REDACTED

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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.	Docket No.: 041414-EI

PROGRESS ENERGY FLORIDA, INC.'S RESPONSES TO COMMISSION STAFF'S FIFTH SET OF INTERROGATORIES TO PROGRESS ENERGY FLORIDA, INC. (NOS. 148-164)

Pursuant to Fla. Admin. Code R. 28-106.206, and Rule 1.340, Fla. R. Civ. P., Progress Energy Florida, Inc. ("PEF") responds to the Staff of the Florida Public Service Commission's Fifth Set of Interrogatories (Nos. 148-164) and states as follows:

GENERAL RESPONSES

PEF intends to respond fully to Staff's Interrogatories whenever possible but, PEF must object to any interrogatory that calls for information protected by the attorney-client privilege, the work product doctrine, the accountant-client privilege, the trade secret privilege, or any other applicable privilege or protection afforded by law. Also, in certain circumstances, PEF may determine upon investigation and analysis that information responsive to certain interrogatories is confidential and proprietary and should be produced only under an appropriate confidentiality agreement, protective order, or the procedures otherwise provided by law. Accordingly, PEF will make every effort to respond but PEF cannot waive but must insist upon appropriate protection of confidential information under the Florida Rules of Civil Procedure and other applicable statutes, rules and legal principles.

Interrogatories

148. Please explain in detail, how PEF will be compensated by BG LNG Services in the event that BG fails to deliver the contracted quantities of gas in those instances when force majeure cannot be invoked.

Answer: Section 13 of the Gas Sales and Purchase Contract provides:

"Except as set forth in Section 11.1(xii) above, if Seller fails to deliver or Buyer fails to receive Gas during a particular Day and such is not excused pursuant to Section 12 of this Contract, the sole and exclusive remedy of the performing Party shall be recovery of the following:

(i) in the event of a breach by Seller to deliver Gas during such Day, payment by Seller to Buyer in an amount equal to (A) the positive difference, if any, between the purchase price paid by Buyer utilizing the Cover Standard minus the Contract Price applicable to such Day, adjusted for commercially reasonable differences in transportation costs to or from the Delivery Point(s), multiplied by (B) the difference between the Contract Quantity applicable to such Day and the quantity actually delivered by Seller during such Day; or

(ii) in the event that Buyer has used commercially reasonable efforts to replace the Gas or Seller has used commercially reasonable efforts to sell the Gas to a third party, and no such replacement or sale is available, payment to the performing Party in the amount equal to (A) any unfavorable difference between the Contract Price applicable to such Day and the Spot Price applicable to such Day, multiplied by (B) the difference between the Contract Quantity applicable to such Day and the quantity actually delivered by Seller and received by Buyer during such Day."

Definitions:

"Cover Standard" shall mean that if there is an unexcused failure to take or deliver any quantity of Gas pursuant to this Contract, then the performing Party shall use commercially reasonable efforts to (i) if Buyer is the performing Party, (1) obtain replacement Gas at a price reasonable for Gas in the Southern Natural Gas Company or the Florida Gas Transmission Company production area (or, if available at a lower price, at or near the Primary Delivery Point) (or an alternate fuel if elected by Buyer and replacement Gas is not available), and (2) utilize Buyer's then available secondary transportation that is not curtailed by a Transporter to effect delivery of such replacement gas; or (ii) if Seller is the performing Party, sell such Gas at a price reasonable for Gas at or near the Primary Delivery Point; and consistent with (a) the amount of notice provided by the non-performing Party; (b) the immediacy of the Buyer's Gas consumption needs or Seller's Gas sales requirements, as applicable; (c) the quantities involved; and (d) the anticipated length of failure by the non-performing Party.

"Spot Price" shall mean, with respect to any particular delivery Day, the price listed in the publication Gas Daily (as published by The McGraw-Hill Companies, Inc. or its successor), in the table entitled "Daily Price Survey" and reported as the "Louisiana-Onshore-South . . . SONAT . . . Midpoint" for Gas delivered during such Day for which such a price is then so published; provided, if there is no single price published for such location for such Day, but there is published a range of prices, then the Spot Price shall be the average of such high and low prices. If no price or range of prices is so published for such Day, then the Spot Price shall be the average of the following: (i) the price (determined as stated above) for the first Day for which a price or range of prices is published that next precedes the relevant Day; and (ii) the price (determined as stated above) for the first Day for which a price or range of prices is published that next follows the relevant Day.

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 [redacted] 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
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

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)	[redacted]
Proposed Contract	
Projected System Total	

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.

