	(126,464,512)	(106,626,586)	(94,519,216)	(85,781,112)	(78,293,421)	(72,341,637)	(66,105,729)	(59,330,806)	(51,432,874)
2018	(80,996,961)	(120,447,525)	(103,177,051)	(91,656,425)	(83,044,309)	(75,630,020)	(68,595,730)	(62,800,940)	(56,371,624)	(49,130,406)
2019	(77,547,747)	(115,594,712)	(97,339,789)	(87,100,664)	(78,950,851)	(72,401,710)	(66,605,130)	(59,931,677)	(53,268,493)	(46,068,709)
2020	(74,431,194)	(111,612,241)	(93,529,623)	(83,737,578)	(76,369,689)	(68,941,231)	(63,277,775)	(56,773,253)	(50,773,688)	(43,986,651)
2021	(71,155,786)	(108,477,769)	(90,621,735)	(80,263,185)	(72,565,708)	(65,329,525)	(59,598,557)	(53,697,556)	(48,221,095)	(41,648,580)
2022	(68,302,757)	(106,947,376)	(88,625,951)	(77,658,709)	(69,306,973)	(62,223,976)	(56,713,806)	(51,685,896)	(45,821,740)	(39,419,007)
2023	(65,548,956)	(101,922,019)	(84,956,205)	(74,818,464)	(67,472,701)	(60,700,212)	(54,349,810)	(48,461,539)	(43,487,013)	(37,199,469)
2024	(63,031,262)	(97,935,342)	(80,714,732)	(71,771,231)	(64,258,544)	(57,773,731)	(52,560,945)	(46,762,513)	(41,197,726)	(34,538,598)
2025	(59,393,591)	(93,327,488)	(76,593,061)	(67,915,291)	(60,835,041)	(53,963,224)	(48,298,940)	(43,369,069)	(38,515,082)	(31,780,187)
2026	(56,077,597)	(89,161,768)	(74,401,408)	(64,285,195)	(57,417,976)	(50,679,747)	(45,251,578)	(40,368,091)	(35,496,225)	(29,607,776)
2027	(52,937,270)	(84,635,014)	(69,144,588)	(60,176,130)	(53,408,425)	(48,272,478)	(42,683,124)	(37,870,366)	(32,937,602)	(27,739,602)
2028	(11,862,716)	(20,149,299)	(16,116,929)	(13,781,066)	(11,938,511)	(10,411,223)	(9,023,947)	(7,791,177)	(6,661,245)	(5,412,121)
	(1,776,981,528)	**(2,533,488,953)**	**(2,191,328,466)**	**(1,975,684,049)**	**(1,816,523,541)**	**(1,676,217,782)**	**(1,552,157,196)**	**(1,431,118,786)**	**(1,306,461,606)**	**(1,155,010,606)**

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Elba 100 / 50 6/25/04

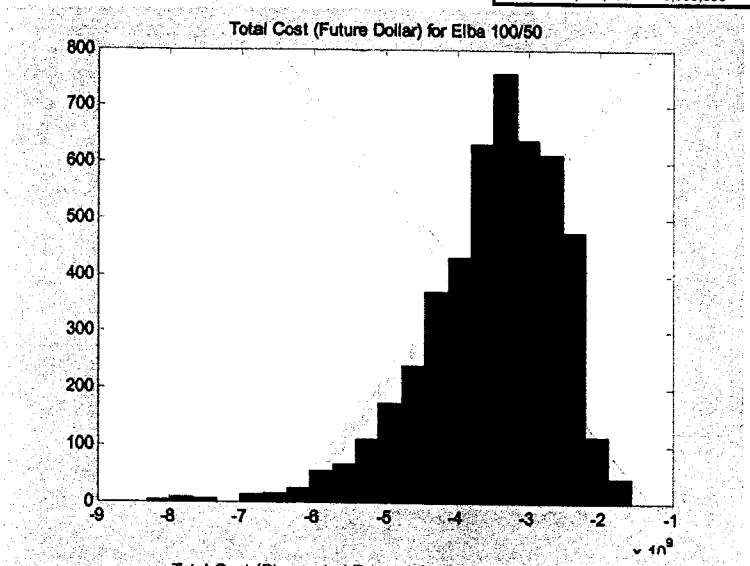
	Total Cost (mean)	Average per Dth
Volume	527,575,000	
Capital	(2,510,000)	(0.0048)
Gas	(2,921,285,099)	(5.5372)
Fixed Transport	(463,240,726)	(0.8781)
Fuel	(66,897,948)	(0.1268)
Variable	(11,131,833)	(0.0211)
Total Transport	(541,270,507)	(1.0260)
xNG loss	(226,520)	(0.0004)
xCapacity loss	(50,842,514)	(0.0964)
Total Cost	(3,516,134,787)	(6.6647)

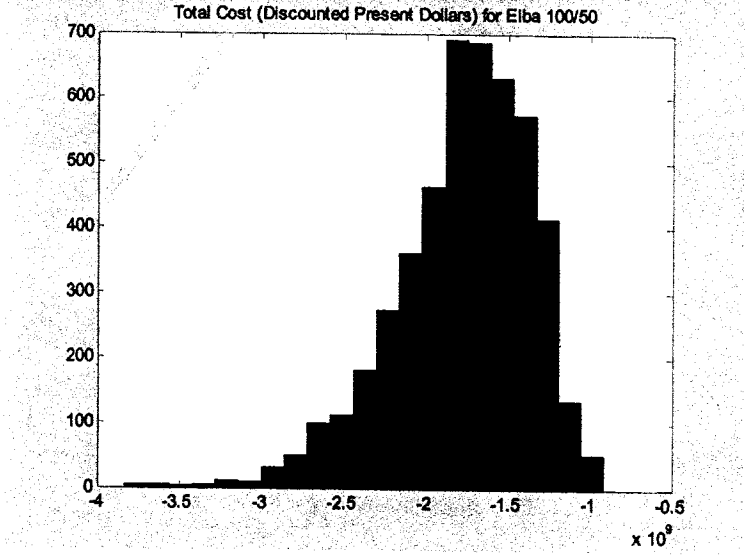
Unburned "Must Take" NG

Date	Mean	25%	50%	75%	90%	95%	98%
2007	14,038	-	-	12,517	47,122	80,898	121,401
2008	68,077	6,390	46,478	100,854	170,033	231,115	287,918
2009	78,062	5,520	48,055	115,950	199,898	261,023	362,403
2010	67,231	-	39,501	100,519	177,231	234,548	307,101
2011	16,430	-	-	21,115	54,676	82,302	104,161
2012	9,771	-	-	7,538	38,010	53,248	78,455
2013	6,191	-	-	-	26,669	42,855	53,017
2014	3,771	-	-	-	15,110	31,060	38,846
2015	2,109	-	-	-	4,652	19,369	28,903

Incremental Excessive Capacity

Date	Mean	10%	25%	50%	65%	75%	90%
2007	15,834,210	12,558,832	14,018,682	15,858,519	16,837,090	17,535,952	18,958,418
2008	22,862,587	18,988,434	20,779,693	22,874,601	23,931,081	24,844,171	26,787,721
2009	20,187,001	16,414,538	18,115,575	20,136,842	21,362,887	22,295,978	24,016,730
2010	17,135,753	13,425,494	15,137,803	17,069,747	18,207,925	19,079,631	20,969,554
2011	12,989,434	9,796,882	11,200,613	12,800,627	13,888,721	14,699,920	16,403,425
2012	13,859,878	10,606,474	11,999,362	13,782,762	14,767,400	15,561,124	17,281,176
2013	11,956,136	8,888,896	10,222,462	11,907,743	12,849,152	13,575,992	15,166,760





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Elba 6/25/04

Total Cost (Future dollars)

Mean	10%	20%	30%	40%	50%	60%	70%	80%	90%
(2,718,999,961)	(3,714,971,756)	(3,291,018,187)	(2,989,363,540)	(2,779,866,082)	(2,613,822,038)	(2,454,087,304)	(2,261,024,153)	(2,077,041,095)	(1,869,520,407)

Total Cost (Libor Discounted present dollars)

Mean	10%	20%	30%	40%	50%	60%	70%	80%	90%
(1,338,908,789)	(1,766,721,660)	(1,593,083,128)	(1,466,931,960)	(1,371,157,521)	(1,298,018,478)	(1,224,461,141)	(1,133,594,774)	(1,058,489,045)	(962,489,381)

Yearly Cost (Future dollars)

Year	Mean	10%	20%	30%	40%	50%	60%	70%	80%	90%
2008	(73,115,685)	(91,898,536)	(84,006,293)	(79,039,873)	(75,169,783)	(71,792,752)	(68,349,667)	(64,660,094)	(60,965,043)	(56,183,322)
2009	(115,608,409)	(147,686,437)	(135,005,405)	(126,288,913)	(118,874,937)	(112,910,891)	(106,316,977)	(100,083,364)	(94,455,598)	(86,104,802)
2010	(125,709,463)	(162,914,717)	(147,958,836)	(137,334,457)	(128,494,915)	(122,006,228)	(115,327,068)	(108,683,594)	(101,318,759)	(91,643,747)
2011	(123,997,094)	(166,151,080)	(147,761,057)	(136,146,640)	(126,480,282)	(118,529,336)	(111,870,980)	(105,297,346)	(97,798,369)	(88,007,752)
2012	(125,725,434)	(168,951,105)	(151,534,837)	(138,653,429)	(129,616,123)	(120,866,477)	(112,918,027)	(105,830,001)	(97,082,396)	(87,151,085)
2013	(126,884,029)	(174,061,237)	(153,037,064)	(139,963,215)	(130,715,345)	(121,942,581)	(113,522,595)	(105,432,151)	(97,446,958)	(86,732,178)
2014	(126,828,012)	(177,871,905)	(154,697,965)	(140,190,031)	(129,303,786)	(120,111,432)	(111,849,763)	(104,214,781)	(95,637,062)	(85,399,326)
2015	(129,770,534)	(185,613,377)	(162,768,732)	(143,733,475)	(132,250,498)	(121,659,477)	(113,005,535)	(104,463,204)	(95,082,930)	(84,178,368)
2016	(132,340,755)	(196,765,241)	(164,715,747)	(145,319,284)	(133,569,211)	(122,376,857)	(114,060,328)	(105,079,011)	(95,932,347)	(84,529,519)
2017	(134,442,020)	(200,836,558)	(169,495,403)	(150,293,772)	(136,259,289)	(124,394,162)	(114,975,323)	(105,068,762)	(94,323,328)	(81,676,733)
2018	(136,851,944)	(203,410,719)	(174,380,928)	(154,964,696)	(140,229,630)	(127,709,560)	(115,923,069)	(106,089,804)	(95,180,417)	(83,030,340)
2019	(139,312,731)	(207,475,218)	(174,918,708)	(156,536,387)	(141,860,471)	(130,185,510)	(119,627,888)	(107,694,084)	(95,713,833)	(82,681,598)
2020	(142,104,615)	(213,117,357)	(178,695,628)	(159,915,060)	(145,816,169)	(131,587,583)	(120,785,821)	(108,504,344)	(96,954,443)	(83,912,570)
2021	(144,390,338)	(220,088,276)	(184,098,444)	(162,885,285)	(147,198,605)	(132,603,388)	(120,908,932)	(109,033,197)	(97,972,755)	(84,482,963)
2022	(147,009,662)	(230,282,701)	(190,709,446)	(167,056,463)	(149,220,770)	(133,986,044)	(122,022,137)	(111,219,199)	(98,637,725)	(84,793,416)
2023	(149,683,069)	(233,000,385)	(194,116,619)	(170,700,524)	(154,064,963)	(138,587,682)	(124,268,926)	(110,856,268)	(99,387,936)	(84,996,109)
2024	(152,715,020)	(237,538,600)	(195,250,078)	(173,952,925)	(155,746,807)	(139,977,131)	(127,164,776)	(113,299,055)	(99,958,763)	(83,668,732)
2025	(152,413,316)	(239,572,233)	(198,418,014)	(174,435,166)	(156,137,469)	(138,400,677)	(124,134,378)	(111,294,212)	(98,847,242)	(81,552,105)
2026	(152,413,680)	(242,262,362)	(202,248,311)	(174,840,054)	(155,988,385)	(137,812,920)	(122,942,935)	(109,691,384)	(96,523,337)	(80,511,986)
2027	(152,413,435)	(243,474,703)	(199,088,403)	(173,231,028)	(153,757,881)	(139,073,580)	(122,830,418)	(109,003,505)	(94,804,054)	(79,910,262)
2028	(35,472,717)	(60,255,822)	(48,205,755)	(41,229,951)	(35,715,837)	(31,149,555)	(26,980,919)	(23,298,293)	(19,918,886)	(16,181,812)
	(2,718,999,961)	(4,003,228,569)	(3,409,111,675)	(3,046,710,632)	(2,776,471,157)	(2,537,663,821)	(2,329,784,463)	(2,128,595,651)	(1,923,941,977)	(1,677,328,726)

Yearly Cost (Libor Discounted present dollars)

Year	Mean	10%	20%	30%	40%	50%	60%	70%	80%	90%
2008	(62,225,090)	(78,150,641)	(71,508,505)	(67,245,902)	(63,951,410)	(61,108,062)	(58,151,174)	(55,049,954)	(51,916,267)	(47,867,798)
2009	(93,314,286)	(119,114,340)	(108,979,109)	(101,921,907)	(95,933,311)	(91,090,801)	(85,823,827)	(80,783,774)	(76,258,755)	(69,509,277)
2010	(95,845,195)	(124,244,211)	(112,729,602)	(104,705,022)	(97,919,177)	(93,052,665)	(87,924,644)	(82,930,066)	(77,190,845)	(69,812,453)
2011	(89,005,827)	(119,168,946)	(106,173,407)	(97,692,038)	(90,850,011)	(85,138,707)	(80,304,088)	(75,586,428)	(70,205,055)	(63,140,023)
2012	(84,877,958)	(114,138,457)	(102,366,692)	(93,575,364)	(87,587,519)	(81,568,321)	(76,220,052)	(71,421,288)	(65,565,551)	(58,796,000)
2013	(80,556,358)	(110,507,866)	(97,293,199)	(88,855,851)	(83,029,767)	(77,408,912)	(72,075,029)	(66,958,840)	(61,832,973)	(55,090,353)
2014	(75,856,861)	(106,513,350)	(92,718,717)	(84,038,466)	(77,430,205)	(71,928,564)	(66,994,216)	(62,417,358)	(57,269,592)	(51,160,865)
2015	(73,734,118)	(105,530,363)	(92,506,255)	(81,729,071)	(75,219,640)	(69,181,988)	(64,218,826)	(59,373,547)	(54,073,572)	(47,816,813)
2016	(70,785,638)	(105,280,271)	(88,113,716)	(77,771,545)	(71,415,493)	(65,430,101)	(61,022,191)	(56,190,904)	(51,287,120)	(45,261,053)
2017	(67,678,790)	(101,171,610)	(85,301,269)	(75,615,373)	(68,624,890)	(62,634,737)	(57,873,309)	(52,884,583)	(47,464,645)	(41,146,300)
2018	(64,797,589)	(98,358,020)	(82,541,841)	(73,325,140)	(66,435,447)	(60,504,016)	(54,876,584)	(50,240,752)	(45,097,299)	(39,304,325)
2019	(62,038,198)	(92,475,770)	(77,871,831)	(69,680,531)	(63,160,681)	(57,921,368)	(53,284,104)	(47,945,342)	(42,614,794)	(36,853,367)
2020	(59,544,955)	(89,289,793)	(74,823,698)	(66,990,062)	(61,095,751)	(55,152,985)	(50,622,220)	(45,418,602)	(40,618,950)	(35,189,321)
2021	(56,924,629)	(86,782,216)	(72,497,388)	(64,210,548)	(58,052,566)	(52,263,620)	(47,678,846)	(42,958,045)	(38,576,876)	(33,318,864)
2022	(54,642,206)	(85,557,901)	(70,900,761)	(62,126,967)	(55,445,578)	(49,779,181)	(45,371,045)	(41,348,716)	(36,657,392)	(31,535,205)
2023	(52,439,165)	(81,537,615)	(67,964,964)	(59,854,771)	(53,978,161)	(48,560,169)	(43,479,848)	(38,769,231)	(34,789,610)	(29,759,575)
2024	(50,425,009)	(78,348,273)	(64,571,785)	(57,416,985)	(51,406,836)	(46,218,985)	(42,048,756)	(37,410,010)	(32,958,181)	(27,630,879)
2025	(47,514,873)	(74,661,990)	(61,274,449)	(54,332,233)	(48,668,032)	(43,170,579)	(38,639,152)	(34,695,255)	(30,812,066)	(25,424,150)
2026	(44,862,077)	(71,329,414)	(59,521,126)	(51,428,156)	(45,934,380)	(40,543,797)	(36,201,263)	(32,294,472)	(28,396,980)	(23,686,221)
2027	(42,349,816)	(67,708,011)	(55,315,670)	(48,140,904)	(42,726,740)	(38,617,983)	(34,146,499)	(30,296,293)	(26,350,082)	(22,191,682)
2028	(9,490,173)	(16,119,439)	(12,893,544)	(11,024,852)	(9,550,809)	(8,328,979)	(7,219,158)	(6,232,942)	(5,328,996)	(4,329,696)
	(1,338,908,789)	(1,923,988,497)	(1,657,867,328)	(1,491,681,689)	(1,368,416,404)	(1,259,602,521)	(1,164,174,830)	(1,071,206,404)	(975,265,601)	(858,824,222)

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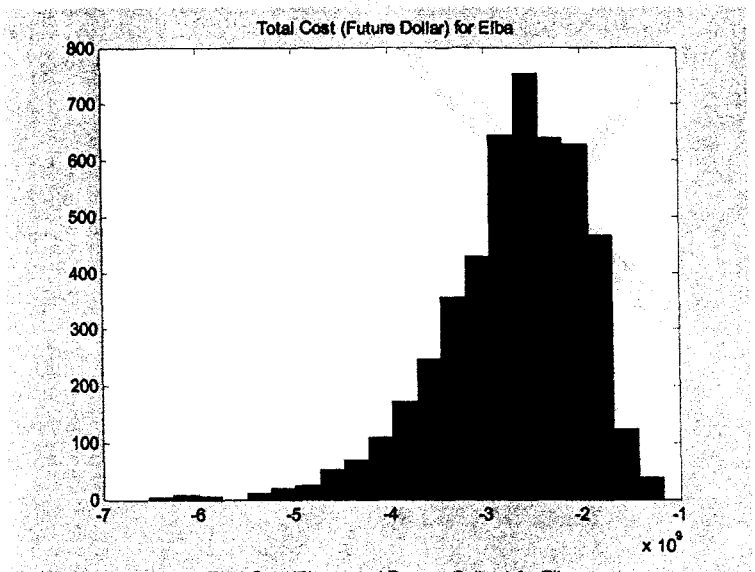
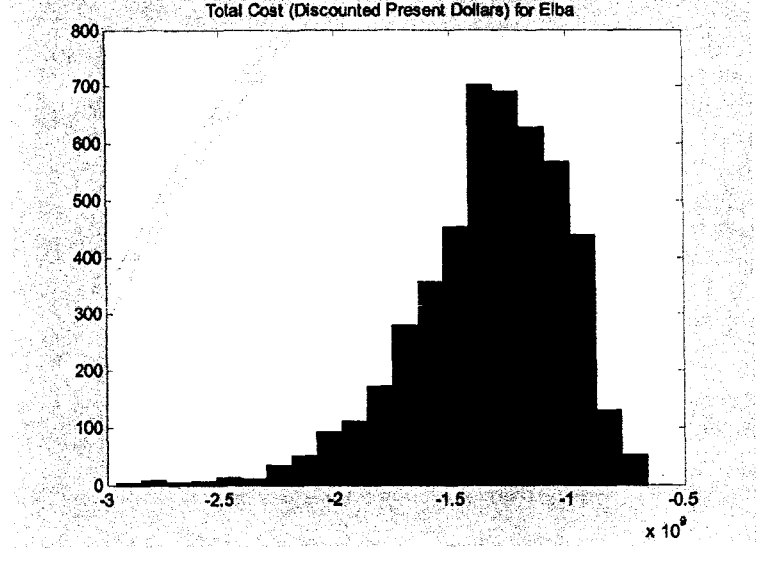
Elba 6/25/04

	Total Cost (mean)	Average per Dth
Volume	408,360,000	
Capital	(2,510,000)	(0.0061)
Gas	(2,266,454,553)	(5.5501)
Fixed Transport	(358,664,488)	(0.8783)
Fuel	(51,902,212)	(0.1271)
Variable	(8,616,396)	(0.0211)
Total Transport	(419,183,096)	(1.0265)
xNG loss	(110,203)	(0.0003)
xCapacity loss	(30,741,906)	(0.0753)
Total Cost	(2,718,999,961)	(6.6583)

Unburned "Must Take" NG							
Date	Mean	25%	50%	75%	90%	95%	98%
2008	8,064	-	-	-	29,172	52,500	82,195
2009	48,595	-	24,359	75,222	131,640	170,260	247,230
2010	49,270	-	24,868	73,285	136,935	179,333	238,406
2011	9,953	-	-	8,058	40,000	55,257	77,555
2012	5,869	-	-	-	24,898	40,000	54,836
2013	3,741	-	-	-	15,255	30,928	39,283
2014	1,955	-	-	-	4,348	18,848	26,288
2015	949	-	-	-	-	9,369	17,026

Incremental Excessive Capacity							
Date	Mean	10%	25%	50%	65%	75%	90%
2008	10,221,662	7,517,236	8,743,865	10,168,323	11,005,644	11,534,901	12,977,084
2009	16,100,474	12,688,287	14,258,401	16,024,801	17,166,021	18,003,102	19,576,147
2010	13,764,523	10,390,076	11,972,929	13,697,588	14,754,870	15,459,423	17,185,300
2011	10,160,946	7,404,141	8,638,915	9,992,316	10,921,621	11,562,954	13,158,335
2012	10,818,468	8,022,046	9,165,827	10,757,098	11,606,382	12,280,962	13,826,121
2013	9,207,646	6,577,005	7,696,153	9,141,337	9,965,077	10,609,617	11,982,586





CONFIDENTIAL

Bahamas 6/25/04

Total Cost (Future dollars)

Mean	10%	20%	30%	40%	50%	60%	70%	80%	90%
(2,550,655,228)	(3,501,692,687)	(3,096,159,961)	(2,826,279,672)	(2,631,381,512)	(2,446,947,270)	(2,275,588,776)	(2,097,934,513)	(1,918,308,752)	(1,681,840,249)

Total Cost (Libor Discounted present dollars)

Mean	10%	20%	30%	40%	50%	60%	70%	80%	90%
(1,254,152,590)	(1,669,124,737)	(1,499,330,713)	(1,381,091,993)	(1,292,420,058)	(1,218,252,837)	(1,141,150,973)	(1,054,961,069)	(975,174,217)	(869,416,900)

Yearly Cost (Future dollars)

Year	Mean	10%	20%	30%	40%	50%	60%	70%	80%	90%
2008	(66,450,389)	(84,584,349)	(77,702,430)	(72,526,022)	(68,544,651)	(64,871,755)	(61,315,650)	(58,054,761)	(54,893,713)	(49,893,702)
2009	(108,125,187)	(141,156,993)	(128,988,849)	(118,345,775)	(110,550,906)	(104,697,747)	(98,764,441)	(93,277,354)	(86,504,403)	(78,604,190)
2010	(117,990,193)	(160,288,938)	(140,360,472)	(130,028,973)	(121,846,439)	(114,218,065)	(107,380,015)	(100,038,290)	(93,396,414)	(82,836,620)
2011	(116,289,222)	(157,175,968)	(140,403,474)	(129,346,274)	(119,318,617)	(112,305,451)	(104,940,259)	(97,475,790)	(90,111,362)	(80,980,362)
2012	(118,006,540)	(162,926,981)	(143,391,377)	(130,413,545)	(121,174,123)	(114,077,527)	(105,599,741)	(98,011,915)	(88,486,437)	(79,284,989)
2013	(118,800,996)	(168,769,427)	(146,205,033)	(131,660,879)	(121,783,146)	(113,179,333)	(104,755,619)	(96,733,753)	(88,751,777)	(76,826,170)
2014	(118,050,747)	(169,800,351)	(149,435,581)	(134,203,819)	(121,383,183)	(111,298,702)	(102,416,271)	(93,812,932)	(83,740,329)	(74,159,597)
2015	(121,164,054)	(173,719,576)	(152,299,824)	(137,657,316)	(125,359,507)	(116,289,113)	(105,981,243)	(96,143,223)	(86,782,080)	(74,233,561)
2016	(123,705,795)	(180,374,965)	(155,180,340)	(139,287,742)	(127,690,866)	(117,568,391)	(107,139,704)	(97,211,788)	(87,294,681)	(75,464,250)
2017	(125,789,103)	(186,971,124)	(158,375,185)	(142,366,430)	(128,427,355)	(117,918,314)	(107,707,179)	(97,953,201)	(87,845,888)	(75,757,318)
2018	(128,174,986)	(192,692,494)	(161,655,303)	(144,675,156)	(130,670,407)	(119,040,908)	(108,239,516)	(99,369,005)	(89,533,158)	(75,964,900)
2019	(130,611,185)	(194,433,181)	(163,660,894)	(144,899,294)	(131,805,571)	(121,028,730)	(110,219,229)	(100,823,127)	(89,420,237)	(76,661,624)
2020	(133,372,122)	(204,230,715)	(171,059,730)	(149,056,807)	(133,216,659)	(121,345,311)	(111,463,853)	(99,793,272)	(89,725,823)	(75,724,954)
2021	(135,637,589)	(215,902,810)	(175,220,375)	(153,302,592)	(137,737,444)	(124,277,384)	(111,683,212)	(99,443,149)	(88,530,346)	(74,288,721)
2022	(138,230,255)	(220,185,215)	(178,762,330)	(156,185,287)	(139,726,824)	(125,815,091)	(114,123,849)	(102,537,711)	(88,898,338)	(74,822,513)
2023	(140,877,567)	(223,032,132)	(184,561,142)	(160,740,713)	(143,110,903)	(127,725,796)	(114,055,849)	(101,737,047)	(89,343,683)	(74,713,939)
2024	(143,876,264)	(230,874,156)	(185,674,121)	(162,323,011)	(144,615,223)	(130,303,002)	(117,155,863)	(104,525,740)	(92,031,205)	(75,778,119)
2025	(143,580,396)	(227,703,106)	(189,918,605)	(162,846,315)	(144,676,678)	(128,856,786)	(114,944,600)	(102,561,940)	(90,203,970)	(74,940,700)
2026	(143,580,452)	(230,670,760)	(187,051,956)	(164,453,435)	(144,626,436)	(128,184,916)	(112,740,985)	(99,770,854)	(87,815,574)	(71,833,605)
2027	(143,580,327)	(230,829,707)	(191,516,808)	(162,142,672)	(140,856,718)	(127,491,381)	(112,627,835)	(100,350,664)	(86,748,603)	(70,413,236)
2028	(34,761,858)	(58,877,796)	(46,151,097)	(39,074,418)	(33,922,222)	(29,918,685)	(26,105,636)	(22,699,471)	(19,633,575)	(15,839,368)
	(2,550,655,228)	(3,815,200,744)	(3,227,574,924)	(2,865,336,475)	(2,591,023,979)	(2,370,410,388)	(2,159,360,148)	(1,962,124,788)	(1,759,491,592)	(1,509,022,438)

Yearly Cost (Libor Discounted present dollars)

Year	Mean	10%	20%	30%	40%	50%	60%	70%	80%	90%
2008	(56,522,457)	(71,878,055)	(66,111,998)	(61,670,413)	(58,333,436)	(55,173,433)	(52,184,212)	(49,376,655)	(46,710,480)	(42,446,065)
2009	(87,276,707)	(113,913,241)	(104,140,835)	(95,564,431)	(89,231,212)	(84,488,014)	(79,729,249)	(75,371,198)	(69,871,891)	(63,429,965)
2010	(89,968,737)	(122,057,106)	(106,937,721)	(99,147,236)	(92,843,369)	(87,146,148)	(81,934,847)	(76,347,310)	(71,176,630)	(63,139,333)
2011	(83,482,514)	(112,881,822)	(100,800,369)	(92,740,769)	(85,581,229)	(80,601,016)	(75,350,400)	(70,020,400)	(64,700,872)	(58,112,688)
2012	(79,876,044)	(109,822,304)	(96,786,218)	(88,131,922)	(81,805,317)	(77,035,202)	(71,259,639)	(66,141,935)	(59,762,527)	(53,481,460)
2013	(75,437,966)	(107,277,822)	(92,654,406)	(83,716,971)	(77,384,941)	(71,845,556)	(66,516,477)	(61,430,911)	(56,248,698)	(48,789,709)
2014	(70,725,834)	(101,748,066)	(89,514,223)	(80,443,437)	(72,835,070)	(66,729,374)	(61,404,152)	(56,195,776)	(50,181,471)	(44,486,733)
2015	(68,848,743)	(98,642,411)	(86,572,360)	(78,242,081)	(71,341,225)	(66,081,971)	(60,217,862)	(54,583,832)	(49,316,347)	(42,240,062)
2016	(66,173,307)	(96,423,537)	(83,035,569)	(74,537,312)	(68,201,636)	(62,945,644)	(57,299,031)	(51,989,821)	(46,681,177)	(40,416,494)
2017	(63,328,469)	(94,169,287)	(79,712,998)	(71,641,172)	(64,528,025)	(59,323,507)	(54,254,110)	(49,297,121)	(44,248,475)	(38,103,149)
2018	(60,694,524)	(91,200,500)	(76,639,295)	(68,525,611)	(61,904,022)	(56,343,934)	(51,234,135)	(47,072,521)	(42,390,117)	(35,955,679)
2019	(58,168,391)	(86,546,539)	(72,874,954)	(64,389,330)	(58,729,703)	(53,937,663)	(49,022,152)	(44,833,810)	(39,860,950)	(34,150,199)
2020	(55,890,686)	(85,595,591)	(71,680,822)	(62,450,869)	(55,883,907)	(50,864,486)	(46,663,336)	(41,801,503)	(37,618,822)	(31,739,602)
2021	(53,478,547)	(85,109,188)	(69,143,868)	(60,386,279)	(54,253,583)	(48,997,021)	(44,069,150)	(39,200,682)	(34,913,460)	(29,240,962)
2022	(51,383,007)	(81,781,966)	(66,415,122)	(58,093,925)	(51,970,475)	(46,731,978)	(42,470,924)	(38,052,038)	(33,042,360)	(27,744,857)
2023	(49,358,130)	(78,153,302)	(64,666,961)	(56,243,187)	(50,090,036)	(44,747,119)	(39,980,161)	(35,656,854)	(31,317,347)	(26,187,168)
2024	(47,510,397)	(76,256,904)	(61,330,238)	(53,668,880)	(47,730,950)	(43,030,071)	(38,877,230)	(34,521,740)	(30,373,447)	(25,010,491)
2025	(44,784,516)	(71,006,017)	(59,234,764)	(50,764,044)	(45,074,562)	(40,238,504)	(35,815,309)	(31,998,891)	(28,128,380)	(23,373,196)
2026	(42,265,201)	(67,849,176)	(55,170,131)	(48,429,658)	(42,572,865)	(37,774,146)	(33,185,262)	(29,383,218)	(25,843,121)	(21,150,143)
2027	(39,898,400)	(64,136,131)	(53,272,291)	(45,048,116)	(39,210,437)	(35,405,990)	(31,294,311)	(27,846,762)	(24,089,072)	(19,557,002)
2028	(9,300,013)	(15,744,931)	(12,344,410)	(10,454,971)	(9,075,253)	(8,002,733)	(6,980,062)	(6,072,268)	(5,252,760)	(4,236,971)
	(1,254,152,590)	(1,832,193,897)	(1,569,039,553)	(1,404,290,615)	(1,278,581,256)	(1,177,443,508)	(1,079,542,009)	(987,195,246)	(891,728,204)	(772,991,929)

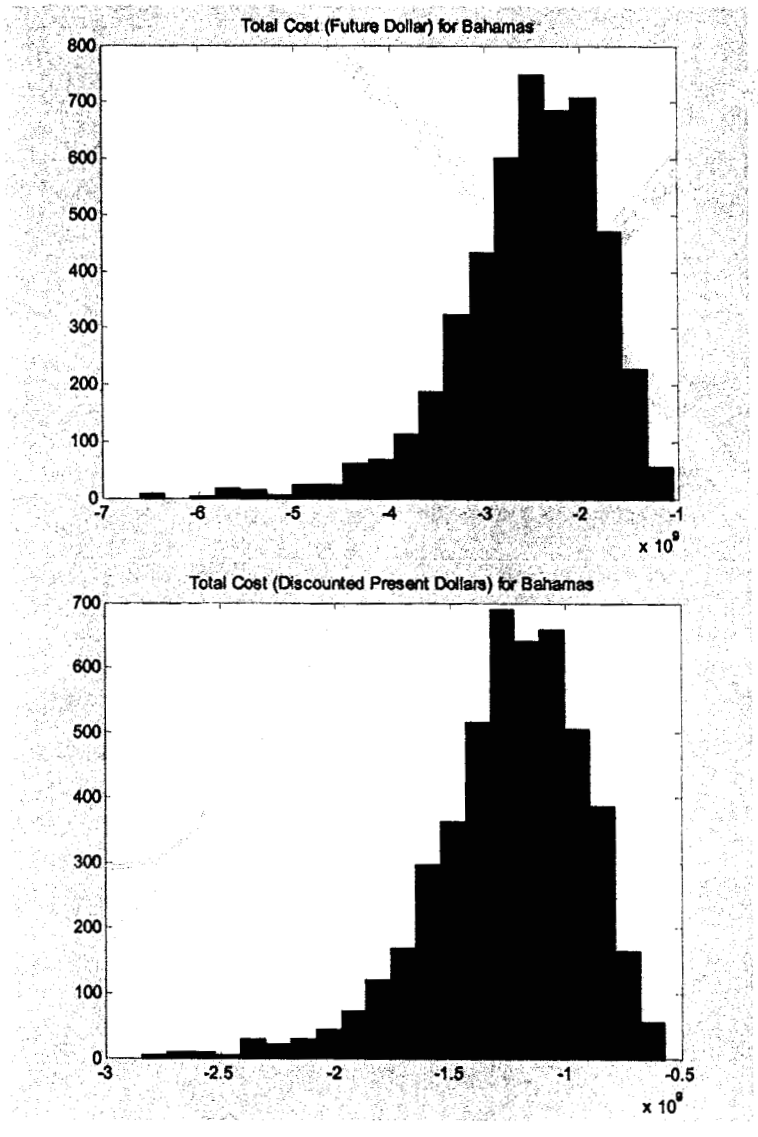
CONFIDENTIAL

Bahamas 6/25/04

	Total Cost (mean)	Average per Dth
Volume	408,360,000	
Capital	(1,350,000)	(0.0033)
Gas	(2,246,036,553)	(5.5001)
Fixed Transport	(240,172,350)	(0.5881)
Fuel	(28,430,842)	(0.0696)
Variable	(3,838,584)	(0.0094)
Total Transport	(272,441,776)	(0.6672)
xNG loss	(83,099)	(0.0002)
xCapacity loss	(30,741,906)	(0.0753)
Total Cost	(2,550,655,228)	(6.2461)

Unburned "Must Take" NG							
Date	Mean	25%	50%	75%	90%	95%	98%
2008	8,064	-	-	-	29,172	52,500	82,195
2009	48,595	-	24,359	75,222	131,640	170,260	247,230
2010	49,270	-	24,868	73,285	136,935	179,333	238,406
2011	9,953	-	-	8,058	40,000	55,257	77,555
2012	5,869	-	-	-	24,898	40,000	54,836
2013	3,741	-	-	-	15,255	30,928	39,283
2014	1,955	-	-	-	4,348	18,848	26,288
2015	949	-	-	-	-	9,369	17,026

Incremental Excessive Capacity							
Date	Mean	10%	25%	50%	65%	75%	90%
2008	10,221,662	7,517,236	8,743,865	10,168,323	11,005,644	11,534,901	12,977,084
2009	16,100,474	12,688,287	14,258,401	16,024,801	17,166,021	18,003,102	19,576,147
2010	13,764,523	10,390,076	11,972,929	13,697,588	14,754,870	15,459,423	17,185,300
2011	10,160,946	7,404,141	8,638,915	9,992,316	10,921,621	11,562,954	13,158,335
2012	10,818,468	8,022,046	9,165,827	10,757,098	11,606,382	12,280,962	13,826,121
2013	9,207,646	6,577,005	7,696,153	9,141,337	9,965,077	10,609,617	11,982,586



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PEF 001687
Docket No. 041414-EI

CONFIDENTIAL

GulfStream 1 6/25/04

Total Cost (Future dollars)

Mean	10%	20%	30%	40%	50%	60%	70%	80%	90%
(3,192,713,863)	(4,418,024,387)	(3,880,810,750)	(3,525,266,044)	(3,269,353,226)	(3,048,036,849)	(2,825,653,584)	(2,623,742,480)	(2,393,735,705)	(2,112,250,952)

Total Cost (Libor Discounted present dollars)

Mean	10%	20%	30%	40%	50%	60%	70%	80%	90%
(1,566,599,836)	(2,111,365,680)	(1,869,653,632)	(1,719,823,882)	(1,601,722,669)	(1,502,340,156)	(1,417,576,512)	(1,320,278,358)	(1,212,079,534)	(1,089,943,557)

Yearly Cost (Future dollars)

Year	Mean	10%	20%	30%	40%	50%	60%	70%	80%	90%
2008	(82,468,053)	(105,001,408)	(95,439,770)	(88,910,445)	(84,329,361)	(80,177,645)	(76,434,012)	(72,349,563)	(67,995,603)	(62,998,055)
2009	(132,852,007)	(174,182,088)	(157,498,550)	(145,256,527)	(137,296,558)	(129,903,018)	(122,410,966)	(115,091,013)	(105,956,981)	(93,879,113)
2010	(146,367,148)	(194,787,360)	(174,488,839)	(161,238,178)	(150,126,760)	(141,381,699)	(132,525,444)	(124,210,043)	(113,980,555)	(101,894,877)
2011	(144,589,173)	(199,154,271)	(174,303,755)	(159,273,975)	(148,626,456)	(137,817,917)	(129,811,722)	(120,978,206)	(109,805,774)	(96,285,684)
2012	(146,761,589)	(203,903,395)	(175,929,451)	(161,538,384)	(151,003,293)	(140,792,590)	(130,587,905)	(120,826,579)	(110,953,632)	(98,320,673)
2013	(148,203,072)	(209,322,779)	(181,498,534)	(165,253,315)	(152,304,281)	(140,947,708)	(130,646,149)	(120,629,165)	(110,686,193)	(97,759,230)
2014	(147,707,655)	(212,483,575)	(183,852,107)	(164,653,826)	(151,219,957)	(139,934,217)	(128,956,223)	(117,237,574)	(107,235,558)	(95,367,698)
2015	(151,560,890)	(221,742,501)	(191,197,706)	(170,447,826)	(155,913,079)	(143,639,726)	(132,098,649)	(120,317,204)	(108,285,968)	(92,716,611)
2016	(154,799,406)	(229,815,942)	(197,317,695)	(173,890,812)	(157,555,347)	(145,338,795)	(132,813,327)	(121,102,249)	(109,555,357)	(93,798,937)
2017	(157,315,868)	(232,659,881)	(198,566,534)	(177,715,164)	(159,989,572)	(145,610,468)	(133,004,534)	(121,859,577)	(108,626,987)	(93,626,256)
2018	(160,279,688)	(244,581,078)	(201,761,344)	(180,084,214)	(161,792,203)	(147,969,268)	(135,155,102)	(123,947,936)	(108,601,746)	(92,711,553)
2019	(163,301,919)	(252,791,539)	(211,724,424)	(183,102,458)	(163,422,663)	(148,355,345)	(135,753,764)	(123,907,916)	(108,765,092)	(91,448,053)
2020	(166,804,729)	(258,865,553)	(211,814,738)	(185,383,539)	(168,419,018)	(152,298,211)	(137,943,735)	(124,253,593)	(110,160,501)	(94,524,103)
2021	(169,525,914)	(263,307,939)	(217,129,221)	(189,556,039)	(169,022,557)	(154,563,475)	(140,089,661)	(125,811,927)	(110,594,637)	(93,042,724)
2022	(172,729,993)	(269,718,256)	(224,484,798)	(197,451,101)	(175,874,053)	(157,877,228)	(142,510,850)	(126,289,243)	(110,825,370)	(92,141,390)
2023	(175,998,563)	(277,687,538)	(229,300,651)	(199,432,745)	(177,667,959)	(157,435,188)	(141,838,920)	(127,053,632)	(112,060,331)	(92,051,410)
2024	(179,788,155)	(281,182,735)	(236,658,098)	(204,658,182)	(182,207,276)	(162,706,049)	(145,481,729)	(129,783,760)	(110,263,417)	(90,401,870)
2025	(179,363,904)	(292,510,653)	(231,794,635)	(200,415,007)	(178,341,319)	(160,301,771)	(141,736,244)	(126,034,784)	(109,634,268)	(88,817,162)
2026	(179,393,123)	(292,190,715)	(237,491,063)	(203,489,446)	(179,990,624)	(159,531,339)	(142,877,688)	(125,262,657)	(107,687,896)	(89,114,781)
2027	(179,420,712)	(292,322,406)	(238,921,631)	(206,426,845)	(181,599,891)	(160,749,828)	(143,105,710)	(126,635,977)	(106,163,839)	(87,999,559)
2028	(53,482,303)	(91,053,341)	(72,405,444)	(61,260,606)	(53,045,875)	(45,254,652)	(39,947,610)	(34,827,503)	(29,531,322)	(23,643,591)
	(3,192,713,863)	(4,799,264,953)	(4,043,578,989)	(3,579,438,631)	(3,239,748,100)	(2,952,586,137)	(2,695,529,945)	(2,448,410,101)	(2,177,371,008)	(1,862,543,331)

Yearly Cost (Libor Discounted present dollars)

