

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

In re: Progress Energy Florida, Inc.'s )  
petition for approval of long-term fuel ) Docket No.: 041414-EL  
supply and transportation contracts for )  
Hines Unit 4 and additional system ) Submitted for Filing: December 20, 2004  
supply and transportation. )  
\_\_\_\_\_ )

**DIRECT TESTIMONY  
OF BRUCE H. HUGHES**

**ON BEHALF OF  
PROGRESS ENERGY FLORIDA**

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FPSC-COMMISSION CLERK

**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.**

**I. INTRODUCTION AND QUALIFICATIONS**

1    **Q.    Please state your name, address and position with Southern Natural Gas**  
2           **Company.**

3    **A.    My name is Bruce H. Hughes. I am a Director of Business Development for**  
4           Southern Natural Gas Company (“Southern Natural”) and my business address is  
5           P. O. Box 2563, Birmingham, Alabama 35202.

6

7    **Q.    Please describe briefly your education and business experience.**

8    **A.    I graduated from the University of Alabama in 1976 with a Bachelor’s degree in**  
9           Business and a major in Accounting. I have been employed by Southern Natural  
10          in various financial, regulatory, gas supply, and business development positions  
11          for nearly thirty years.

12

13

1 Q. What are your current responsibilities?

2 A. As Director of Business Development, my primary responsibilities are to develop  
3 and market pipeline expansion and/or pipeline extensions to serve Southern  
4 Natural's traditional customer base and to attract new customers.

5

6

## II. PURPOSE OF TESTIMONY

7 Q. What is the purpose of your testimony?

8 A. I will describe a major pipeline expansion/extension project to connect Southern  
9 Natural's existing interstate pipeline system to Florida Gas Transmission  
10 Company ("FGT"). In addition, I will testify concerning the status of Southern  
11 Natural's Elba Island LNG terminal near Savannah, Georgia.

12

13 Q. Are you sponsoring any exhibits?

14 A. Yes, I am sponsoring my following exhibits:

15 BHH-1 Map of Interstate Pipelines

16 BHH-2 Southern Natural's Pipeline Project Timeline

17 BHH-3 Aerial Photo of LNG Facilities

18 Exhibit \_\_\_\_\_ (BHH-1) contains two maps. The first map shows the  
19 major interstate pipeline infrastructure serving the southeastern United States,  
20 including Florida. The second map shows the route of Southern Natural's  
21 pipeline extension project. Exhibit \_\_\_\_ (BHH-2) is a project timeline schedule  
22 that shows the critical path tasks for preparing and processing an application to  
23 construct the project, major preconstruction activities, and the time required to

1 construct the project. Exhibit \_\_\_\_\_ (BHH-3) shows an aerial photo of the LNG  
2 facilities with the expansion added. Exhibit \_\_\_\_\_ (BHH-3) also outlines the  
3 capacity of the LNG terminal storage and regasification capacity. Each of these  
4 exhibits was prepared under my direction, and each is true and accurate.

5  
6 **III. THE LNG FACILITIES**

7 **Q. Please describe the Elba Island LNG regasification terminal near Savannah,**  
8 **Georgia.**

9 **A. Southern LNG**, a Southern Natural subsidiary, has a terminal that is strategically  
10 located in southeastern Georgia on an island in the Savannah River. The terminal  
11 location is ideally sited from a shipping, safety, and security standpoint. In  
12 addition, the terminal is well positioned to provide incremental gas supply  
13 diversity for gas consumers in the southeastern United States including Florida.  
14 The current storage capacity of the terminal is 4 billion cubic feet and the current  
15 regasification capacity is 675 million cubic feet per day. This incremental source  
16 of natural gas supply will be required to meet existing market demand for natural  
17 gas and will be critical for meeting new market demand.

18 The terminal has been in current operation since December, 2001. In  
19 2002, Southern LNG announced plans to expand the terminal, the expansion was  
20 approved, and construction is currently underway. The expansion is expected to  
21 be completed and ready for service in the first quarter of 2006. The expansion  
22 will add an additional 3.3 billion cubic feet of storage capacity and an additional  
23 540 million cubic feet a day of regasification capacity.