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.

<u>Answer:</u>

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 [redacted] (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 [redacted] alternatives. Please refer to the assumptions below.

Accordingly, the information provided below reflects two sets of cost data for the Cypress and [redacted] alternatives: cost consistent with Table 1 of the Business Analysis Package and cost reflecting the correct pipeline commodity charges rates, fuel charge percentages and [redacted] for Cypress and the corrected commodity charge rates for the [redacted] alternative. Additionally, two sets of present value of nominal cost are provided for each alternative (Cypress, [redacted] and [redacted]). 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.

Cypress Annual Summary

(Per Table 1 - Business Analysis Package)

Nominal Dollars

Year [redacted]r)	Transportation	Capital Investment	Supply	Total
[redacted]	[redacted]			

Cypress Annual Summary

(Per Table 1 - Business Analysis Package)

Cumulative Nominal Dollars

Year [redacted]	Transportation	Capital Investment	Supply	Total
[redacted]	[redacted]			

Cypress Annual Summary

(Per Table 1 - Business Analysis Package)

Present Value (Discounted to 8/1/2004)

Year [redacted]	Transportation	Capital Investment	Supply	Total
[redacted]	[redacted]			

Cypress Annual Summary

(Per Table 1 - Business Analysis Package)

Cumulative Present Value (Discounted to 8/1/2004)

Year [redacted]	Transportation	Capital Investment	Supply	Total
[redacted]	[redacted]			

Cypress Annual Summary

(Consistent With Table 1 - Business Analysis Package)

Present Value (Discounted to 12/1/2004)

Year [redacted]	Transportation	Capital Investment	Supply	Total
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

Cypress Annual Summary

(Consistent With Table 1 - Business Analysis Package)

Cumulative Present Value (Discounted to 12/1/2004)

Year [redacted]	Transportation	Capital Investment	Supply	Total
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

TPA#2007848.4

The following 6 tables of Cypress information reflect the following corrections and final terms and conditions negotiated with SNG and FGT:

[redacted]

- [redacted];
- 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	Transportation	Capital Investment	Supply	Total
[redacted]	[redacted]			

Cypress Annual Summary

(Reflecting Corrections and Final Terms & Conditions)

Cumulative Nominal Dollars

Year	Transportation	Capital Investment	Supply	Total
[redacted]	[redacted]			

Cypress Annual Summary

(Reflecting Corrections and Final Terms & Conditions)

Present Value (Discounted to 8/1/2004)

Year	Transportation	Capital Investment	Supply	Total
[redacted]	[redacted]			

Cypress Annual Summary

(Reflecting Corrections and Final Terms & Conditions)

Cumulative Present Value (Discounted to 8/1/2004)

Year [redacted]	Transportation	Capital Investment	Supply	Total
[redacted]				

Cypress Annual Summary

(Reflecting Corrections and Final Terms & Conditions)

Present Value (Discounted to 12/1/2004)

Year [redacted]	Transportation	Capital Investment	Supply	Total
[redacted]				

Cypress Annual Summary

(Reflecting Corrections and Final Terms & Conditions)

Cumulative Present Value (Discounted to 12/1/2004)

Year [redacted]	Transportation	Capital Investment	Supply	Total
[redacted]	[redacted]			

[redacted]

(Per Table 1 - Business Analysis Package)

Nominal Dollars

Year [redacted]or)	Transportation	Capital Investment	Supply	Total
[redacted]	[redacted]			

TPA#2007848.4

[redacted]

(Per Table 1 - Business Analysis Package)

Cumulative Nominal Dollars

Year	Transportation	Capital Investment	Supply	Total
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

[redacted]

(Per Table 1 - Business Analysis Package)

Present Value (Discounted to 8/1/2004)

Year	Transportation	Capital Investment	Supply	Total
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

[redacted]

(Per Table 1 - Business Analysis Package)

Cumulative Present Value (Discounted to 8/1/2004)

Year [redacted]	Transportation	Capital Investment	Supply	Total
[redacted]				

[redacted]

(Consistent With Table 1 - Business Analysis Package)

Present Value (Discounted to 12/1/2004)

Year [redacted]	Transportation	Capital Investment	Supply	Total
[redacted]				

[redacted]

(Consistent With Table 1 - Business Analysis Package)

Cumulative Present Value (Discounted to 12/1/2004)

Year [redacted]	Transportation	Capital Investment	Supply	Total
[redacted]				

TPA#2007848.4

[redacted]

