

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

**In Re: Joint Petition for Determination)
of Need for an Electrical Power Plant in)
Volusia County by the Utilities)
Commission, City of New Smyrna Beach,)
Florida, and Duke Energy New Smyrna)
Beach Power Company Ltd., L.L.P.)**

DOCKET NO. 981042-EM

FILED: SEPT. 28, 1998

DIRECT TESTIMONY

OF

LARRY A. WALL

ON BEHALF OF

**THE UTILITIES COMMISSION, CITY
OF NEW SMYRNA BEACH, FLORIDA**

AND

**DUKE ENERGY NEW SMYRNA BEACH
POWER COMPANY LTD., L.L.P.**

DOCUMENT NUMBER-DATE

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REG. RECORDS/REPORTING

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**IN RE: JOINT PETITION FOR DETERMINATION OF NEED
BY THE UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA
AND DUKE ENERGY NEW SMYRNA BEACH POWER COMPANY,
FPSC DOCKET NO. 981042-EM**

DIRECT TESTIMONY OF LARRY A. WALL

1 **Q: Please state your name and business address.**

2 A: My name is Lawrence Alexander Wall, and my business address
3 is 5400 Westheimer Court, Houston, Texas 77056.

4

5 **Q: By whom are you employed and in what position?**

6 A: I am employed by Duke Energy Power Services, L.L.C. as Vice
7 President, Southeast Region.

8

9 **Q: Please describe your duties with Duke Energy Power Services,
10 L.L.C.**

11 A: My duties include responsibility for all power generation
12 development efforts in the southeast United States. My
13 group takes control of power generation projects after
14 preliminary business terms have been finalized and a
15 consensus of local management approves further development.
16 We continue to manage the business aspects of each project
17 through the date on which commercial operation is achieved.

18

19 **Q: What are your responsibilities with respect to the New
20 Smyrna Beach Power Project?**

21 A: My group within Duke Energy Power Services, L.L.C. ("DEPS")
22 is responsible for developing the New Smyrna Beach Power

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1 Project. In that role, we generally function as Duke New
2 Smyrna's agent for arranging the various contracts that will
3 support the Project's design, development, permitting,
4 construction, and operation.

5

6

QUALIFICATIONS AND EXPERIENCE

7 **Q: Please summarize your educational background and experience.**

8 A: I graduated from Texas A&M University in 1981 with a
9 Bachelor of Science degree in Mechanical Engineering.

10

11 **Q: Please summarize your employment history and work
12 experience.**

13 A: Immediately upon graduation, I was employed by Mobil Oil
14 Corporation and spent seven years in various engineering
15 positions, focusing on oil and gas production and
16 ranging in responsibility from field engineer to
17 supervisor of offshore operations. From these
18 engineering positions I moved into Mobil's natural gas
19 marketing group, with assignments in gas transportation,
20 gas operations, gas trading, long term marketing, and
21 risk management. My last assignment with Mobil's
22 marketing group included responsibility for all U.S.
23 trading activities. In 1996, I moved into a natural gas
24 marketing company formed through a joint venture between
25 Mobil and PanEnergy, where my responsibilities included
26 all trading and operations activities for the southeast

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1 United States. I continued in that position until
2 December, 1997, at which time I moved into my current
3 position.

SUMMARY AND PURPOSE OF TESTIMONY

4
5
6 **Q: Please summarize your testimony.**

7 **A:** I am testifying on behalf of the Utilities Commission, City
8 of New Smyrna Beach, Florida ("UCNSB"), and Duke Energy New
9 Smyrna Beach Power Company Ltd., L.L.P. ("Duke New Smyrna"),
10 the joint applicants for the Commission's determination of
11 need for the New Smyrna Beach Power Project (or "the
12 Project"). My testimony describes both the physical and the
13 contractual arrangements by which Citrus Trading Corp.
14 ("Citrus") will supply delivered firm gas to the New Smyrna
15 Beach Power Project.