1 Q. Who will provide gas supply for the regasification terminal?

2 A. Southern LNG has contracted to provide terminal capacity to BG LNG Services,  
3 LLC ("BG") and Shell LNG NA.

4  
5 Q. Will PEF's contract be served from the existing capacity or the expansion  
6 capacity?

7 A. Progress Energy Florida, Inc.'s ("PEF's") gas supply contract will be served from  
8 the existing terminal capacity.

9

10 **IV. THE PIPELINE EXPANSION PROJECT**

11 Q. Would you briefly describe the scope of the pipeline project and a project  
12 timeline for completion and service?

13 A. Phase I of the pipeline extension will consist initially of approximately 166 miles  
14 of 24" pipeline. The northern point begins at an interconnection with Southern  
15 Natural's existing system, and the southern end of the project is an  
16 interconnection with FGT in Clay County, Florida. The initial phase is targeted to  
17 be placed in service May 1, 2007 with a capacity of approximately 220 MMcf/d.  
18 Phases II and III will expand the capacity to 500 MMcf/d by adding compression  
19 as incremental markets along the pipeline corridor, Southern Natural's South  
20 Georgia lateral, and future incremental markets in Florida require additional  
21 natural gas supplies.

22

23

1 **Q. Would you please elaborate on the project route and schedule?**

2 **A.** Yes, I will. Exhibit \_\_\_ (BHH-1) is a map containing the project route. Southern  
3 Natural's existing pipeline facilities are connected to Southern LNG's  
4 regasification terminal at Elba Island near Savannah, Georgia. The new pipeline  
5 will interconnect with Southern Natural's existing system at a point where  
6 Southern Natural's existing pipeline right-of-way intersects with an existing  
7 power line right-of-way. The new pipeline will be installed adjacent to the  
8 existing power line right-of-way the entire route and interconnect to FGT's  
9 Jacksonville lateral in Clay County, Florida. **Exhibit \_\_\_ (BHH-2) shows the**  
10 **timeline required for regulatory approval and construction.** Southern Natural will  
11 prepare and file an application with the Federal Energy Regulatory Commission  
12 ("FERC") in the second quarter of 2005. FERC approval for a project of this size  
13 generally requires twelve to fourteen months. Construction will require  
14 approximately nine months.

15  
16 **Q. Has Southern Natural evaluated the route from an environmental, pipeline**  
17 **constructability, and landowner perspective?**

18 **A.** Yes. Southern Natural has made extensive route selection efforts to identify and  
19 select a route that would minimize environmental impacts, meet the requirements  
20 of all state and federal regulatory agencies, and minimize the impacts to  
21 individual landowners. In fact, in late 2000 and early 2001, Southern Natural  
22 sought and received survey permission for a large portion of the route, performed  
23 cultural resource and archaeological surveys, and prepared and filed an

1 application to construct the pipeline with the FERC. The application was  
2 subsequently withdrawn for commercial reasons. However, the route was fully  
3 evaluated and I believe the route we have selected will be approved by all federal  
4 and state agencies.

5  
6 **Q. Would you please discuss in more detail the Project Schedule presented as**  
7 **Exhibit \_\_\_\_ (BHH-2)?**

8 **A.** Yes. Southern Natural and PEF have agreed to a targeted in-service date of May  
9 1, 2007. As an interstate pipeline, Southern Natural must file for and receive  
10 certification authorization from the FERC prior to construction. Exhibit \_\_\_\_  
11 (BHH-2) contains each of the critical path tasks required to file and process the  
12 application. I believe the schedule will be met. First and foremost, the project  
13 meets FERC's public interest requirements. Second, the project route has been  
14 thoroughly evaluated and most of the route has been surveyed. Therefore, I  
15 believe the timeline for preparing and processing the application is sufficient  
16 given the route selected and the environmental information gathered from our  
17 surveys. Third, our timeline for right-of-way acquisition, material acquisition,  
18 and construction is consistent with our recent experience on similarly sized  
19 projects.