(Per Table 1 - Business Analysis Package)

Nominal Dollars

Year [redacted]	Transportation	Capital Investment	Supply	Total
[redacted]				

[redacted]

(Per Table 1 - Business Analysis Package)

Cumulative Nominal Dollars

Year [redacted]	Transportation	Capital Investment	Supply	Total
[redacted]				

[redacted]

(Per Table 1 - Business Analysis Package)

Present Value (Discounted to 8/1/2004)

Year [redacted]	Transportation	Capital Investment	Supply	Total
[redacted]				

[redacted]

(Per Table 1 - Business Analysis Package)

Cumulative Present Value (Discounted to 8/1/2004)

Year [redacted]	Transportation	Capital Investment	Supply	Total
[redacted]				

[redacted]

(Consistent With Table 1 - Business Analysis Package)

Present Value (Discounted to 12/1/2004)

Year [redacted]	Transportation	Capital Investment	Supply	Total
[redacted]				

[redacted]

(Consistent With Table 1 - Business Analysis Package)

Cumulative Present Value (Discounted to 12/1/2004)

Year [redacted]	Transportation	Capital Investment	Supply	Total
[redacted]				

The following 6 tables of information regarding the [redacted] alternative reflect corrected pipeline commodity charge rates.

[redacted]

(Reflecting Corrected Variable Transport Rates)

Nominal Dollars

Year [redacted]	Transportation	Capital Investment	Supply	Total
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

[redacted]

(Reflecting Corrected Variable Transport Rates)

Cumulative Nominal Dollars

Year [redacted]	Transportation	Capital Investment	Supply	Total
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

[redacted]

(Reflecting Corrected Variable Transport Rates)

Present Value (Discounted to 8/1/2004)

Year [redacted]	Transportation	Capital Investment	Supply	Total
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

[redacted]

(Reflecting Corrected Variable Transport Rates)

Cumulative Present Value (Discounted to 8/1/2004)

Year [redacted]	Transportation	Capital Investment	Supply	Total
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

[redacted]

(Reflecting Corrected Variable Transport Rates)

Present Value (Discounted to 12/1/2004)

Year [redacted]	Transportation	Capital Investment	Supply	Total
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

[redacted]

(Reflecting Corrected Variable Transport Rates)

Cumulative Present Value (Discounted to 12/1/2004)

Year [redacted]	Transportation	Capital Investment	Supply	Total
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

Assumptions

- **Transportation Rates**

Assumed For Analysis Reflected in Table 1 – Business Analysis Package

	Fixed Transportation -$/Dt			
Alternative	Summer	Winter	Commodity Charge $/Dt	Fuel Charge
Cypress: Southern Natural Gas Florida Gas Transmission	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

Assumed For Corrected Analysis Reflecting Final Terms & Conditions

	Fixed Transportation -$/Dt			
Alternative	Summer	Winter	Commodity Charge $/Dt	Fuel Charge
Cypress: Southern Natural Gas Florida Gas Transmission	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

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[1] Reflects a negotiated rate of [redacted] plus estimated provision to cover future rate increases.
[2] Reflects a negotiated rate of [redacted] plus estimated provision to cover future rate increases.
[3] An effective fixed transportation rate derived given [redacted] requirement for [redacted] of annual fixed pipeline transportation [redacted] and seasonal volumes comparable with the [redacted] alternatives. See PEF response to #136 for further information.
[4] Reflects [redacted] 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.

[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

[redacted] **Capital Cost** – This is a function of how much capital cost [redacted] (for Cypress), [redacted] and [redacted] 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 [redacted] of required infrastructure improvements for Cypress, [redacted] was initially willing absorb the [redacted] cost associated with the [redacted], but later increased its offer to include the [redacted] for a total commitment of [redacted] proposed to absorb [redacted] of cost associated with various additions / improvements, resulting in PEF having to fund [redacted] of cost. [redacted] proposed to absorb the [redacted] cost ~~of the~~ [redacted], resulting in PEF having to fund [redacted]

- **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 $[redacted]Dth basis (or adder) per the terms negotiated with [redacted].; and
  2. The [redacted] alternative reflects PEF's forecast of [redacted] basis as of August 5, 2004 (summarized below).
  3.