16 In summary, Florida Gas Transmission Company ("FGT")]
17 will obtain the permits for and construct a lateral gas
18 pipeline approximately 42 miles in length that will serve
19 the Project. This lateral gas pipeline will be placed into
20 service by October 2001, the scheduled commercial in-service
21 date of the Project. Pursuant to a long-term gas supply
22 contract entered into by Citrus and Duke Energy Power
23 Services, Citrus will provide firm delivered gas supply to
24 the Project for an initial term of 20 years commencing on
25 the Project's commercial in-service date. After the initial
26 20-year term, the gas supply contract is renewable from year

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1 to year. If the contract is terminated, Duke Energy Power
2 Services, Duke New Smyrna's agent for purposes of the gas
3 contract, has the right to acquire Citrus's gas
4 transportation capacity on FGT's system.

5

6 **Q: Are you sponsoring any exhibits to your testimony?**

7 **A:** Yes. I am sponsoring Exhibit ____ (LAW-1), the Transaction
8 Agreement between Duke Energy Power Services, L.L.C. and
9 Citrus Trading Corp., pursuant to which Citrus will supply
10 delivered firm gas to the Project.

11

12 **PIPELINE FACILITIES TO SERVE THE NEW SMYRNA BEACH POWER PROJECT**

13 **Q: Please describe the lateral gas pipeline by which the New**
14 **Smyrna Beach Power Project's gas supply will be delivered.**

15 **A:** Gas will be delivered to the Project by a 16-inch lateral
16 pipeline approximately 42 miles in length. This line will
17 run from a point on the existing main gas pipeline of
18 Florida Gas Transmission Company ("FGT") near Mt. Plymouth,
19 in Lake County, Florida, through Lake County, Seminole
20 County, and Volusia County to the Project.

21

22 **GAS SUPPLY ARRANGEMENTS FOR THE NEW SMYRNA BEACH POWER PROJECT**

23 **Q: Please describe the basic provisions of the gas supply**
24 **contract between Citrus Trading Corp. and Duke Energy Power**
25 **Services, L.L.C.**

26 **A:** Citrus is contractually obligated to deliver gas to the

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1 inlet of the Project, up to the required maximum daily
2 quantity. Citrus's obligations include the nomination,
3 scheduling, and management of all issues related to the
4 delivery of the gas. A copy of the gas supply contract
5 between Citrus and DEPS (redacted to avoid disclosure of
6 proprietary, confidential, competitively sensitive business
7 information) is included as Exhibit ____ (LAW-1) to my
8 testimony.

9

10 **Q: What is the character of the firm gas supply provided for in**
11 **the Citrus-DEPS gas supply contract?**

12 **A:** Pursuant to the Citrus-DEPS gas supply contract, Citrus will
13 deliver a firm supply of gas to the Project's gas inlet,
14 consistent with FTS-2 transportation service under Florida
15 Gas Transmission Company's FERC Gas Tariff.

16

17 **Q: What would happen if, for some reason, Citrus should**
18 **fail to procure sufficient gas to meet its firm**
19 **delivered gas supply obligation to the New Smyrna Beach**
20 **Power Project under the Citrus-DEPS contract? What**
21 **rights does DEPS or Duke New Smyrna have to procure gas**
22 **and have it delivered to the Project if Citrus fails to**
23 **do so?**

24 **A:** If Citrus fails to deliver gas, Citrus must compensate Duke
25 Energy Power Services (Duke New Smyrna's agent for gas
26 procurement purposes) for the cost of any replacement gas or

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1 electric energy that DEPS or Duke New Smyrna acquires to
2 meet its contractual obligations. Pursuant to the contract,
3 the form or mode of replacement is at Duke Energy Power
4 Services' and Duke New Smyrna's sole discretion. Duke New
5 Smyrna has the option to obtain gas on its own and recover
6 any cost difference from Citrus.

7 Absent extremely rare force majeure events, gas supply
8 is available at a price and gas transportation is available
9 at a price. Duke New Smyrna is committed to meeting all of
10 its contractual power sales obligations, and will,
11 accordingly, obtain the necessary gas supply (or replacement
12 electric power) to do so. The key link in the Project's
13 ability to obtain gas to operate the Project is FGT's
14 pipeline system. In the last thirty years, there has been
15 one unscheduled outage on FGT's system that would have
16 prevented the Project from obtaining gas to operate.