Year	Mean	10%	20%	30%	40%	50%	60%	70%	80%	90%
2008	(70,127,081)	(89,228,572)	(81,139,330)	(75,601,052)	(71,706,697)	(68,177,992)	(65,012,881)	(61,553,442)	(57,842,570)	(53,622,582)
2009	(107,249,898)	(140,673,492)	(127,202,961)	(117,290,135)	(110,863,142)	(104,812,611)	(98,769,293)	(92,916,536)	(85,575,581)	(75,876,527)
2010	(111,641,052)	(148,610,456)	(133,213,803)	(122,985,225)	(114,444,843)	(107,912,286)	(101,035,614)	(94,686,872)	(86,954,541)	(77,683,887)
2011	(103,834,827)	(143,098,572)	(125,204,175)	(114,324,829)	(106,666,103)	(98,932,654)	(93,161,800)	(86,871,836)	(78,762,127)	(69,099,170)
2012	(99,127,083)	(137,729,354)	(118,809,735)	(109,120,879)	(102,090,739)	(95,120,960)	(88,233,349)	(81,608,380)	(74,902,438)	(66,409,315)
2013	(94,135,973)	(132,953,846)	(115,300,040)	(105,045,643)	(96,747,384)	(89,526,202)	(82,954,115)	(76,588,816)	(70,272,598)	(62,084,776)
2014	(88,524,794)	(127,340,434)	(110,140,228)	(98,705,966)	(90,630,329)	(83,842,859)	(77,291,240)	(70,238,372)	(64,249,232)	(57,155,820)
2015	(86,143,683)	(125,924,500)	(108,699,723)	(96,925,474)	(88,688,129)	(81,556,224)	(75,140,065)	(68,450,083)	(61,540,344)	(52,721,441)
2016	(82,839,655)	(122,919,243)	(105,483,681)	(93,016,811)	(84,360,025)	(77,694,366)	(70,874,848)	(64,810,914)	(58,585,923)	(50,110,758)
2017	(79,230,764)	(117,132,333)	(100,002,315)	(89,464,719)	(80,618,903)	(73,277,089)	(67,074,087)	(61,387,012)	(54,730,950)	(47,166,353)
2018	(75,926,743)	(115,942,488)	(95,674,971)	(85,335,104)	(76,616,499)	(70,040,945)	(64,039,531)	(58,706,979)	(51,462,830)	(43,926,691)
2019	(72,756,524)	(112,680,039)	(94,329,572)	(81,661,296)	(72,928,532)	(66,091,402)	(60,517,054)	(55,195,407)	(48,478,285)	(40,727,678)
2020	(69,928,872)	(108,490,991)	(88,667,325)	(77,747,863)	(70,603,927)	(63,857,220)	(57,805,816)	(52,116,935)	(46,204,043)	(39,640,598)
2021	(66,867,428)	(103,905,114)	(85,665,694)	(74,791,881)	(66,681,376)	(60,963,968)	(55,254,349)	(49,617,667)	(43,604,022)	(36,649,161)
2022	(64,231,497)	(100,287,489)	(83,365,512)	(73,357,720)	(65,417,285)	(58,728,456)	(52,985,228)	(46,925,867)	(41,191,136)	(34,309,551)
2023	(61,686,769)	(97,310,391)	(80,359,177)	(69,861,311)	(62,287,250)	(55,170,121)	(49,657,059)	(44,488,964)	(39,301,520)	(32,218,168)
2024	(59,393,776)	(92,968,752)	(78,144,577)	(67,652,441)	(60,202,257)	(53,686,855)	(48,040,445)	(42,916,439)	(38,432,026)	(29,849,022)
2025	(55,941,634)	(91,223,676)	(72,255,359)	(62,474,783)	(55,617,114)	(50,027,331)	(44,168,980)	(39,339,086)	(34,160,335)	(27,704,539)
2026	(52,826,925)	(86,172,156)	(69,845,249)	(59,951,765)	(52,969,410)	(46,977,673)	(42,085,326)	(36,835,308)	(31,690,080)	(26,217,316)
2027	(49,876,433)	(81,272,515)	(66,356,076)	(57,366,285)	(50,509,286)	(44,700,409)	(39,772,146)	(35,178,310)	(29,494,743)	(24,456,864)
2028	(14,308,426)	(24,355,995)	(19,384,025)	(16,380,531)	(14,199,549)	(12,106,893)	(10,688,343)	(9,313,651)	(7,902,763)	(6,326,775)
	(1,566,599,836)	(2,300,216,409)	(1,959,243,528)	(1,749,061,716)	(1,594,848,780)	(1,463,204,517)	(1,344,561,553)	(1,229,746,877)	(1,103,336,088)	(953,956,991)

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GulfStream 1 6/25/04

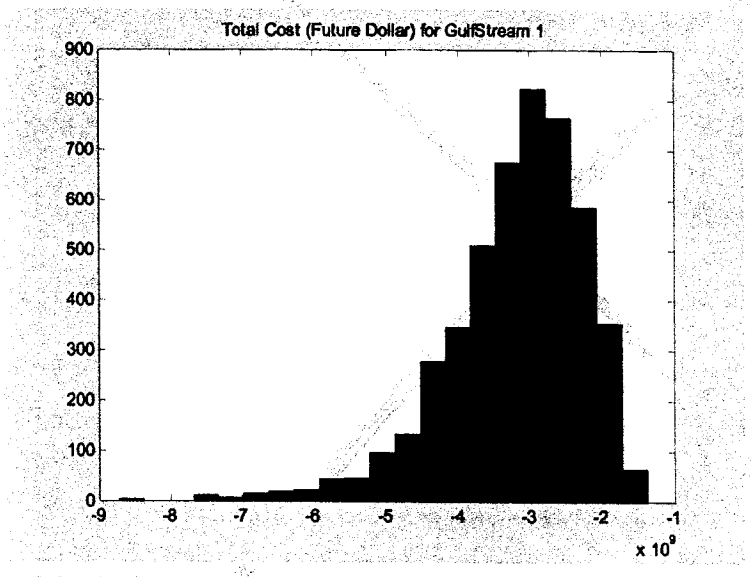
	Total Cost (mean)	Average per Dth
Volume	492,200,000	
Capital	(7,030,000)	(0.0143)
Gas	(2,774,239,175)	(5.6364)
Resale Cost	(9,060,210)	(0.0184)
Fixed Transport	(304,986,000)	(0.6196)
Fuel	(56,617,126)	(0.1150)
Variable	(2,707,100)	(0.0055)
Total Transport	(373,370,436)	(0.7586)
xNG loss	(150,845)	(0.0003)
xCapacity loss	(37,923,407)	(0.0770)
Total Cost	(3,192,713,863)	(6.4866)

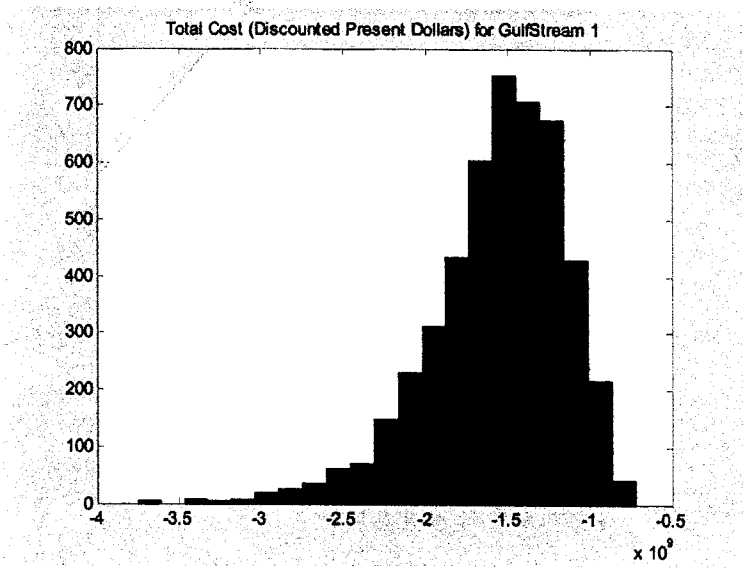
Unburned "Must Take" NG

Date	Mean	25%	50%	75%	90%	95%	98%
2008	16,174	-	-	15,294	55,271	88,230	133,376
2009	84,078	9,497	53,007	124,255	210,658	275,746	375,229
2010	88,959	7,284	57,810	132,717	222,578	294,569	378,228
2011	25,725	-	1,813	38,119	82,044	113,053	150,642
2012	15,958	-	-	20,689	54,365	82,192	107,570
2013	10,292	-	-	9,611	40,181	57,053	77,739
2014	6,399	-	-	-	27,357	44,054	57,189
2015	3,990	-	-	-	14,786	31,613	45,883

Incremental Excessive Capacity

Date	Mean	10%	25%	50%	65%	75%	90%
2008	11,221,126	8,372,560	9,684,725	11,206,580	12,052,943	12,599,547	14,104,269
2009	18,496,161	14,833,304	16,503,888	18,388,553	19,612,857	20,519,091	22,161,158
2010	16,314,863	12,662,817	14,358,417	16,232,535	17,387,361	18,203,474	20,137,119
2011	12,233,159	9,122,823	10,536,635	12,029,598	13,069,188	13,825,198	15,558,986
2012	12,949,400	9,770,112	11,124,546	12,905,344	13,847,590	14,606,615	16,303,089
2013	11,157,753	8,165,528	9,461,822	11,078,999	12,009,549	12,779,643	14,270,378





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GulfStream 2 6/25/04

Total Cost (Future dollars)

Mean	10%	20%	30%	40%	50%	60%	70%	80%	90%
(2,717,892,491)	(3,718,804,809)	(3,284,406,076)	(2,992,395,181)	(2,778,096,337)	(2,596,228,424)	(2,420,289,127)	(2,252,169,501)	(2,063,461,199)	(1,829,412,657)

Total Cost (Libor Discounted present dollars)

Mean	10%	20%	30%	40%	50%	60%	70%	80%	90%
(1,338,139,048)	(1,790,035,328)	(1,588,993,098)	(1,465,252,687)	(1,367,127,956)	(1,284,501,534)	(1,215,430,343)	(1,134,460,996)	(1,046,341,428)	(945,378,050)

Yearly Cost (Future dollars)

Year	Mean	10%	20%	30%	40%	50%	60%	70%	80%	90%
2008	(75,590,728)	(95,757,147)	(86,826,603)	(81,489,565)	(77,321,703)	(73,594,209)	(70,156,636)	(66,876,996)	(62,876,376)	(58,337,425)
2009	(114,285,293)	(148,075,502)	(134,362,087)	(124,608,576)	(117,995,571)	(111,673,981)	(105,558,498)	(99,313,955)	(91,980,622)	(82,132,361)
2010	(125,125,303)	(164,364,309)	(147,934,801)	(137,566,124)	(128,135,503)	(121,158,589)	(113,843,809)	(107,062,770)	(98,540,703)	(88,051,244)
2011	(123,476,677)	(167,593,868)	(147,833,196)	(135,679,966)	(126,636,958)	(117,885,074)	(111,029,361)	(104,273,756)	(95,390,616)	(84,179,041)
2012	(125,276,989)	(171,601,183)	(149,495,104)	(137,494,294)	(128,574,239)	(120,480,191)	(111,848,349)	(104,411,970)	(96,372,243)	(85,238,910)
2013	(126,470,228)	(176,948,721)	(153,560,278)	(140,459,875)	(129,648,093)	(120,465,055)	(111,780,405)	(103,855,797)	(95,410,629)	(84,963,754)
2014	(126,250,790)	(179,136,654)	(155,761,500)	(140,159,247)	(129,144,824)	(119,974,256)	(111,230,519)	(101,272,450)	(93,084,705)	(83,305,627)
2015	(129,430,120)	(186,612,200)	(161,474,125)	(144,888,846)	(132,426,999)	(122,927,118)	(113,851,815)	(103,714,358)	(94,051,383)	(81,144,977)
2016	(132,058,397)	(193,413,035)	(166,725,475)	(147,426,447)	(134,355,739)	(124,272,334)	(113,999,661)	(104,395,953)	(95,102,608)	(81,689,392)
2017	(134,179,280)	(196,249,805)	(167,615,942)	(150,657,438)	(136,503,356)	(124,825,012)	(114,329,561)	(105,281,306)	(94,104,822)	(81,923,190)
2018	(136,624,437)	(205,683,271)	(170,914,184)	(152,963,480)	(138,559,026)	(126,703,298)	(116,022,301)	(106,778,479)	(94,150,948)	(80,949,844)
2019	(139,117,976)	(212,604,200)	(179,008,057)	(156,178,619)	(139,795,571)	(126,678,857)	(116,561,060)	(106,661,951)	(94,055,795)	(79,878,810)
2020	(141,956,064)	(219,421,363)	(179,535,747)	(156,930,439)	(143,129,626)	(129,944,346)	(118,201,464)	(106,817,834)	(94,914,716)	(82,541,234)
2021	(144,252,880)	(222,239,635)	(183,678,233)	(160,858,870)	(143,664,372)	(132,347,828)	(120,002,890)	(108,567,136)	(95,827,315)	(81,284,142)
2022	(146,896,373)	(227,351,450)	(189,813,102)	(166,602,451)	(149,417,872)	(134,845,381)	(122,288,084)	(108,720,371)	(95,806,942)	(80,075,713)
2023	(149,593,185)	(232,911,813)	(193,016,252)	(168,921,341)	(151,160,219)	(134,340,357)	(121,660,458)	(108,788,581)	(96,943,100)	(80,457,082)
2024	(152,662,676)	(237,243,057)	(198,571,126)	(173,556,862)	(154,478,616)	(138,997,171)	(124,937,236)	(111,622,474)	(95,597,798)	(79,249,580)
2025	(152,369,564)	(246,415,143)	(195,809,148)	(169,997,501)	(151,710,345)	(136,466,343)	(121,725,192)	(108,310,643)	(95,167,826)	(77,737,237)
2026	(152,393,479)	(244,362,890)	(200,579,981)	(172,475,399)	(152,828,221)	(136,013,342)	(122,377,355)	(108,214,734)	(93,430,945)	(78,149,630)
2027	(152,415,960)	(245,873,087)	(199,720,316)	(174,435,619)	(154,375,827)	(137,093,775)	(123,035,838)	(109,376,640)	(92,105,117)	(77,252,699)
2028	(37,468,094)	(62,515,453)	(50,083,521)	(42,653,629)	(37,177,142)	(31,982,994)	(28,444,966)	(25,031,561)	(21,500,773)	(17,575,619)
	(2,717,892,491)	(4,036,391,786)	(3,412,318,760)	(3,036,004,589)	(2,757,039,820)	(2,522,669,511)	(2,312,683,057)	(2,109,149,714)	(1,886,415,980)	(1,626,115,512)

Yearly Cost (Libor Discounted present dollars)

Year	Mean	10%	20%	30%	40%	50%	60%	70%	80%	90%
2008	(64,375,913)	(81,505,008)	(73,932,386)	(69,401,837)	(65,834,847)	(62,680,675)	(59,771,584)	(56,804,713)	(53,580,726)	(49,725,217)
2009	(92,244,066)	(119,520,501)	(108,362,485)	(100,570,161)	(95,284,953)	(90,146,734)	(85,227,428)	(80,159,465)	(74,225,538)	(66,352,638)
2010	(95,410,352)	(125,376,937)	(112,799,745)	(104,918,168)	(97,721,926)	(92,389,417)	(86,802,375)	(81,678,285)	(75,049,278)	(67,208,520)
2011	(88,642,561)	(120,399,713)	(106,170,122)	(97,340,991)	(90,965,005)	(84,612,174)	(79,715,436)	(74,783,882)	(68,481,836)	(60,452,519)
2012	(84,585,379)	(115,965,548)	(101,007,100)	(92,904,056)	(86,846,645)	(81,394,428)	(75,527,672)	(70,466,724)	(64,997,480)	(57,567,743)
2013	(80,302,983)	(112,395,804)	(97,584,285)	(89,162,563)	(82,391,099)	(76,474,408)	(70,997,233)	(65,945,528)	(60,593,188)	(53,990,322)
2014	(75,640,148)	(107,369,589)	(93,385,853)	(83,921,793)	(77,456,376)	(71,933,060)	(66,632,462)	(60,688,323)	(55,759,057)	(49,849,290)
2015	(73,546,633)	(106,048,367)	(91,686,518)	(82,279,848)	(75,304,810)	(69,793,578)	(64,538,145)	(58,936,119)	(53,452,549)	(46,081,513)
2016	(70,641,818)	(103,502,955)	(89,111,022)	(78,936,277)	(71,849,496)	(66,464,792)	(60,976,727)	(55,859,278)	(50,878,081)	(43,646,831)
2017	(67,553,833)	(98,809,462)	(84,388,254)	(75,903,598)	(68,716,180)	(62,879,994)	(57,563,140)	(53,015,806)	(47,377,017)	(41,253,202)
2018	(64,696,873)	(97,328,720)	(80,933,276)	(72,404,478)	(65,611,160)	(60,002,071)	(54,964,892)	(50,584,113)	(44,593,112)	(38,385,906)
2019	(61,958,188)	(94,706,220)	(79,751,728)	(69,574,785)	(62,199,047)	(56,480,678)	(51,932,069)	(47,507,566)	(41,942,718)	(35,569,793)
2020	(59,489,021)	(91,751,043)	(75,178,221)	(65,775,140)	(59,975,718)	(54,471,089)	(49,555,533)	(44,780,414)	(39,758,036)	(34,604,925)
2021	(56,876,494)	(87,618,787)	(72,440,274)	(63,387,097)	(58,632,883)	(52,218,073)	(47,324,846)	(42,808,925)	(37,796,966)	(32,042,358)
2022	(54,605,332)	(84,463,419)	(70,553,134)	(61,974,939)	(55,529,049)	(50,119,601)	(45,438,701)	(40,407,135)	(35,617,661)	(29,800,722)
2023	(52,412,654)	(81,661,702)	(67,597,617)	(59,197,267)	(52,927,281)	(47,004,848)	(42,642,642)	(38,130,641)	(33,968,419)	(28,165,540)
2024	(50,412,785)	(78,276,606)	(65,616,022)	(57,342,284)	(51,011,619)	(45,908,404)	(41,261,770)	(36,880,709)	(31,586,266)	(26,185,207)
2025	(47,505,523)	(76,862,002)	(61,029,404)	(52,992,748)	(47,277,745)	(42,543,571)	(37,921,631)	(33,761,015)	(29,667,232)	(24,211,445)
2026	(44,860,197)	(71,997,511)	(59,032,413)	(50,716,458)	(44,997,757)	(40,038,528)	(36,022,150)	(31,821,437)	(27,531,344)	(22,996,909)
2027	(42,354,365)	(68,203,254)	(55,596,409)	(48,471,246)	(42,928,809)	(38,097,029)	(34,198,742)	(30,389,849)	(25,592,257)	(21,464,095)
2028	(10,023,952)	(16,722,331)	(13,407,684)	(11,405,355)	(9,951,367)	(8,556,263)	(7,610,563)	(6,694,102)	(5,753,510)	(4,702,851)
	(1,338,139,048)	(1,940,485,480)	(1,659,543,952)	(1,488,580,888)	(1,361,413,773)	(1,254,209,416)	(1,156,625,743)	(1,062,104,027)	(958,202,272)	(834,257,549)

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GulfStream 2 6/25/04

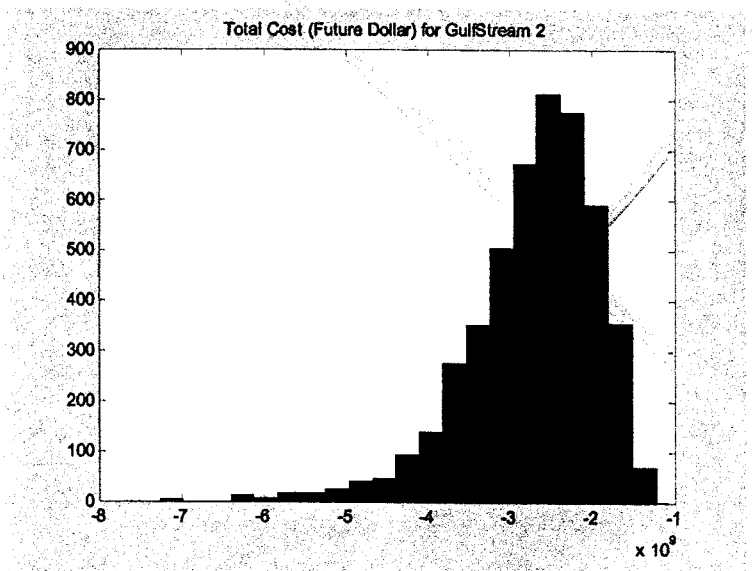
	Total Cost (mean)	Average per Dth
Volume	408,360,000	
Capital	(7,030,000)	(0.0172)
Gas	(2,285,810,196)	(5.5975)
Fixed Transport	(345,309,216)	(0.8456)
Fuel	(46,648,470)	(0.1142)
Variable	(2,245,980)	(0.0055)
Total Transport	(394,203,666)	(0.9653)
xNG loss	(106,005)	(0.0003)
xCapacity loss	(30,741,906)	(0.0753)
Total Cost	(2,717,892,491)	(6.6556)

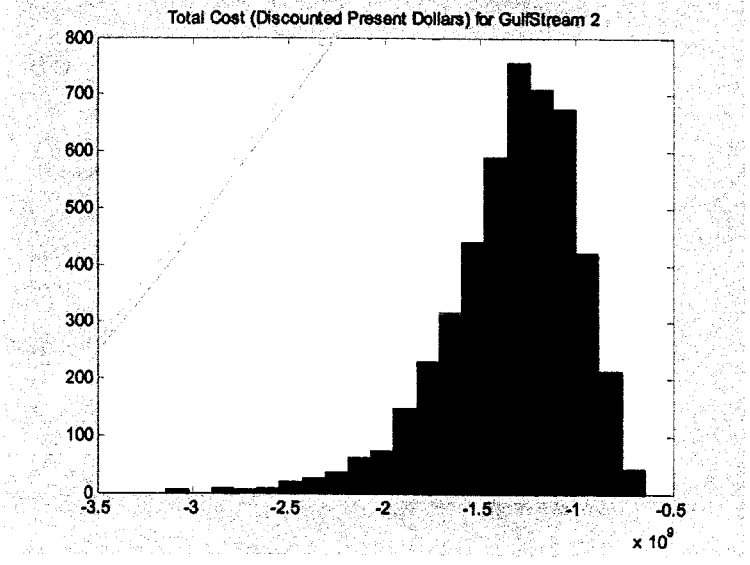
Unburned "Must Take" NG

Date	Mean	25%	50%	75%	90%	95%	98%
2008	8,064	-	-	-	29,172	52,500	82,195
2009	48,595	-	24,359	75,222	131,640	170,260	247,230
2010	49,270	-	24,868	73,285	136,935	179,333	238,406
2011	9,953	-	-	8,058	40,000	55,257	77,555
2012	5,869	-	-	-	24,898	40,000	54,836
2013	3,741	-	-	-	15,255	30,928	39,283
2014	1,955	-	-	-	4,348	18,848	26,288
2015	949	-	-	-	-	9,369	17,026

Incremental Excessive Capacity

Date	Mean	10%	25%	50%	65%	75%	90%
2008	10,221,662	7,517,236	8,743,865	10,168,323	11,005,644	11,534,901	12,977,084
2009	16,100,474	12,688,287	14,258,401	16,024,801	17,166,021	18,003,102	19,576,147
2010	13,764,523	10,390,076	11,972,929	13,697,588	14,754,870	15,459,423	17,185,300
2011	10,160,946	7,404,141	8,638,915	9,992,316	10,921,621	11,562,954	13,158,335
2012	10,818,468	8,022,046	9,165,827	10,757,098	11,606,382	12,280,962	13,826,121
2013	9,207,646	6,577,005	7,696,153	9,141,337	9,965,077	10,609,617	11,982,586





POD#37

CERA Advisory Services | Global Energy

The Next Prize: A Foreign Affairs Article by Daniel Yergin and Michael Stoppard

November 12, 2003 • A CERA Multimedia Conference Call

Daniel Yergin, *CERA Chairman*

Michael Stoppard, *CERA Director, Global LNG*

Robert Ineson, *CERA Director*

Philippe A. Frangules, *CERA Director*

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Topics

- The economic and geopolitical factors leading to the emergence of a global gas business
- The critical issues facing the development of the world's "second global energy business"
- The biggest risks in the development of the global gas business
- Will the United States become the world's largest importer of LNG within the next ten years?

Source: Cambridge Energy Research Associates.

PEF 001693
Docket No. 041414-EI

356

Global Gas and LNG—Four Key Drivers

- Reductions in LNG costs
- The drive to monetize stranded gas reserves
- The "fuel of choice" for power generation
- The natural gas supply gap in North America

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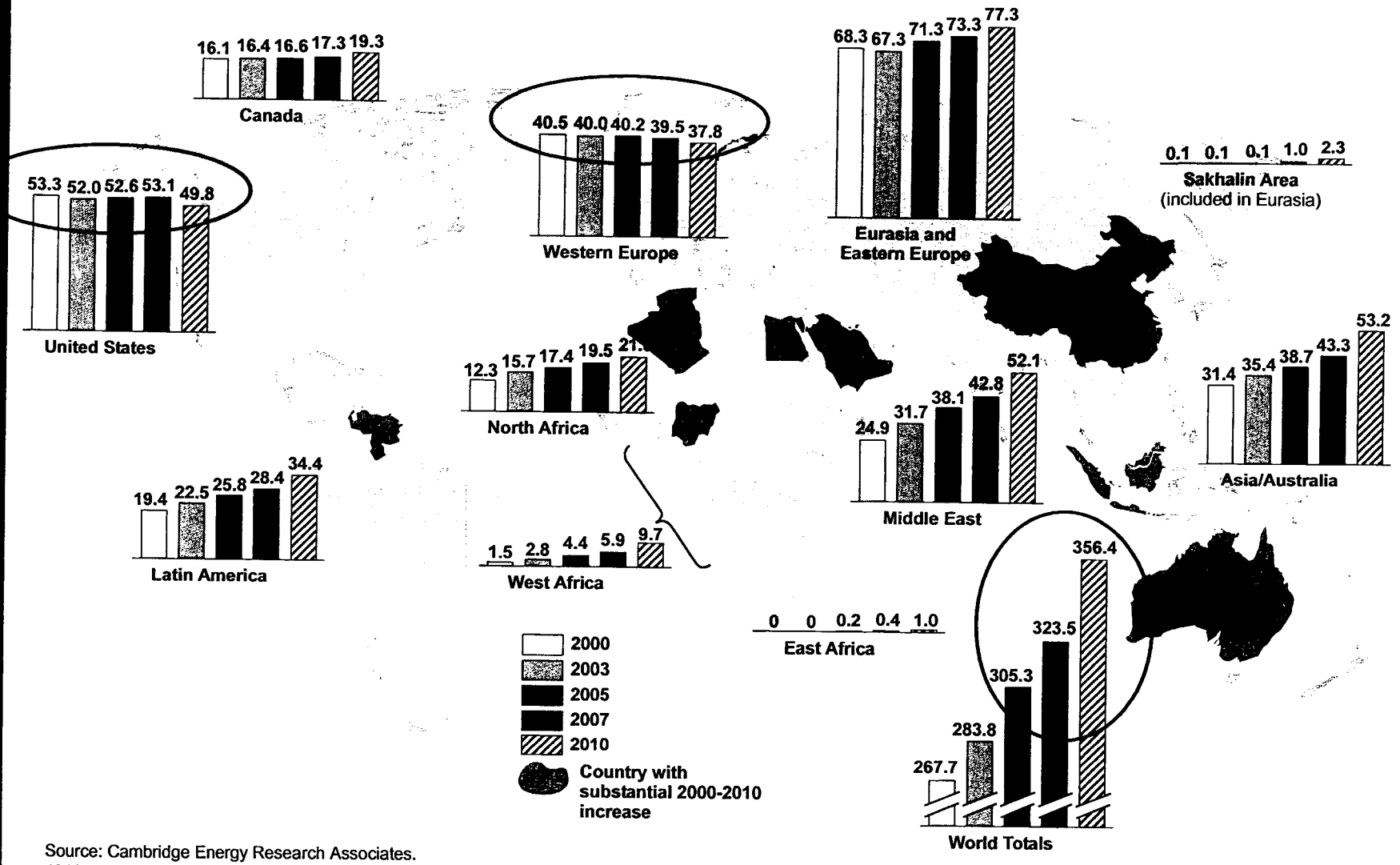
Source: Cambridge Energy Research Associates.

PEF 001694
Docket No. 041414-EI

The Separation of Supply from Demand– World Dry Gas Productive Capacity

(billion cubic feet per day)



Source: Cambridge Energy Research Associates.
10105-5

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LNG Expansion —Is it for Real?

Liquefaction Capacity Summary (mtpa)

Region	Operating	Firm Commitment	Under Consideration	Total
Pacific Basin	64.3	20.8	46.7	131.8
Middle East	27.3	14.5	89.5	131.3
Atlantic Basin	44.3	29.6	63.1	137. 0
Total	135.9	64.9	199.3	400.1

1 mtpa ≈135 MMcf per day

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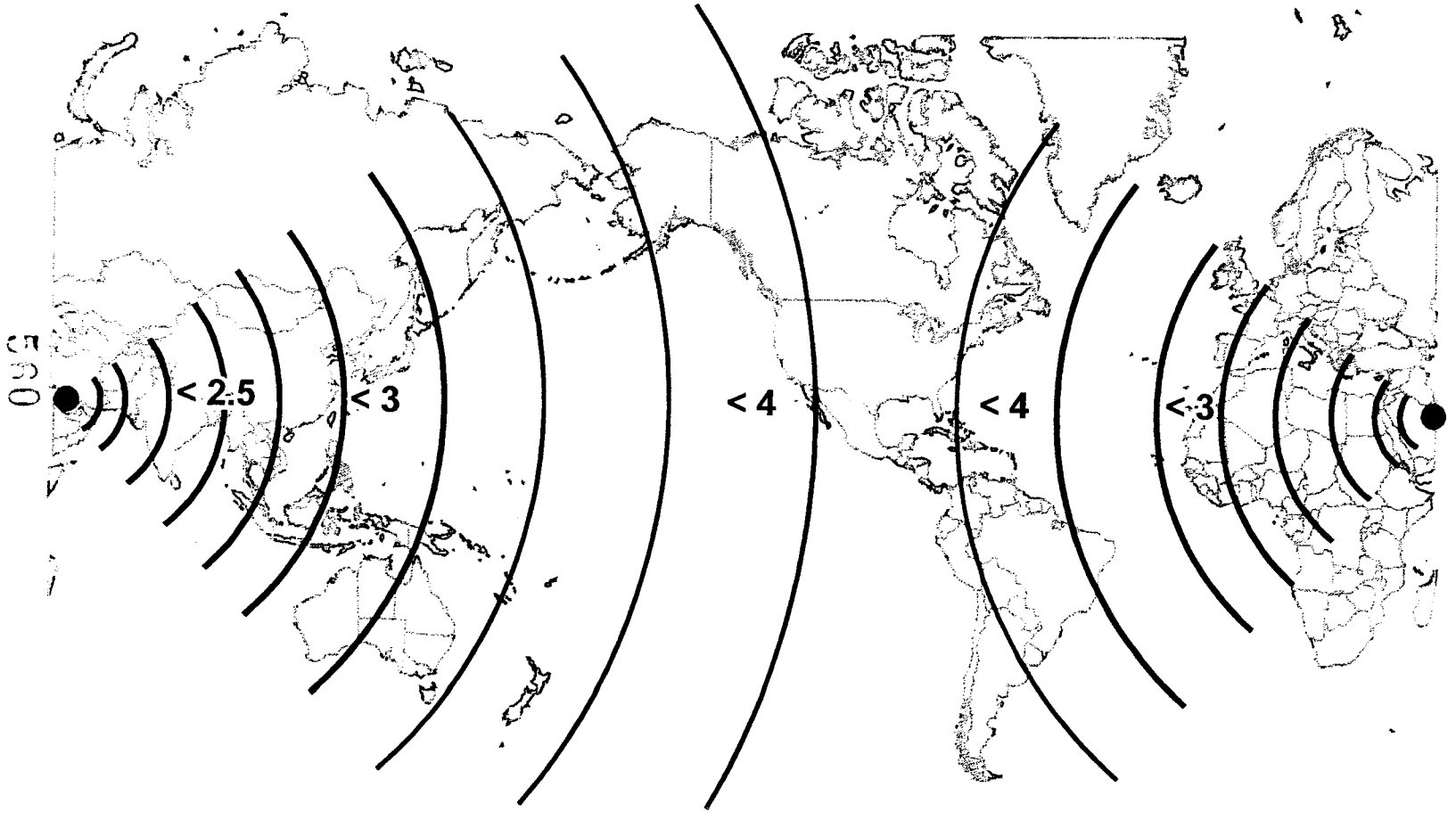
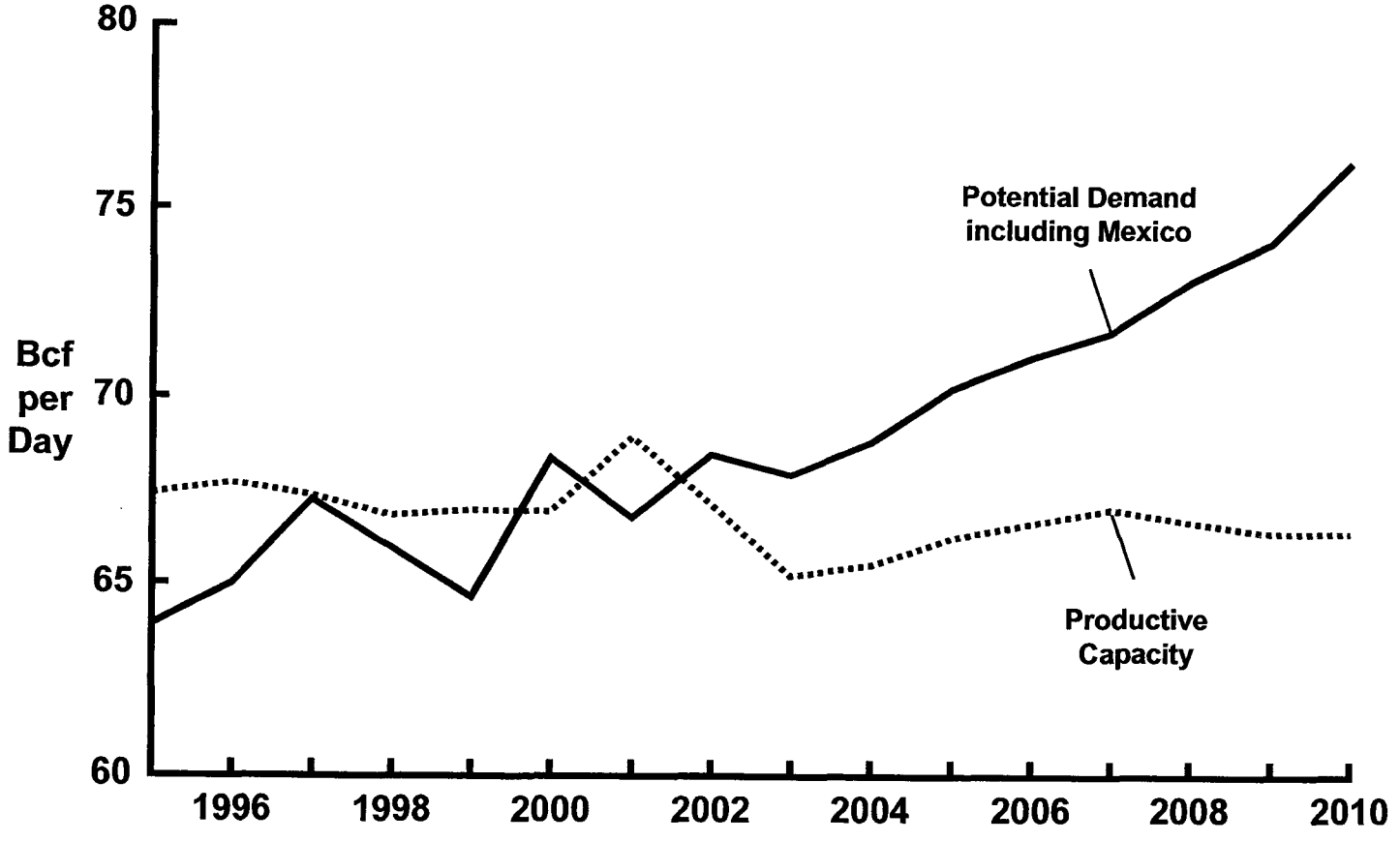
Last Updated 07/10/2003
Source: Cambridge Energy Research Associates.

Middle East LNG—Setting a New Global Cost Benchmark ($ per MMBtu)



Source: Cambridge Energy Research Associates.
31001-10

US and Canadian Gas Productive Capacity and Potential Demand



Source: Cambridge Energy Research Associates.
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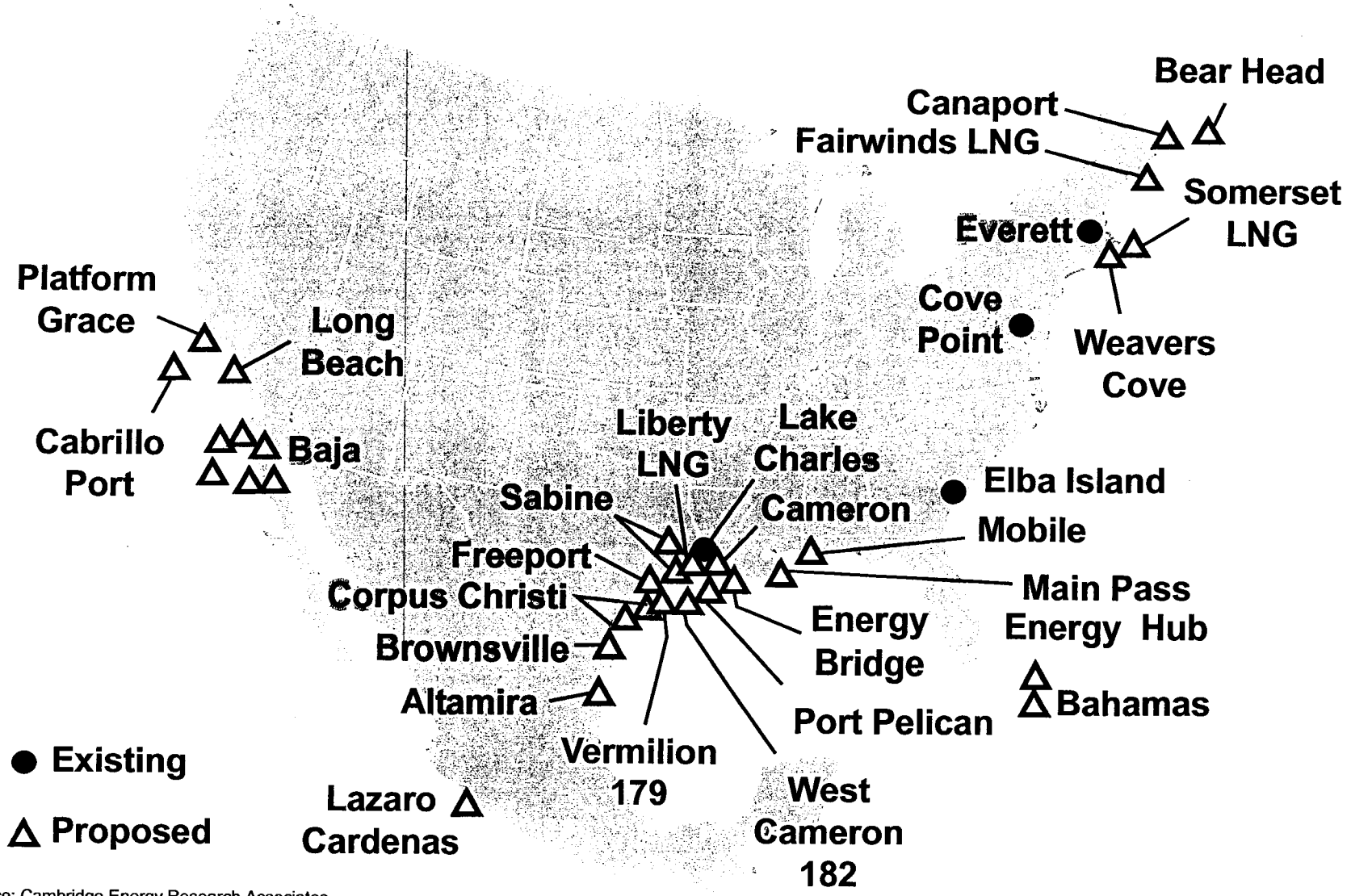
LNG Facilities in North America—Existing and Potential (Fall 2003)



Source: Cambridge Energy Research Associates.
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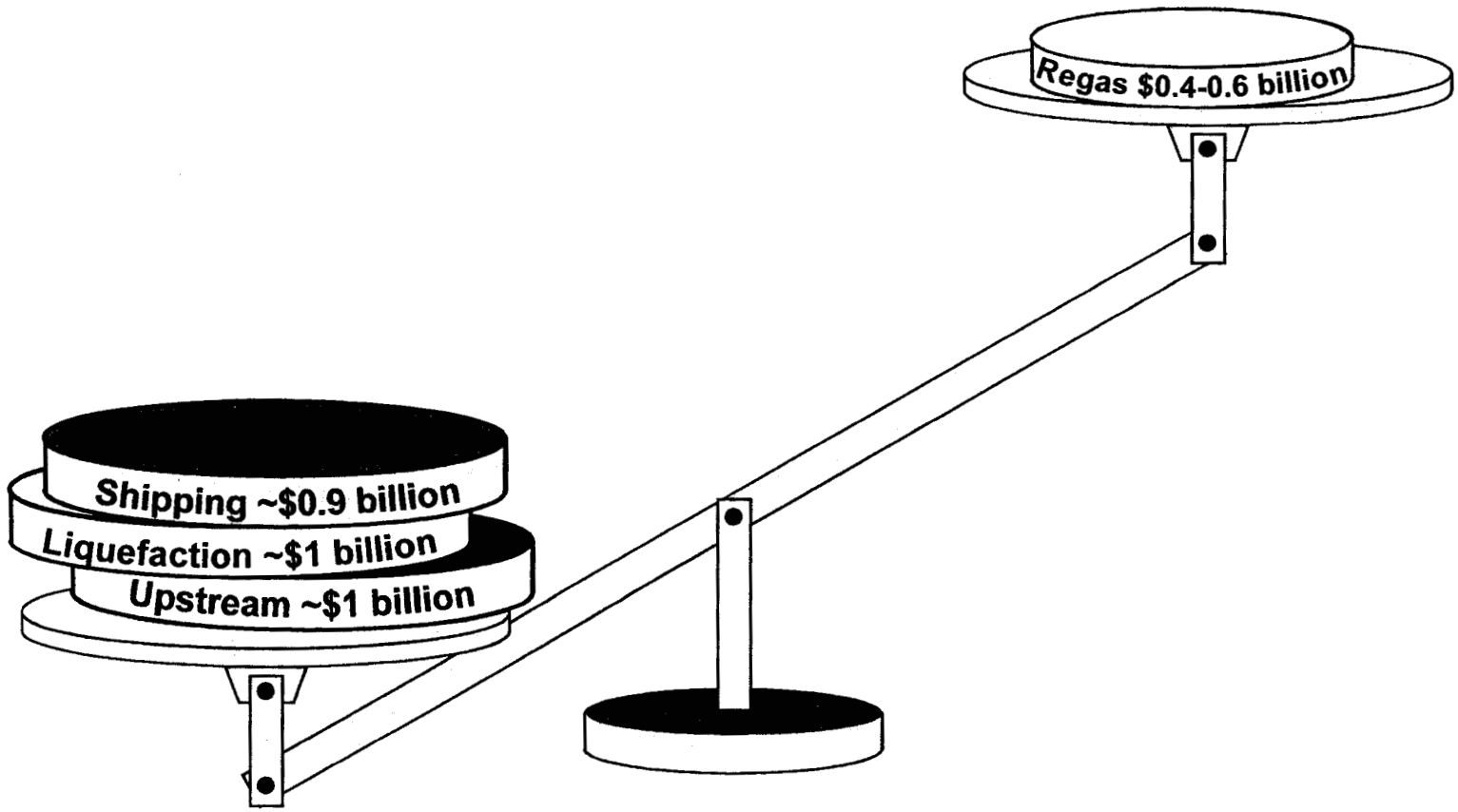
CERA

Asymmetric Capital Costs— Upstream is the Key Investment Signpost

Capital Cost Imbalance in the LNG Chain— Indicative Costs for a Typical 5mt LNG Project



Source: Cambridge Energy Research Associates.
30809-1/092903

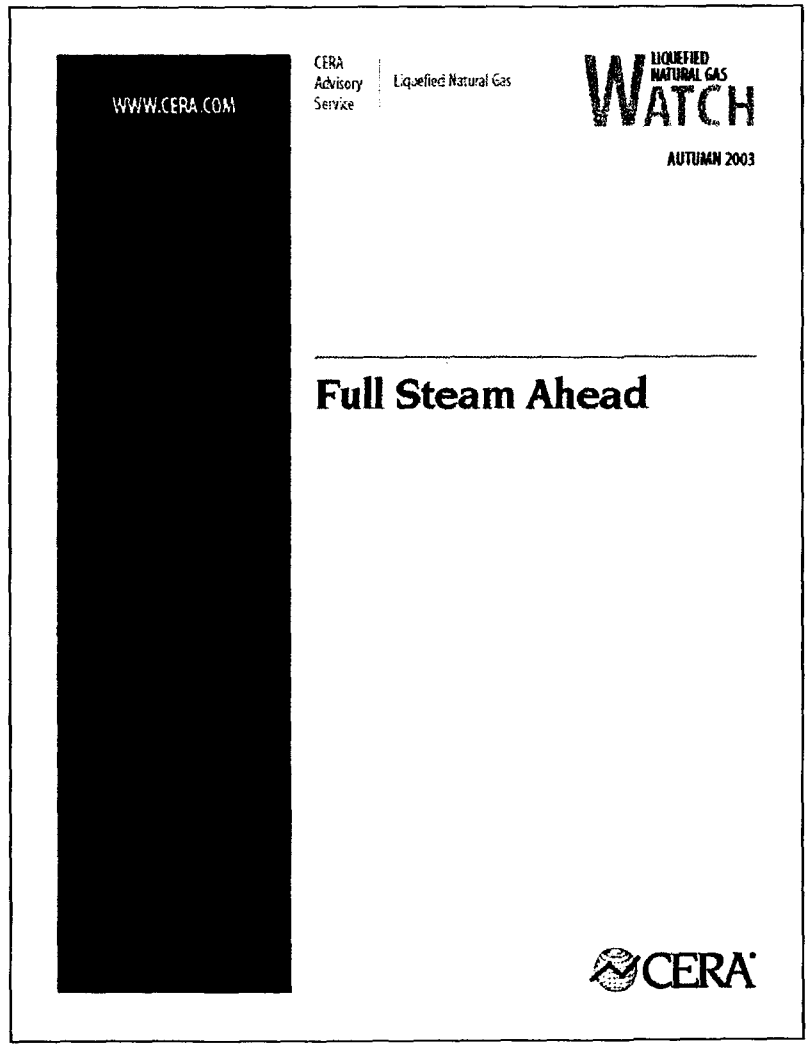
Three Words of Caution...