Forecasted [redacted] Basis As of 08/05/04			
2008	[redacted]	2018	[redacted]
2009	[redacted]	2019	[redacted]
2010	[redacted]	2020	[redacted]
2011	[redacted]	2021	[redacted]
2012	[redacted]	2022	[redacted]
2013	[redacted]	2023	[redacted]
2014	[redacted]	2024	[redacted]
2015	[redacted]	2025	[redacted]
2016	[redacted]	2026	[redacted]
2017	[redacted]	2027	[redacted]

- **Discount Rate** – 8.16% per PEF's response to Interrogatory No. 28.

152. Has Southern Natural Gas Company achieved the sufficient commitments necessary to meet the requirements of Section 5(a)(3) of its precedent agreement with PEF?

Answer:

By letter dated April 1, 2005 (attached as Exhibit A), Southern Natural Gas Company informed PEF that it is waiving the condition precedent set forth in Section 5(a)(iii) contained in the precedent agreement.

153. Given PEF's response to Staff Interrogatory No. 71, what are the total incremental costs (inclusive of both incremental gas costs and incremental costs of unit dispatch changes, additional purchase power, etc., balanced against any decremental costs) associated with each storm listed in the response?

Answer:

Date	Storm Name	Total Incremental Gas Cost	Total Incremental Power Cost
9/24/02-9/27/02	Tropical Storm Isidore Total	$132,816	$0
10/1/02-10/4/02	Hurricane Lili Total	$218,807	$217,160
7/14/03-7/16/03	Tropical Storm Claudette Total	$9,884	$0
8/10/04-8/13/04	Tropical Storm Bonnie Total	$140,778	$500,540
9/13/04-10/6/04	Hurricane Ivan Total	$6,631,796	$1,607,900

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 [redacted] summer (May through September) and [redacted] 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.

155. Please list all entities which received PEF's August 2002 RFP for gas supply to Hines 4.

Answer:

PEF did not conduct an RFP during August 2002. If Staff is referring to the August 2003 RFP, this information was provided in Attachment D in response to Interrogatory No. 83.

156. Please list all entities which received PEF's April 2003 RFP for gas supply to Hines 4.

Answer:

PEF did not conduct an RFP during April 2003. If Staff is referring to the April 2004 RFP, this information was provided in Attachment C in response to Interrogatory No. 83.

157. Please list all entities which received PEF's June 2004 RFP for gas supply to Hines 4.

Answer:

This information was provided in Attachment E in response to Interrogatory No. 83.

158. How did PEF determine which entities were qualified to bid on the Hines 4 natural gas RFP?

Answer:

As stated in response to Interrogatory No. 93, PEF maintains a list of viable and credit worthy counterparties who have the ability to supply natural gas to Progress Energy. Indeed, most viable and credit worthy gas suppliers already have existing natural gas contracts with PEF. PEF distributed the RFP's to the counterparties noted on the most updated list (at the time of the RFP distribution). For all three sets of RFP's, a total of forty-one counterparties were solicited for bids.

159. Given the expense of storm-related curtailments listed in response to Staff Interrogatory No. 72, has PEF studied whether it would be economic for the utility to contract for underground natural gas storage? If not, why not. If so, what were the results of the study?

Answer:

In February 2003, PEF conducted a study titled "Gas Storage Strategy," which identifies potential benefits for PEF of underground natural gas storage. The results of the study indicate that high deliverability underground gas storage can be utilized to mitigate (depending on the length of the gas interruption as stated in response to Interrogatory Nos. 73 and 74) some supply disruptions due to storms/hurricanes impacting PEF gas supply area. The potential benefits for PEF include enhanced reliability, managing price risk, managing daily imbalances to mitigate pipeline penalties, and providing for intraday supply needs. PEF is still in the process of identifying the optimum amount of storage capacity needed to meet PEF gas demands going forward. This gas storage strategy, while it provides additional benefits, cannot replace the Cypress project. PEF expects both projects to further enhance PEF's existing and future gas portfolio as a means to provide the potential benefits discussed above.

160. Please refer to PEF's response to Staff Interrogatory No. 80. In the last sentence of the response, PEF references "similar LNG offers". Did PEF mean "natural gas offers"?

<u>Answer:</u>

Yes. The June 2004 RFP solicited "natural gas offers" from Gulf of Mexico gas suppliers from our current supplier list that could deliver natural gas to the Gulfstream Natural Gas System.

161. Please reconcile PEF's response to Staff Interrogatory Nos. 115 and 117, which show different quantities of gas contracted in 2004 under various contract terms (years).