17
18 **Q: What, if any, plans does Duke New Smyrna have to acquire or**
19 **install backup fuel supply capability on-site for the**
20 **Project?**

21 **A:** The question becomes one of identifying those contingencies
22 against which it is prudent to plan. Two such contingencies
23 are the failure of Citrus to provide either natural gas, the
24 commodity, or natural gas transportation. As I have
25 described, Duke New Smyrna has negotiated contractual
26 provisions requiring Citrus to compensate Duke New Smyrna

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1 for the cost of replacing gas or the cost of substitute
2 ("backup," if you will) electrical generation in the event
3 Citrus fails to perform. The ability to obtain and
4 substitute gas, at Citrus's cost, addresses one contingency
5 (failure to supply commodity); the ability to purchase
6 short-term electrical energy from other wholesalers and
7 deliver it in satisfaction of Duke New Smyrna's obligations
8 (again at Citrus's cost) actually addresses a double
9 contingency--that Citrus may fail to provide gas, or gas
10 transportation, or both.

11 Given these extensive "contractual back-up"
12 arrangements, the only additional contingency that on-site
13 fuel storage would guard against is the possibility of a gas
14 pipeline force majeure event occurring simultaneously with a
15 significant electric generating shortfall so severe that
16 Duke New Smyrna would not be able to acquire short-term
17 electrical energy at any price. We have evaluated several
18 options, including compressed natural gas storage at a site
19 located on the lateral that serves the Project, propane, and
20 No. 2 fuel oil. When the capital and O & M costs of on-site
21 backup fuel systems are evaluated against the remote
22 possibility of an unscheduled pipeline outage that would
23 prevent delivery of gas to the Project (there has been one
24 such event in the last 30 years), and against the even more
25 remote possibility of such an outage occurring
26 simultaneously with an electric capacity shortfall, none of

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1 these options is cost effective.

2 This is apparently the conclusion reached by other
3 Florida utilities that have existing gas-fired power plants
4 without backup fuel capability and plans to construct
5 significant amounts (approximately 3,000 MW) of gas-fired
6 capacity without backup fuel.

7

8 **Q: Does this conclude your direct testimony?**

9 **A: Yes, it does.**

Citrus Trading Corp.

P. O. Box 1188 Houston, Texas 77251-1188 (713) 853-6569 Fax (713) 646-2102

(713) 646-3395

FILED
JAN 9 - 1997
By _____

January 5, 1998

Duke Energy Power Services, L.L.C.
10777 Westheimer, Suite 975
Houston, Texas 77042

RECEIVED
FEB 3 - 1998
By _____

JUN 15 1998

This Transaction Agreement ("Agreement") shall form and effectuate the current transaction between Duke Energy Power Services, L.L.C. ("Customer") and Citrus Trading Corp. ("Company") regarding the firm purchase and sale of Gas under the following terms and conditions.

A. Scope

1. Gas Supply and Transportation.

Customer intends to construct and operate new Gas fired electric power generating plants in the State of Florida, initially consisting of the IMC-Agrico Generating Plant ("IMC Plant") and the New Smyrna Beach Generating Plant ("NSB Plant"), and, as a part of the Gas supply arrangements for such plants, requires a Gas supply lateral to connect each plant to the Gas pipeline system of Florida Gas Transmission Company ("FGT"), and a firm supply of Gas as part of the total Gas supply for the plants. Company agrees to provide for the installation of Gas supply laterals and to sell and deliver to Customer a firm supply of Gas consistent with FTS-2 transportation service under FGT's FERC Gas Tariff, and Customer agrees to purchase such Gas for both the IMC Plant and the NSB Plant or Successor Projects from Company pursuant to this Agreement. The Parties recognize that Customer may assign its obligations hereunder to an affiliate(s), including special purpose affiliated companies, and agree that such assignment shall relieve Customer of its obligations hereunder; provided, however, no such assignment shall relieve the obligations of the Guarantor under the Guaranty Agreement.