- Capital—Will LNG attract sufficient capital and human resource time?
- Timing—Will the projects start up in time?
- Financing—Limited-recourse financing of LNG into US is untested

Source: Cambridge Energy Research Associates.

Liquefied Natural Gas (LNG) Retainer Advisory Service

- Spans the full vertical LNG chain from production through to end-user markets
- Combines CERA's extensive regional gas and power expertise with our global supply and LNG business knowledge
- Provides clients with unique and powerful tools to manage their LNG and gas monetization strategies



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Research Agenda

Focuses on global supply, demand, prices, liquefaction and regas projects, shipping, technology, energy policy, regulation and company strategy that alter the future competitive landscape for the industry

1. The Market

- — 24 month price outlook and regional arbitrage—updated quarterly
- — 12 month outlook for LNG supply and demand—updated quarterly
- — LNG shipping capacity additions and orders
- — Detailed comments on contract awards, commissions of facilities, and investment decisions
- — Long term (through 2010 with forecasts for 2015 & 2020) for supply, demand, imports, exports and required shipping under two scenarios—updated annually

2. The Industry

- — Role of consolidation, cost trends
- — Technological drivers

3. Strategic Implications

- — Business models

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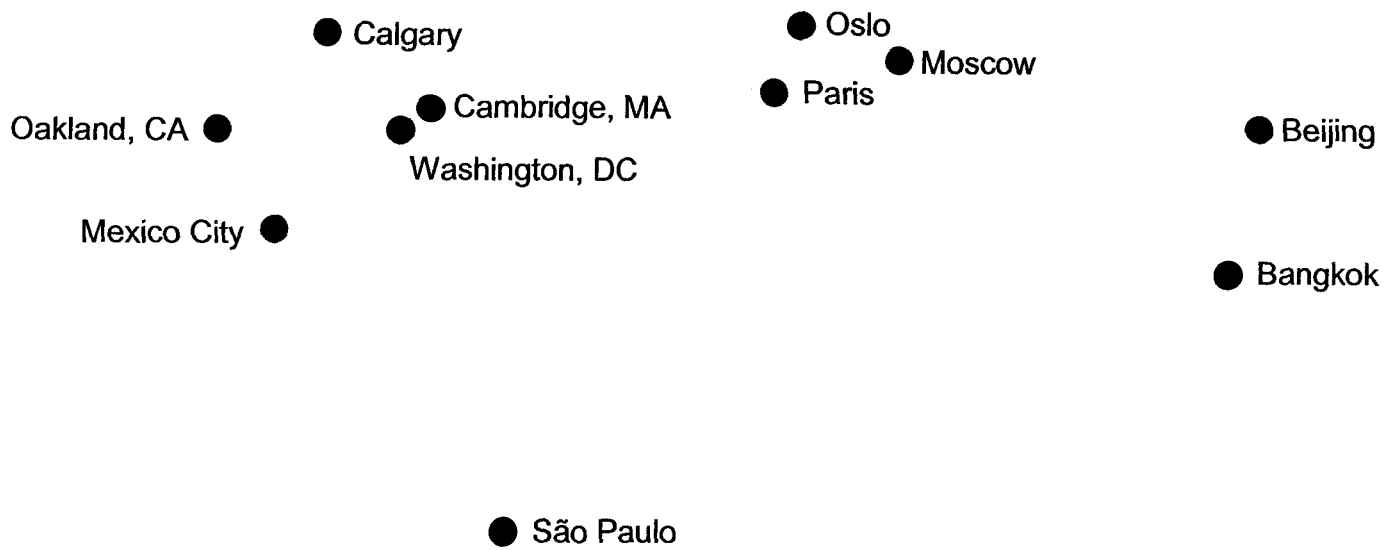

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The Next Prize

Daniel Yergin and Michael Stoppard

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The Next Prize

Daniel Yergin and Michael Stoppard

A GLOBAL GAS MARKET

A NEW GLOBAL energy business—natural gas—is emerging. It will have a far-reaching impact on the world economy, bringing new opportunities and risks, new interdependencies and geopolitical alignments. As natural gas becomes a traded global commodity, it will be critical to meeting a host of urgent needs. The United States needs it to keep the lights on and stave off a coming energy shortage, Europe to rejuvenate its industry, developing countries to boost growth, and all of them to meet their aspirations to have a cleaner environment.

The change will be accomplished both with long-distance pipelines and with natural gas that ironically is no longer in gaseous form, having been liquefied through cooling. This "liquefied natural gas" (LNG) will be carried in tankers that can change direction on the high seas to respond to sudden shifts in demand or prices. Thanks to this emerging global commodity market, lights, air conditioning, and factories in the United States will run on electricity that is sometimes generated with natural gas from Indonesia, the Algerian desert, the seas of Trinidad or Nigeria, the island of Sakhalin in the easternmost part of Russia, the frigid northern waters of Norway, or the foothills of the Andes.

Yet, one of the more haunting aspects of this new global gas business is its reminder of the transformational years of the late 1960s and early 1970s, when the United States became integrated with the world oil market. In a few short years, the United States went from being a minor

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DANIEL YERGIN is Chair of Cambridge Energy Research Associates (CERA) and the author of *The Prize: The Epic Quest for Oil, Money, and Power.* MICHAEL STOPPARD is Director of Global LNG at CERA and co-author of *The New Wave: Global LNG in the Twenty-first Century.*

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petroleum importer to a major one. The surge in demand from the world markets, pulled by the engine of the American economy, helped set the scene for the oil crises of the 1970s and created dependencies with which the world still wrestles.

For more than half a century, the United States has been broadly self-sufficient in natural gas, save for imports from Canada. In the next five years, it is likely to become a large gas importer; within ten years, it will overtake Japan as the world's largest. As it inevitably becomes part of this new global gas market, will the United States inadvertently trigger new security issues—or will new interdependencies help reduce future risks?

Many businesses have become truly global in their operations and perspectives over the last decade. Natural gas has been an exception until now. Although it is huge—a business worth over half a trillion dollars a year—it has been a local, national, or continental business, limited by the reach of pipelines and the absence of a global marketplace. But this picture is changing because LNG will allow the world's plentiful but long underdeveloped and "stranded" gas reserves to be efficiently carried to consumers.

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The need for a global LNG market is growing urgent. In the United States, gas prices have doubled since the second half of the 1990s, placing a new burden on the economy and portending a shortage. Federal Reserve Chairman Alan Greenspan warned recently that dwindling domestic supplies were "a very serious problem" and a major threat to the U.S. economy and spoke out forcefully on the need to develop LNG supplies.

Much is now expected of LNG. But developing its full potential could cost as much as $200 billion worldwide, and energy companies will have to choose between investments in LNG and other investments. Will the complex network of technology and investment be established in time, given uncertainties about markets, regulation, and government policies? Will geopolitical risks constrain—or disrupt—development? Can natural gas live up to the need, and the high expectations, that the world now has for it?

GROWING MARKETS

NATURAL GAS, like oil, is a hydrocarbon, and it is found either with oil or by itself. There is a joke from the early days of the oil business: a geologist reporting back on drilling a wildcat exploratory well says, "The bad news is that we didn't find oil. The good news is that we didn't find gas." The punch line reflects the traditionally much more limited market for natural gas, its lower value compared to oil, and the general nuisance value of something that could not be pumped into the tank of a car. Over the last few decades, however, gas' advantages have become increasingly clear.

Gas is the cleanest burning of the fossil fuels; it produces little pollution and emits less carbon dioxide—the key greenhouse gas—than either oil or coal. It also is abundant. Proven reserves total what, in oil terms, would amount to over one trillion barrels. Russia—with 30 percent of known reserves—is the "Saudi Arabia of natural gas." Another 25 percent lies under Iran and Qatar, jointly pooled in the giant North Field/South Pars field, which straddles the waters between the two countries. Next, in terms of reserves, come Saudi Arabia and the United Arab Emirates. The United States falls sixth—but with only 3.3 percent of global reserves. Other countries with even smaller reserves, such as Indonesia and

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Malaysia, still rank among the largest LNG exporters. Large reserves that can serve as the foundation for LNG developments are also found in many other countries. Indeed, because of growing interest in natural gas, much larger gas reserves are expected to be discovered around the world. Nigeria, for instance, is normally thought of as a major oil country; but to those who know its prospects, its real promise is as a potentially huge natural gas province that also happens to have oil.

The modern U.S. gas industry was born during some of the darkest days of World War II, when energy shortages threatened the Allied war effort. "I wish you would get some of your people to look into the possibility of using natural gas," President Franklin Roosevelt wrote to Interior Secretary Harold Ickes in 1942. "I am told that there are a number of fields in the West and the Southwest where practically no oil has been discovered but where an enormous amount of natural gas is lying idle in the ground because it is too far to pipe to large communities."

After World War II, the gas did get hooked up and piped by newly constituted gas companies from the Southwest of the United States to the Northeast. Today, gas provides almost a quarter of the total energy for the U.S. economy. Although Europe's gas market only started up on a large scale in 1959, with a major discovery in the Netherlands, gas currently provides over 20 percent of the region's energy, and that share continues to rise.

Europe's leading source for this gas has been the Soviet Union (and now Russia). In the 1980s, the proposed expansion of Soviet gas deliveries to Europe caused a geopolitical imbroglio—the most divisive dispute between the United States and Europe of the decade. Proponents of new pipelines from the Soviet Union thought that the gas they would bring would reduce Europe's dependence on the Organization of the Petroleum Exporting Countries (OPEC) and enhance its economy. Opponents, primarily in the United States, argued that they would increase Europe's dependence on the Soviet Union and give the Kremlin both political leverage and additional hard currency to feed its military-industrial complex. Although moderated by intense diplomacy in the mid-1980s, the conflict ended only with the collapse of the Soviet Union. But the development of what is now a 6,000-mile-long pipeline network from Siberia to the shores of the Atlantic was also one of the major harbingers of the internationalization of the gas business. Another was the emergence of LNG.

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LIQUID POWER

NATURAL GAS—in its gaseous form—can be carried efficiently only in pipelines. But when oceans get in the way, pipelines do not work. Fortunately, when natural gas is refrigerated down to temperatures of minus 260 degrees Fahrenheit, it contracts into a liquid, which can be put in a tanker and transported thousands of miles across the sea. On delivery, this liquefied gas is restored to its original state in a regasification terminal. Traditionally, the whole process has been relatively costly. But it is very effective—methane is 600 times less voluminous as a liquid than as a gas—and it allows large amounts of energy to be packed into a single cargo: one shipment holds the equivalent of five percent of the gas consumed in the United States on an average day.

The first commercial LNG business got started in the mid-1960s and ran between Algeria and both the United Kingdom and France. But that budding trade was soon supplanted by cheaper pipeline supplies from the Netherlands and the British North Sea—and then from Russia and Norway. It was not until the late 1990s that new projects in Nigeria and Trinidad, and later Qatar, brought more LNG to Europe.

LNG's real growth, however, came from Asia. Japan wanted to reduce air pollution by shifting from coal and oil to natural gas to generate electricity, but pipelines were not an option. So, in 1969, Japan began to import LNG from Alaska (which it still does today). Then, after the 1973 oil crisis, the Japanese government promoted LNG for energy security reasons: to reduce dependence on oil from the Middle East. Since then Japan has diversified its sources, importing LNG from various states, such as Abu Dhabi, Australia, Brunei, Indonesia, Malaysia, and Qatar. South Korea became the second major importer in Asia at the end of the 1980s, and Taiwan joined the Asian importers' club in the 1990s. Faced with an ever-rising demand for electricity, the huge economies of China and India are set to join the ranks of LNG importers in the next few years.

In the 1970s, it looked as though the United States was going to climb onto the bandwagon when it started importing LNG from Algeria. But then the growing availability of North American gas cut the boomlet short and created the extended surplus of domestic supply that became known as "the gas bubble." LNG moved out of the ships and into the courts, as disputed contracts gave way to financial distress

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and litigation. Regasification terminals were closed down, and for several years no LNG at all was imported into the United States.

LNG projects in Asia and Europe developed according to a very particular set of unwritten rules—what might be called "the LNG paradigm." The paradigm aims to ensure that a logistic, financial, and commercial chain links suppliers to consumers through contracts that govern every step of the process, from extraction and liquefaction to shipping, delivery, and regasification. Specific reserves are earmarked and developed for specific liquefaction facilities, the output of which is delivered by specified tankers to specific markets. All the elements of the projects—which last for 20 or more years—are laboriously worked out and settled before any serious dollars are spent. Gas prices are set according to formulas that link LNG prices to oil prices, keeping them competitive and insulating them from subsequent decisions by buyers and sellers.

The LNG paradigm developed for two reasons: the huge capital costs of LNG projects and the inevitable interdependence of gas buyers and gas sellers. Simply put, there is no point in developing reserves if the market is not there—and vice versa. Supply and demand, according to the paradigm, need to be developed in tandem. The costs of LNG projects—which run from three billion to as much as ten billion dollars for a single project—mean that investors want to lock in future sales and revenue streams, protecting themselves from unanticipated or unpredictable shifts in the market.

This paradigm is very much at odds with the way the gas business has been organized in the United States since its deregulation in the 1980s. The U.S. market is anything but long term: it runs on spot and futures markets and short-term contracts. The mismatch between the LNG paradigm and the way the business works in the United States had led many observers to conclude that the United States is unlikely ever to import significant quantities of LNG. At least that was the view until very recently.

GUIDING LIGHT

IF THERE is a single thing responsible for the emergence of natural gas as a global commodity, it is the rising demand for electricity. Today, natural gas is the "fuel of choice" for meeting escalating electricity needs, whether in the developed or the developing world. In the

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United States, demand grows at a rate that is about two-thirds of the growth rate of the overall economy. In the developing world, growth rates are much higher. China's electricity consumption today is more than three times what it was in 1990; lately, it has been growing at an extraordinary 17 percent a year.

The "combined cycle gas turbine" (CCGT), a new technology for generating electricity that was borrowed from jet engines, has given gas a major advantage against its competitors—coal, nuclear power, hydropower, and oil. CCGT plants are easier to finance, quicker to build, and more efficient in their consumption of energy than existing coal plants. Environmental considerations also have reinforced the position of gas as the new fuel of choice. Of all the fossil fuels, it is the best suited to the post-Kyoto world: electricity generated from it emits only 40 percent of the carbon dioxide produced by electricity generated from coal. And because these gas-fired power plants are smaller and much cleaner, they can be located within or near cities, which obviates the need for long-distance power lines.

Policymakers around the world have been deregulating the power business to move from "natural monopolies" to a marketplace of multiple parties that trade and compete with one another. New, independent power-generating companies have been encouraged to enter the business. The gas-fired turbines—small, cheap, quick, and clean—have proved well suited for the era of deregulating energy markets.

Technology has also affected the supply side of the market. The costs of LNG terminals and tankers once appeared to be irreducibly high, but they have in fact been reduced. Recent improvements in engineering and construction brought those costs down by as much as 30 percent. And reductions continue.

But there was one missing ingredient to the formation of a global marketplace—the United States.

THE AMERICAN ENGINE

IN THE LAST two years, the United States has emerged as a key—indeed *the* key—future growth market for LNG. It alone accounts for a fourth of the natural gas consumed in the world each day. As American imports from Canada increased over the 1990s, what had

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been national self-sufficiency slowly evolved into continental self-sufficiency—and interdependence. And now, in addition, Mexico imports gas from the United States.

The United States enthusiastically embraced the new gas-fired technology to generate power. Altogether its use of natural gas in electric power production has increased almost 40 percent since 1990—with much more growth to come. Over 200,000 megawatts of new power-plant capacity has been recently constructed or will soon start production. This is a huge amount of power capacity, equivalent to more than a quarter of the country's entire installed capacity in the year 2000—and larger than the entire electric power industries of the United Kingdom and France combined. Well over 90 percent of the new capacity is fueled with natural gas.

But rising demand for gas has collided with what is now emerging as a natural gas shortage in the United States. Traditional sources of supply can no longer keep up with electricity-driven rising consumption. Very disappointing results from the drilling boom of 2000–2001 were the first indicator of this disparity. Since 2001, supply has declined by four percent. New wells will be drilled in the years ahead, and new supplies added. (Owing to the depletion of existing wells, in ten years more than half of domestic supply will have to come from wells that have not yet been drilled.) There may be a modest rebound in supply over the next couple of years, which, together with a weak economy and mild weather, may temporarily mask the reality of the shortage. But, as the U.S. National Petroleum Council observes in its new study, the reality remains that the geological base in the United States is mature—that is, it has been thoroughly explored. Supply shortages, and the resulting jump in the cost of producing electricity from natural gas, were one of the reasons for the California power crisis of 2000–2001.

In response to the tightening of supply and demand in the United States, domestic gas prices have doubled, weighing the economy down. And today's supply gap is small in comparison to what it could be a few years from now, when the real North American gas production decline begins. Higher prices will hurt homeowners and such industries as fertilizer, chemical, and plastics that depend on gas. Companies in those sectors are already cutting back on production and closing plants. But the full effect of higher gas prices has not yet been felt. When it is, factories

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will be exported, and jobs—measured in hundreds of thousands or even millions—will be lost. In a very painful way, that will lower consumption in the industrial sector. Some of this is already happening.

Conserving energy will play an important role in mitigating the tight supply problem, but there will be limits as to what it can do, especially with the demand for electric power inexorably increasing—thus increasing demand for natural gas—and outpacing improvements in energy efficiency. Major new discoveries or breakthroughs in drilling technology could increase domestic supplies. And there are major prospective areas in the United States—the eastern Gulf of Mexico, the Rockies, and off the eastern and western coasts of the United States. But they are currently off-limits for environmental reasons, and any efforts to improve access to them would inevitably lead to a political storm. A new gas pipeline will eventually bring large amounts of new supply from Alaska's North Slope (not to be confused with Alaska's controversial Arctic National Wildlife Refuge), but that project will probably take a decade or more to realize and, even then, would only make up part of the shortfall.

Rising demand for gas has collided with a natural gas shortfall in the United States.

Thus, LNG is needed to fill a big part of the supply shortfall. In 2002, LNG accounted for just one percent of the United States' natural gas supply. By 2020, it could exceed 20 percent. But if LNG is to meet its potential, the United States needs to invest reasonably swiftly in regasification terminals—the portals that link the global gas network to our domestic markets. Environmental controversies over licensing and siting issues, which could disrupt investment, need to be managed sensibly, and regulations coherently applied. As Greenspan commented to Congress, "We cannot, on the one hand, encourage the use of environmentally desirable natural gas in this country while being conflicted on larger imports of LNG."

The market appears to be responding: more than 30 regasification projects have already been proposed. Some plants will be on land. Others may be offshore floating terminals. And to satisfy the states that most desperately need them but are among the most environmentally conscious, terminals may be built in neighboring countries—in Mexico to feed California, in the Bahamas to supply Florida, and

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in Canada to meet New England's needs. At least a third of the proposed projects need to be built over the next decade to counter the United States' shortfall. All of them will need to wind their way through a complicated maze of permit and approval processes.

An even more critical question is whether gas fields and liquefaction plants will be developed to supply the regasification terminals. Much still needs to be done to turn the vision of having LNG from around the world supply the United States into the reality of steel and concrete. The single largest hurdle is the sheer scale of the capital required: developing reserves to serve a single terminal in the United States costs billions of dollars. And for companies providing the capital, LNG projects are only one of several possible investment opportunities. It is not enough for LNG projects to be attractive; they must be more attractive than other prospects. Realistic and timely negotiations between companies and countries is one essential step toward overcoming the financing hurdles.

LOOKING INTO THE FUTURE

WHAT COULD capsize LNG's development? At a time when oil and gas prices are high, optimism about the prospects for a new LNG market is only to be expected. But the industry will not develop along a straightforward course; it will have to weather disruptions and make midcourse adjustments. Low gas prices, even if they are only temporary, could discourage investors and stifle growth. It takes more than growing demand, plentiful reserves, and competitive costs to make a global market. Private companies need to commit the necessary capital and human resources. State-controlled companies have to resolve the conflicts between the commercial attractiveness of LNG and other political and social imperatives. Banks and other lenders need to be confident about the projects' financial soundness. All participants need the ability to weather the ups and downs of a commodities market.

High energy prices could also disrupt the business, by renewing the traditional battle over economic rent between governments and foreign companies. Encouraged by market demand, financial pressures, and nationalist sentiments, governments could be tempted to try to renegotiate deals to extract more value for their resources. Ultimately, large gas projects will only move ahead when the deals' terms are equitable, fair,

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and stable for all parties. New fiscal regimes are likely to evolve to reflect the perceived risk and anticipated profitability of gas developments and to bridge the gap between the volatile U.S. gas market and the traditionally stable long-term LNG paradigm.

Governments in consuming countries will also need to resist a series of temptations. If the market is allowed to work, the textbooks say, rising gas prices should create more supply, bringing the market and prices back into balance. In reality, however, such prices could also prompt governments to adopt policies that, although politically popular, may be economically counterproductive. There is already talk in the United States of imposing price controls and restricting gas consumption with "fuel use acts." Serious consideration of such measures will increase the risk and uncertainty for new projects and thus delay much-needed investment. Implementation of such restrictions might stop development altogether.

The globalization of the gas market also raises geopolitical questions. Some analysts anticipate that the new interests and interdependencies brought by the LNG trade will bolster relations between producing and consuming countries. Others, however, worry that it will only lead to dependence on imports for yet another key commodity, which will create vulnerability to deliberate machinations, political upheavals, or economic problems.

These concerns cannot be dismissed. In 2001, an Islamic secessionist insurgency on the island of Sumatra temporarily shut down LNG facilities that supply Japan, although LNG from elsewhere in Indonesia made up for the shortfall. In the last year, oil production was disrupted in Venezuela by a virtual civil war between President Hugo Chávez and his opponents and in Nigeria by ethnic tensions and regional conflicts—with much impact on the world oil market. One can well envision scenarios in which the future large LNG exports could be subject to some kind of interruption, even if only short-lived. But the best response to such security concerns is to develop the global LNG business and ensure that ample supplies come from many countries. Encouraging LNG projects in various countries is a safeguard against undue dependence on too few nations.

What about an "OGEC"—a gas version of OPEC? Might a few countries come to dominate the supply of LNG and adopt policies harking back to

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the confrontational OPEC of the 1970s? An association of some kind among LNG exporters is likely. Many of them are also oil exporters, and the desire to compare fiscal terms will be irresistible. But there will be limits to how far they can go. For one thing, there will likely be too many too diverse countries to form a single bloc. Australia, Yemen, and Angola will each see the world very differently. Moreover, exporting countries will compete not only among themselves but also with local production in consuming countries and with pipeline supplies, which will reduce their leverage. Ultimately, exporting countries themselves also need to maintain good relations with their customers, to protect their market share and promote additional investment. Therefore, they will likely be cautious about taking actions that could disrupt the critical flow of revenues back into their national treasuries.

These geopolitical issues should serve as a reminder that the gas trade will also have political implications, although not necessarily any that would spark confrontations. Gas is not just another commodity. Because it is traded internationally, it is also an opportunity for states to establish lasting relationships, as nations in Asia and Europe have done over the past three decades. Energy-short Japan has long seen the need to forge strong political bonds with its gas suppliers. The Sakhalin LNG project, a $10 billion investment to supply Russian gas to Japan, for example, is the single largest private foreign investment in Russia—a monumental undertaking that has depended critically on government-to-government commitment to bolster private-sector investment.

The natural gas business is on the brink of profound change. It is set to become global and to adopt a more flexible market model. Gas may indeed become the fuel that helps keep the world's lights on. But this development is not predetermined; the United States needs to embrace the LNG market to complete the transformation. That engagement is also necessary to meet U.S. energy and economic needs. Company strategies and government policies need to move forward together to make this happen. A variety of risks will come from increased interdependence, but, in a growing, diversified global market, they can be managed. And they are dwarfed by the much greater risk that the United States and Europe could face a persistent shortfall in natural gas. There is a growing urgency to make investments in LNG in the near term in order to avoid more serious disruptions in gas markets and economies later in the decade.

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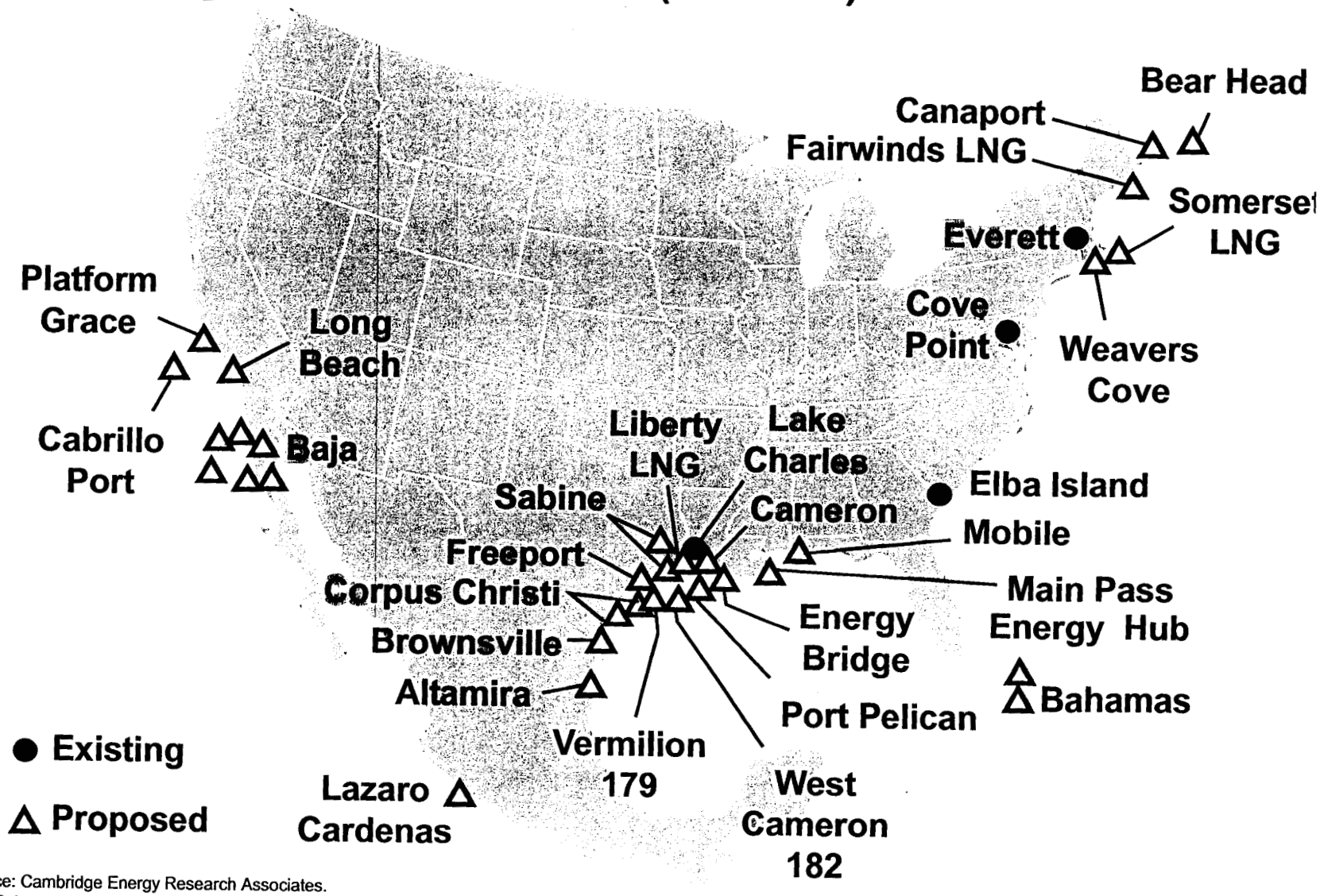
LNG Facilities in North America—Existing and Potential (Fall 2003)



Source: Cambridge Energy Research Associates.
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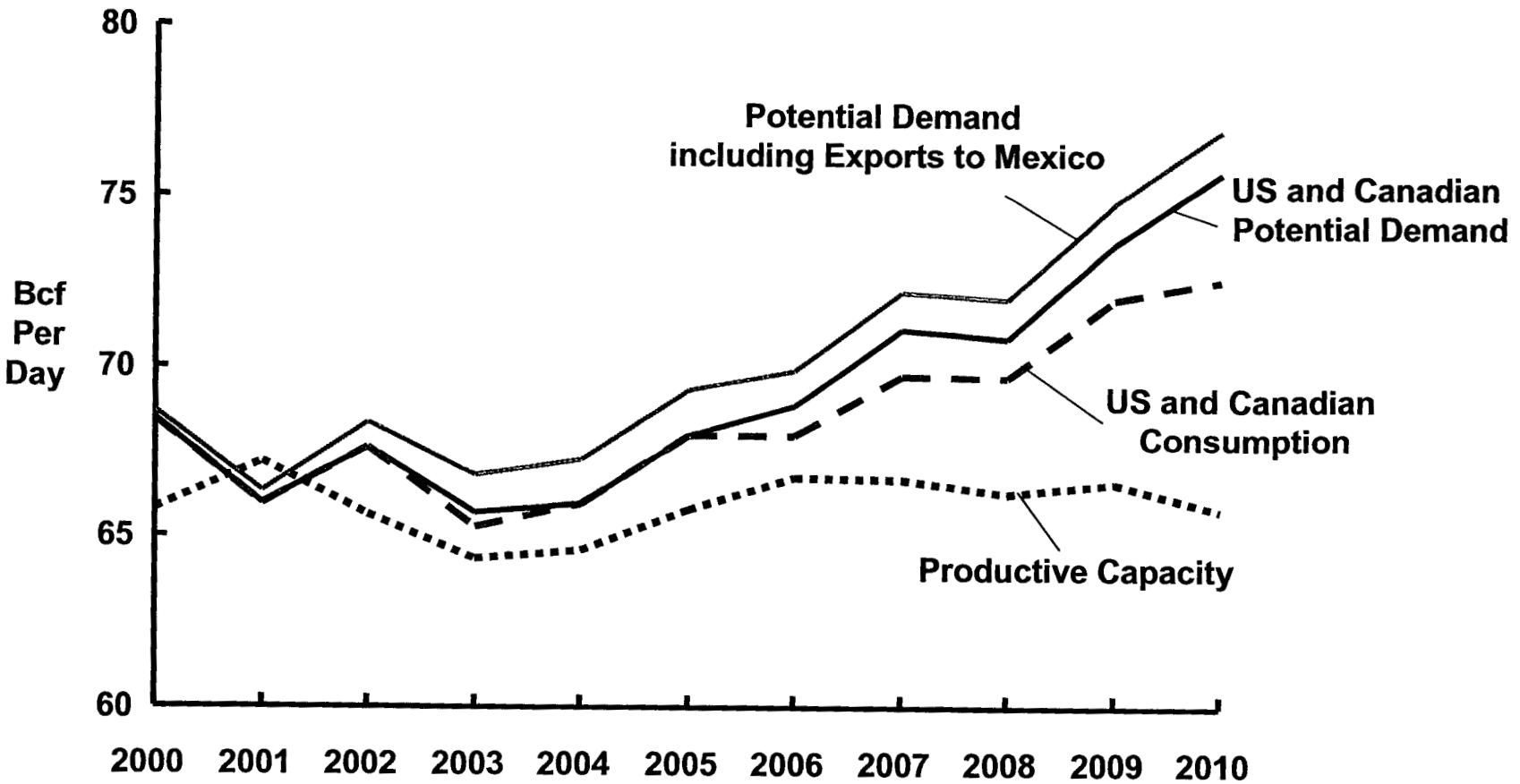
North American Wellhead Capacity and Demand



Source: Cambridge Energy Research Associates.
April 2003

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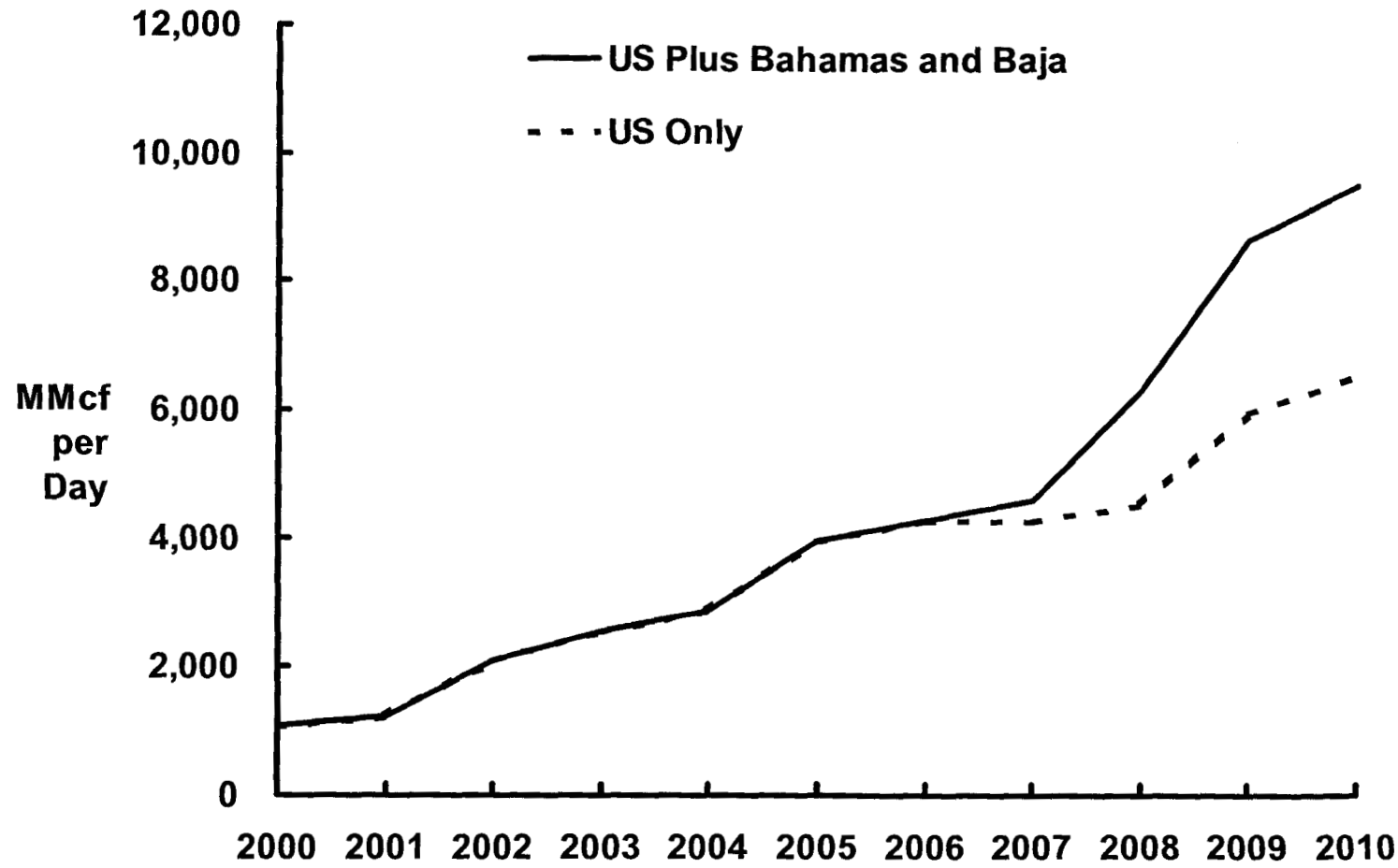
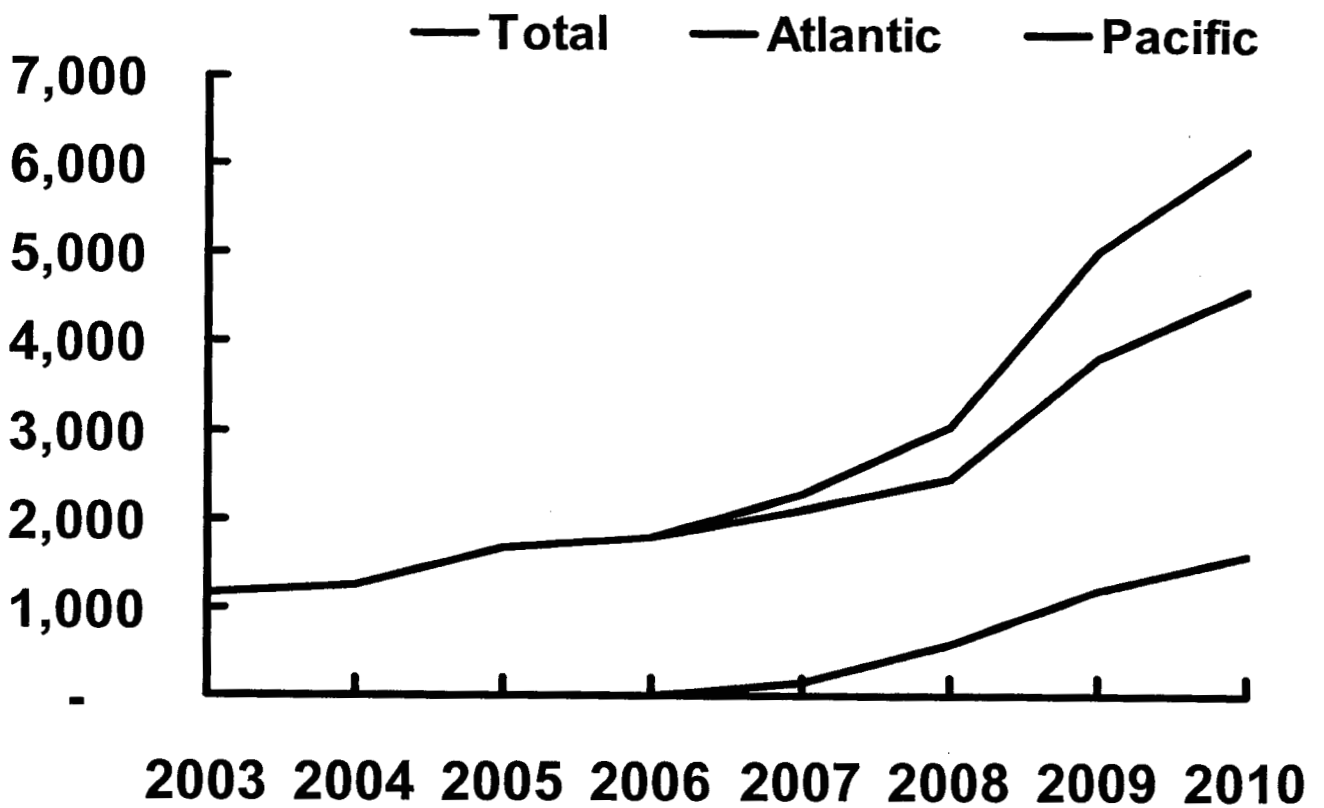
Average Sustainable LNG Import Capacity



Source: Cambridge Energy Research Associates.
April 2003

LNG Flow in MMcf/d, Including Baja and Bahamas



Source: Cambridge Energy Research Associates.