Answer:

PEF's response to Interrogatory No. 115 reflects the actual volumes received and the average total price of all term deals in effect during 2004. For example, this answer does not include any volumes not taken under the swing term supply contracts, any supply disruptions, spot daily transactions, or daily call contract transactions. The contracts were listed under remaining term based on the number of years remaining on the contract starting from 2004. By contrast, PEF's response to Interrogatory No. 117 identifies the contractual maximum volumes allowed for all term deals in effect from 2004 through 2013. For example, this answer includes maximum contract volumes under variable supply contracts. The contracts were listed under term years based on the number of years the contract is in existence and not based on the number of years remaining on the contract starting from 2004.

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:

[redacted]

[redacted]

163. PEF's response to Staff Interrogatory No. 128 states that the purpose of the August 2003 RFP was to gain market intelligence for LNG supplies to Hines 4, yet Page 8 of the Direct Testimony of Pamela Murphy states that the RFP process began by soliciting proposals from all entities who could potentially meet the fuel requirements of Hines 4. Had PEF already determined that domestic supplies would not be viable to supply Hines 4 at the time of issuance of the August 2003 RFP?

Answer:

No. The statement made in response to Interrogatory No. 128, in context with the first sentence, means that PEF conducted a series of RFP's to solicit proposals from new and existing LNG projects as well as domestic suppliers who could potentially supply gas to Hines 4. PEF did not determine initially that domestic suppliers would not be viable to supply Hines 4, as mentioned in response to Interrogatory No. 76(A).

164. With regard to PEF's response to Staff Interrogatory No. 67, please explain the reasons for the differences in market prices reported by Platt's Inside the FERC Gas Market Report and Platt's Gas Daily.

Answer:

The Platts Inside FERC Gas Market (IFERC) report is a monthly publication. This publication is used for monthly term deals based on IFERC prices for the first of each month. The IFERC prices reported for Interrogatory No. 67 is a yearly average of the monthly postings for FGT Zone 1, FGT Zone 2, FGT Zone 3 and Transco Zone 4. The Platts Gas Daily report is a daily publication. The Platts Gas Daily prices reported for Interrogatory No. 67 is a yearly average of the daily postings for FGT Zone 1, FGT Zone 2, FGT Zone 3, FGT City Gate, and Transco Zone 4.

Bruce H. Hughes
Director
Business Development

Southern Natural Gas
an El Paso company

April 1, 2005

Ms. Pamela R. Murphy
Progress Energy Florida, Inc.
410 S. Wilmington Street (PEB 10)
Raleigh, NC 27601

Attention: Contract Administration

Dear Pam:

This is to advise you that on January 17, 2005, Southern Natural Gas Company ("Southern") completed the open season for the Cypress Project to provide firm transportation service to shippers from its Elba Island Receipt Point. Southern received several subscriptions including the Precedent Agreement dated December 2, 2004, with Florida Power Corp., d/b/a Progress Energy Florida, Inc. ("FPC"), hereinafter the "Agreement." In the open season, Southern did not receive the total subscription required to satisfy the Condition Precedent in Section 5(a)(iii) of the Agreement.

Accordingly, Southern is hereby informing you that it is waiving the condition precedent set forth in Section 5(a)(iii) Agreement as of March 31, 2005.

Sincerely,

Bruce H. Hughes

cc: Mr. James Jefferies
Moore & Van Allen, PLLC
Bank of America Corporate Center
Suite 4700
100 North Tryon Street
Charlotte, NC 28202-4003

Mr. Norman Holmes
Ms. Patricia Francis

Southern Natural Gas
1900 Fifth Avenue North Birmingham, Alabama 35203
PO Box 2563 Birmingham, Alabama 35202.2563
tel 205.325.7146 fax 205.325.3787

ATTACHMENT A

AFFIDAVIT

STATE OF NORTH CAROLINA)

COUNTY OF WAKE)

I hereby certify that on this 14th day of April 2005, before me, an officer duly authorized in the State and County aforesaid to take acknowledgments, personally appeared, Pamela R. Murphy, who is personally known to me, and she acknowledged before me that the answers to interrogatory numbers 148-164 from the Staff of the Florida Public Service Commission in Docket No(s). 041414-EI were provided from the following individuals:

Interrogatories 148 and 149:	Pamela R. Murphy
Interrogatory 150:	Samuel S. Waters
Interrogatories 150 through 164:	Pamela R. Murphy

and that the responses are true and correct based on his/her personal knowledge.

In Witness Whereof, I have hereunto set my hand and seal in the State and County aforesaid as of this 14th day of April, 2005.

Notary Public
State of North Carolina, at Large

My Commission Expires: 8-10-05