2. Demand Commitment.

If Customer does not proceed with construction of the IMC Plant and/or the NSB Plant, as currently contemplated herein, Customer represents and warrants to Company that Customer shall cause the volume of Gas contemplated under this Agreement to be utilized in Successor Projects. To the extent that the location, commencement, or configuration of either the IMC Plant and/or the NSB Plant is altered from the location, commencement, and configuration contemplated in this Agreement and such change affects a Party's economic costs and benefits hereunder, then the Parties shall agree to adjust the Contract Price and/or DCQ hereunder by mutual written agreement to reflect such changed circumstances. If the Parties are unable to mutually agree upon any changes to the DCQ and/or Contract Price because of changed circumstances, then such issue shall be resolved by arbitration as hereinafter provided.

3. Successor Projects.

If Customer does not proceed with construction of the IMC Plant or the NSB Plant, or both, and if Customer constructs any Successor Project, the Parties will attempt to agree as to the Contract Price and

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other material terms relating to providing Gas to such additional Redelivery Point at such maximum available pressure on FGT at that location under the terms of this Agreement as to that portion of the DCQ not already committed hereunder. If the Parties are unable to mutually agree as to the Contract Price or any other material terms which shall apply to any Successor Project, then such issue shall be resolved by arbitration. In such arbitration, the arbitrators shall attempt to determine a resolution of the disputed issue(s) which would place the Parties in an economic position with respect to the Successor Project which is equivalent to that enjoyed by the Parties under this Agreement with regard to the NSB Plant and the IMC Plant, as if such projects were completed.

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Within thirty (30) days of Customer's final technical decision, Company shall endeavor to negotiate any applicable FGT transportation contract, or amendment(s) thereto, in order to conform such contract to Customer's minimum pressure and delivery rate requirements at any Redelivery Point. Throughout the term of this Agreement, Company shall cause Gas to be delivered to Customer at each Redelivery Point at least at the minimum delivery rate and pressure required by Customer for each applicable project, which for the NSB Plant and IMC Plant are set out in Sections D.2 and D.3 hereof. With respect to pressure requirements only, Customer shall be a third party beneficiary of any contract between FGT and Customer which is assigned to Company concerning transportation of Gas to a Redelivery Point.

B. Development Schedule.

Customer has advised Company that the date of commercial operation of each of the IMC Plant and/or NSB Plant is predicated on the milestones enumerated in the Development Schedule attached as Exhibit "A" hereto. Additionally, Company has advised Customer that the completion date for each of the pipeline laterals to be constructed to deliver Gas to each of the IMC Plant and the NSB Plant is also predicated on the milestones enumerated in the Development Schedule. If a milestone is not met as to a plant or lateral, the Parties shall meet to determine any necessary adjustment in the applicable Development Schedule. If any advancement in any of the milestones becomes apparent to a Party, that Party shall notify the other and they shall meet and mutually agree, in writing, upon new milestone dates for the applicable Development Schedule. Company or Customer may propose and the Parties mutually agree, in writing, on any adjustment in the Contract Price to reflect any changed circumstances as a result of any change in the milestone dates. Additionally, the Parties agree to provide periodic, or when otherwise reasonably requested, updates on the status of the milestones enumerated in the Development Schedule. In order to facilitate timely approval of the NSB Project, the IMC Project or any Successor Project, the Parties contemplate establishing a more specific timetable, which addresses such matters as liquidated damages, termination rights or step-in rights in the event of an unexcused default in meeting such deadlines through the exercise of commercially reasonable efforts.

C. Term.

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The term of this Agreement ("Term") shall run from the date set forth first above to the end of the last Period of Delivery set forth in Section D.16 (Period of Delivery) herein, unless sooner terminated pursuant to its terms.

D. Terms and Conditions.

1. Definitions.

"FGT FTS-2 Demand Charge" means the per MMBtu maximum reservation rate for firm transportation service under FGT's FTS-2 Rate Schedule (or successor tariff), including all applicable reservation surcharges.

"Gas Daily City Gate Price" means the low of the range of prices for Florida gates via FGT as published in the "Daily Price Survey" under the heading "City gate, Pooling Point prices" in Gas Daily reflecting a column of prices for the Day for which the Gas Daily City Gate Price is being determined. If no price is contained in the publication for that particular Day, or if no publication is published for that particular Day, or if the price contained in the publication for that particular Day is non-bolded, then it shall be deemed that no price or range of prices is published for that particular Day. In the event that no price or range of prices is published for that particular Day, then the Gas Daily City Gate Price shall be the average of the following: the price (determined as stated above) for each of the first Day immediately preceding and following the particular Day for which a Gas Daily City Gate Price is not published.