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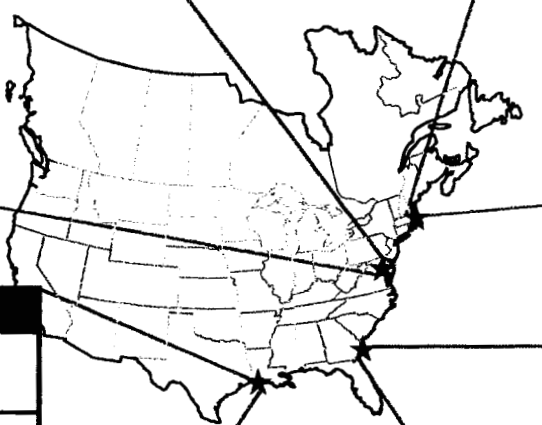
LNG—Import Facilities



Cove Point, MD (Reopening 2003)	
Operator:	**Cove Point LNG**
Vaporization Capacity	750 MMcf per day (maximum sendout is 1 Bcf per day)
Storage Capacity	5 Bcf
Number of Tanks	4
Tanker Berths	2
Draft	11 meters
Pipeline Connections	Columbia Gas, Transcontinental

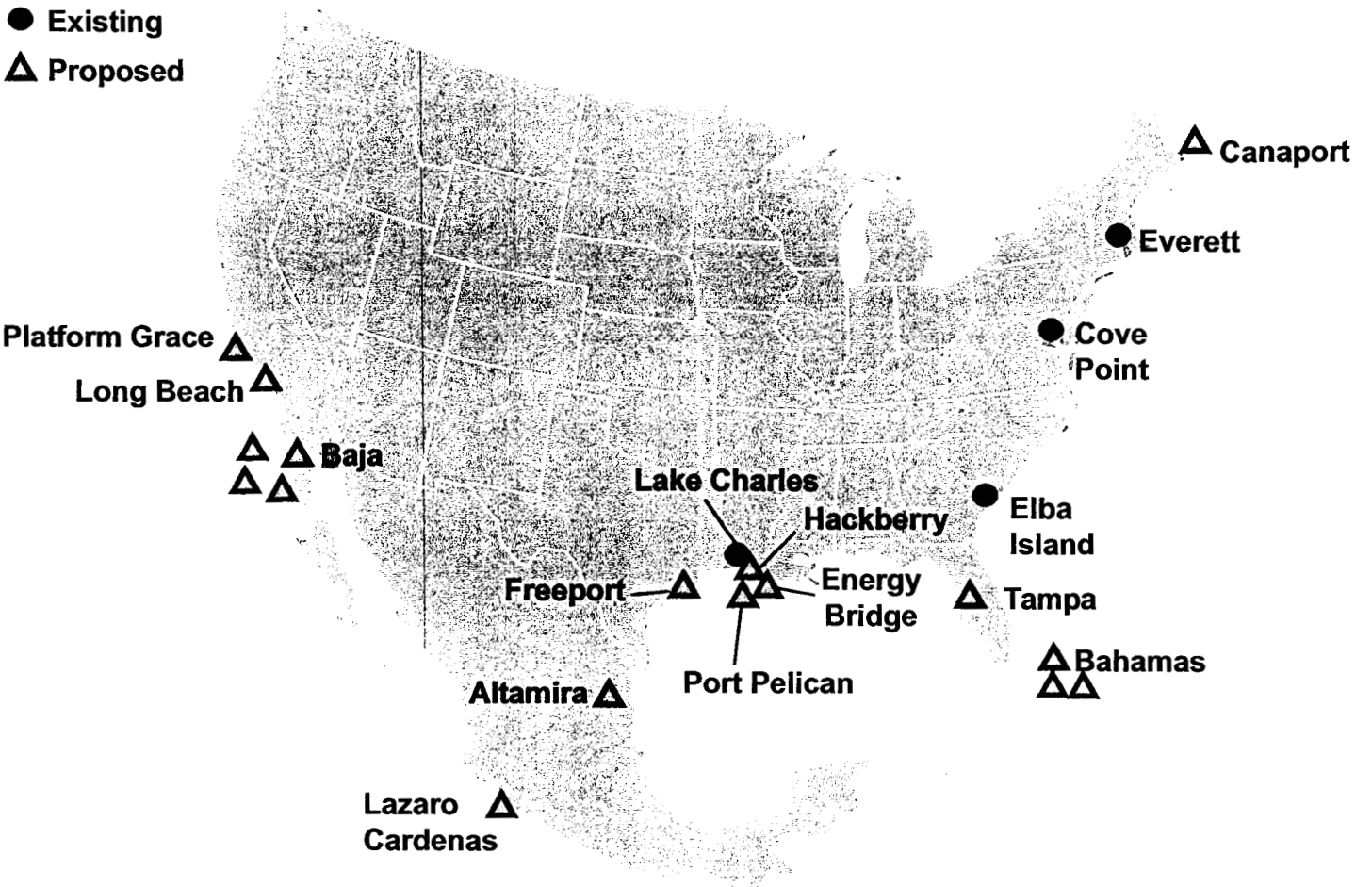
Everett, MA (Operating)	
Operator:	**Distrigas LNG**
Vaporization Capacity	915 MMcf per day (maximum sendout is 1,150 MMcf per day.)
Trucking Capacity	100 MMcf per day
Storage Capacity	4.35 Bcf
Number of Tanks	2
Tanker Berths	1
Draft	11 meters
Pipeline Connections	Algonquin, Tennessee

Lake Charles, LA (Operating)	
Operator:	**Trunkline LNG**
Vaporization Capacity	630 MMcf perday (maximum sendout is 1 Bcf per day)
Storage Capacity	6.3 Bcf
Number of Tanks	3
Tanker Berths	1
Draft	12 meters
Pipeline Connections	Trunkline, Gulf Coast Pipes

Elba Island, GA (Operating)	
Operator:	**Southern LNG**
Vaporization Capacity	446 MMcf per day (maximum sendout is 675 MMcf per day)
Storage Capacity	4 Bcf
Number of Tanks	3
Tanker Berths	1
Draft	12 meters
Pipeline Connections	Southern Natural Gas

Source: Cambridge Energy Research Associates, EIA.

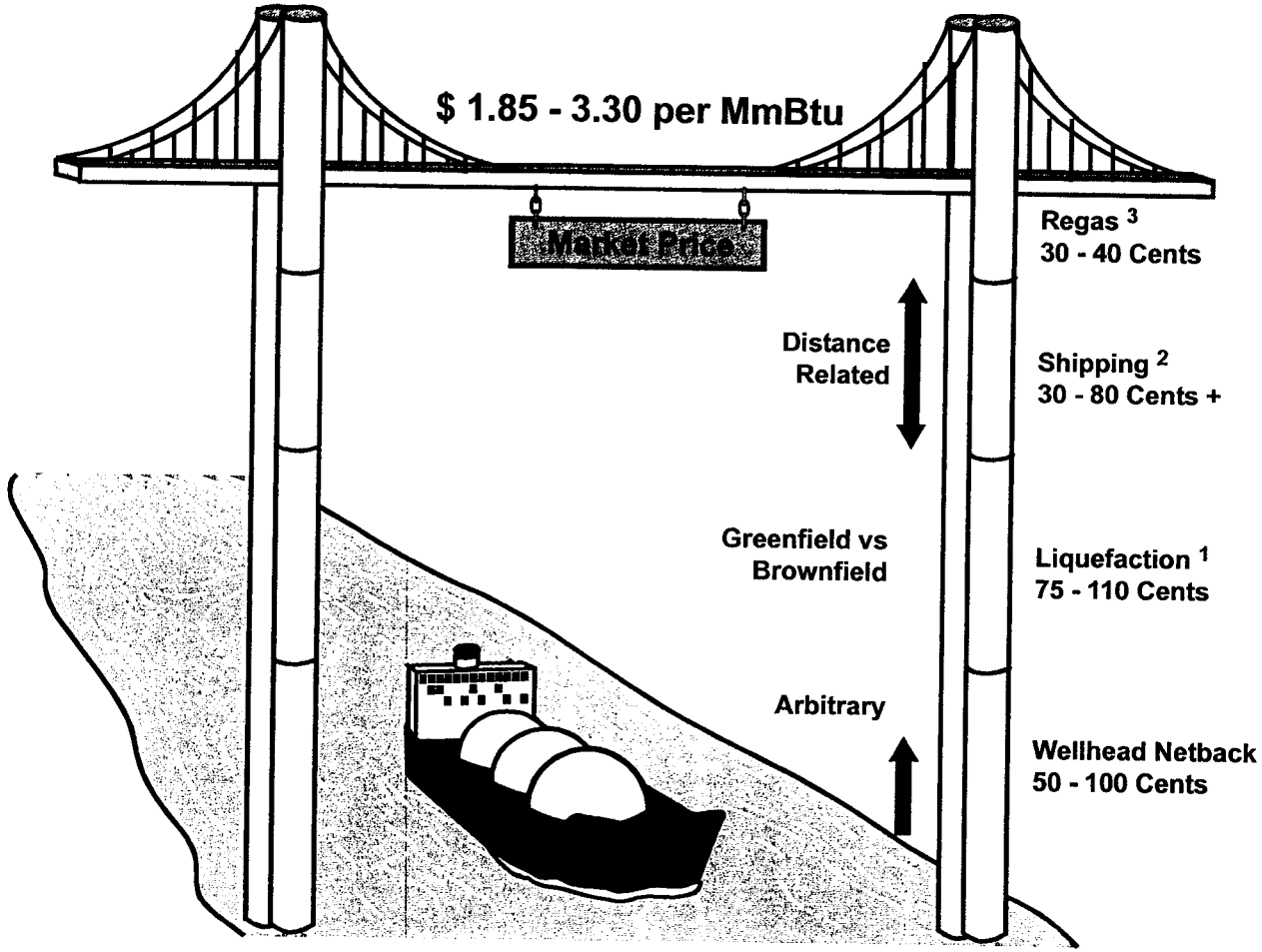
Liquefied Natural Gas (LNG) Facilities in North America—Existing and Potential



Source: Cambridge Energy Research Associates.

10406-4
052803

LNG—Indicative Costs for the Atlantic Basin



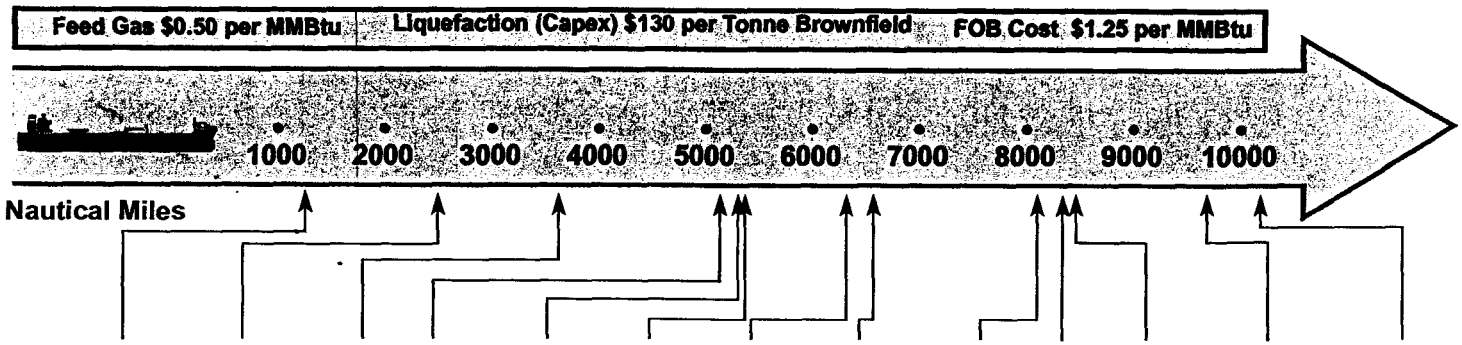
1. IRR 12 percent 2. IRR 10 percent 3. IRR 15 percent

Source: Cambridge Energy Research Associates.

10501-35/040103

PEF 001726
Docket No. 041414-EI

Global Reach--Middle East LNG Transportation and Delivery Costs



	Dahej India	Kakinada India	Izmir Turkey	Guandong China	Sines Portugal	Yung-An Taiwan	Zeebrugge Belgium	Sodegaura Japan	Everett MA	Recife Brazil	Cove Point MD	Lake Charles LA	Rosarito Mexico
			(suez)		(suez)		(suez)		(suez)		(suez)	(suez)	
Distance (Miles)	1313	2568	3761	5159	5317	5351	6363	6637	8089	8305	8490	9731	11489
Round Trip (Days)	8	14	22	25	29	26	33	32	41	39	43	48	54
Shipping Costs $ per MMBtu	0.26	0.40	0.77	0.72	0.96	0.74	1.10	0.91	1.31	1.11	1.36	1.52	1.53
Ex-Ship Costs $ per MMBtu	1.51	1.65	2.02	1.97	2.21	1.99	2.35	2.16	2.56	2.36	2.61	2.77	2.78

- **Middle East gas is theoretically economic at <$3.50 per MMBtu anywhere!**

Source: Cambridge Energy Research Associates.
10301-31

CERA

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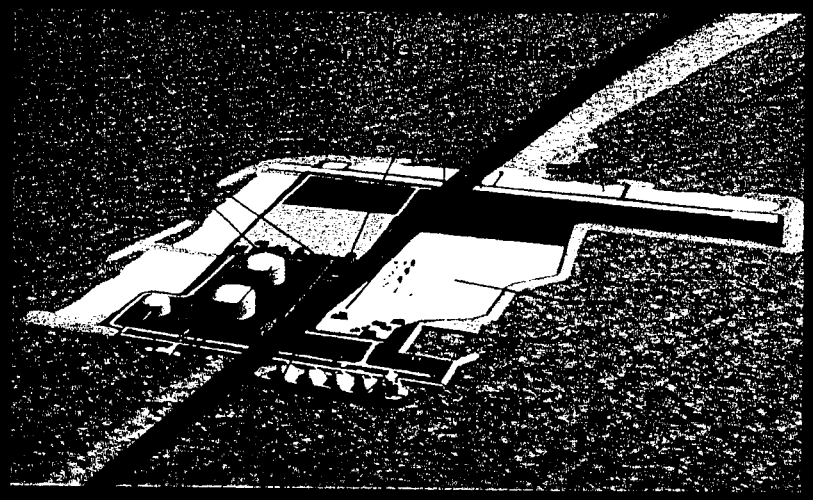
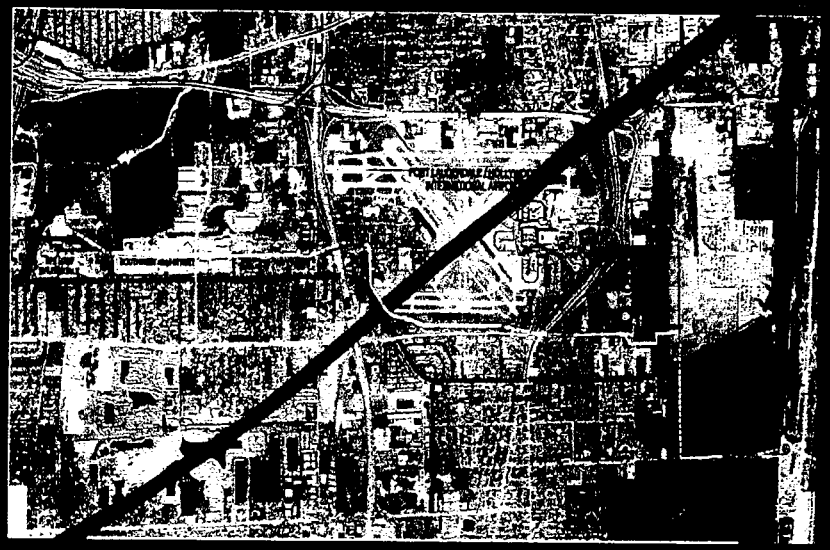
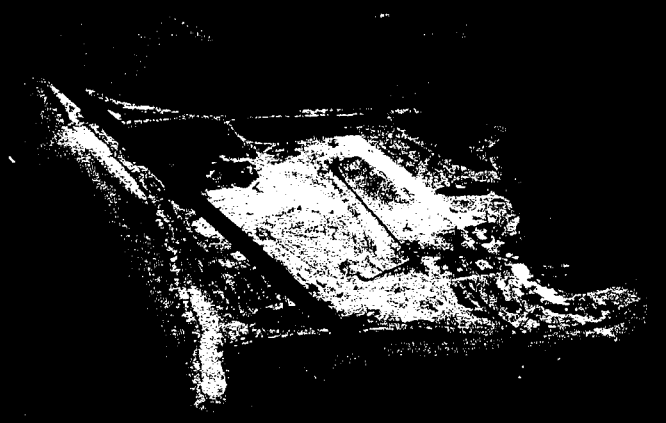


Ocean Cay LNG Project





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Project Description

- LNG import/regas terminal located on Ocean Cay, Bimini, The Bahamas
- Located 60 miles east of Miami and 20 miles south of Bimini
- Project includes 24" sub sea pipeline landing at Dania Beach, FL
- Capacity to send 900 million cubic feet per day to Florida
- Current ownership is 65% AES and 35% Value Act Capital (San Fran based hedge fund)

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Project Rationale:
Low-cost Provider of Gas to South Florida

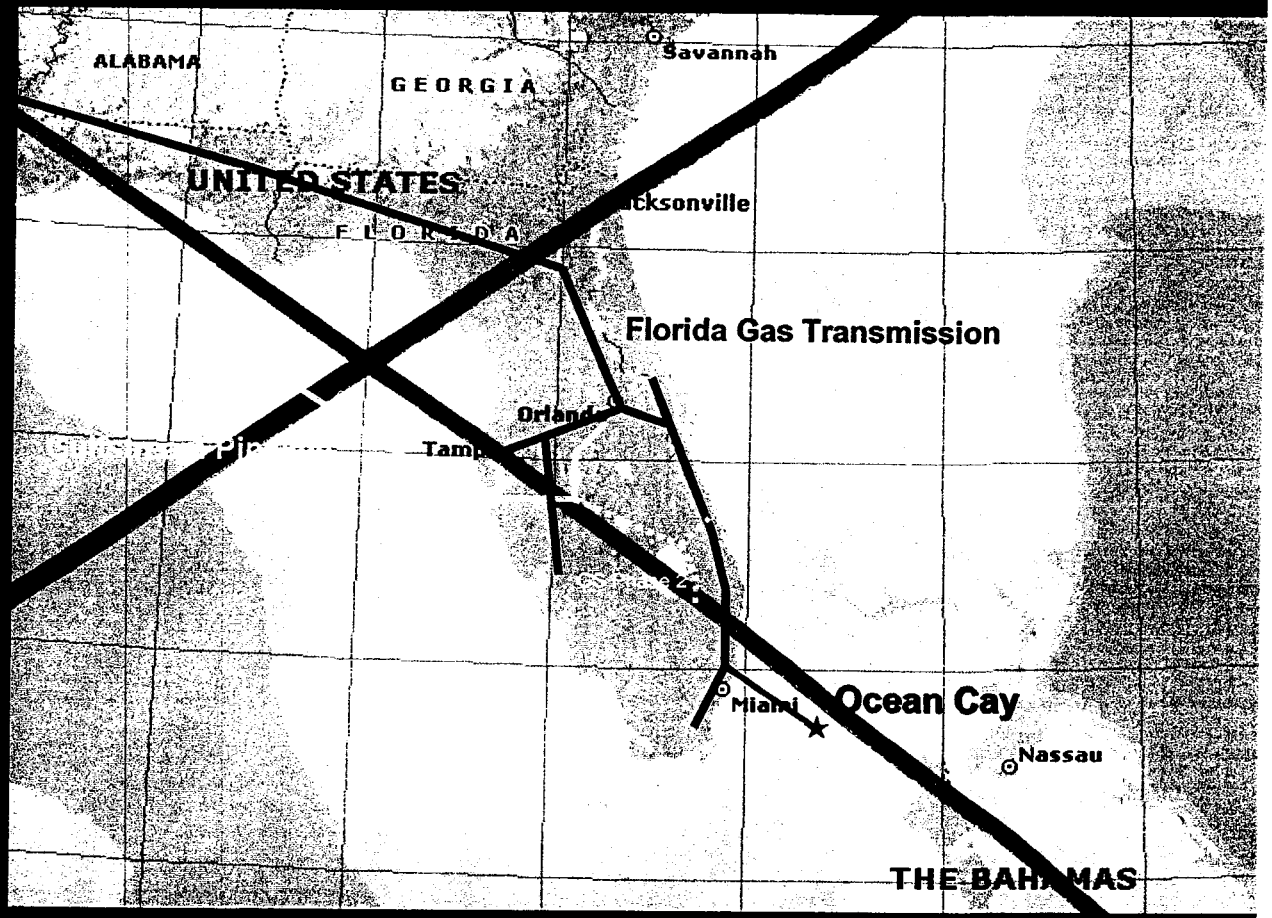
THE ISSUE:

South Florida's demand for natural gas and electricity is difficult to serve.

THE SOLUTION:

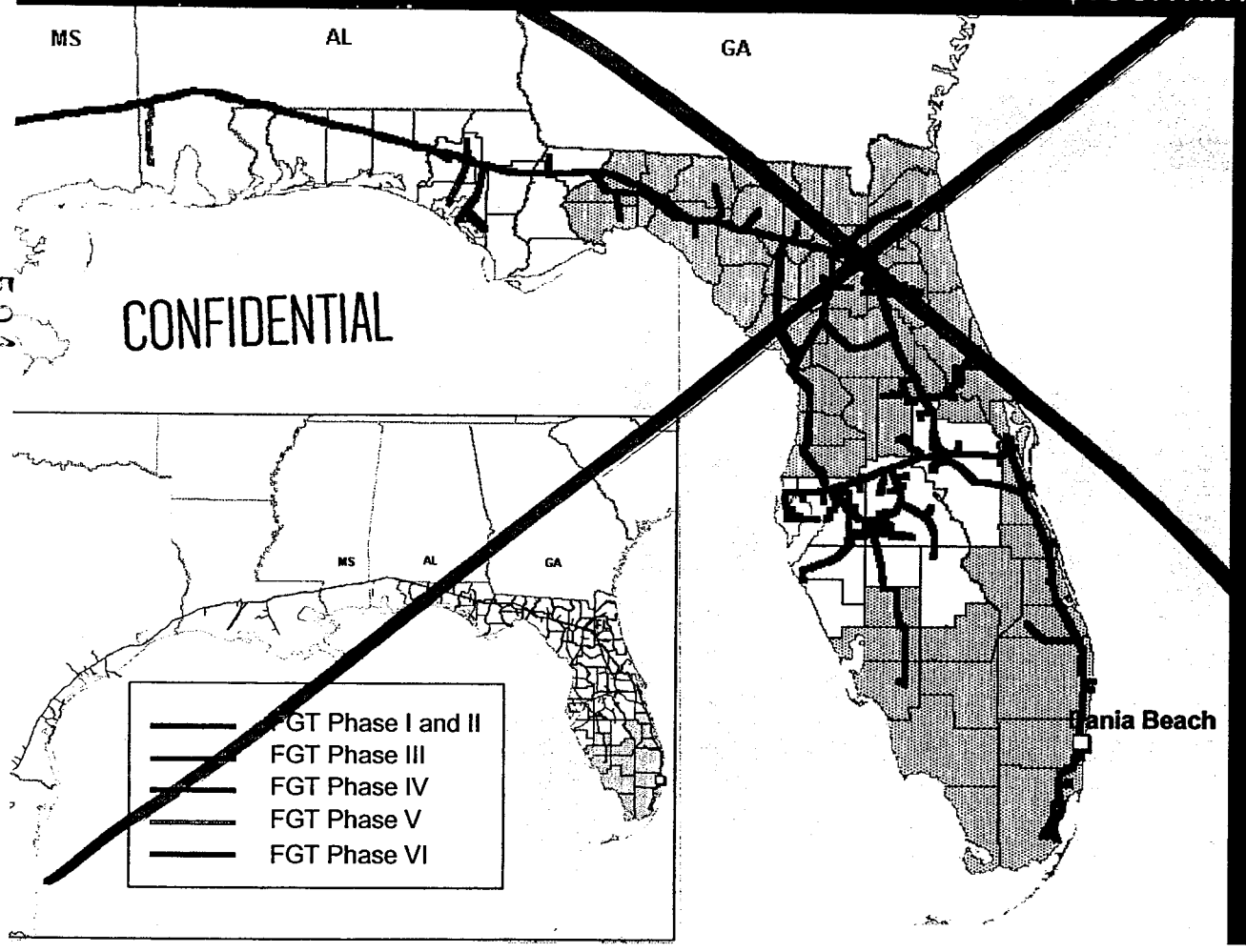
AES OCEAN LNG:

- Delivers volume to the south FL market
- Proximity lowers capex
- Expects minimal environmental impact



Florida Gas Transmission

- FGT, which is owned by Citrus Corp. (50% Enron and 50% El Paso), currently provides 2.1 Bcf of gas per day to the Florida market.
- 81% of the FGT capacity is utilized for electric generation under long term firm transportation contracts.
- FGT is 100% subscribed at all-in rates of $.89/mmbtu for



Demand Charge

$.7618/ mmbtu

Usage Charge

$.0185/mmbtu

Fuel Charge

2.75% of transported gas

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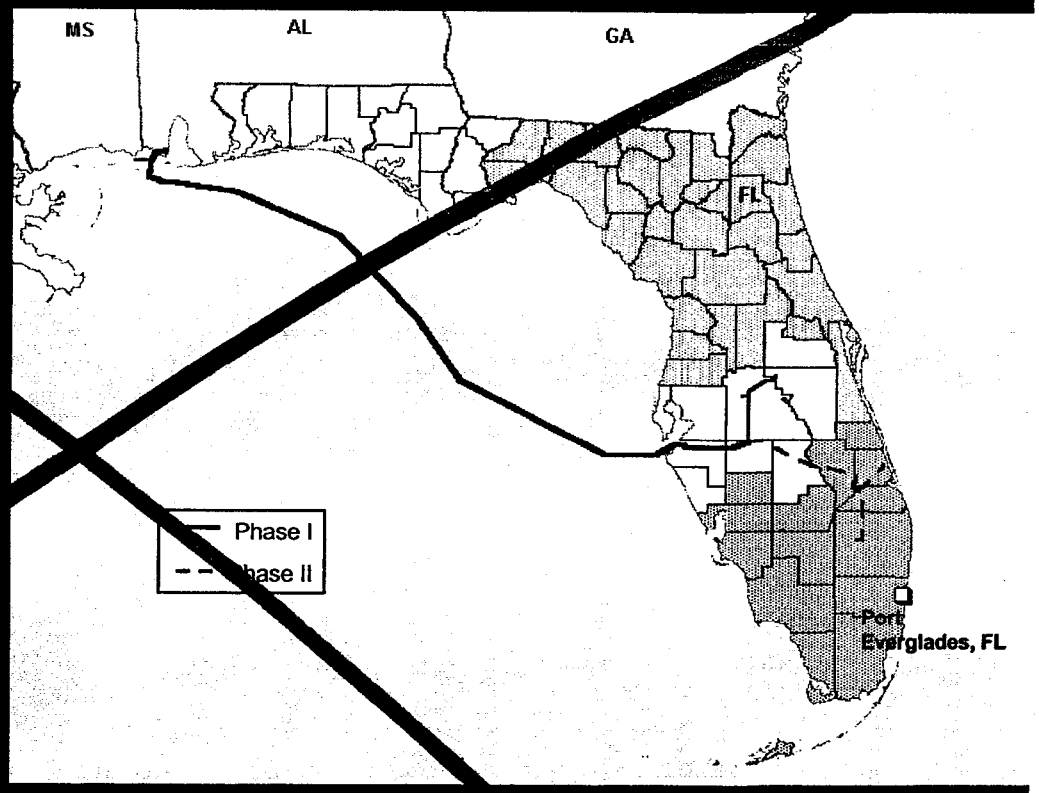
Gulfstream Natural Gas System

- The Gulfstream Natural Gas System ("Gulfstream"), a $1.7 billion pipeline, is the first new pipeline in Florida in 40 years.
- As of July, 2002 Phase I was complete, Offshore line to Tampa Bay
  - Northern onshore line to Orlando
- Currently only 30% subscribed
- New FPL contract brings subscription to about 62%
- Recourse Rates – differ by the amount of hourly flexibility



	4.2%	5.0%	6.0%	7.0%	8.0%
Hours of Service	24	20	16.67	14.286	12.5
Demand	$0.5135	$0.5643	$0.6253	$0.6862	$0.7472
Usage	$.0055	$.0055	$.0055	$.0055	$.0055
Fuel	1.27%	1.27%	1.27%	1.27%	1.27%

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Florida Gas Competition

- AES LNG Marketing is providing a bundled service in Florida (transportation and commodity)
- FGT is a transportation only service and the customers buy gas in La. and Texas to transport on FGT.
- Gulfstream is similar to FGT except the commodity price into Gulfstream is H.H. premium

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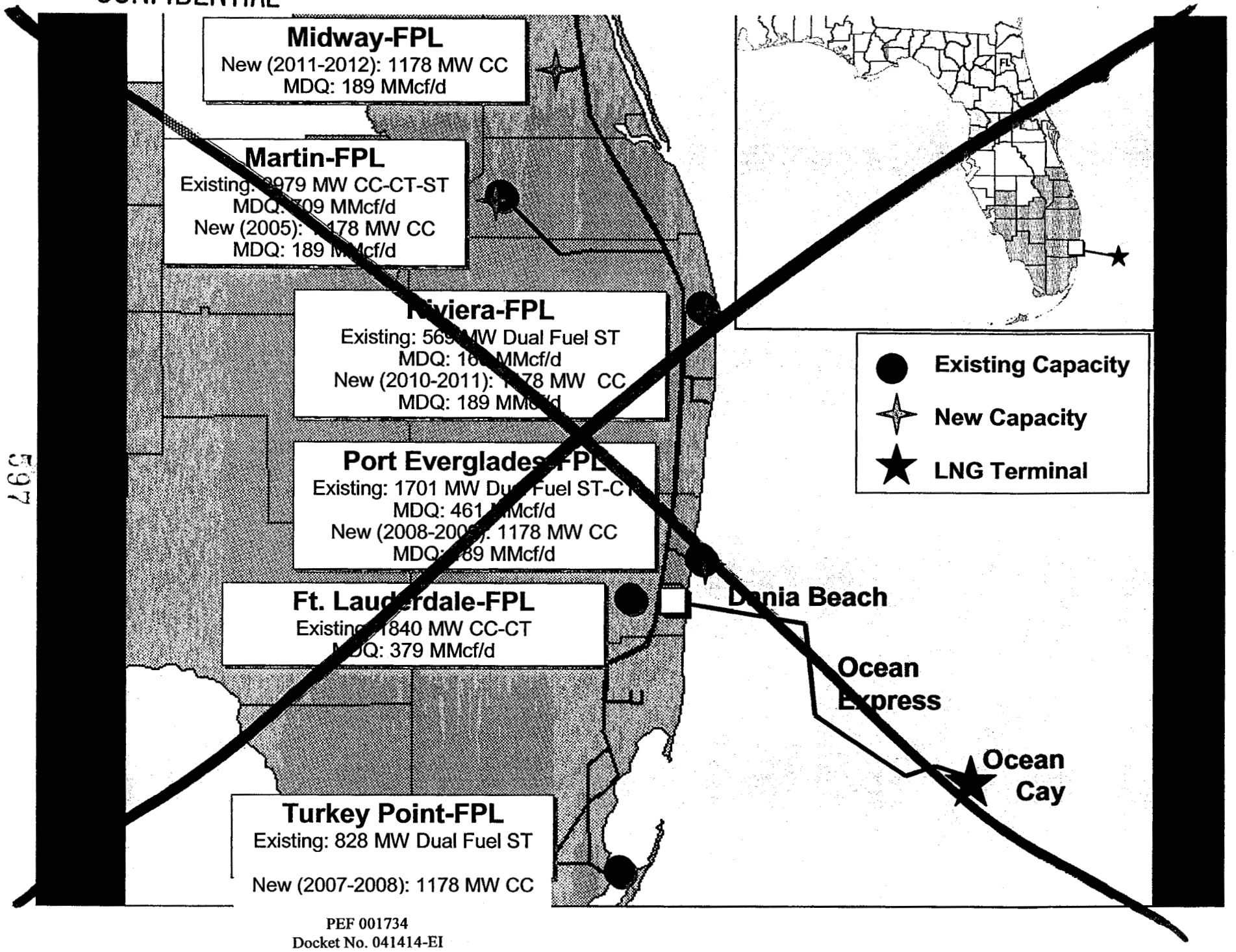

PEF 001734
Docket No. 041414-EI

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Project Structure

- AES Ocean LNG
  - LNG Terminal company and owns Bahamas portion of pipeline
  - Purchases LNG and delivers natural gas to AES LNG marketing at the U.S. border into AES Ocean Express
- AES Ocean Express
  - FERC regulated pipeline fully subscribed by AES LNG Marketing.
- AES LNG Marketing
  - Purchases natural gas at the boarder from AES Ocean LNG
  - Sells a bundled service to Florida Customers

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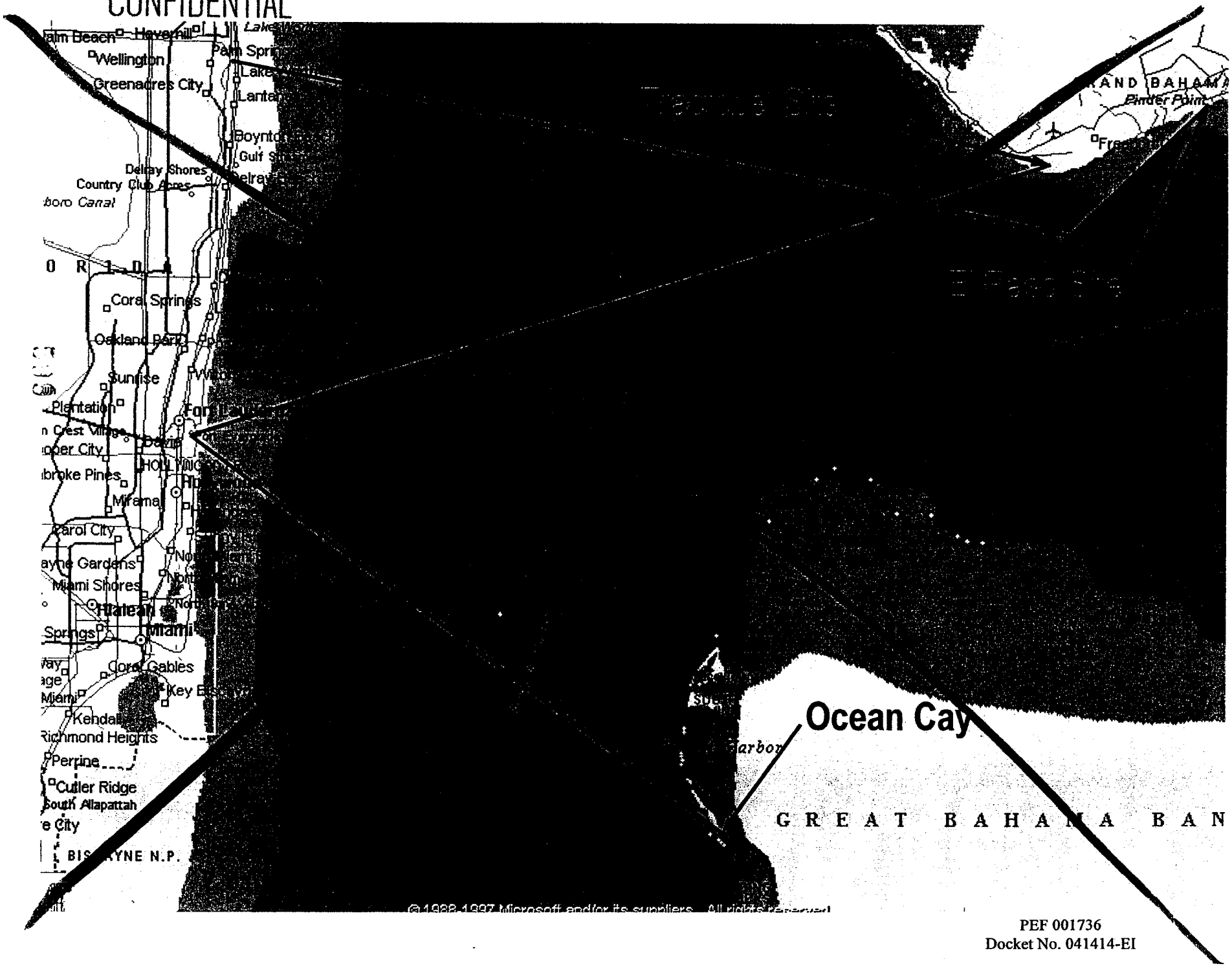

PEF 001736
Docket No. 041414-EI

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AES Ocean Cay Advantages

- Closest point to south Florida markets
- Isolated industrial island (8 miles to nearest island)
- Existing deep water private port
- Most advanced of the Bahamas LNG projects
  - FERC PD
  - No formal protests at FERC
  - ARC board approval for West Lake Park easement
  - Agreement with Broward County on route/technical issues
  - LNG Terminal EPC term sheet with CB&I
  - Only Project being reviewed by the Bahamas
  - Only project with Agreement with US Navy
- Minimum of 50% LNG Supply committed from existing LNG export capacity
- AES is not in competition with the LNG suppliers

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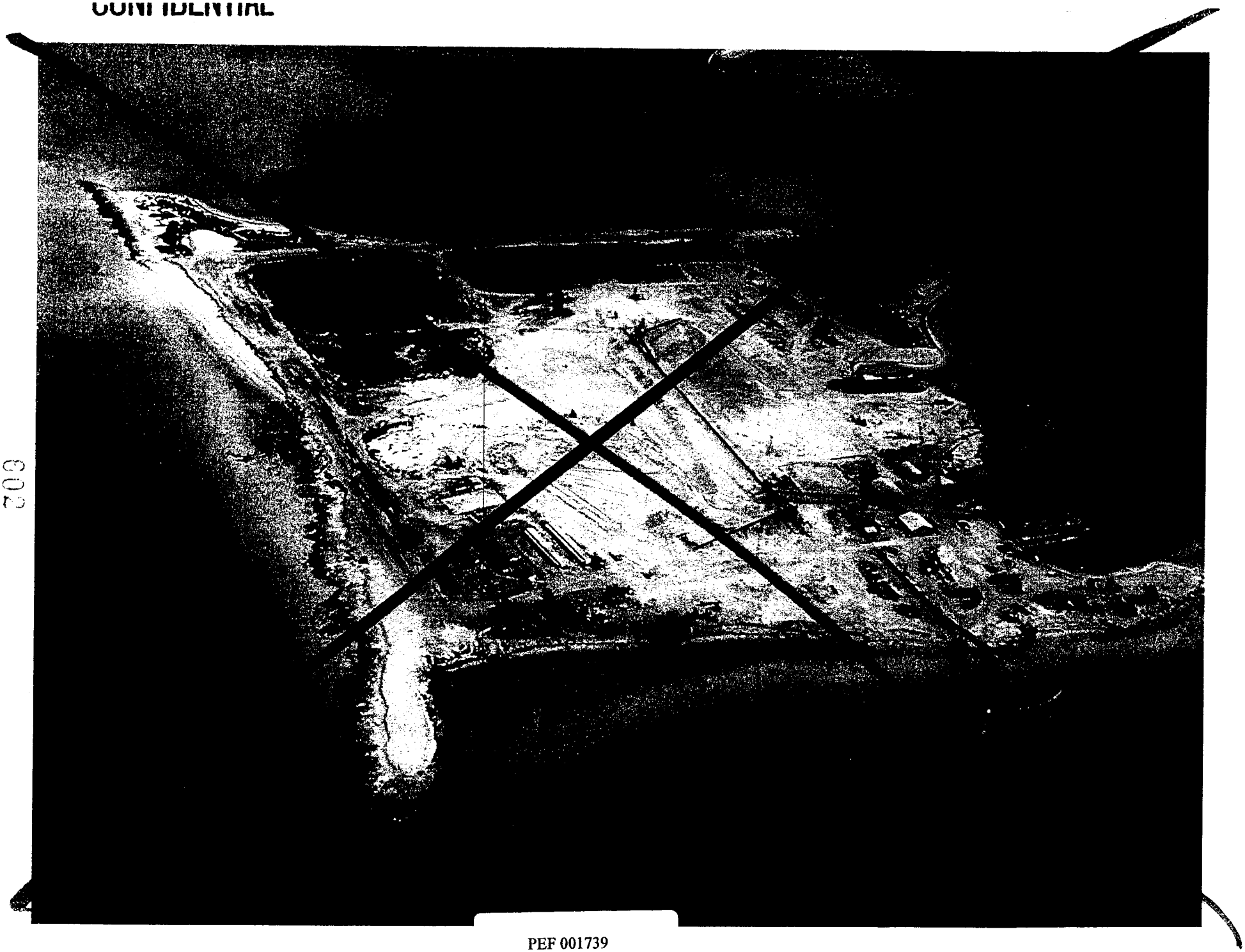
Ocean Cay Design Basis

- Two 1 million barrel LNG tanks (7 BCF of gas)
- Send out capacity of 1 million MMBtu per day
- Propane plus liquids separation/storage/loading system
- LNG and LPG/LNG Berths
- FERC certificated pipeline capacity of 842,000 MMBtu per day
- 1,000,000 MMBtu/day maximum pipeline capacity with FGT at Max Pressure
- Compression and second pipeline expansions contemplated