1 **Q. What assurance does PEF have that the pipeline will be completed by May 1,**  
2 **2007?**

3 **A.** Southern Natural has committed to file and process the FERC application.  
4 Subject to the receipt of an acceptable certificate from FERC and permits from  
5 federal and state agencies, Southern Natural has agreed to use due diligence to  
6 meet the May 1, 2007 in-service date. Southern Natural has agreed to provide  
7 PEF monthly progress reports so that PEF can monitor the status of the project.  
8 In addition, Southern Natural has committed significant resources to this project  
9 and has spent in excess of \$9 million on the project to date. We expect to spend  
10 an additional \$6 million to file and process the FERC application. Southern  
11 Natural's total capital expenditures for Phase I are expected to exceed \$240  
12 million.

13  
14 **Q. Does Southern Natural expect to have sufficient commitments to proceed**  
15 **with the project?**

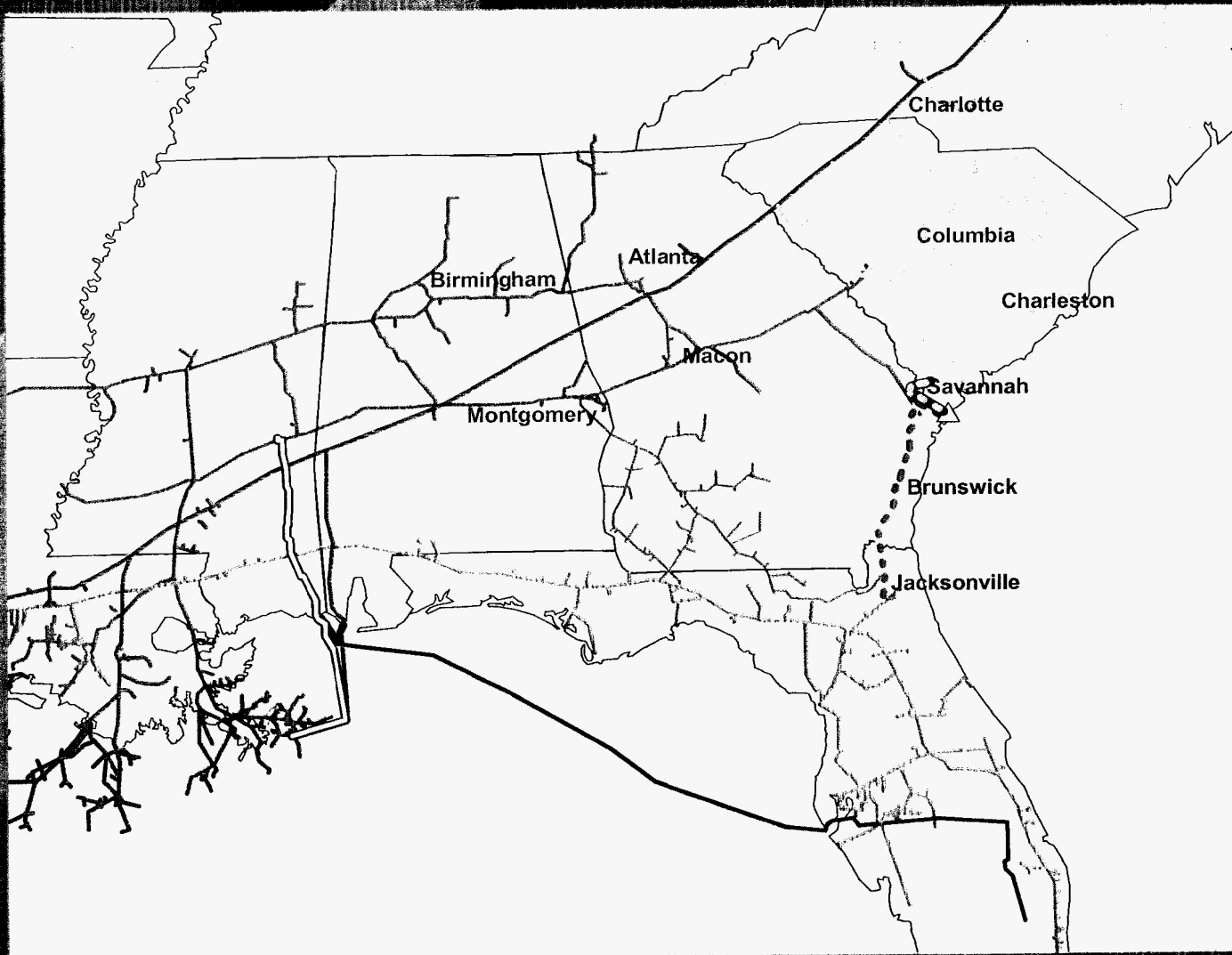
16 **A.** Yes. Southern Natural has precedent agreements with PEF and BG that commit  
17 approximately ninety percent of the contracted capacity and revenue required to  
18 proceed with the project. Southern Natural has begun an open season  
19 commencing on December 3, 2004 and ending January 17, 2005 in order to  
20 secure additional commitments for capacity on the expansion.