"Gas Daily Zone 2 High Price" means the common high postings of prices for FGT's supply zone 2 as published in the "Daily Price Survey" under the column "Common" under the heading "Louisiana Onshore South" in Gas Daily reflecting a column of prices for the Day for which the Gas Daily Zone 2 High Price is being determined. If no price is contained in the publication for that particular Day, or if no publication is published for that particular Day, or if the price contained in the publication for that particular Day is non-bolded, then it shall be deemed that no price or range of prices is published for that particular Day. In the event that no price or range of prices is published for that particular Day, then the Gas Daily Zone 2 High Price shall be the average of the following: the price (determined as stated above) for each of the first Day immediately preceding and following the particular Day for which a Gas Daily Zone 2 High Price is not published.

"Gas Daily Zone 2 Midpoint Price" means the midpoint postings of prices for FGT's supply zone 2 as published in the "Daily Price Survey" under the column "Midpoint" under the heading "Louisiana Onshore South" in Gas Daily reflecting a column of prices for the Day for which the Gas Daily Zone 2 Midpoint Price is being determined. If no price is contained in the publication for that particular Day, or if no publication is published for that particular Day, or if the price contained in the publication for that particular Day is non-bolded, then it shall be deemed that no price or range of prices is published for that particular Day. In the event that no price or range of prices is published for that particular Day, then the Gas Daily Zone 2 Midpoint Price shall be the average of the following: the price (determined as stated above) for each of the first Day immediately preceding and following the particular Day for which a Gas Daily Zone 2 Midpoint Price is not published.

"IMC Plant" means

REDACTED

"IMC Plant In Service Date" means the date REDACTED

"IMC Plant Lateral" means the pipeline and appurtenant facilities
REDACTED

"Inside FERC Index Price" means the average of the prices for FGT's supply Zones 2 and 3 in the column labeled "Index" as published in the first issue for the month in question of Inside FERC's Gas Market Report in the table titled "Prices of Spot Gas Delivered to Pipelines".

"NSB Plant" means Customer's New Smyrna Beach Generating Plant to be located 43.5 miles from the FGT system in Volusia County, Florida.

"NSB Plant In Service Date" means the date which Customer commences the commercial operation of the NSB Plant.

"NSB Plant Lateral" means the pipeline and appurtenant facilities that, when constructed in accordance herewith, will connect the NSB Plant at the NSB Plant Redelivery Point to the FGT system.

"Successor Project" means any gas-fired power generation project that Customer constructs and operates in Florida to the extent of its ownership interest; provided, however, that no project shall be considered a Successor Project if both the IMC Plant and the NSB Plant are constructed and the MaxDQ has been committed hereunder, and provided, further, that no project shall be considered a Successor Project except to the extent of the DCQ not already committed to other projects hereunder.

2. IMC Plant Lateral Pipeline Construction, Operation and Ownership.

REDACTED

3. NSB Plant Lateral Pipeline Construction, Operation and Ownership.

Company, or its affiliates, shall, at Company's or its affiliates' cost, install a pipeline and meter and regulator station to satisfy (i) Customer's operating requirements for the NSB Plant, and (ii) FGT's construction specifications. Construction of the pipeline is expressly conditional upon all regulatory and environmental approvals. Customer's general operating requirements used for pipeline facility sizing are 3,500 MMBtu per hour or 80,000 MMBtu per day and the maximum pressure available from FGT, which

currently is 425 psig, at the NSB Plant Redelivery Point. Company agrees to contract with FGT for delivery capability of at least 3,500 MMBtu per hour at 425 psig delivery pressure at the NSB Plant Redelivery Point. FGT's analysis of the above provided delivery pressure is based on current system conditions, and is therefore subject to change over time. FGT has committed to inform the Parties, prior to their implementation, of any major facility changes that would adversely affect the above pressure commitment. Upon completion of the NSB Plant Lateral, FGT will own and operate the lateral as part of its overall system.