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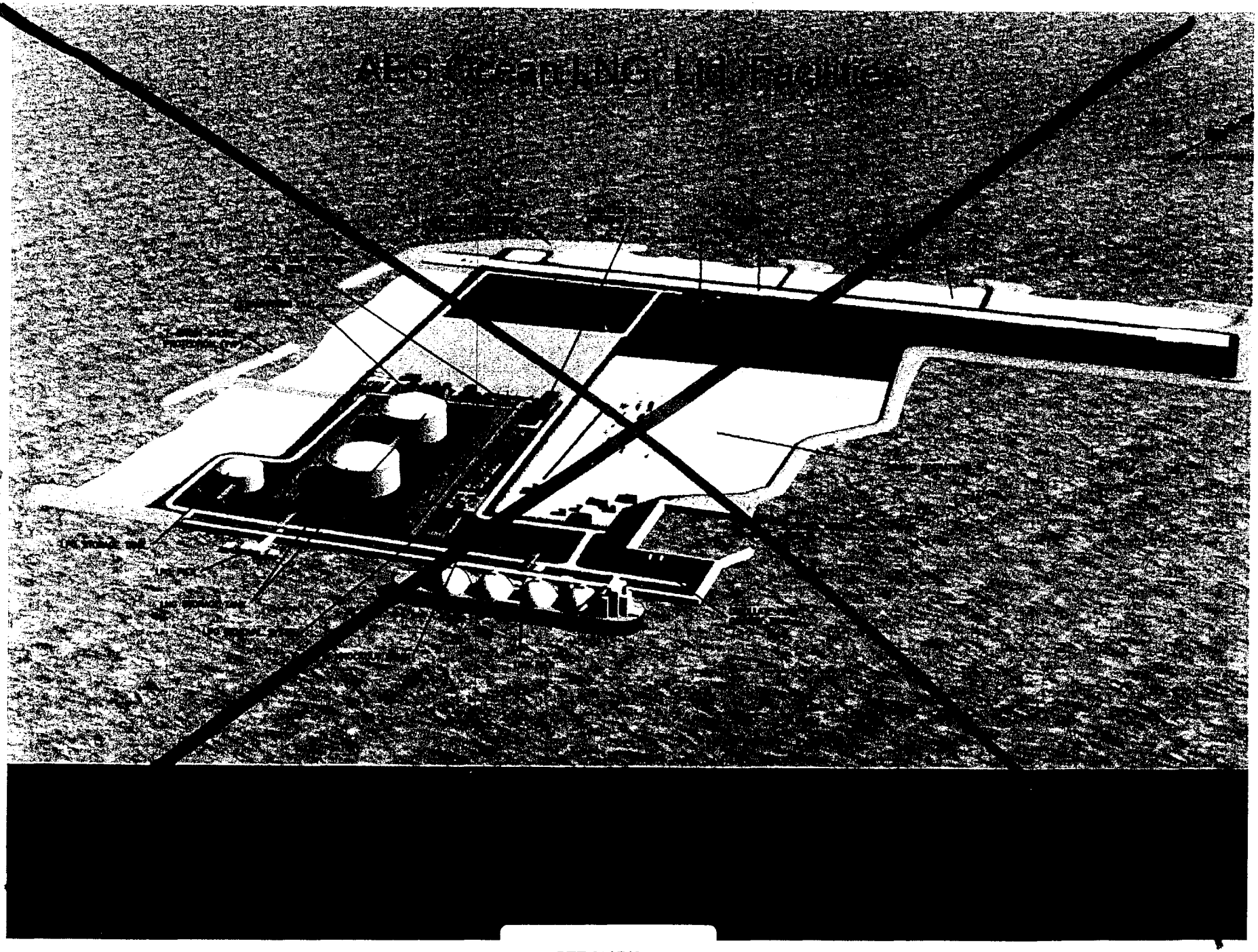

PEF 001740
Docket No. 041414-EI

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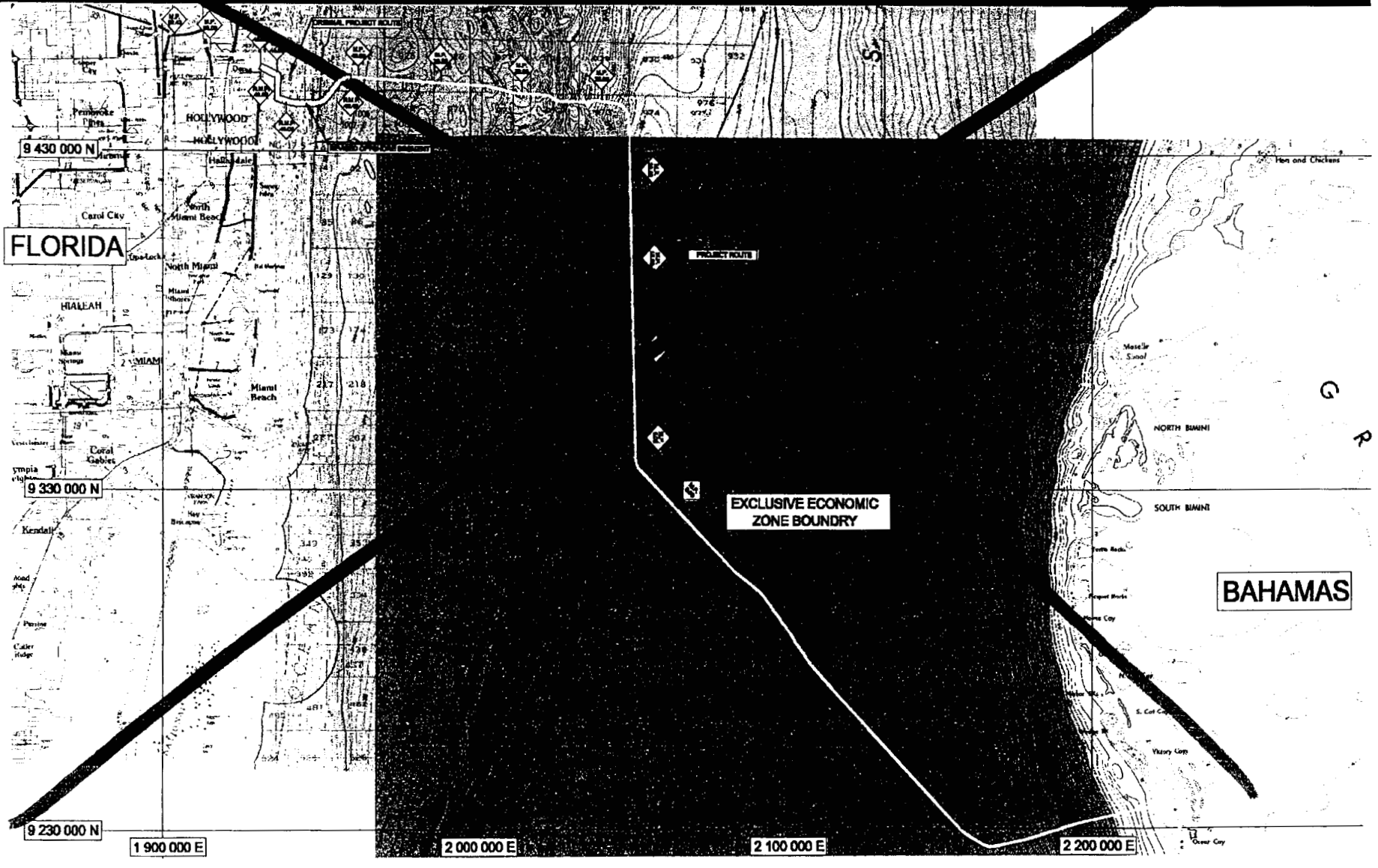
Offshore Route



PEF 001741
Docket No. 041414-EI

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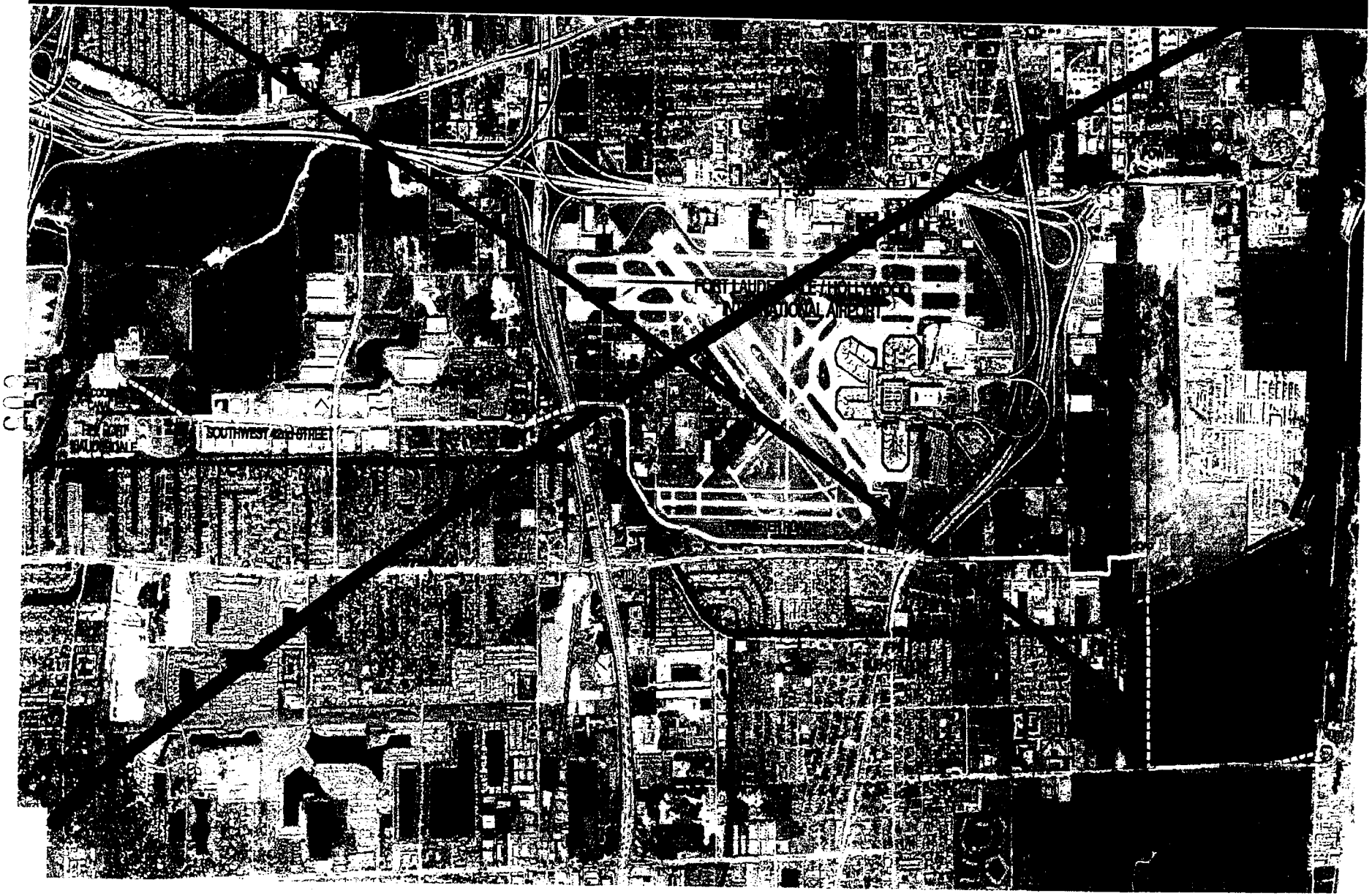
Onshore Route



PEF 001742
Docket No 041414-EI

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Development Status

- Mining company acquired on July 18th 2001
- Bahamas Agreement in Principal issued Sept, 2001
- Open Season for US pipeline completed in Oct, 2001 – awarded to AES LNG Marketing
- FERC/MMS applications filed Feb, 2002
- Bahamas EIS filed in September, 2002
- LNG supply MOU signed with ENI Nov, 2002
- Florida state and county applications filed Dec, 2002
- Navy agreement filed at FERC March, 2003
- FERC issued Preliminary Determination on April 9, 2003
- ARC approved West Lake Park easement April 17, 2003
- Draft EIS noticed on June 26, 2003
- Draft EIS comment period ends August 12, 2003

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Financing Status

- PACE engaged as lender's gas market/LNG consultant
- Stone & Webster engaged as lender's independent engineer
- Fitch engaged and has issued a credit assessment of BBB based on LNG supply MOU and PACE report
- Lender book/solicitation process underway

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Development Schedule

- Sign Bahamas Heads of Agreement in September/03
- Bahamas EIS approved in August/03
- FERC Final EIS should be issued in Sept/03
- FERC Certificate expected in Oct/03
- Complete Financing 1st Qtr/04
- Commercial Ops 2nd Qtr/06

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Next Steps

- Waited to introduce the project to the FL customers until it as sufficiently developed to be considered "real"
- We are eager to meet with Florida's natural gas customers to explore their future needs

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Florida Gas Utility Conference

Seafarer Pipeline System Presentation

El Paso Major Projects

Seafarer Pipeline System

July 23, 2003

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Grand Bahama Terminal

- Initial storage and regasification design for 500 MDth/d sustainable operation
- Remaining 250 MDth/d of capacity may require an additional storage tank
- Potential to expand plant with only addition of vaporizers and pumps at minimal cost through adjustment of shipping schedule

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Grand Bahama Project Area

PEF 001749
Docket No. 041414-EI

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Grand Bahama Terminal Phase 1

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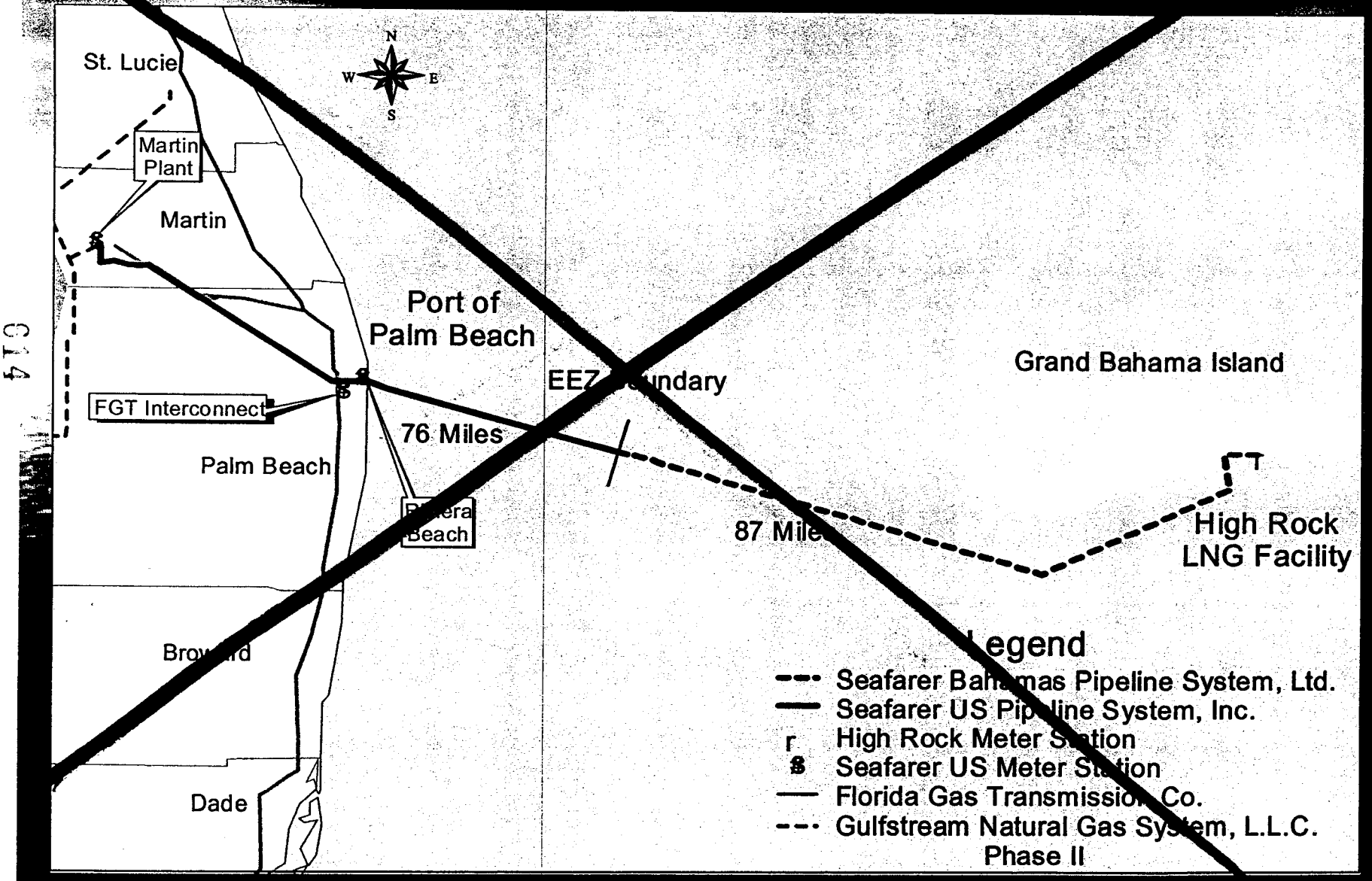
Seafarer Facility Overview



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Seafarer Project Scope

- Seafarer Bahamas Pipeline System, Ltd.
  - 87 miles, 26-inch Pipeline (2,220 psig MAOP)
    - 3 miles on Grand Bahama Island
    - 84 miles offshore GBI to EEZ Boundary
  - Not FERC jurisdictional
- Seafarer US Pipeline System, Inc.
  - 76 miles, 26-inch Pipeline (2,220 off / 1,480 on)
    - 35 miles EEZ to Riviera Beach Landfall
    - 6 miles Landfall to FGT
    - 35 miles FGT to Martin
  - FERC Jurisdictional
- Capacity 750,000 Dth/d / 16 hour delivery
- Expected In Service April, 2007

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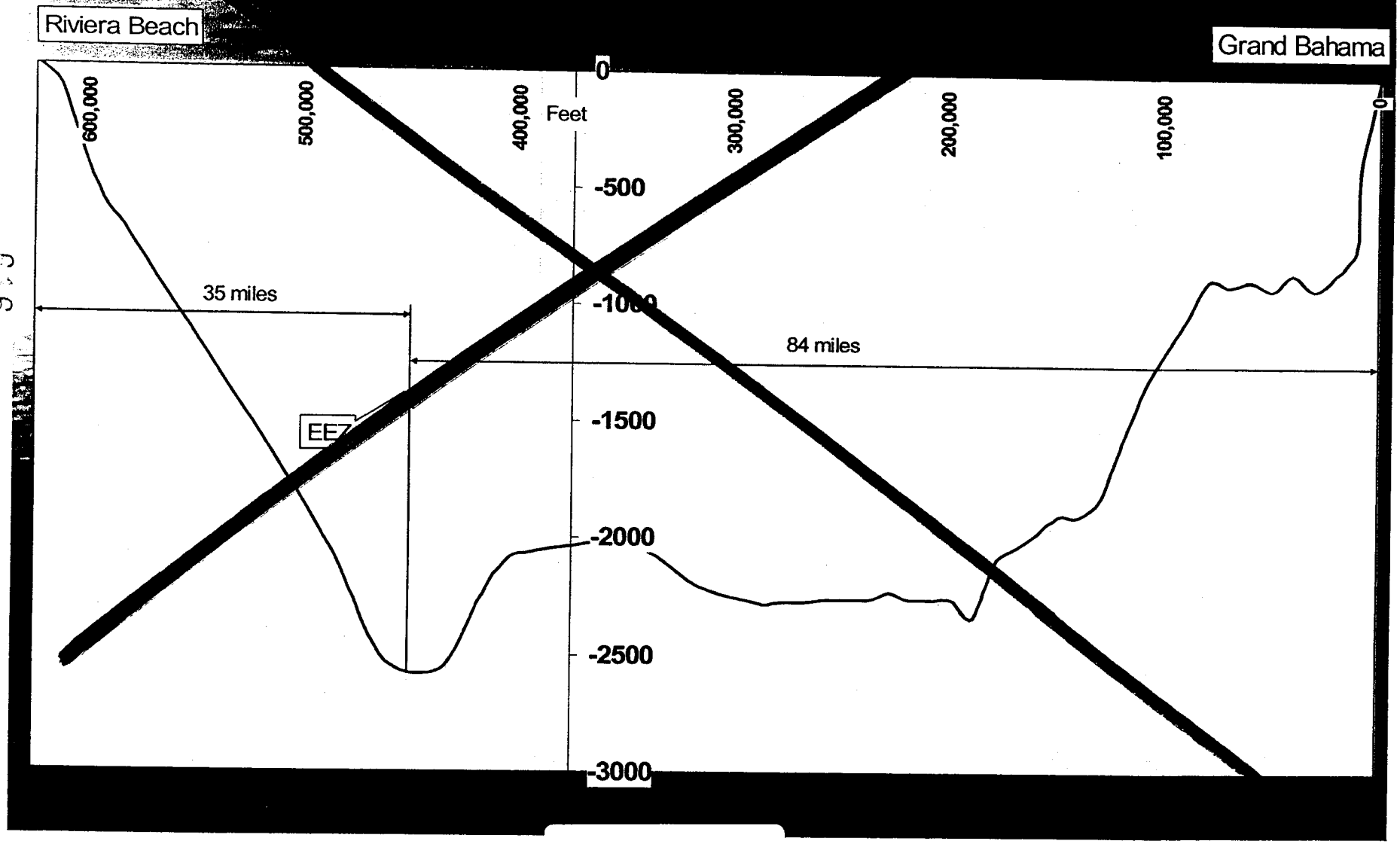
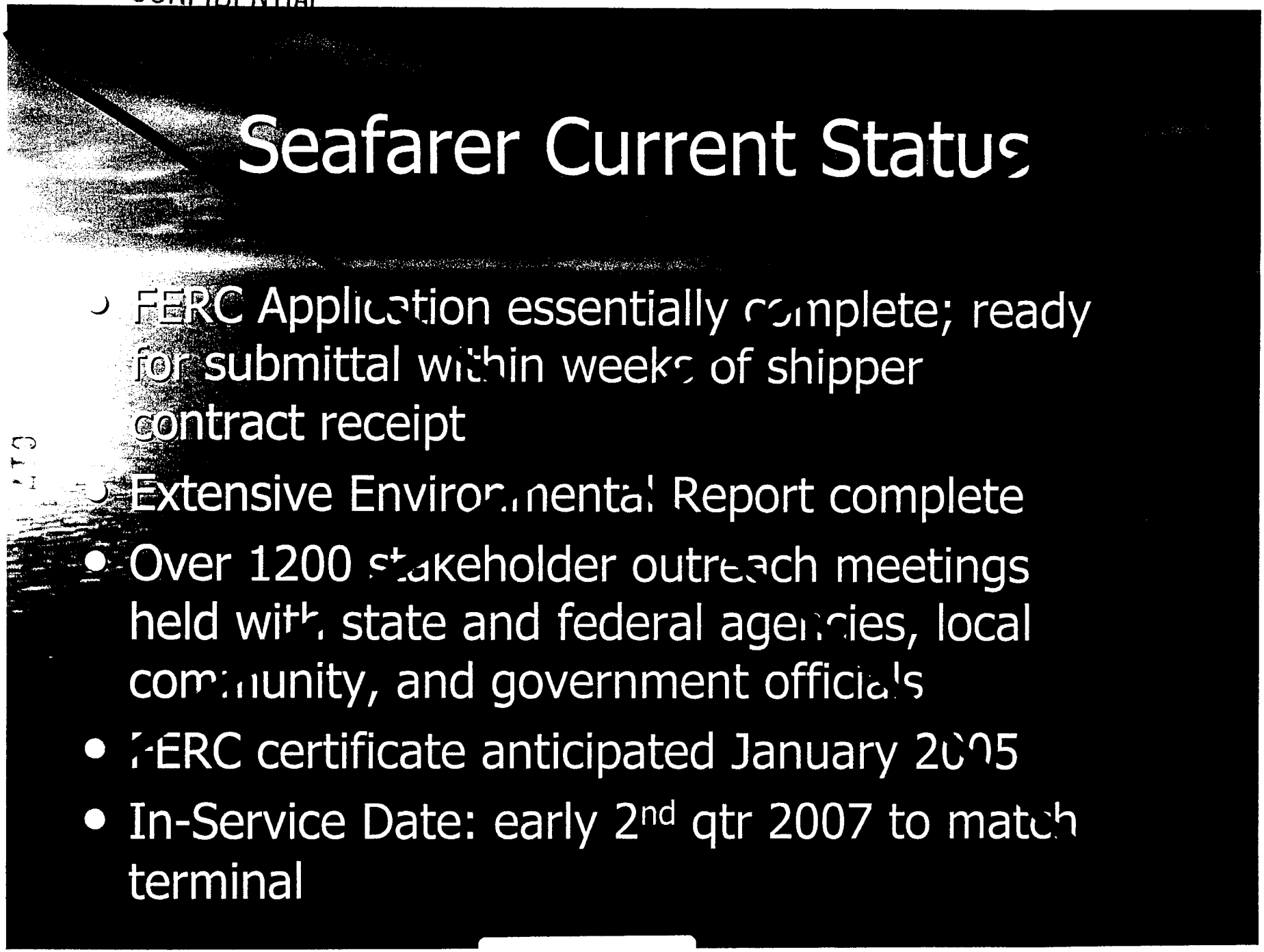
Seafarer Seabed Profile





Seafarer Current Status

- FERC Application essentially complete; ready for submittal within weeks of shipper contract receipt
- Extensive Environmental Report complete
- Over 1200 stakeholder outreach meetings held with state and federal agencies, local community, and government officials
- FERC certificate anticipated January 2005
- In-Service Date: early 2nd qtr 2007 to match terminal

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Seafarer Projected Schedule

• FERC Application(s)	3rd/4th Q 2003
• Third Party EIS Complete	3rd/4th Q 2004
• FERC Certificate	January 2005
• Manufacture Pipe	March 2006
• Begin Construction	August 2006
• Seafarer In-Service	April 2007

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Seafarer Project Benefits

- Reliable new natural gas supply at competitive pricing
- Additional flexibility to oil and gas fired generation plants
- Supply source for new gas-fired plants in Florida
- New supply source for existing FGT / Gulfstream shippers via segmentation
- Efficient entry location for Florida markets
- Diversifies Florida's Energy Supply Sources

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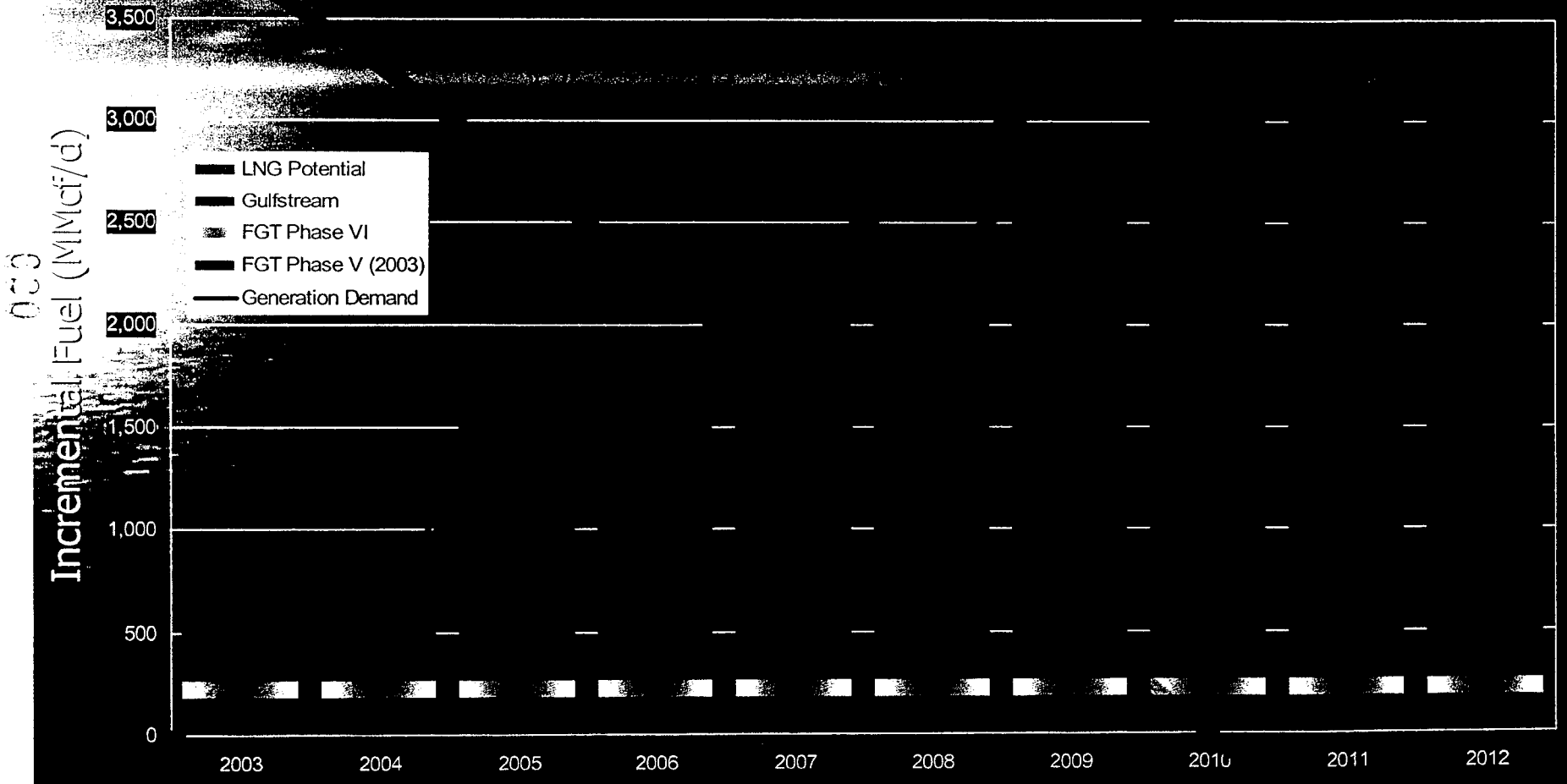
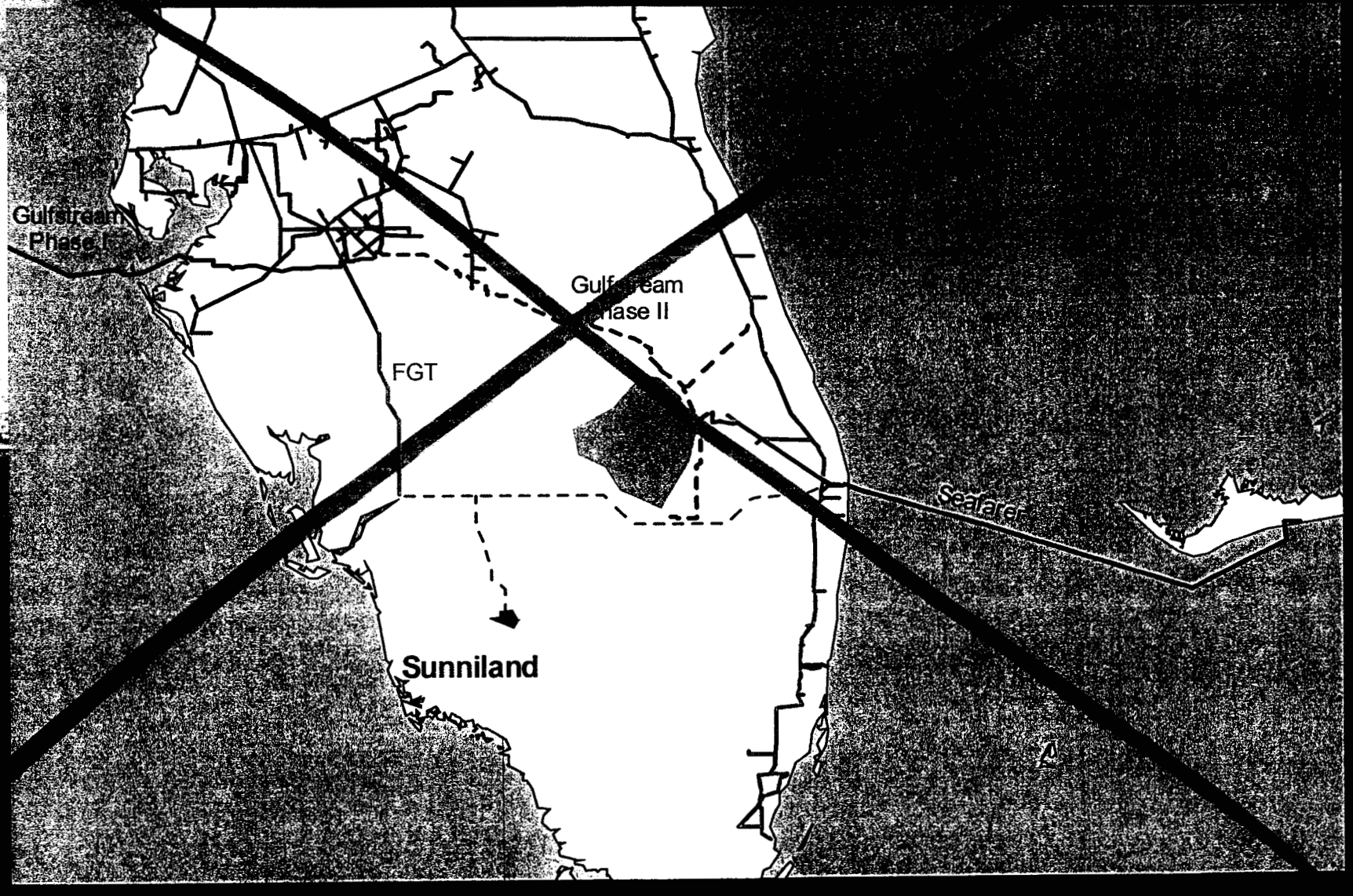
Planned Florida Electric Gas-Fired Generation Growth



Note: Load growth based on summary of Florida utility 2003 Ten Year Site Plan future natural gas-fired unit additions as filed with the FPSC. Incremental fuel load is based on 7,500 Btu/kwh heat rate and 24 hour operation. Does not account for Gulfstream capacity taken in 2002.

Future Potential Extensions



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CALYPSO BAHAMAS LNG PROJECT UPDATE

FGU Annual Meeting

July 23, 2003

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PEF 001759
Docket No. 041414-EI

Suez Facts

Active in Energy and Environmental sectors

2002 Financial Results*

Revenues	$42 B
EBITDA	$8 B
Cash Flow	$5 B
Market Capitalization	$16 B (on 5/20/03)
S&P Rating	A-
Employees	185,000+ employees
Geographic Presence	120+ countries
Tractebel (Energy)	65% of Suez Revenues

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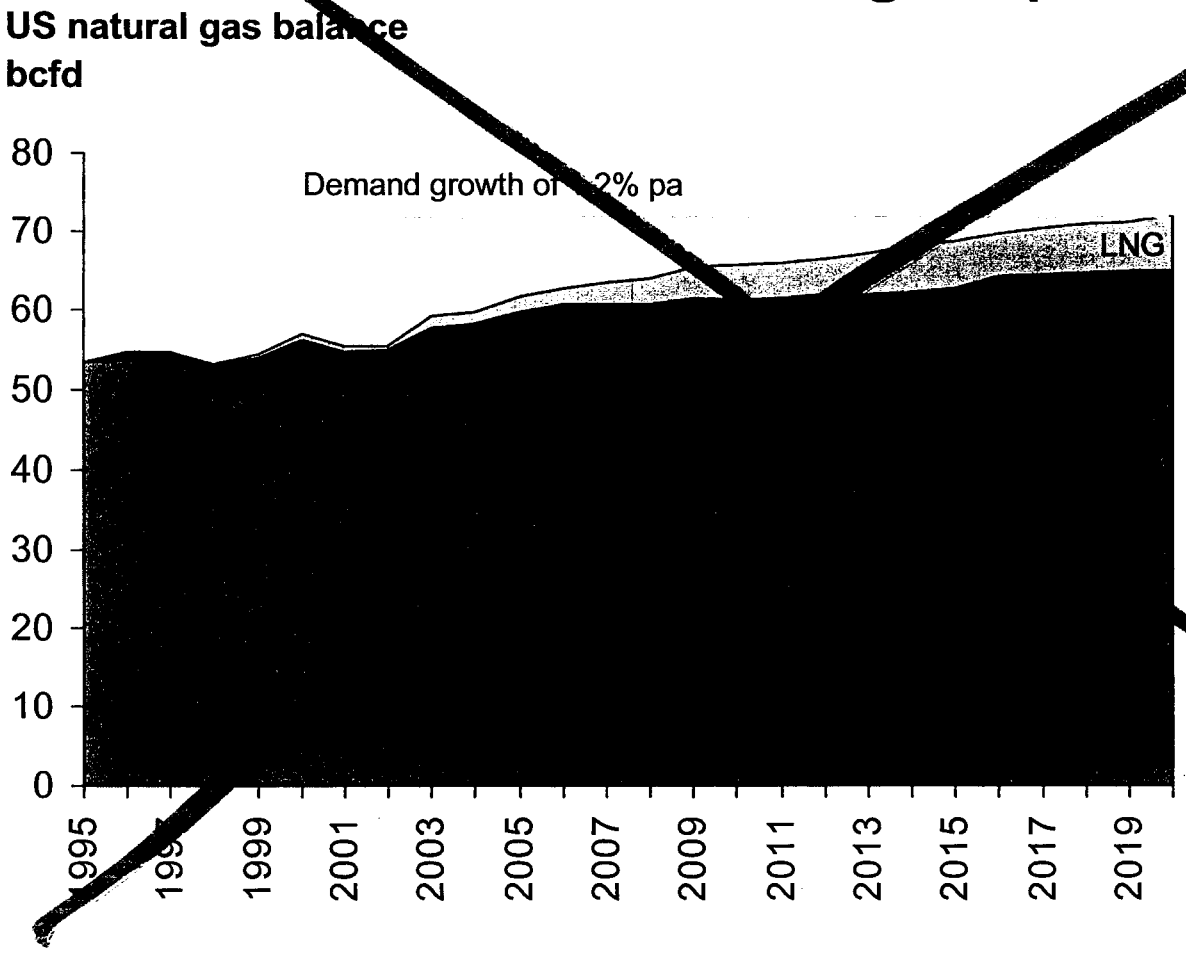
In The U.S. A Widening Gap Between Natural Gas Supply And Demand Will See Rising Imports



- Growth in U.S. demand is not being matched by supply response
- Supplies from Canada will provide an increasing fill
- LNG will become an increasingly significant component as North American supply continues falling short of growing demand

Source: CERA, Tractebel

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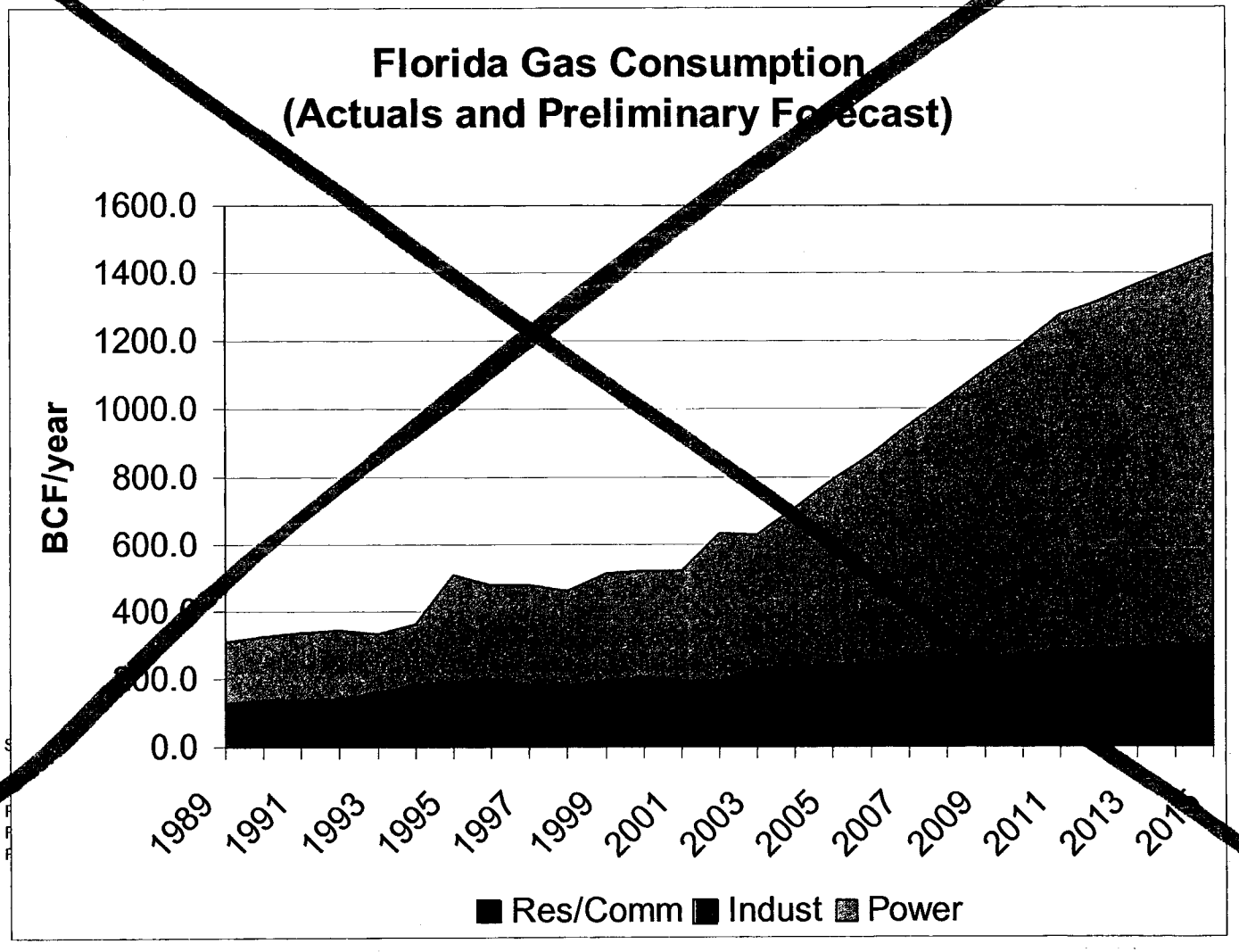
PEF 001761
Docket No. 041414-EI

