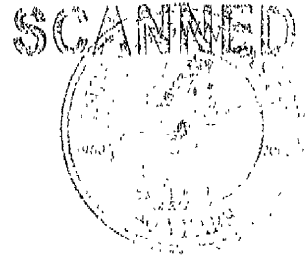


INDIANTOWN

Gas company, inc.



CLEAN AND EFFICIENT NATURAL GAS AND PROPANE GAS FOR ALL YOUR ENERGY NEEDS

October 24, 2001

Mr. Wm. Cochran Keating IV, Esq.
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, Fl. 32399

Re: Response to Staff's Interrogatories
FPSC Docket No. 010003-GU

Dear Mr. Keating:

Enclosed for filing in the above referenced docket on behalf of Indiantown Gas Company are an original and ten (10) copies of the following:

1. Indiantown Gas Company's Responses to Staff's first set of Interrogatories.

Sincerely,

Brian J. Powers
President
Indiantown Gas Co.

cc: Mr. Wayne Makin
Parties of Record

DOCUMENT NUMBER - DATE
13522 OCT 25 01
FPSC-COMMISSION CLERK

INDIANTOWN GAS COMPANY'S RESPONSES TO STAFF'S FIRST SET OF
INTERROGATORIES (NUMBERS 1-12)

Indiantown Gas Company (IGC) through its President, Brian J. Powers, offers the following responses to Interrogatories (Nos. 1-12) as served by Commission Staff on September 18, 2001.

1. What steps has Indiantown taken to manage its risks associated with natural gas purchases?

Indiantown Gas (IGC) is in a state of transition. Presently, it finds its two largest customers (equal to 92% of throughput) either switching or considering switching to transportation on its system. Furthermore, IGC is initiating a rate restructuring that will offer transportation to its residential customers in addition to the commercial customers who have the ability to transport on IGC's system today. The company has hedged volumes in the past when deemed appropriate by management and agreed to by our large volume customers.

2. Has Indiantown considered the use of physical hedging in its natural gas purchasing practices?

Yes.

3. Has Indiantown considered the use of financial hedging in its natural gas purchasing practices?

Financial hedging involves more resources than IGC has volumes to hedge thus making financial hedging imprudent for IGC.

4. What percentage of Indiantown's total load is being served under transportation rate schedules?

As indicated in response to question No. 1, IGC presently has no transport volumes but expects to be 100 % transportation in the next few years.

5. In Indiantown's opinion, what percentage of natural gas purchased for Indiantown's sales service should be hedged ?

For competitive reasons, IGC would not hedge any volumes without the consent of its two largest customers. The remaining volumes amount to approximately one contract volume of gas per year. Therefore, IGC feels it would be imprudent to hedge on its

INDIANTOWN GAS CO. RESPONSE TO
STAFF'S FIRST SET OF INTERROGATORIES
Docket No. 010003-GU

5. Contd.

system except when agreed upon by management and its industrial customers.

6. Under what circumstances does Indiantown believe it is appropriate to use hedging practices as part of its natural gas purchasing practices? In your response, please indicate whether such practices are more appropriately used on a daily, weekly, seasonal, or other time basis and explain why?

For reasons outlined in earlier responses, IGC does not find hedging to be practical for its system.

7. What are the costs associated with implementing a physical hedging program for natural gas purchases?

The costs of placing the trade when hedging on IGC's system is included in the management fees of IGC's supplier given sufficient volumes. However, the cost of monitoring volumes, verification and allocation among bills is not included in the fee.

8. What are the costs associated with implementing a financial hedging program for natural gas purchases?

Due to the impracticality of financial hedging on its system, IGC has not explored the costs associated with such activity.

9. Would Indiantown incur additional administrative costs to engage in physical or financial hedging for natural gas purchases?

Yes, as indicated in response Number 7.

10. What is the appropriate regulatory treatment for gains and losses that result from hedging of natural gas costs?

Both gains and losses should flow fully through a cost recovery mechanism such as the Purchased Gas Adjustment.

11. What is the appropriate regulatory treatment for the transactions costs associated with hedging of natural gas costs?

As with gains and losses, the transaction costs should flow fully through a cost recovery

INDIANTOWN GAS CO. RESPONSE TO
STAFF'S FIRST SET OF INTERROGATORIES
Docket No. 010003-GU

11. Contd.

mechanism.

12. What are the benefits and detriments that could be derived from hedging of natural gas?

The benefit from hedging natural gas when appropriate is price stability in a volatile market. For some customers this is more important than getting a price below the market price.

Detriments would include loss in value should the market move against the hedged position. For some customers this is unacceptable as natural gas is competing against other fuels.

What is important in deciding whether or not gas companies should hedge is allowing flexibility to determine whether hedging meets the needs of individual companies and their customers.