21  
22 **Q. Does this complete your testimony?**

23 **A.** Yes.

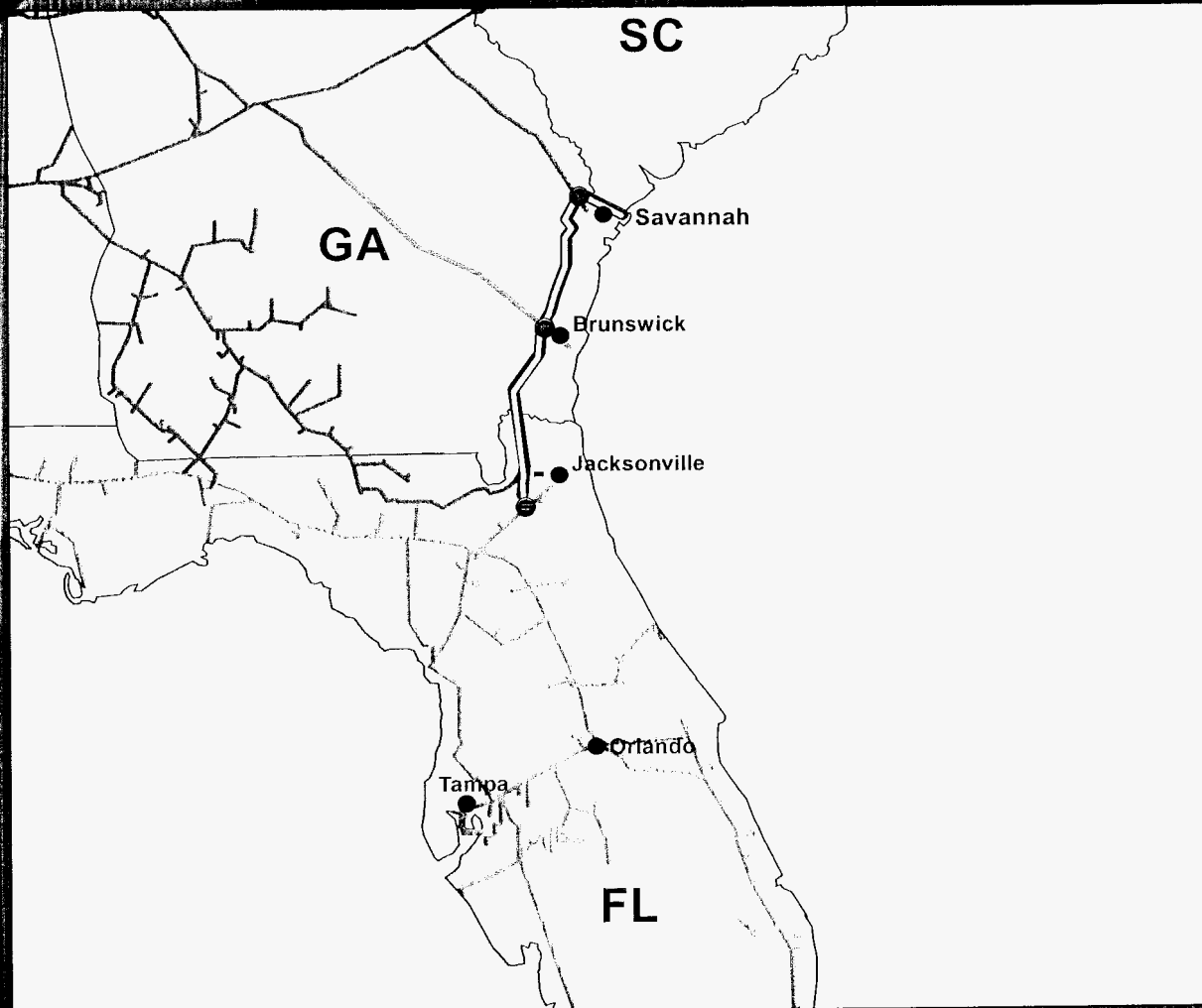


# Southern Natural Cypress Project

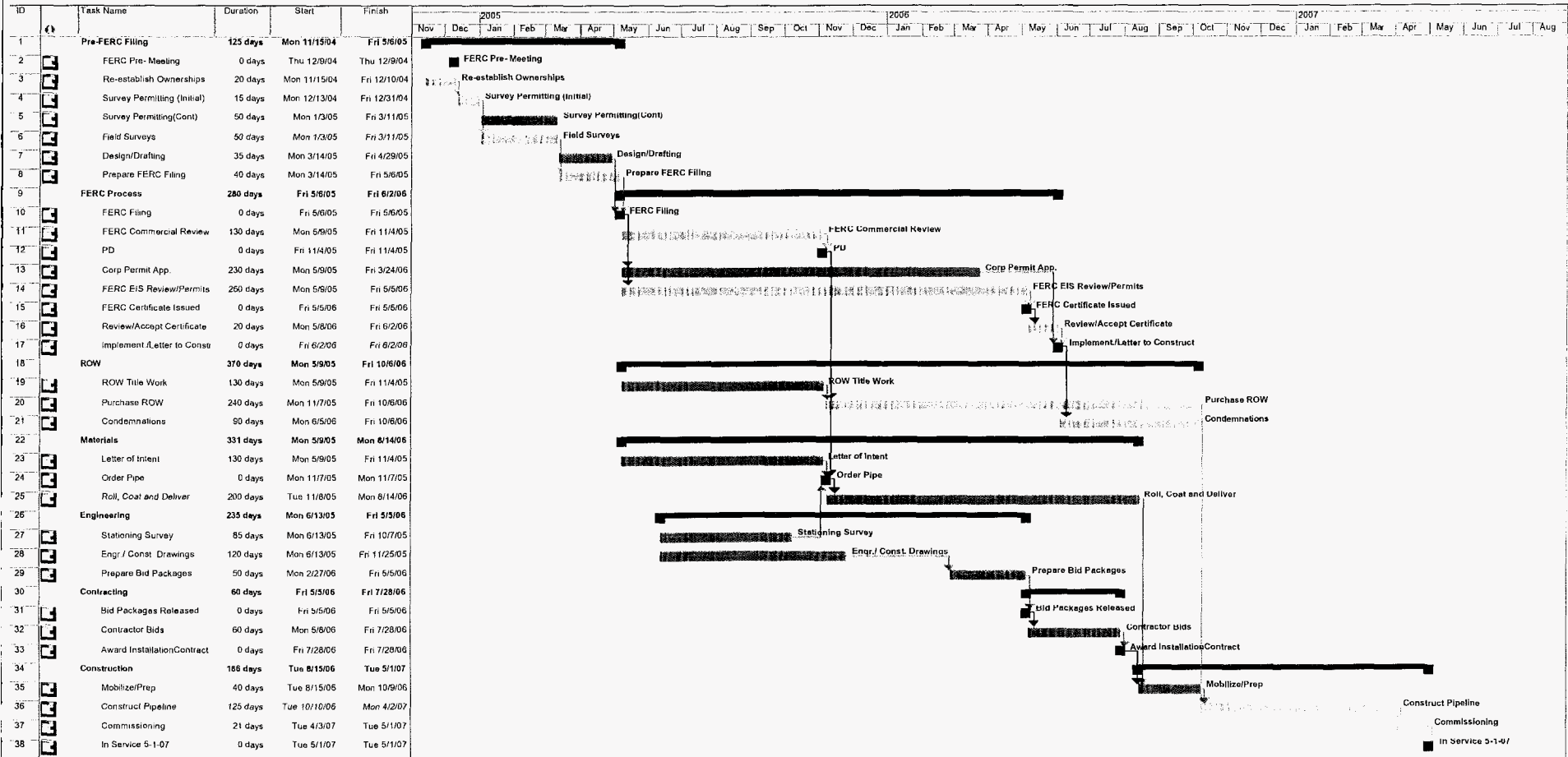


- Southern Natural
- Transco
- FGT
- SCANA
- AGL (B'wick)
- Gulfstream
- Destin

# Southern Natural Cypress Project



Cypress Project - Phase 1 - 166 mile 24" Pipe  
Project Schedule  
December 1, 2004