Florida Gas Consumption
Actual and Preliminary Forecast for 1989-2015



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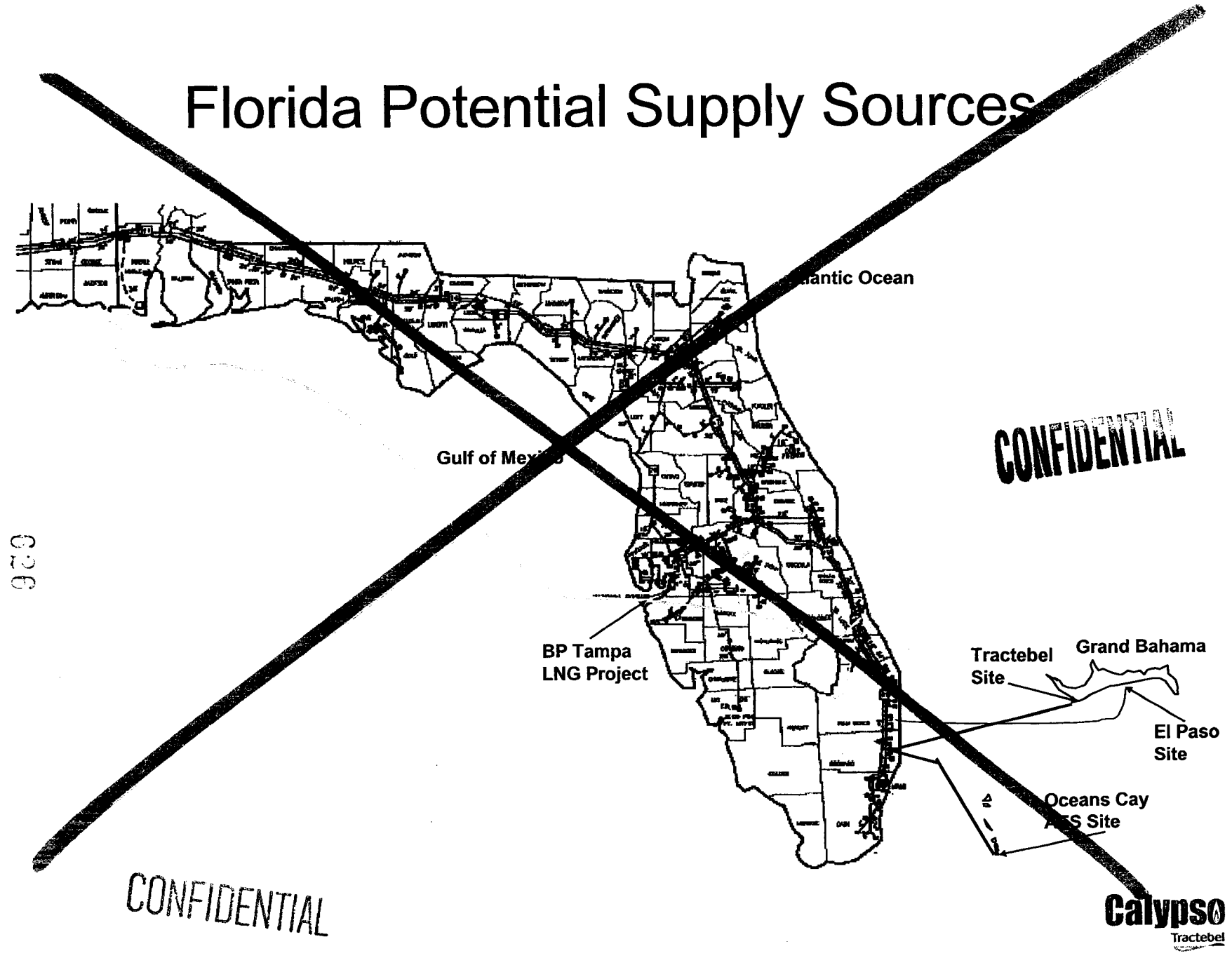
Florida Potential Supply Sources



LNG Is Moving from Novelty to Necessity

- Former Gas "Novelties:" transporting gas, Order 436, Order 636, capacity release, segmentation, Canadian gas, deep water gas
- LNG/natural gas is the cleanest burning, most efficient fossil fuel.
- Ample gas supply - much is stranded (ex. Trinidad 120+ Tcf reserves, Algeria 130 Tcf reserves, Qatar 900 Tcf reserves)
- Decreasing costs to produce and transport LNG (decline of about 30% since 1970s)
- Facilities can be upgraded quickly and substantially to meet increases in demand
- Marketing flexibility:
  - Sales not constrained by geography
  - Can sell into large or small, developing markets
  - Can divert from full markets to growth markets
  - Can optimize supply chain on a shipload-by-shipload basis
- Transport cost-competitive with pipelines over long distance

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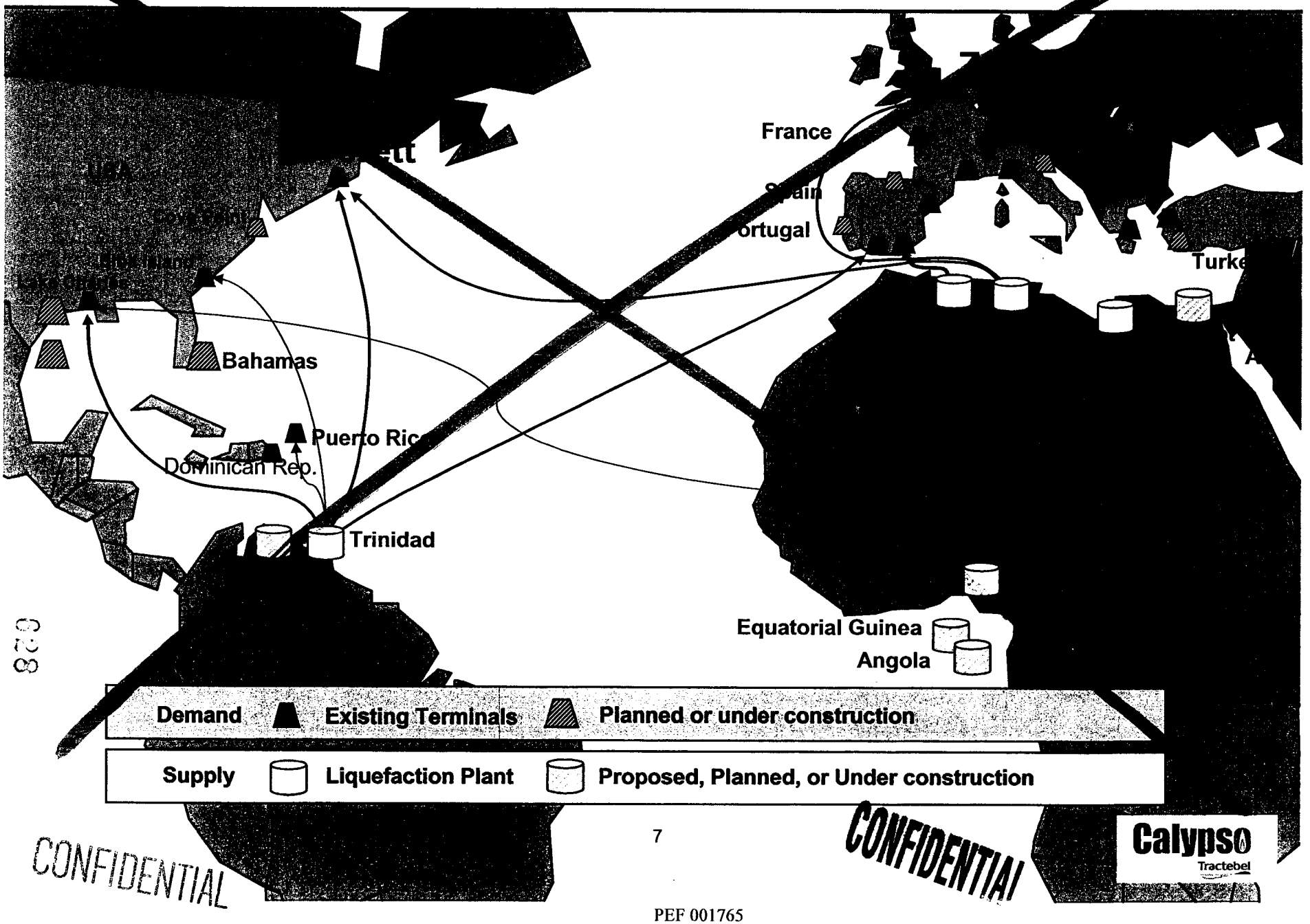
Atlantic Basin LNG Market with Tractebel Activity



Tractebel Bahamas LNG Facility

- Inside Grand Bahama Port Authority Freeport Harbor
  - Existing deep water port
  - Bahamian industrial complex (infrastructure, workforce, shipyard operation, tugs, power, water)
- 200 acre site on rock
- Two 3.7 Bcf LNG storage tanks, space planned for two additional tanks
- Vaporization Facilities 1+ Bcf/d; spare send out capacity
- Protected LNG Receiving Berth for 2 ships ~ 3.5 Bcf
- Initial Operation 90 ships per year (165 Bcf; 450,000 MMBtu/day; 7 BCM; 5.25 MMTA)

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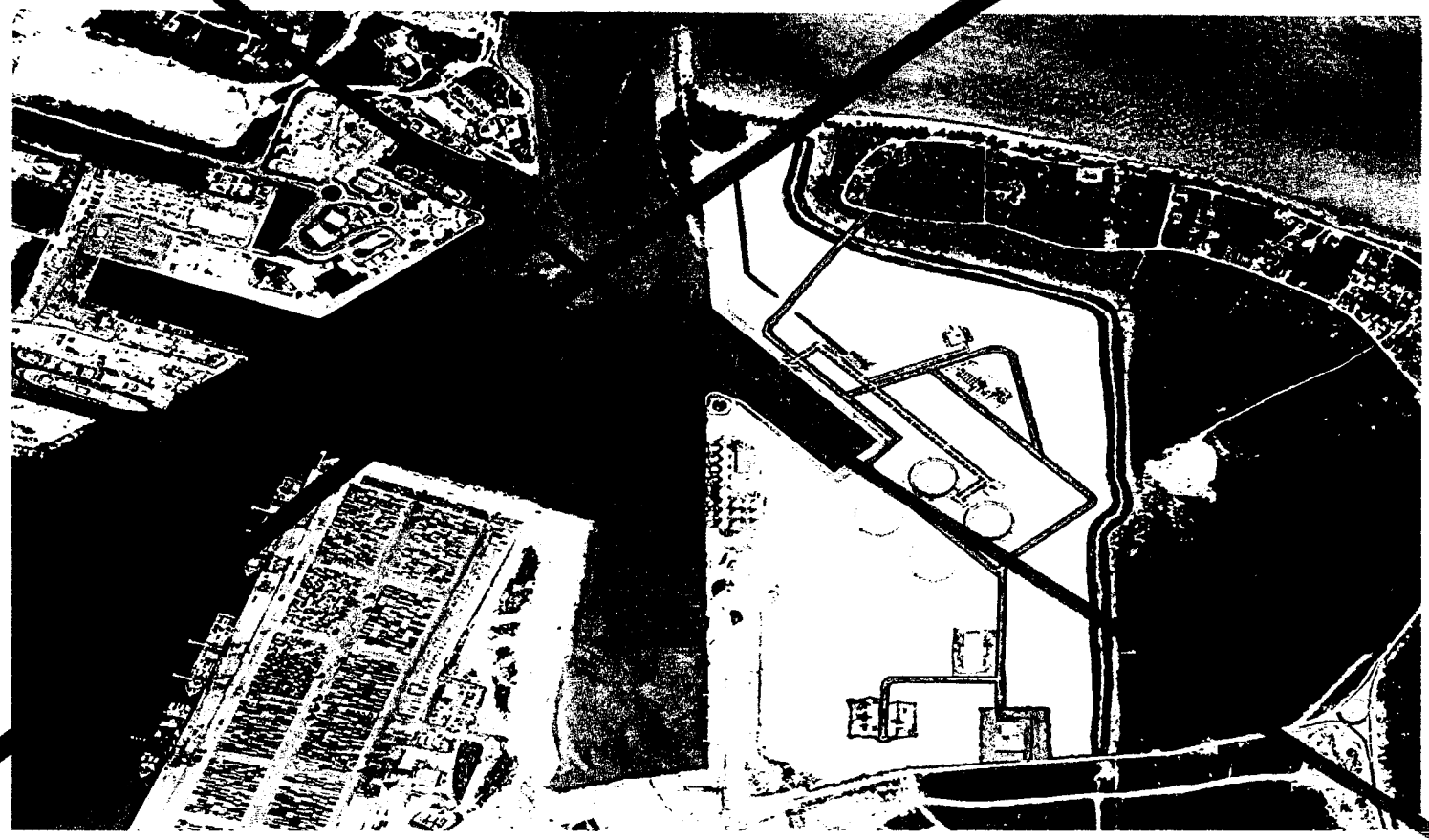
Tractebel Bahamas LNG
Freeport Terminal Site



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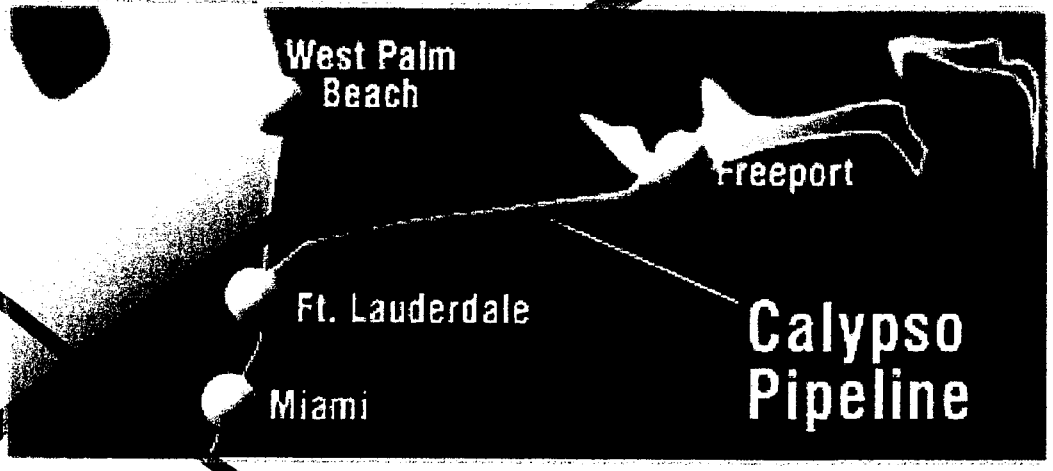
PEF 001767
Docket No. 041414-EI

Tractebel Calypso & Blue Marlin Pipelines

- Length: 96 miles
  - 54 miles in international waters
  - 42 miles in U.S. jurisdiction
    - 36 miles in federal waters
    - 6 miles onshore
- Size: 24" diameter
- Firm Capacity: 832 MMcfd, Interruptible: 150 ±
- Material: high pressure coated steel pipe
- Landfall: near Port Everglades
- Interconnection: FGT system in Broward County



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Near Shore Florida

- Avoidance and minimization of impacts achieved through careful route selection and construction methods
  - Hardbottom Impacts:
    - 0.3 acres of natural hardbottom
    - 5.6 acres in the Submerged Breakwater Spoil area
    - No impacts to reef crest
  - Seagrass impacts < 0.01 acres
  - No threatened or endangered species adversely affected
  - No impact to coastal shoreline

2 of 3

Onshore

- 6 miles onshore
- Over 90% of the route is located through industrial areas
- Construction techniques will minimize impacts further: 35% of the route will be directionally drilled
- 99% of the route not directionally drilled will be located within existing pipeline rights of way
- No residential areas affected

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Project Timeline

- FERC Certificate by end of 2003
- Project construction begins early 2004
- Pipeline construction begins in 2005
- Estimated in-service date: 1Q2007 ±

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Tractebel's Bahamas Calypso Team

- Tractebel North America (TNA)
- Tractebel Project Development Inc. (TPDI)
  - Tractebel Bahamas LNG Terminal & Blue Marlin Pipeline
  - Tractebel Calypso Pipeline
- Tractebel Energy Marketing Inc. (TEMI)
  - Tractebel Calypso LNG Marketing
- Tractebel LNG North America (TLNG NA) - Operates Everett Terminal

- Tractebel LNG (TLNG London) - LNG Supply

- Tractebel Gas Engineering (TGE) - Engineering and Construction; Onshore and Marine
  - Over 20 Major LNG Projects Completed

- Entreprenuership
  - Helped develop Trinidad's Atlantic LNG facility
  - Delivered the first LNG to Puerto Rico and Elba Island
  - Founding members of LNG business and shipping trade organizations
  - Bahamas Project represents growth opportunity for our LNG businesses

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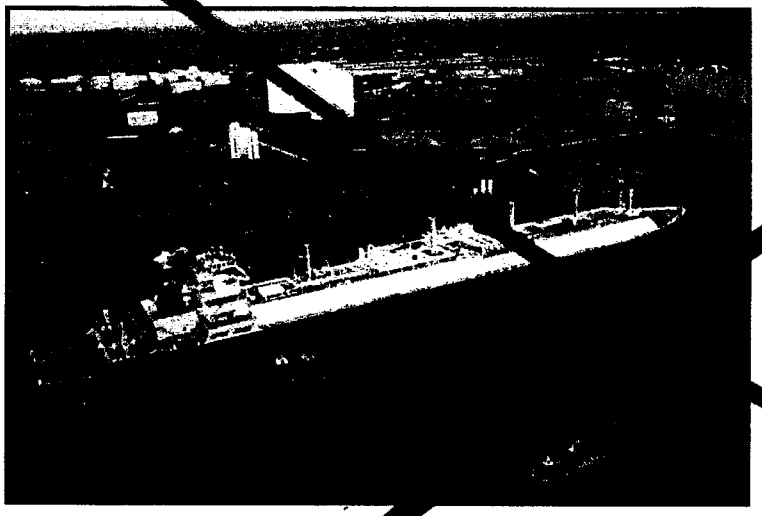
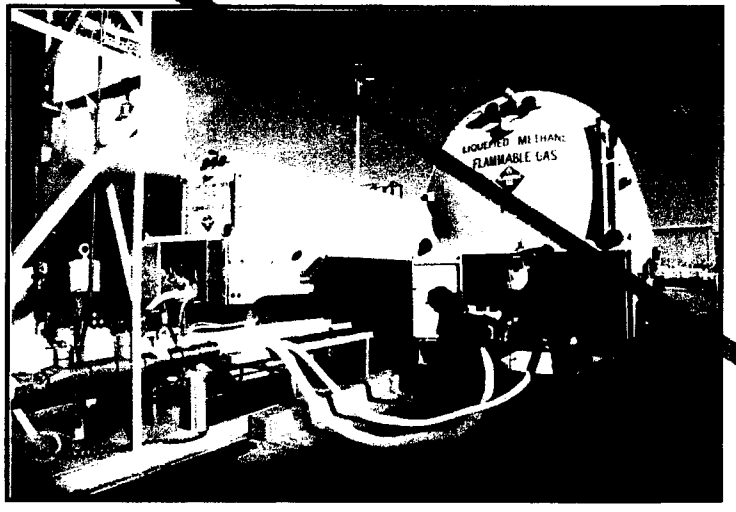
Tractebel In the U.S. LNG Market
Everett Terminal, Boston





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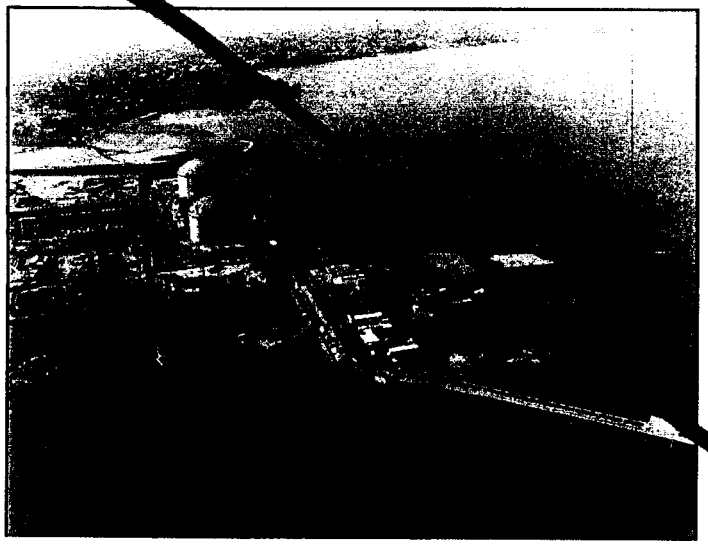
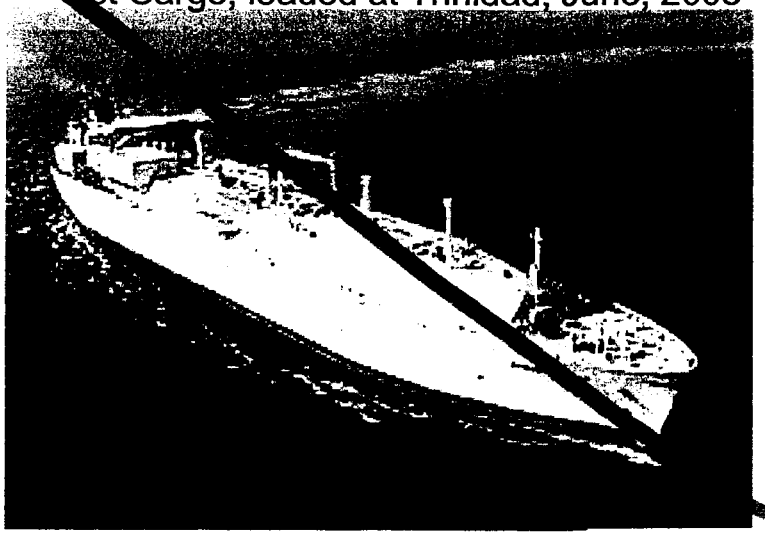
Other Tractebel LNG Involvement



Atlantic LNG - Trinidad
Train 1: 400,000 MMBtu/day
Trains 2 & 3: 430,000 MMBtu/day each
Train 4: 800,000 MMBtu/day (est. COD 2006)
Total Trains 1-4: 2 Bcf/day (15 MMTA)

Distrigas Zeebruge LNG Terminal - Belgium
Start-up 1987. Prime location-- Zeebruge Hub, at vital axis of Europe's pipeline system: east-west from Siberia to Scotland, north-south from Norway to southern Europe

Newest Ship, Berge Everett
1st Cargo, loaded at Trinidad, June, 2003



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Docket No. 041414-EI

Conclusion

- LNG addresses many of the energy issues Florida faces
- Overall, the outlook for LNG in the U.S. is brighter than it's been in a long time
  - Clean, energy efficient fuel
  - Ample supply
  - Decreasing costs across LNG supply chain
    - Transport cost competitive with pipelines over long distances
  - Facilities can be upgraded quickly and substantially to meet increases in demand
  - Marketing flexibility
  - New, vocal support from federal government and other key players

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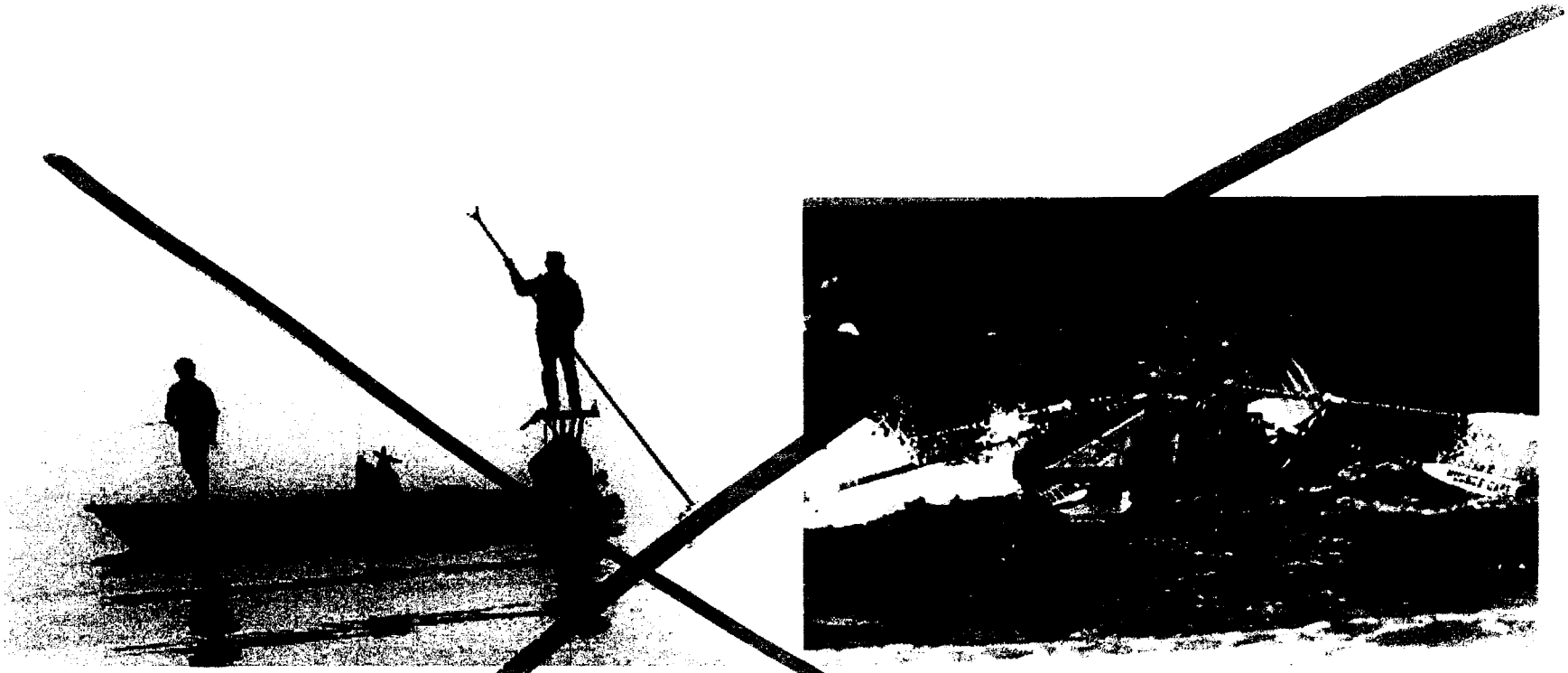

Greg and David's "fleet." We offered our fleet to Tractebel's fleet, but they said no. Trying the lay barge contractors next. Wish us luck.

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LNG in North America - Solving the supply gap

William P. Utt
CEO, Tractebel North America
April 7, 2003

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SUEZ

LNG AS A BUSINESS HAS PASSED AN INFLECTION POINT

Historical nature of the LNG business

- Gas has primarily been a regional/local industry with limited inter-region flows. Demand centres have been served by local supply
- Major isolated gas sources have been left largely unexploited in the absence if local demand
- High liquefaction and shipping costs and huge up front investments have made LNG unattractive at historical gas prices
- LNG investments were made only against long term supply and purchase agreements

Recent trends in LNG

- Gas demand is growing faster than energy demand and prices are reflecting the limitation of local supply
- Inter-regional flows have doubled in the past 4 years with local supply unable to meet local demand
- LNG costs have declined by about 30% driven by reduction in capital costs across the value chain
- Significant increase in interest in gas related infrastructure investments at today's high wholesale prices

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THE APPEAL OF LNG IS GROWING AS A SUPPLY OPTION AND AS AN INVESTMENT OPPORTUNITY

- Ample supply
- Decreasing capital investment costs
- Facilities can be upgraded quickly and substantially to meet increases in demand
- Marketing flexibility
  - Sales not constrained by geography
  - Can sell into small, developing markets
  - Can divert from full markets to thriving ones
  - Can make short-term, even single cargo contracts to maximize both export and import facilities
- Transport cost-competitive with pipelines over long distances

Many current and potential players are becoming interested in LNG

- Upstream gas producers looking to monetize stranded resources
- Midstream gas players looking to import and trade a commodity
- Governments looking to sell excess national resources

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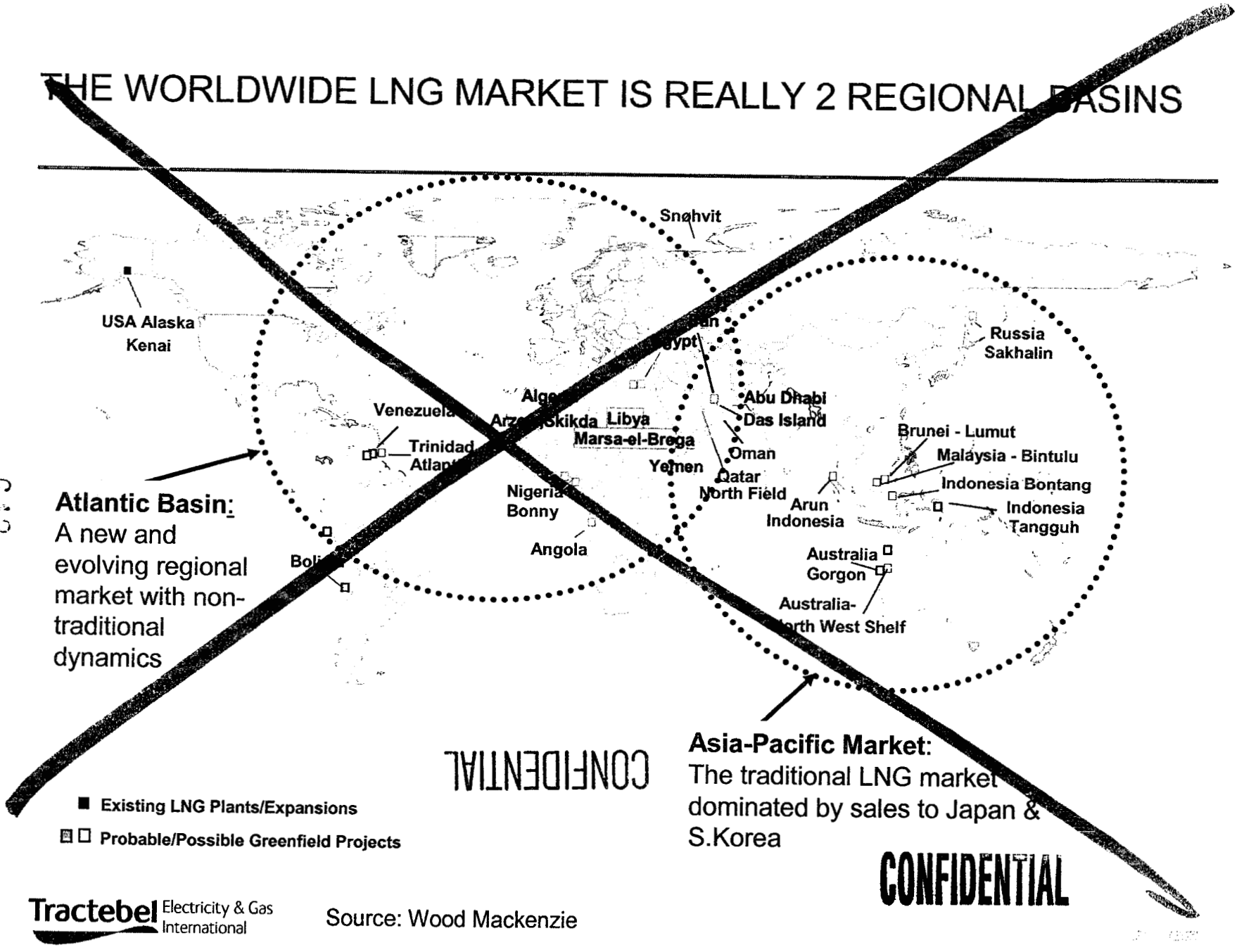
THE WORLDWIDE LNG MARKET IS REALLY 2 REGIONAL BASINS



Source: Wood Mackenzie

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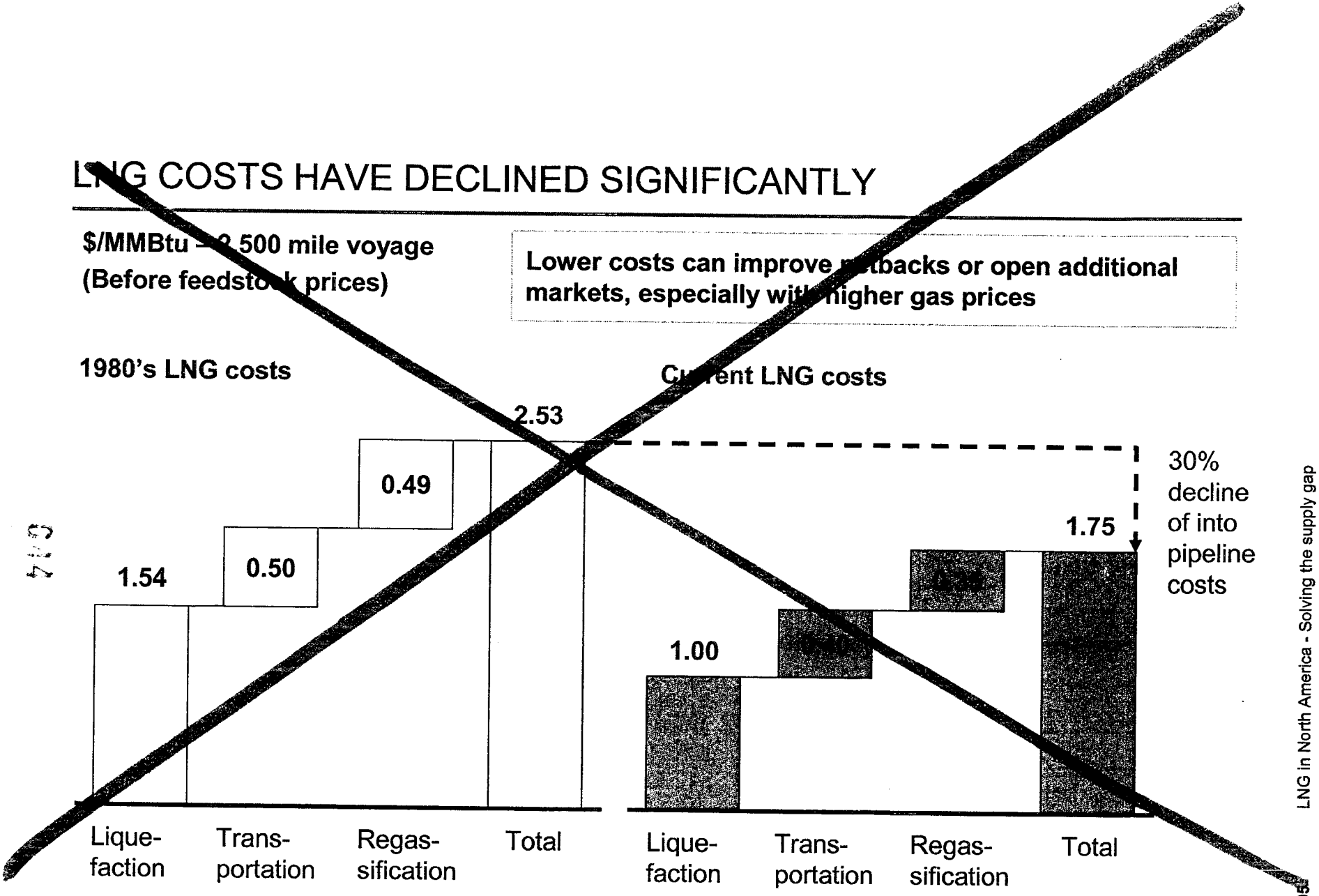
Docket No. 041414-EI

LNG COSTS HAVE DECLINED SIGNIFICANTLY

$/MMBtu – 2,500 mile voyage
(Before feedstock prices)

Lower costs can improve netbacks or open additional markets, especially with higher gas prices



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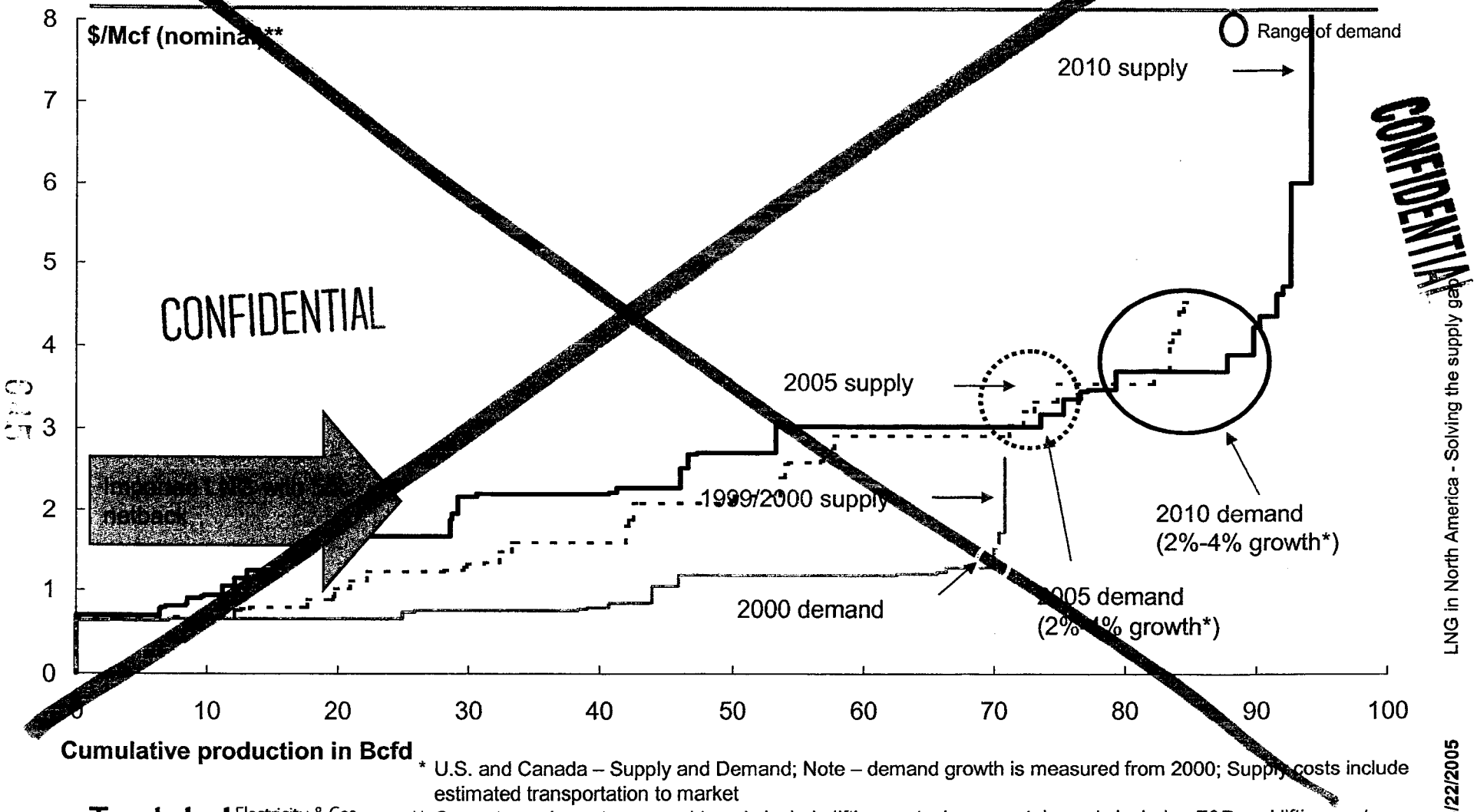
LNG In North America - Solving the supply gap

3/22/2005

NORTH AMERICAN SUPPLY CURVES THROUGH 2010 SUGGEST THAT LNG FROM REGIONAL SOURCES WILL BE ECONOMIC



* U.S. and Canada – Supply and Demand; Note – demand growth is measured from 2000; Supply costs include estimated transportation to market

** Current supply cost assumed to only include lifting costs; incremental supply includes F&D and lifting costs

Source:McKinsey Supply model, CERA, Altos

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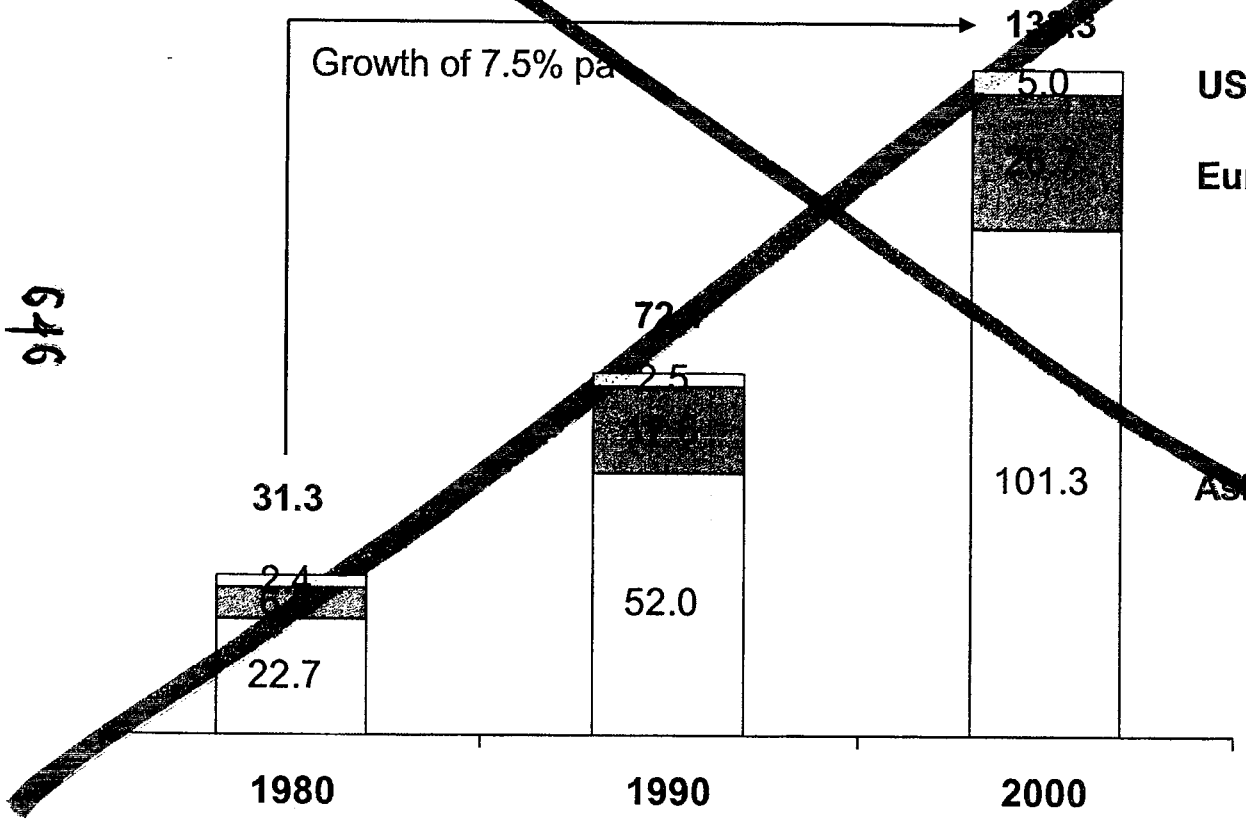
LNG SUPPLY HAS GROWN AT A FAST RATE
Historically the US has been a small importer of LNG