4. Nominations and Scheduling.

Customer and Company shall provide one (1) hour notice of changes prior to nomination deadlines, and shall adhere to FGT tariff requirements, and GTSB or successor standards on nominating and scheduling. Company will accommodate Customer regarding intraday scheduling of Gas, and related activities, to the fullest extent permitted pursuant to firm rate schedules under the FGT tariff. Once scheduled, Customer shall purchase and take, and Company shall sell to Customer, 100% of the Gas that Customer requests each day. Customer shall be the operator of the IMC Plant Redelivery Point and the NSB Plant Redelivery Point with respect to all scheduling, nominating, balancing, and other operational matters with FGT.

5.

REDACTED

6. Damages for Non-performance.

Pursuant to Section 3.4 of the ENFOLIO Master Agreement, hereinafter defined, in the event of Customer's unexcused failure to take Gas Scheduled by Customer and made available by Company on any given day, the Replacement Price Differential and liquidated damages shall be zero. Pursuant to Section 3.2 of the ENFOLIO Master Agreement, in the event of Company's unexcused failure to make available Gas Scheduled by Customer on any given day at the Redelivery Point, the Replacement Price Differential shall be Customer's cost of replacement Gas, fuel oil, or electrical energy necessary for the quantity Company failed to make available. Company agrees that a factor of 7.2 gallons per MMBtu shall be used for replacement fuel oil and a heat rate factor of 7,500 Btu per Kwh shall be used for purchased electrical energy to determine the volume of fuel oil or energy in replacement of the volume of Gas not so delivered by Company. Customer shall utilize commercially reasonable efforts to purchase replacement Gas, fuel oil or electrical energy, which choice shall be at Customer's sole discretion.

REDACTED

REDACTED

7. Shared Savings.

To the extent that Company, during the term of this Agreement, receives any reimbursement from FGT for costs previously incurred in connection with the construction of either the IMC Plant Lateral or the NSB Plant Lateral, or Successor Project, then Company and Customer shall equally share any such reimbursement.

8. Transportation Option.

Upon the expiration of the Term, Customer shall have the right to obtain the capacity rights held by Company on FGT's pipeline system delivering Gas to each of the IMC Plant and the NSB Plant, or Successor Project. Unless the Parties agree otherwise, at Customer's request Company shall transfer such capacity rights through pre-arranged relinquishment under Section 18 of FGT's FERC Gas Tariff. In addition, Company shall undertake commercially reasonable efforts to protect Customer's ability to transport Gas on each of the IMC Plant Lateral and the NSB Plant Lateral, or Successor Project lateral, after termination of this Agreement.

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9. Customer Option on Additional Lateral Capacity.

(a) In light of Customer's role as anchor customer for construction of the IMC Plant Lateral and the NSB Plant Lateral, the Parties agree that Company shall use its reasonable best efforts to ensure that the agreements with FGT as described in Sections D.2 and D.3 provide Customer the right, upon six (6) months notice, to increase the DCQ(s) or elect capacity rights under firm service with FGT directly to the following level(s):

(i) for the IMC Plant Lateral:

REDACTED

(ii) for the NSB Plant Lateral: up to 80,000 MMBtu per day (less DCQ selected on the lateral)

(b) Customer may exercise its right to increase its DCQ or obtain additional capacity on a lateral under paragraph (a) above no later than twelve (12) months after the in-service date for such lateral.

(c) Company shall ensure that any gas supply arrangements entered into with third parties during the period in which Customer is entitled to exercise any rights under paragraph (a) above and that utilizes capacity on either or both of such laterals shall be consistent with such rights.

10. Approvals and Conditions.

(a) Customer Approvals and Conditions

(i) Approvals. Customer agrees to seek Customer's Board of Directors' approval and to use all commercially reasonable efforts to obtain any approvals, consents, authorizations, environmental permits, easements, licenses, and/or permits that may be required from any necessary regulatory authority to allow Customer to build and operate each of the IMC Plant and the NSB Plant.

(ii) Conditions. Customer's obligations under this Agreement with respect to each of (1) the IMC Plant, or (2) the NSB Plant are subject to the satisfaction in full, or waiver by Customer, of the following conditions as applicable:

(A) approval by Customer's Board of Directors of Customer's construction and operation of the IMC Plant and/or the NSB Plant by . REDACTED and

(B) approval by all regulatory authorities
REDACTED

(iii) Conditions Precedent. Customer's obligations under this Agreement are subject to approval by Customer's Board of Directors of the Agreement by February 15, 1998.

