Q. What made the difference between the Cypress and the Bahamas-based alternative?

A. From a strategic perspective, we considered geographic diversity of supply and relative certainty in meeting Hines 4's commercial in-service date to be the key factors. While each of the two finalists had attractive aspects, we ultimately concluded that the amount of our supply need alone would not be sufficient to anchor a new Bahamas-based LNG facility and associated pipeline. In addition, we made the judgment that there was not a sufficient degree of certainty that the Bahamas-based project could meet Hines 4's in-service date.

We continue to believe that ultimately a Bahamas-based LNG project is likely to come to fruition and will be a good resource for the State of Florida. We certainly intend to give full consideration to potential Bahamas-based LNG sources when evaluating our future supply needs. The availability of a Bahamas-based LNG facility and related pipeline would further enhance the geographic diversity of PEF's and the State of Florida's natural gas supply. We concluded only that a purchase from a Bahamas project was not the best choice for our next planned generating unit at this time.

Q. Please describe the economic difference between the Cypress and the Bahamas-based alternative.

A. Over the twenty-year contract term, the price difference between the alternatives was not significant enough to dictate that factor alone as the basis for decision. The price spread between the alternatives on a comparable volume basis of [redacted] MMBtu in the summer and [redacted] MMBtu in the winter, as reflected in Exhibit _____ (PRM – 5), amounted to a difference of approximately [redacted] of the total cost difference over the life of the contract. Exhibit ____ (PRM-5) reflects quantities and timing based on the responses to the RFP issued by the Company as well as the present value amounts to reflect discounting to December 1, 2004. However, since our analysis of the most cost-effective alternative weighed both price and non-price strategic factors, the strategic benefits and the greater certainty of timely completion of the BG/Cypress/FGT proposal made it the clear winner.

In addition, we also evaluated the economics of the Cypress project versus the current gas market in a comparable time period, as reflected in Exhibit _____ (PRM – 6). A Gulf of Mexico alternative is the market proxy in Exhibit _____ (PRM-6), using a term of twenty years beginning in May 2007 with the actual contracted volumes previously stated. Based on this analysis, the Cypress project is slightly higher in price than the Gulf of Mexico alternative.

Q. How does the pricing under these supply and transportation contracts compare with the costs assumed for these items in the Company's analysis of the Hines 4 RFP?

A. The pricing for these contracts is slightly less than that assumed in the RFP analysis of the Hines 4 self-build option. The self-build option assumed a firm transportation annual cost of [redacted], while the firm transportation costs in the Cypress/FGT contracts is [redacted]. The commodity costs in the Hines 4 RFP analysis was assumed to be the same for all of the alternatives evaluated.

PRM-5

[redacted]

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PRM-6

[redacted]

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