World LNG imports by region, 1980-2000
BCM



	CAGR (%) 1980-1990	CAGR (%) 1990-2000
USA	0.4	7.3
Europe	11.0	4.3
Asia	8.6	6.9

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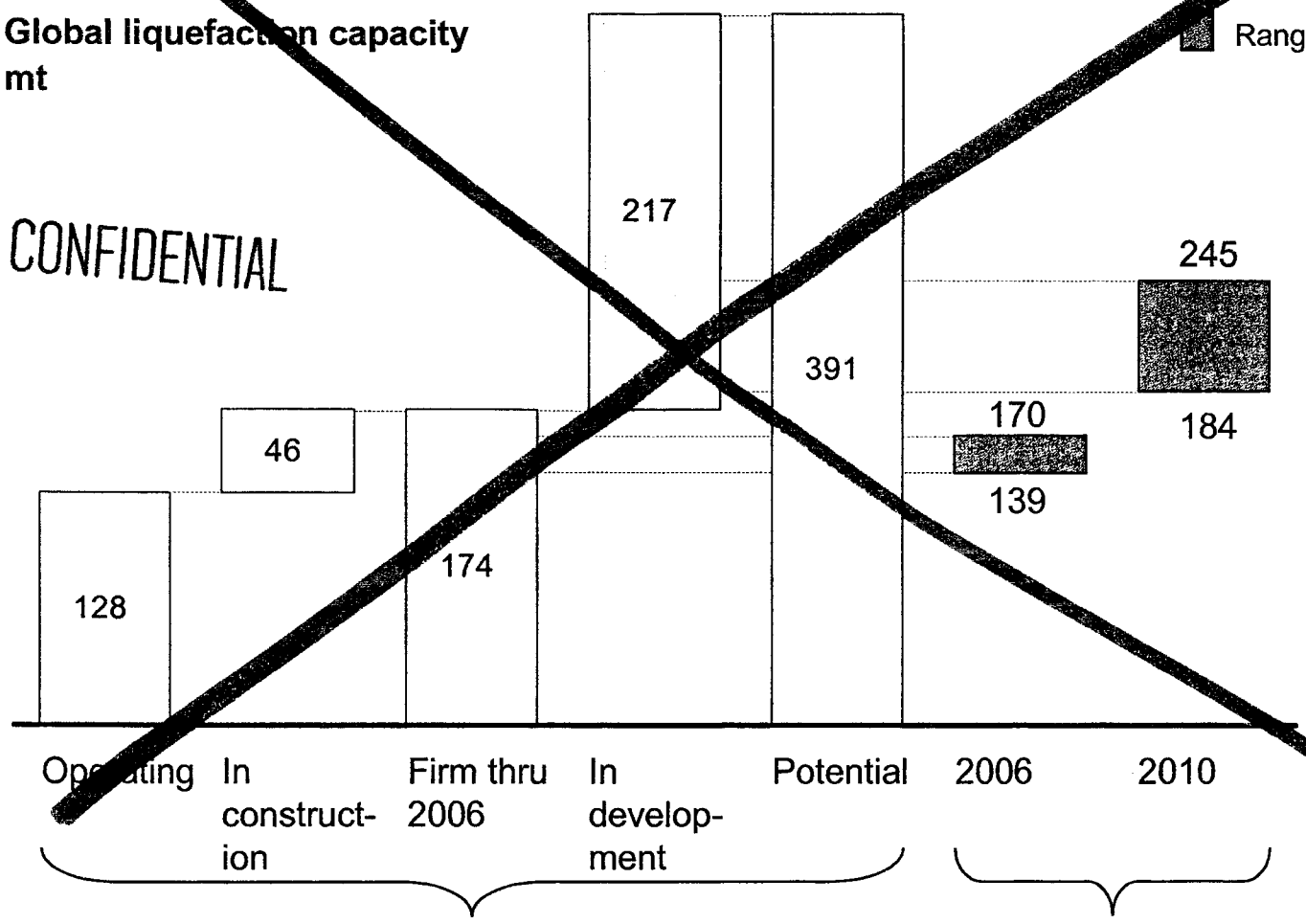
Source: Cedigaz, World LNG Outlook

PEF 001783
Docket No. 041414-EI

LIQUEFACTION CAPACITY IS GROWING AND WILL NEED TO GROW TO MEET GLOBAL DEMAND



- Liquefaction capacity is projected to be adequate through 2006 with new capacity in construction
- With demand expected to continue to grow additional facilities will be required – many are currently under development

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Source: CERA

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POWER DEMAND, SPECIFICALLY GAS-FIRED POWER IS DRIVING US GAS DEMAND GROWTH

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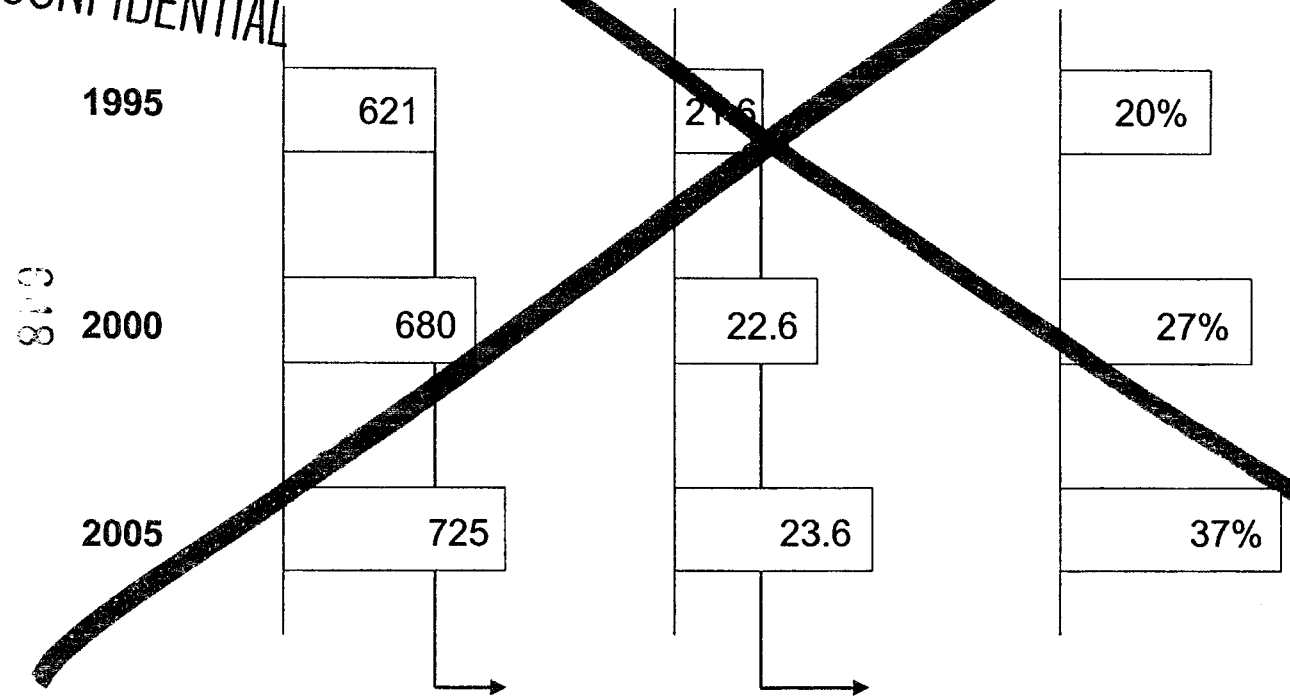

- Natural gas new builds in the US has been increasing since the 1990s
- Convergence of natural gas and power is a reality as gas fired generation assumes a greater share of the total generating capacity

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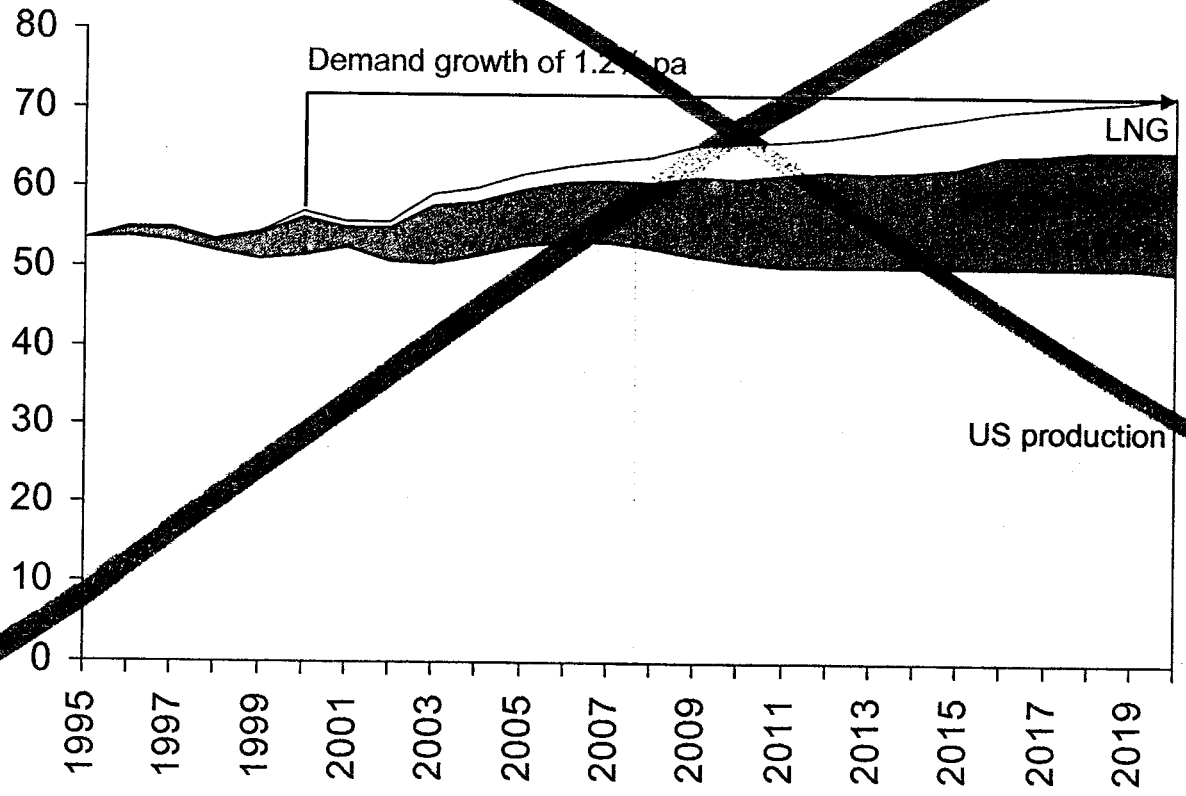
Source: CERA, RDI

IN THE US A WIDENING GAP BETWEEN NATURAL GAS SUPPLY AND DEMAND WILL SEE RISING IMPORTS

US natural gas balance
bcfd



CAGR 2000-20

- LNG: 12.9%
- Demand growth of 1.2% pa: 5.9%
- US production: -0.2%

- Growth in demand is not being matched by supply response
- Supplies from north of the Lower 48 (Canada and the Arctic) will provide an increasing fillip
- However LNG will become a significant component as North American supply falls short of ever growing demand

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Source: CERA, Tractebel

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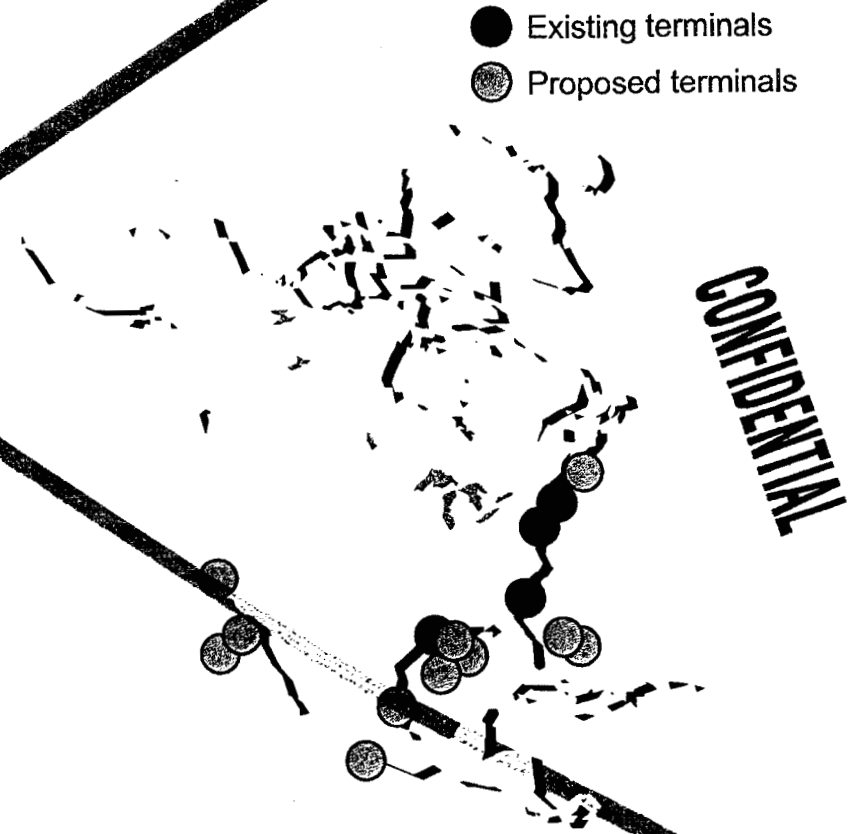
Docket No. 041414-EI

GROWTH IN DEMAND WILL REQUIRE NEW IMPORT FACILITIES

Natural gas

- LNG imports in 2000 — 0.2 bcfd
- Projected LNG imports in 2020 — 7-13 bcfd
- TNA's Everett facility* — 0.5 bcfd

LNG growth potential through 2020 is the equivalent of **14-26** new import facilities



Many facilities have been proposed

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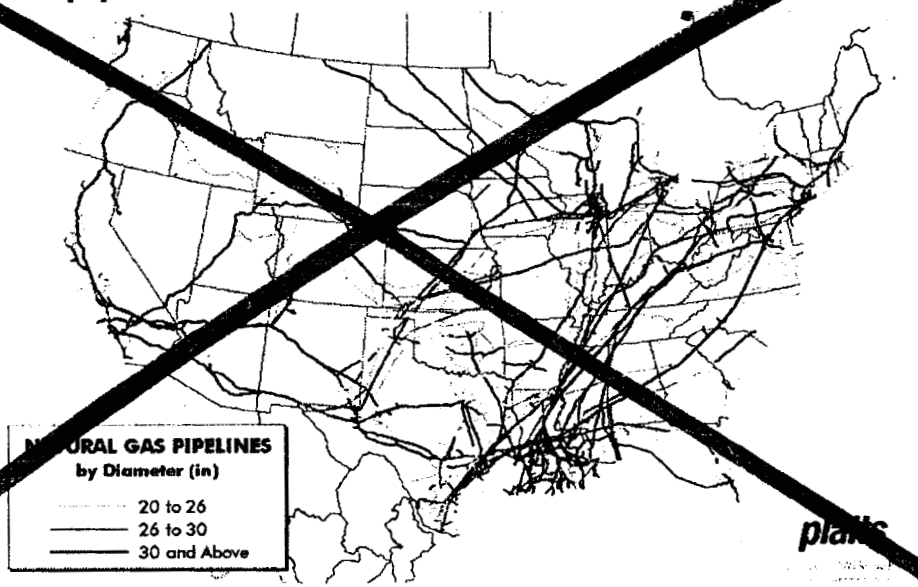
* Actual send-out capacity
Source: CERA, EIA

PERSPECTIVES ON PROPOSED REGIONAL OPTIONS

US pipeline infrastructure



West coast

- NIMBY
- Difficult climate in which to develop energy projects
- Baja projects are feasible, but gas must come a long way (Asia, South America)

Atlantic

- Location of 3 existing terminals
- Positive basis supports longer distance deliveries
- Lack of major infrastructure, pipes and ports will be a limitation
- Bahamas is a key alternative to a US port

Mexico

- Hydrocarbons are considered a state asset
- Market pricing is an uncertainty
- As with the US there is a supply issue with many new CCGTs and limited new gas production

Gulf coast

- Location of 1 existing terminal
- Pricing will be challenged as there is no basis advantage
- Pipeline infrastructure is in abundance
- Hackberry has been approved

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Source: Platts

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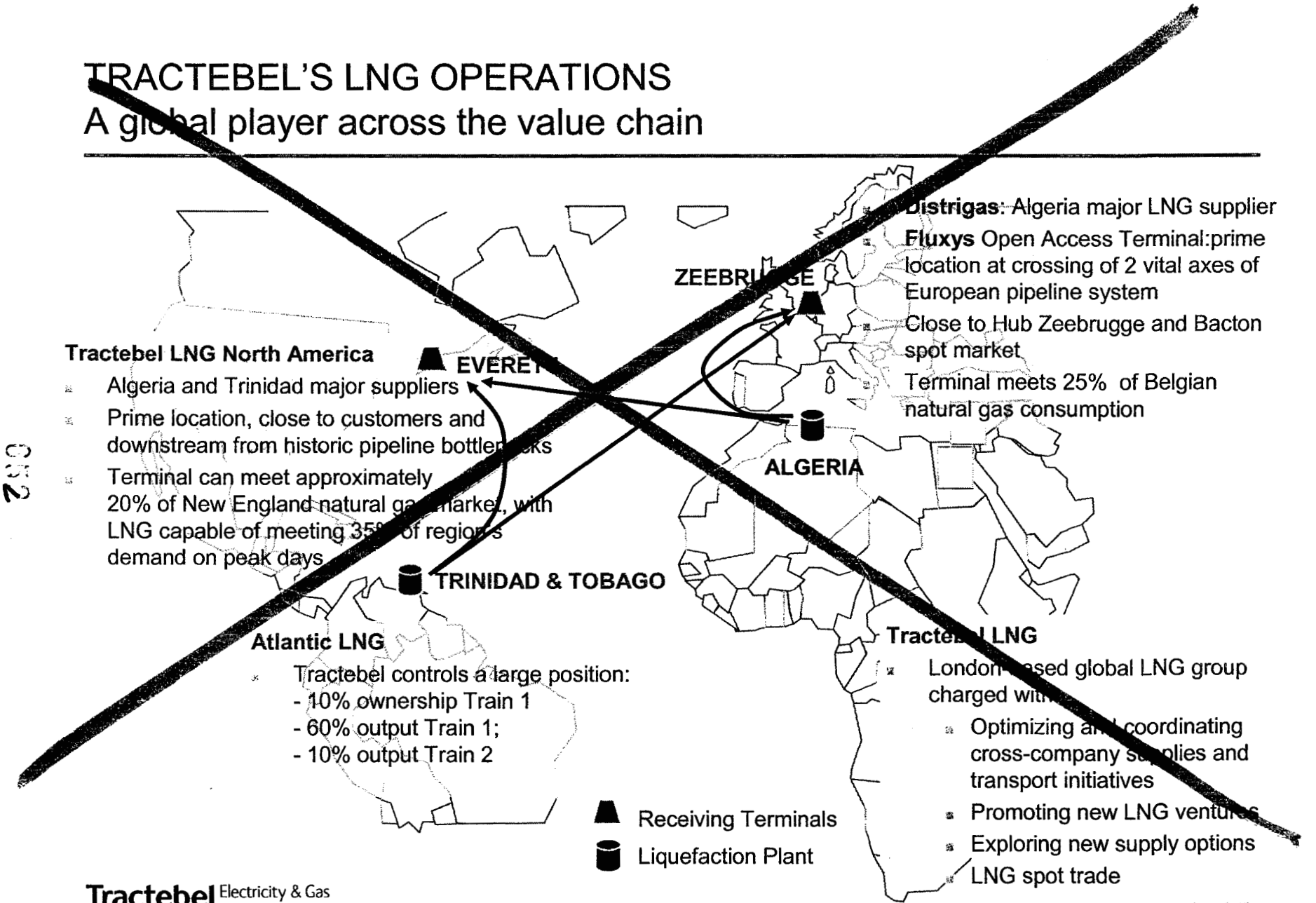
Docket No. 041414-EI

TRACTEBEL'S LNG OPERATIONS
A global player across the value chain



Tractebel LNG North America

- Algeria and Trinidad major suppliers
- Prime location, close to customers and downstream from historic pipeline bottlenecks
- Terminal can meet approximately 20% of New England natural gas market, with LNG capable of meeting 35% of region's demand on peak days

Distrigas: Algeria major LNG supplier

Fluxys Open Access Terminal:prime location at crossing of 2 vital axes of European pipeline system

Close to Hub Zeebrugge and Bacton spot market

Terminal meets 25% of Belgian natural gas consumption

Atlantic LNG

- Tractebel controls a large position:
  - 10% ownership Train 1
  - 60% output Train 1;
  - 10% output Train 2

Tractebel LNG

- London based global LNG group charged with:
  - Optimizing and coordinating cross-company supplies and transport initiatives
  - Promoting new LNG ventures
  - Exploring new supply options
  - LNG spot trade

Receiving Terminals

Liquefaction Plant

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Docket No. 041414-EI

KEY TAKEAWAYS

- The appeal of LNG is growing, it is an attractive solution to the increasing supply shortfall of natural gas, especially in the US
- The US is a small player in the global LNG business but is expected to become an increasingly important destination
- Imported LNG can easily fit in the supply stack of US gas supply, with a significant reduction in capital costs. LNG is now an affordable supply source
- A number of new terminals have been proposed around the lower 48 – each with its own set of challenges but for each region there will likely be a new facility(ies)
- Tractebel is a global LNG player with assets along the industry value chain and across the Atlantic. With attractive fundamentals this business is a key growth opportunity that will be a major focus for investment in North America

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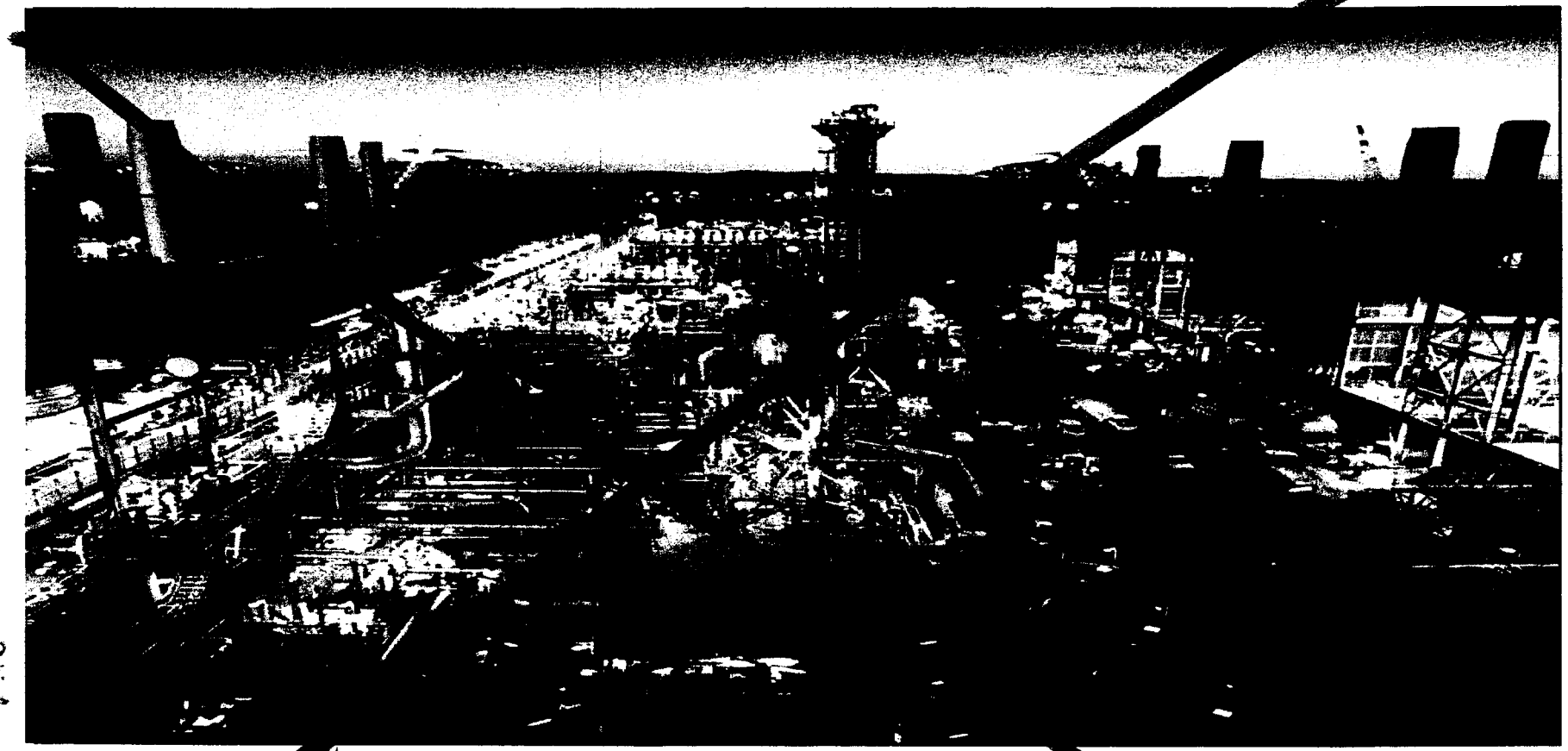

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LNG: Coming to a Terminal Near You?

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Agenda

- Introduction
- Forecast
- Global Outlook
- Project Outlook

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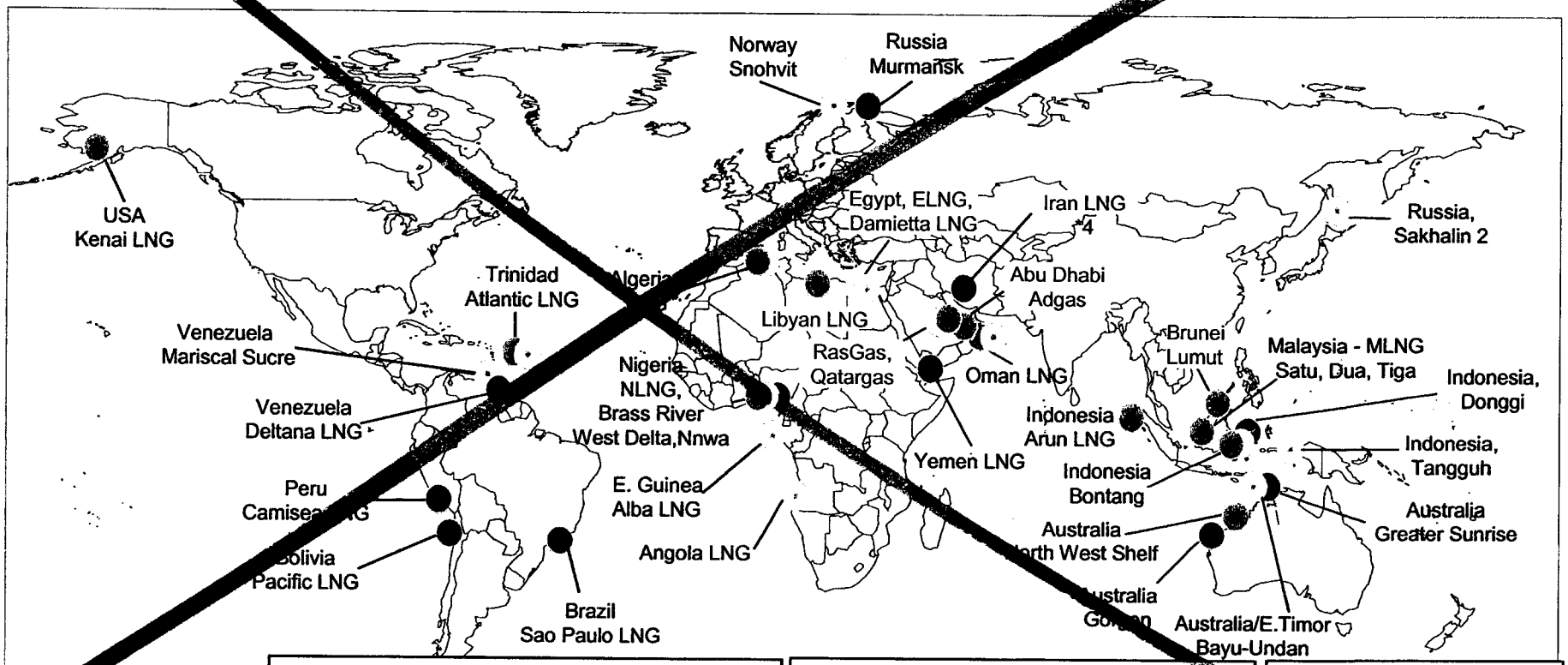
Global Upstream LNG Outlook



2003 Incremental Capacity Adds

ALNG Tr 3 – Operational as of May
MLNG Tiga Tr 1 – Fire interrupted operations, back online Mar 9, 2004
MLNG Tiga Tr 2 – Operational as of Nov 2003

2004 Schedule

Possible Bontang Interruptions
NW Shelf Tr 4 – July 2004
RasGas 2 Tr 3 – operational March 2004
Qatargas debottleneck – Q4 2004

2005 Outlook

Damietta Tr 1 – Q1 2005
ELNG Tr 1 – Mid 2005
NLNG Tr 4 – June 2005
NLNG Tr 5 – Nov 2005
RasGas 2 Tr 4 – Q1 2005

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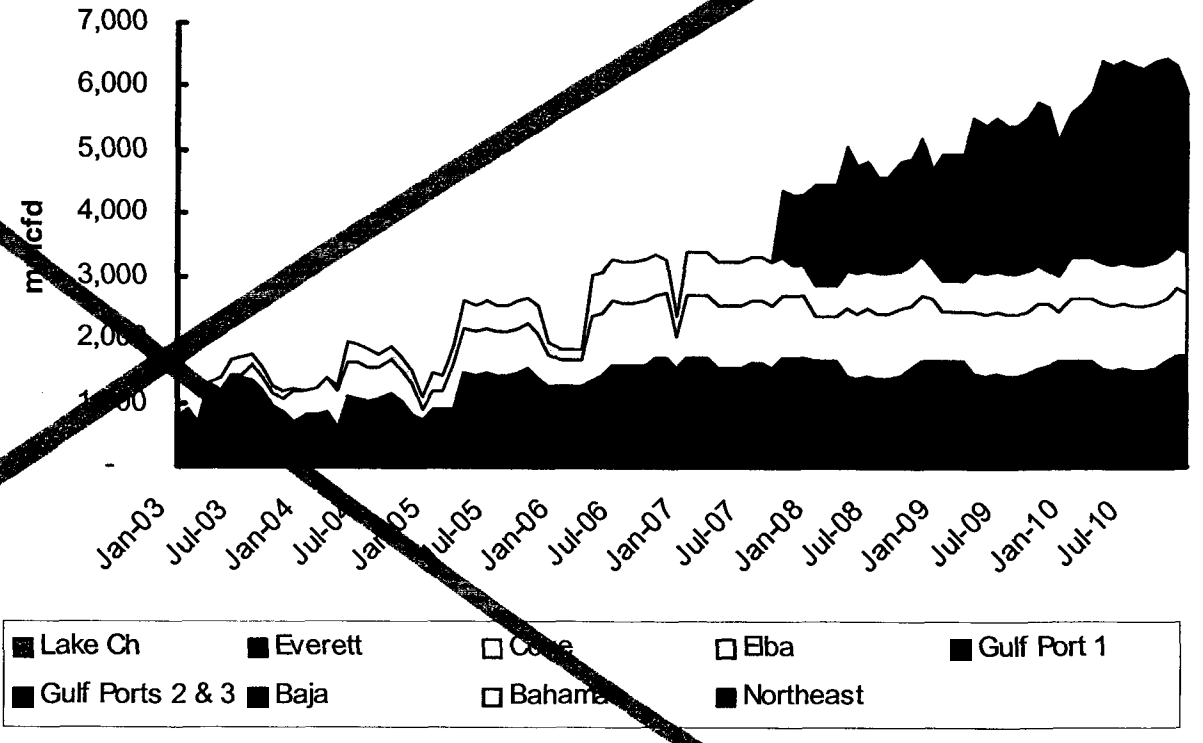
North America

- North America has seen a bit more cargoes than anticipated this year
- Expect to see capacity pushed hard on some days but the averages will be closer to 2 BCFD
- Q4 this winter will be very tough on importers unless Europe or Asia go abnormally mild in terms of temperature
- Conceptual limits to be pushed by 2005 on a daily basis with the exception of winter periods
- Delays in new capacity are already being shown to heavily impact 2007
- Will 2008 and even 2009 become regas constrained as well?



* As taken from Wood Mackenzie's revised Multi-Client study:
"Falling Short: The Growing Challenge to Supply the North American Natural Gas Market through 2010"

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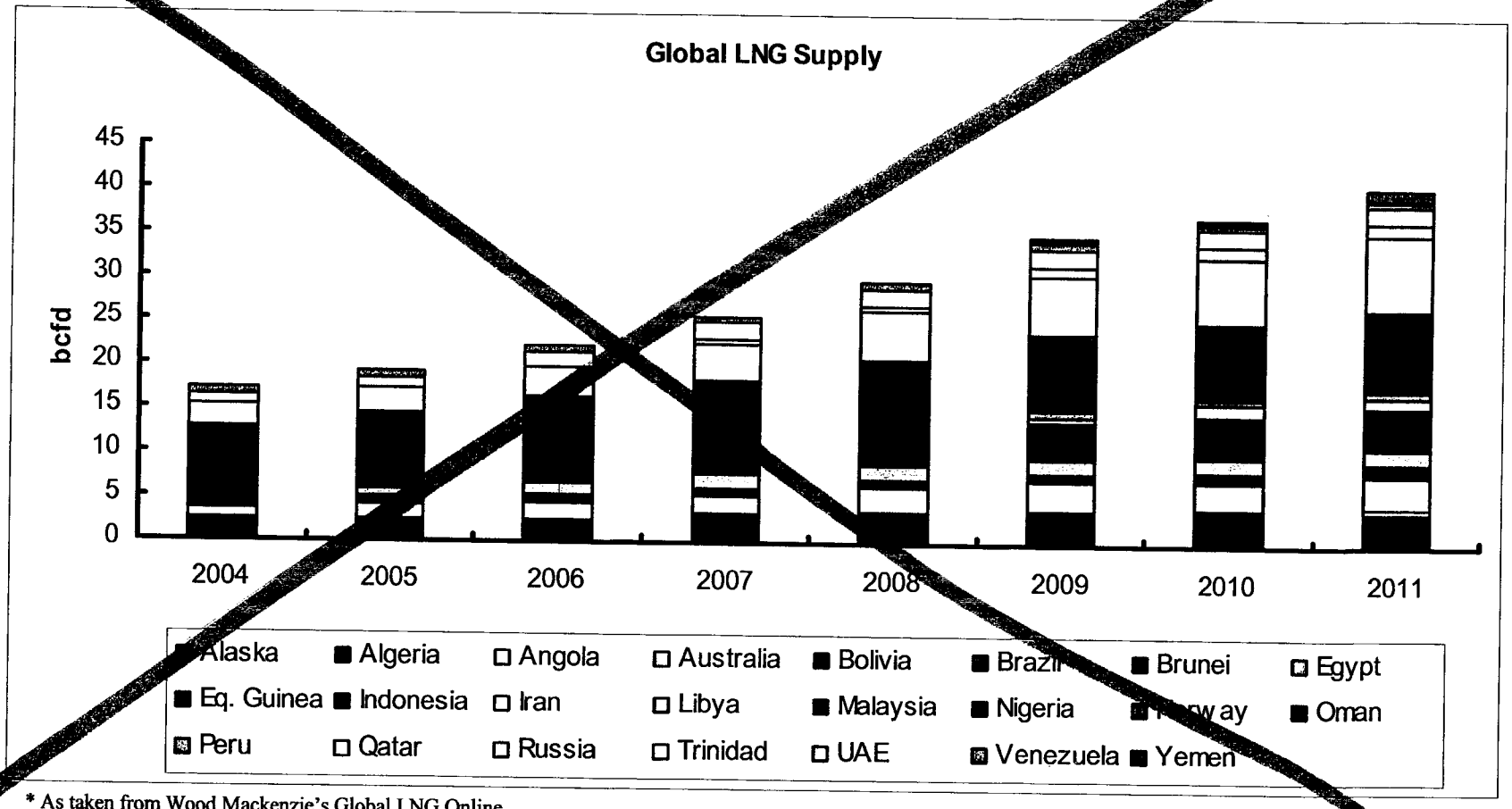
Wood Mackenzie view of LNG Supplies



* As taken from Wood Mackenzie's Global LNG Online

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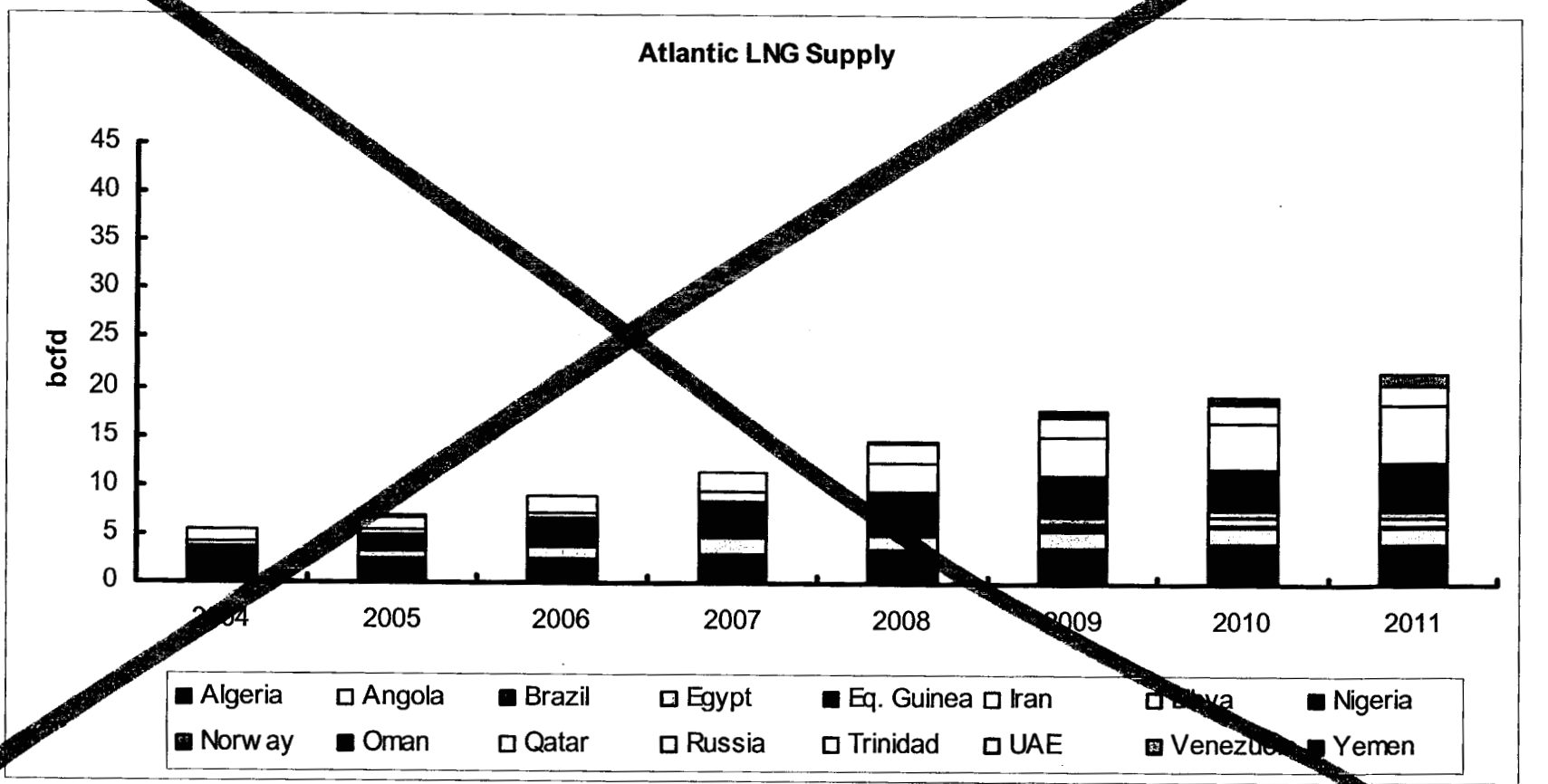
Wood Mackenzie view of LNG Supplies



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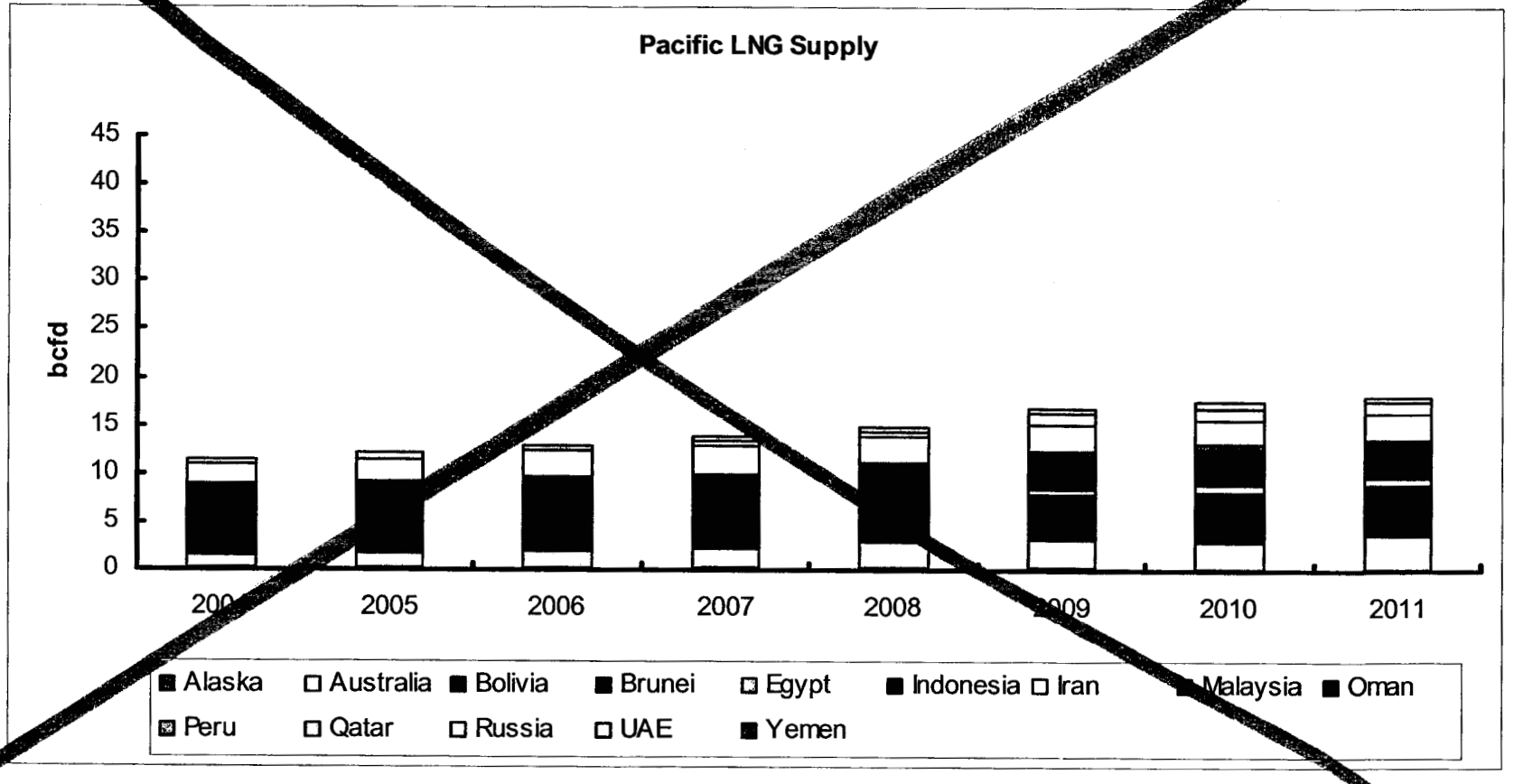