(iv) Modification of Agreement. If the terms of an approval of the IMC Plant and/or NSB Plant by a regulatory authority requires the alteration of this Agreement, then the Parties shall modify this Agreement insofar and only insofar as necessary to comply with such order. To the extent a plant is removed from this Agreement for lack of regulatory authority or other approval, the Redelivery Point for such plant shall be removed from this Agreement and the applicable Contract Price discount for the remaining plant shall be derived by use of the matrix provided in Section D.15 (Contract Price).

(b) Company Approvals and Conditions

Company agrees to use all commercially reasonable efforts to obtain any approvals, consents, or authorizations that may be required from or requested of any regulatory authority, including but not limited to, any rate approvals, environmental permits, easements, licenses, and/or permits relating to the construction, ownership, and operation of the laterals. Company's obligations under this Agreement with respect to the laterals are subject to the satisfaction in full, or waiver by Company of the approval by all regulatory authorities of Company's construction, ownership and operation of the laterals prior to June 1, 2000 (or such other date applicable to any Successor Project) on terms satisfactory to Company in Company's sole discretion.

11. Daily Contract Quantity (DCQ).

(a) In establishing the Daily Contract Quantity (DCQ) for the plant(s) to be supplied under this Agreement, the Parties agree that Customer may, select any combination, up to the MaxDQ, of the following DCQ's set forth below:

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(i) IMC Plant DCQ:

REDACTED

(ii) NSB Plant DCQ:

- (A) 77,900 MMBtu/day
- (B) 53,950 MMBtu/day
- (C) 38,950 MMBtu/day
- (D) 0 MMBtu/day

(b) Customer shall notify Company of its selection of the location and the DCQ for each plant no later than December 1, 1998. In making its selection, Customer shall have the right to adjust the DCQ for a plant by plus or minus ten percent (10%).

(c) Subject to the locations and DCQ selected by Customer, the following shaping factors (average of 1.000 for the year) shall be used to derive the DCQ for each calendar month:

REDACTED

12. Maximum Daily Quantity (MaxDQ).

The MaxDQ under this Agreement shall be _____ MaxDQ is specifically excluded from Section D.18 arbitration and may be changed only through mutual agreement of the Parties.

13. Delivery Point(s).

All points immediately downstream of where Company's Gas is received into the FGT system. Company shall be responsible for and shall cause Customer's Gas to be Scheduled, transported and delivered from the Delivery Point(s) to the Redelivery Point(s). For all operational purposes under the ENFOLIO Master Agreement such as risk of loss, indemnity and balancing matters addressed in Article 7 thereof, it is expressly understood that Company shall remain in exclusive control and possession of and responsible for Gas Scheduled hereunder until such Gas is delivered at the Redelivery Point.

14. Redelivery Point(s).

IMC Plant Redelivery Point - Commencing with the IMC Plant Lateral completion date, the interconnection of the IMC Plant Lateral and the IMC Plant;

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NSB Plant Redelivery Point - Commencing with the NSB Plant Lateral completion date, the interconnection of the NSB Plant Lateral and the NSB Plant;

Secondary Redelivery Points - All other Redelivery Points subject to normal limitations by FGT for secondary firm deliveries pursuant to the terms of FGT's tariffs, excluding Successor Project Redelivery Point(s).

15. Contract Price.

A two-part rate consisting of a Monthly Demand Charge and a Commodity Charge as follows:

Monthly Demand Charge. FGT FTS-2 (or successor tariff) Demand Charge in effect for any month, times the DCQ, times the number of days for such month, if such rate is stated as a daily demand charge.

Commodity Charge. The sum of (i) the Inside FERC Index Price, plus (ii) the FGT FTS-2 (or successor tariff) variable transport costs (including fuel retention) applicable to the Redelivery Point on FGT,

REDACTED

16. Period of Delivery.

Commencing with the IMC Plant In Service Date and continuing for twenty years. Thereafter, the Period of Delivery shall continue from year to year until terminated by either Party with one year prior written notice.