Project: Cypress Pipeline  
Date: Wed 12/1/04

Task: [Progress Bar] Milestone: [Square] Rolled Up Task: [Dotted Bar] Rolled Up Progress: [Dotted Bar] External Tasks: [Dotted Bar] Group By Summary: [Dotted Bar]

Progress: [Solid Bar] Summary: [Dotted Bar] Rolled Up Milestone: [Square] Split: [Dotted Bar] Project Summary: [Dotted Bar]

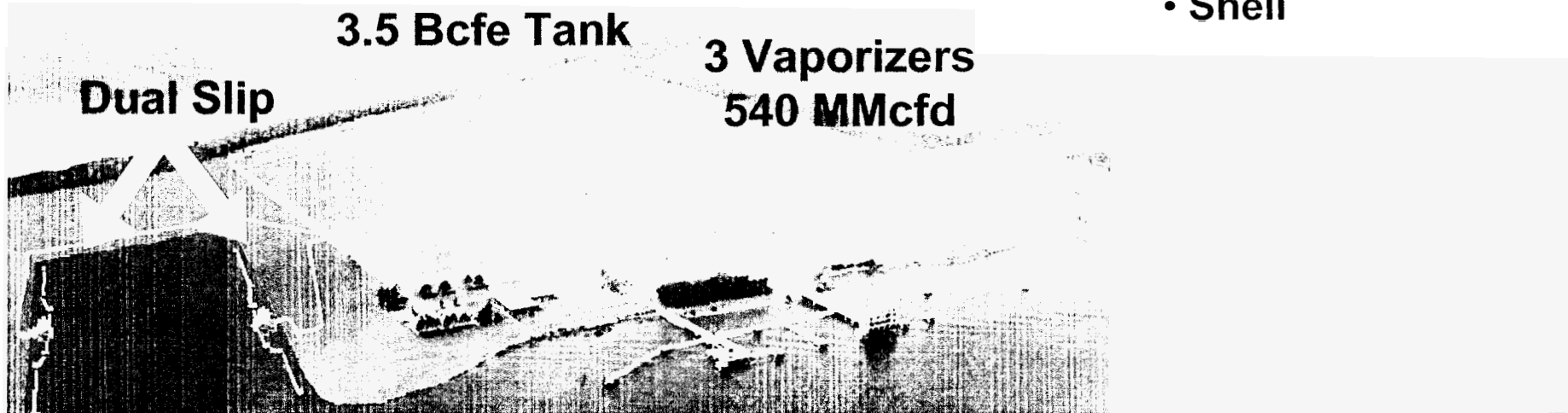
# Southern LNG

## Elba Island LNG Import Terminal

### New Facilities:

### Major Gas Suppliers

- British Gas
- Shell



|                   | Reactivation | Expansion                | Combined   |
|-------------------|--------------|--------------------------|------------|
| In-Service Date   | Nov 2001     | 1 <sup>st</sup> 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 |