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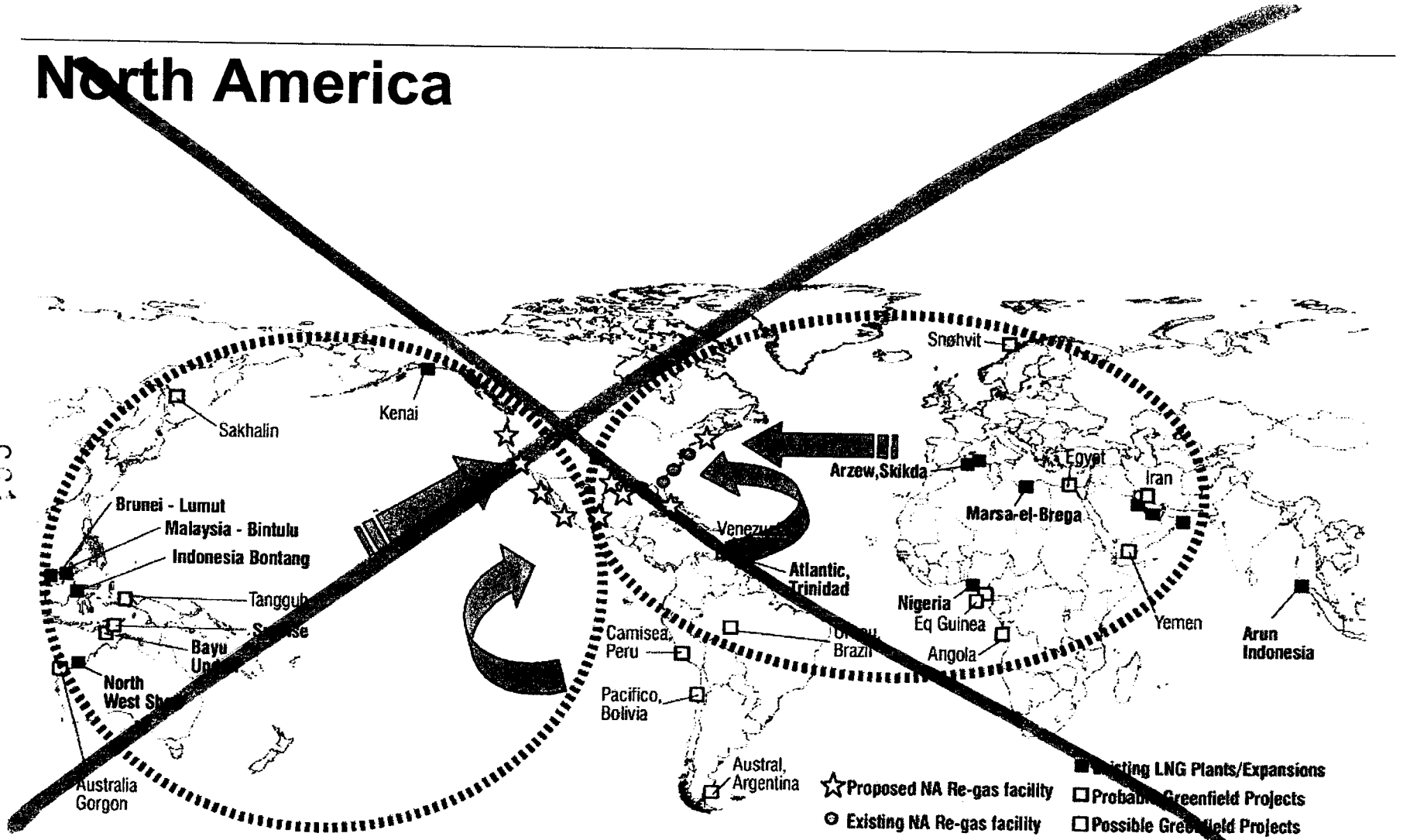
North America



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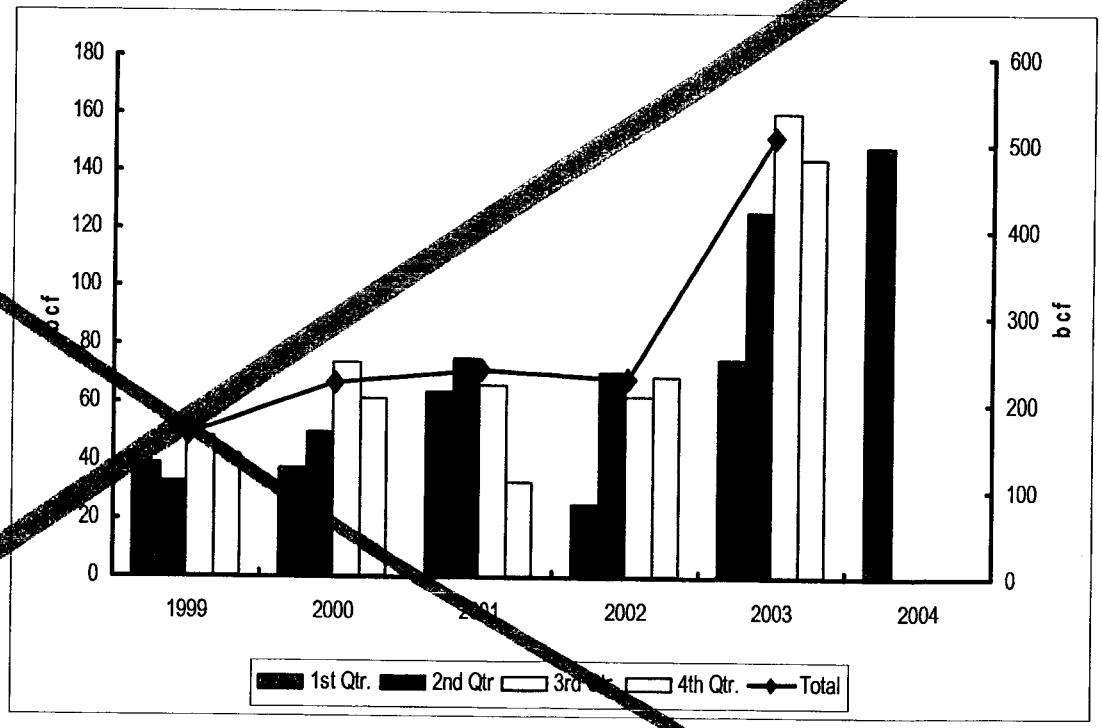
North America

2002 vs. 2003

- Trinidad Train 3 on line
- Weak Demand in Europe
- Asian demand managed
- Start up of Cove Point

1st Qtr '03 vs. 1st Qtr. '04

- 50% increase in volume
- Trinidad volumes increase by 58%
- Algerian volumes increase 10 fold
- Term volume increases by 77% as BG Term sale starts at Elba Island
- Short Term volumes double



Source office of Fossil Energy; Natural gas Imports and Exports Activity

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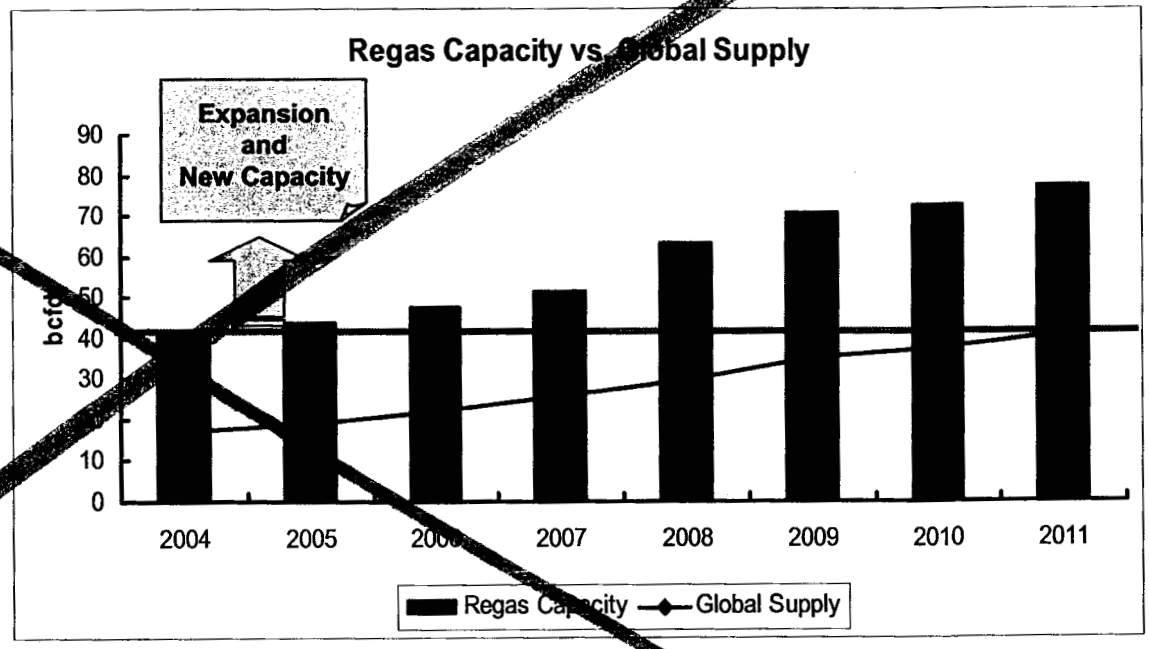
Global Supply vs Regas Capacity

- Looking at existing projects, expansions and proposed supply and regas.
- Many markets have seasonal swings
- All announced projects on-line by 2011 with at least partial volumes.



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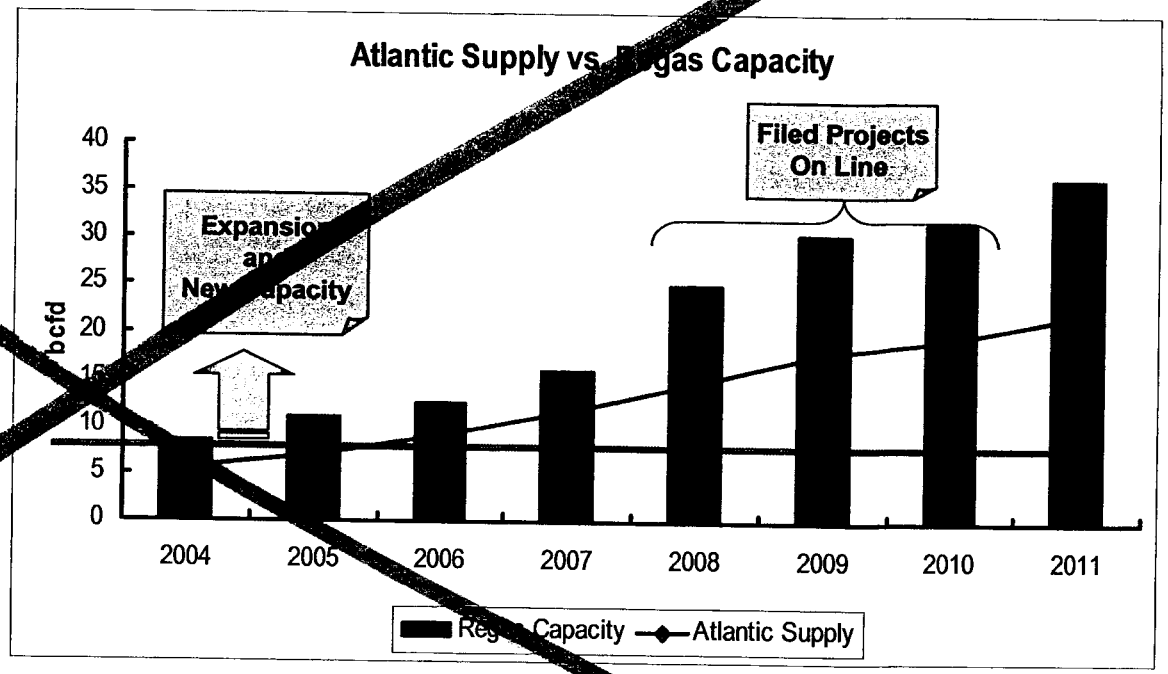
Atlantic Supply vs Atlantic Regas Capacity

Existing Supply vs Regas

- Atlantic Basin regas approximately 10 bcfd more than supply by 2010 (in US only considering current filed US projects)
- 2004-2007 most of US capacity increase from expansion & Energy Bridge



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North America

Over 30 proposed terminal projects

- 19 have made regulatory filings
- 6 have received permits
- 2 have begun construction (Altamira, Energy Bridge)

Goal: Evaluate 30 proposals targeting US markets

- Local and global value chain perspective

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Northeast Projects Evaluated

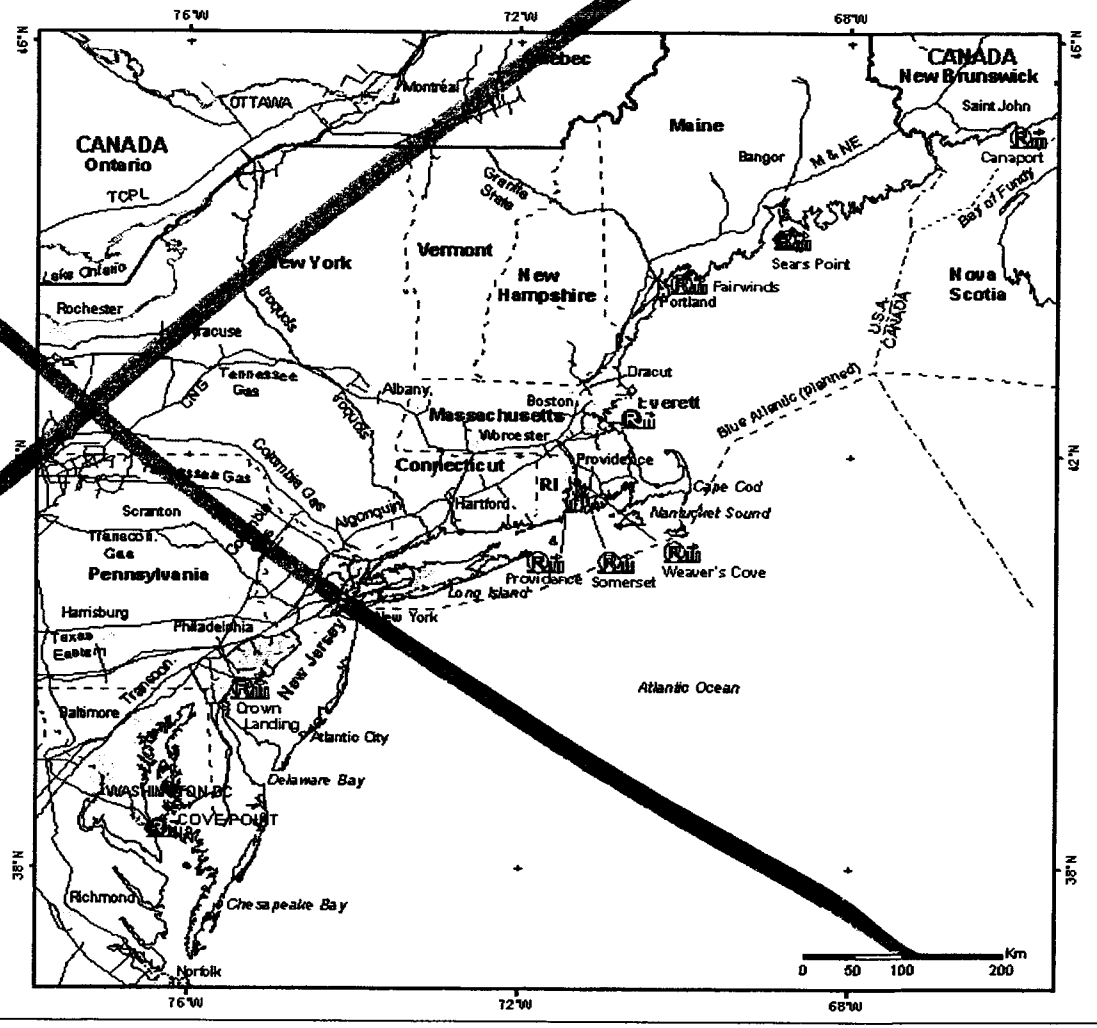
Canaport

Weaver's Cove

Somerset

Providence

Crown Landing



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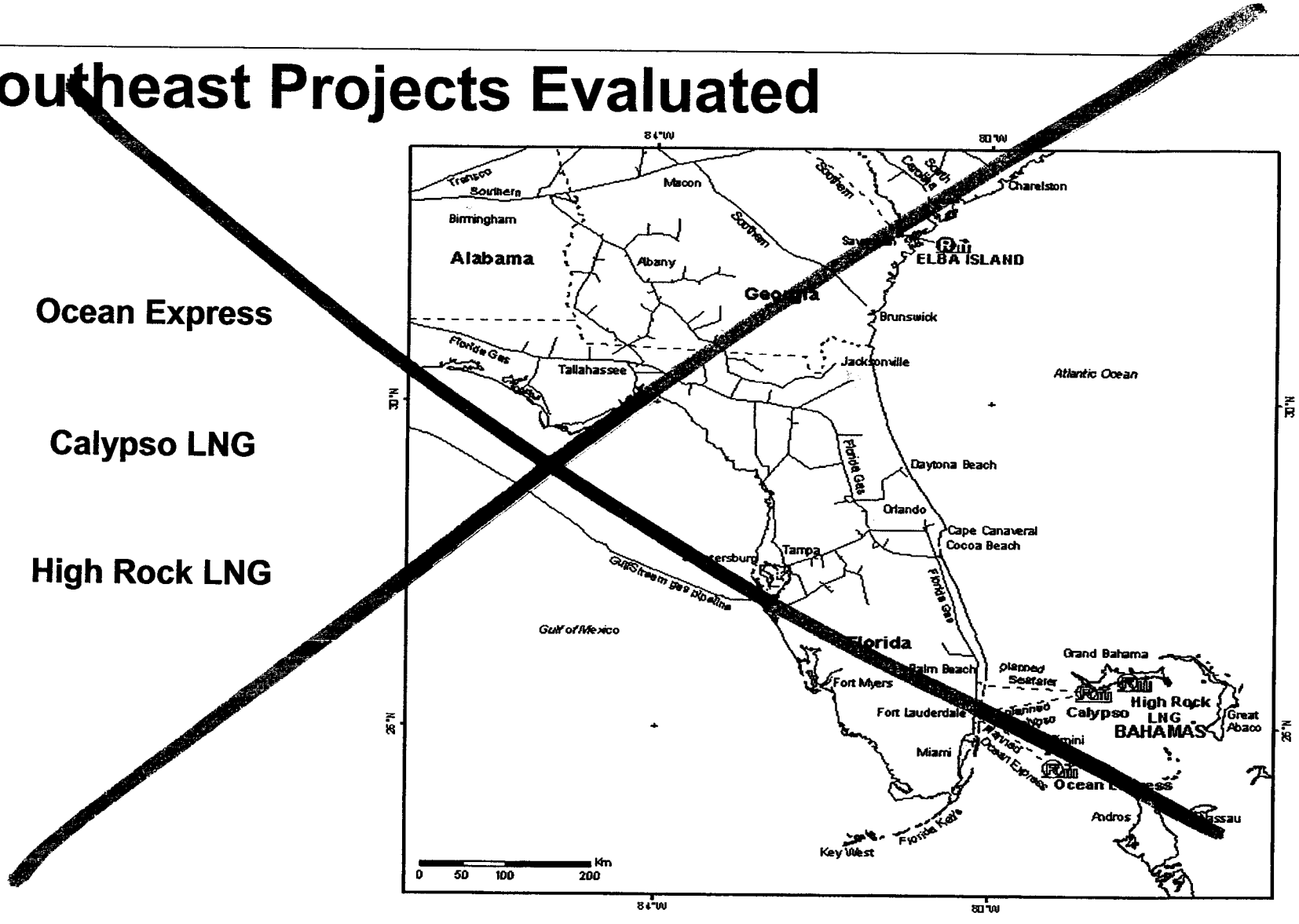
Southeast Projects Evaluated

Ocean Express

Calypso LNG

High Rock LNG



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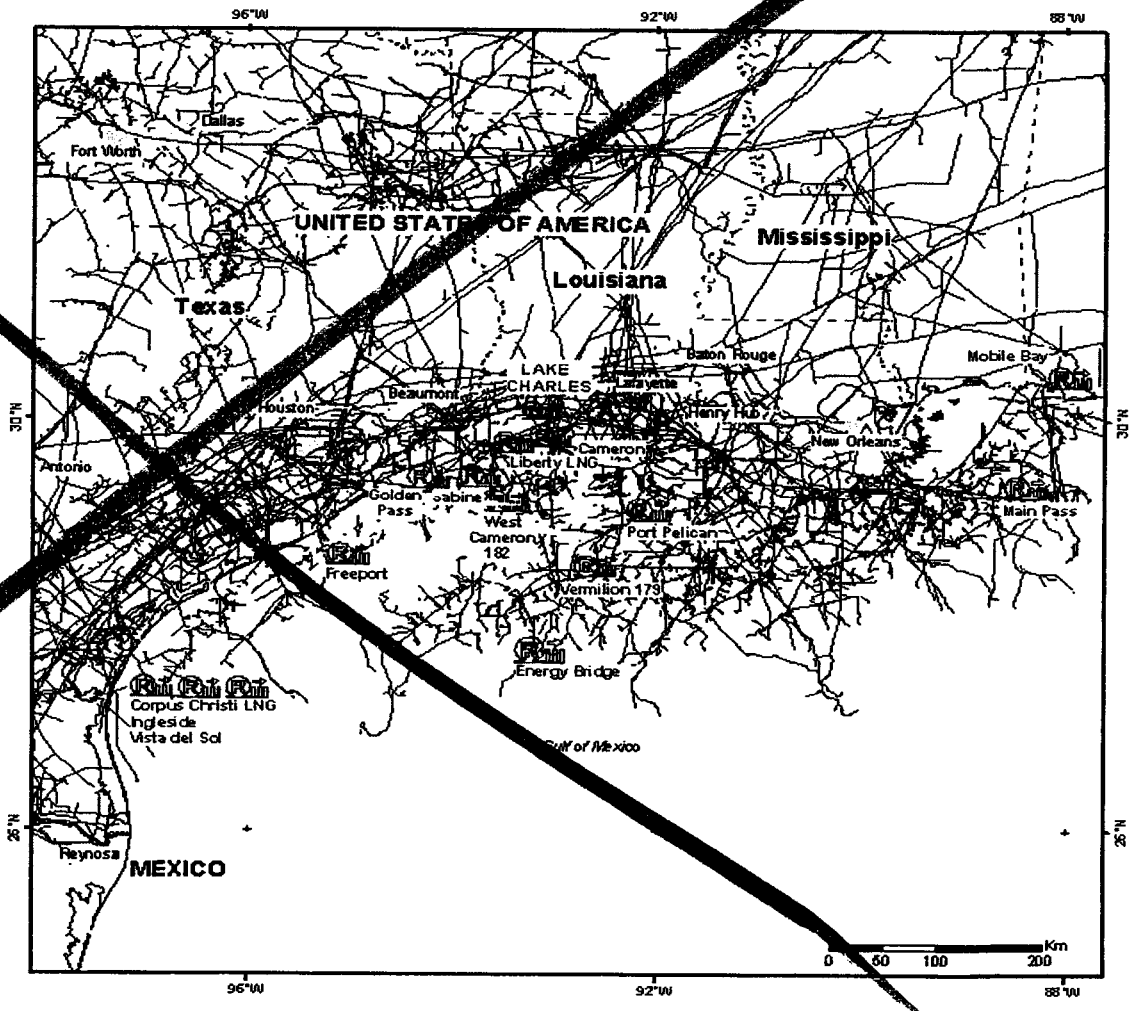
Gulf Coast Projects Evaluated

- Compass Port
- MP Energy Hub
- Port Pelican
- Energy Bridge
- Gulf Landing (WC 182)
- Vermillion 179
- Cameron LNG
- Sabine LNG
- Golden Pass
- Port Arthur
- Freeport LNG
- Corpus Christi LNG
- Vista del Sol
- Ingleside Energy Center



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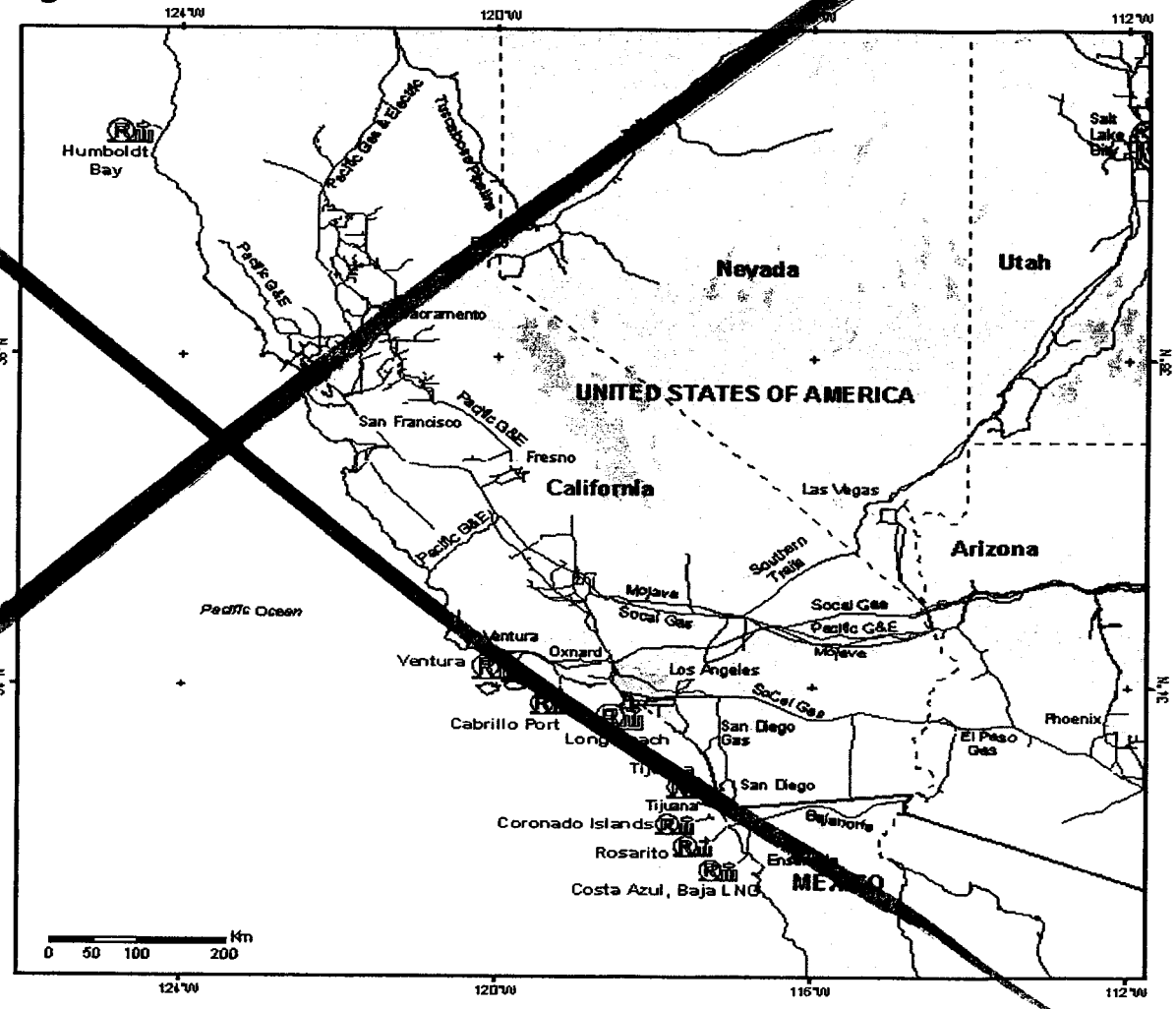
West Coast Projects Evaluated

- Cabrillo Port
- Ventura
- Long Beach
- Cherry Point*
- Cornado Island
- Costa Azul
- Rosarito

*Not on Map



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North America

Developed 30 by 22 matrix

- 22 criteria rolled up into 10 primary headings
- Each heading was given a weighting factor
- Grading is subjective

Primary headings

- Supply Access
- Risk Mitigation
- Financial
- Market Access
- Technology
- Operational
- Strategy
- Local Support
- Regulatory
- Status (Moving dirt)

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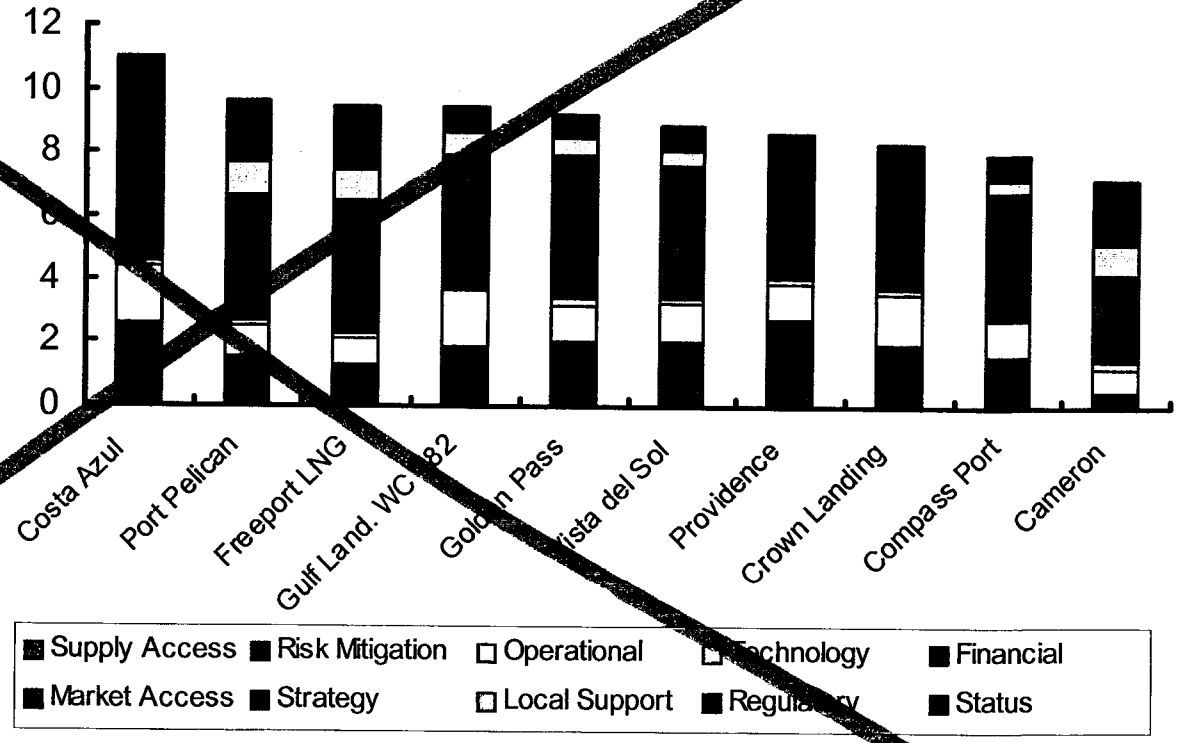
Regas Facilities - Terminals 1 -10

Rankings are only a snapshot of today's status

- Projects tied to industry players have an advantage
- Evolving
  - Projects can change positions as events unfold



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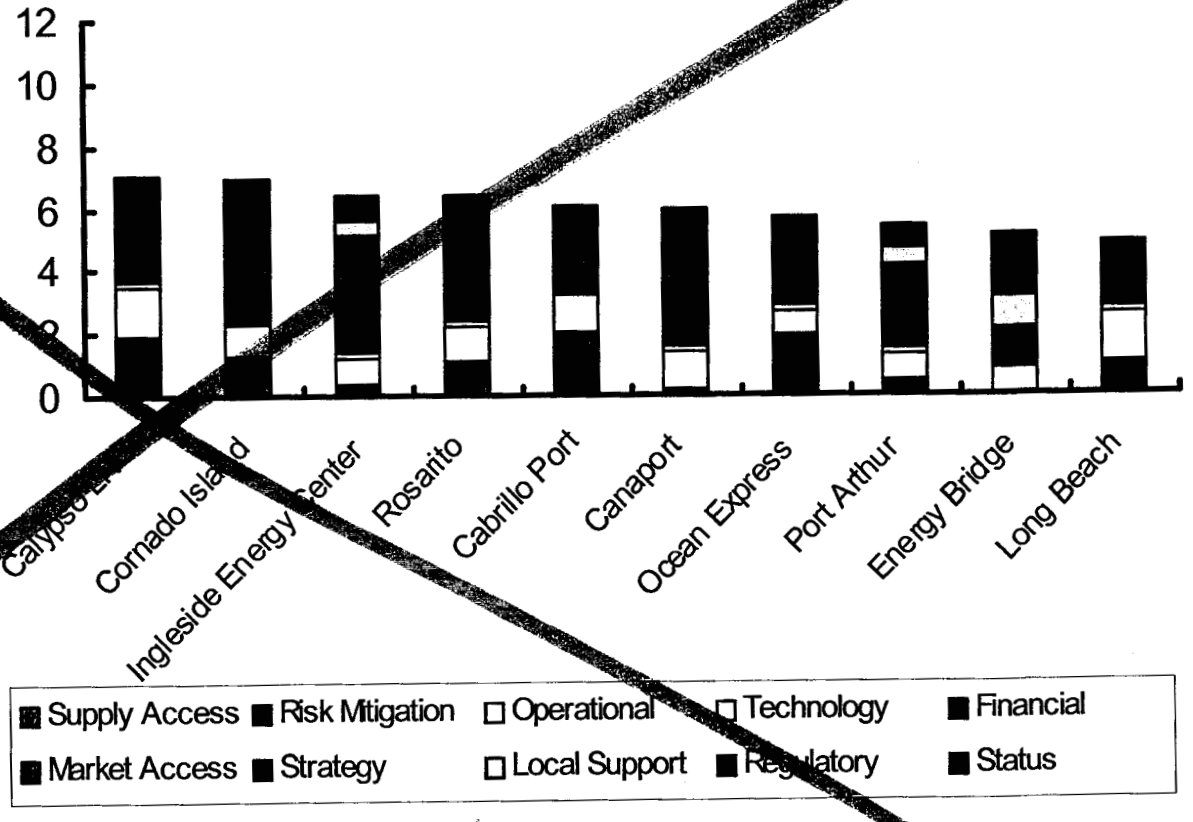
Regas Facilities - Terminals 11-20

Other factors can move projects forward

- Energy Bridge
  - Under construction
  - Value proposition
  - Benefits heavily by any delays in regas plant development



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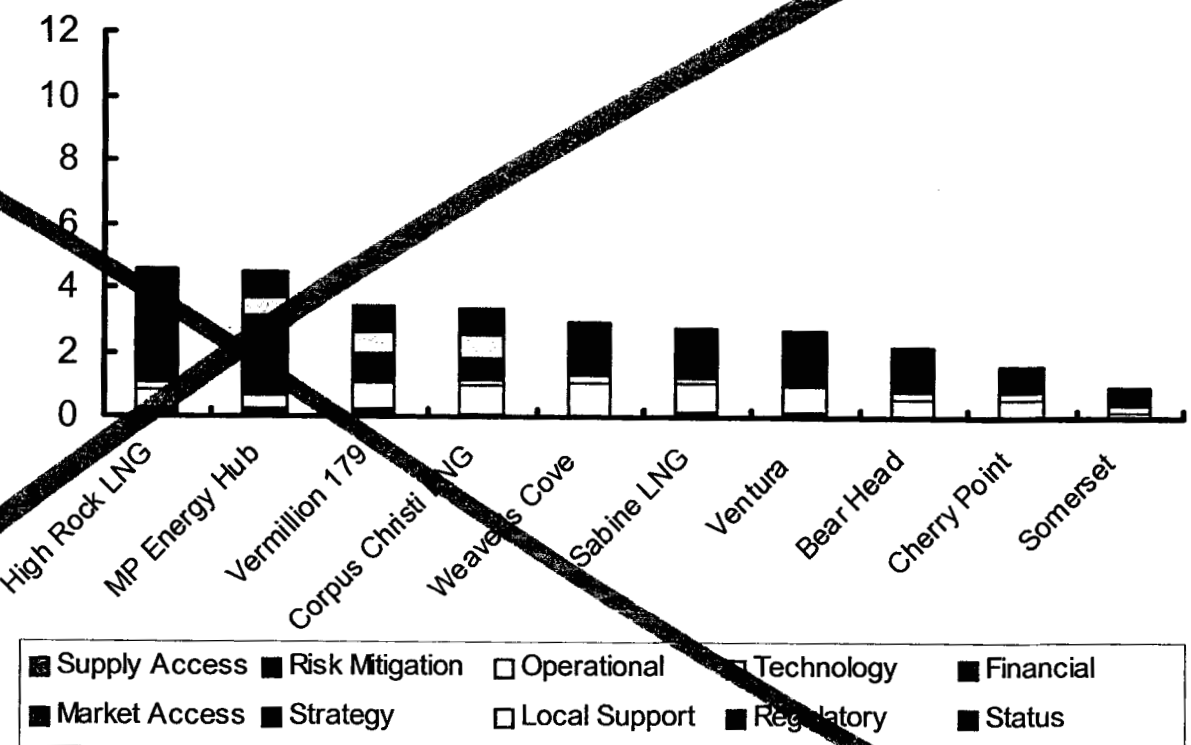
Regas Facilities - Terminals 21-30

Terminals needing further sponsorship or backing

Right partner drastically changes outlook



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North America

Conclusions

- Value chain proposition (costly and logistically difficult)
- Relationships are a major factor (Incumbents have an advantage)
- More challenging than many thought
- Other issues need to be addressed for projects to advance
  - Interchangeability / Infrastructure
  - Regulatory
    - ABS Tanker safety report; Terminal in Freeport Texas has been approved. But that does not mean the issue is closed…

"I need to know if we should let the first row of buildings go and save the people in the second," Jay Fleming Deputy Fire Chief City of Boston. Boston Globe May 20, 2004

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Questions

Zeebrugge Reception Terminal

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POD#41

Supplier	LNG Facility	Capacity %	Location	Use Existing Transport	PEF Fit	PEC Fit	Pricing	Take or Pay	Volume	Term	Import Risk Mitigated	Notes
BP	Cove Point	33%	Transco Z5	Yes/Backhaul	No	Yes	NYMEX Based	NO	Neg	3-5yr	GOM Backup /$.10 Premium	Summer Only Service
RD Shell	Cove Point	33%	Transco Z5	Yes/Backhaul	No	Yes	NYMEX Based	YES	Neg	1yr	GOM Backup /Premium TBD	Summer Only Service
Statoil	Cove Point	33%	Transco Z5	Yes/Backhaul	No	Yes	NYMEX Based	NO	Neg	Neg	GOM Backup /Premium TBD	Summer Only Service
BG (from 2005)	Lake Charles	100%	FGTZ1, TranscoZ3	Yes/Z3-Z3	No	Yes	NYMEX Based	NO	Neg	Neg	Liquidated Damages	
Marathon	Elba Island	20%	FGT Market	No	Yes	No	NYMEX Based	NO	Neg	10-20yr	Replace Gas /$.10 Premium	Cypress Pipeline
BG	Elba Island	36%	FGT Market	No	Yes	No	NYMEX Based	NO	Neg	Neg	Liquidated Damages	Cypress Pipeline
RD Shell	Elba Island	44%	FGT Market	No	Yes	No	NYMEX Based	YES	Neg	15-20yr	GOM Backup, Power/Fuel Purchase	Cypress Pipeline/ Competitive Pricing w/Gulf
AES/ENI	*Ocean Cay /Bahamas	100%	FGT Market	Pend Rate Case	Yes	No	NYMEX Based	NA	Neg	10-20yr	GOM Backup/Premium TBD	Pending Upcoming FGT Rate Case
Tractebel	*Calypso /Bahamas	100%	FGT Market	Pend Rate Case	Yes	No	NYMEX Based	NO	Neg	10-20yr	Liquidated Damages	Pending Upcoming FGT Rate Case
TBD	*Seafarer /Bahamas	100%	FGT Market	Pend Rate Case	Yes	No	NYMEX Based	NA	Neg	TBD	TBD	On hold unitl El Paso finds Terminal Buyer
Sempra	*Hackberry (now Cameron)	100%	FGTZ2, TranscoZ3	Yes/Z3-Z3	Yes	Yes	NYMEX Based	YES	Neg	10-20yr	GOM/Storage Backup	Received Final FERC Certificate 9/10/2003
Liberty LNG	Liberty LNG	100%	FGTZ2, TranscoZ3	Yes/Z3-Z3	Yes	Yes	NYMEX Based	NA	Neg	TBD	TBD	
ExxonMobil	*Mobile Bay	100%	FGTZ3, TranscoZ4a	Yes/Z4a-4	Yes	Yes	NYMEX Based	NA	Neg	TBD	TBD	
McMoran	*Main Pass	100%	FGTZ3, TranscoZ4a	Yes/Za-Z4	Yes	Yes	NYMEX Based	NA	Neg	TBD	TBD	
Conversion Gas Imports	*Vermilion 179	100%	?		No	No		NA	TBD	TBD	TBD	
ChevronTexaco	*Port Pelican	100%	?		No	No		NO	TBD	TBD	TBD	
RD Shell	*West Cameron 182	100%	?		No	No		YES	TBD	TBD	TBD	

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