Commencing with the NSB Plant In Service Date and continuing for twenty years. Thereafter, the Period of Delivery shall continue from year to year until terminated by either Party with one year prior written notice.

Commencing with the Successor Project In Service Date and continuing for twenty years. Thereafter, the Period of Delivery shall continue from year to year until terminated by either Party with one year prior written notice.

17. Force Majeure.

(a) Pursuant to Article 5 of the ENFOLIO Master Agreement, the term "Force Majeure" specifically excludes the loss, interruption, or curtailment of interruptible transportation on any transporter necessary to effect receipt or delivery of Gas hereunder, unless the same event also curtails firm transportation.

(b) Neither Party shall be entitled to claim excuse of performance under the Force Majeure provisions of Article 5 of the ENFOLIO Master Agreement under either or both of the following circumstances: (i) to the extent the failure to perform was caused by the sole or contributory negligence of the Party claiming excuse; or (ii) to the extent the failure to perform was caused by the Party having failed to remedy the condition and to resume the performance of such covenants or obligations with reasonable dispatch.

18. Arbitration.

If the Parties are unable to reach agreement regarding any issues requiring mutual agreement during the term of this Agreement, then such issue(s) shall be resolved by arbitration as set forth herein. Notwithstanding anything to the contrary contained in the Arbitration Procedures section of Appendix "1" of the ENFOLIO Master Agreement, the arbitrators once chosen shall accept sealed written resolutions of the subject dispute from each Party on a confidential basis to be submitted within twenty (20) Business Days of establishment of the arbitration panel. The written submissions shall be in the form and subject to any limitations as may be prescribed by the arbitrator(s). The arbitrator(s) shall then choose only one of the proposed solutions, (without modifications) as the fairest solution to the dispute within ten (10) Business Days of receipt of the written submissions of both Parties.

19. Prior Agreement.

The Parties acknowledge and agree that effective with the final execution of this Transaction Agreement by each of Company and Customer, that certain Transaction Agreement dated December 23, 1997, as amended, between the Parties hereto shall be deemed restated and superseded by this Transaction Agreement.

This Transaction Agreement is being provided pursuant to and in accordance with the ENFOLIO Master Firm Purchase/Sale Agreement (the "ENFOLIO Master Agreement") in effect between Customer and Company and constitutes part of and is subject to all of the terms and provisions of such Agreement. For purposes of the Transaction Agreement, the Parties stipulate that no amendment or modification of this Transaction Agreement may be formed and effectuated under Section 2.2 of the ENFOLIO Master Agreement except through a writing executed by the Parties. Customer to purchase and receive (Buyer) and Company to sell and deliver (Seller). Please execute this Transaction Agreement and return an executed copy to Company. Your execution should reflect the appropriate Party in your organization who has the authority to cause Customer to enter into this Transaction.

DUKE ENERGY POWER SERVICES, L.L.C.

CITRUS TRADING CORP.



By: 

Title: Senior Vice President

Title: 





Exhibit "A" - Development Schedule
 For Customer and Company Activities for Customer and Company Activity Timeline
 between
 Duke Energy Power Services, L.L.C. and Citrus Trading Corp.

PARTY	ACTION	DESCRIPTION OF TIMING	BEST CASE DATES	WORST CASE DATES
✓COMPANY	FGT Approval of Capacity/Pressure Requirements	Between 1/01/98 and 1/15/98	01/01/98	01/15/98
CUSTOMER	Board of Directors Approval	Between 2/4/98 and 8/1/98	02/04/98	08/01/98
CUSTOMER	Permit Filing and Initial Technical Decision	Within 1 Month of Customer's Board Approval	03/01/98	09/01/98
CUSTOMER	Final Technical Decision	Within 4 Months of Customer's Board Approval	06/01/98	12/01/98
COMPANY	Permit Filing and Initial Technical Decision	Contemporaneously with Customer's Notice of Final Technical Decision	06/01/98	12/01/98
CUSTOMER	Permits Issued	Between 15 and 18 Months after Customer's Permit Filing	06/01/99	03/01/00
COMPANY	Permits Issued	Between 12 and 18 Months after Company's Permit Filing	06/01/99	06/01/00
CUSTOMER	Permits Acceptance and Commencement of Construction	Between 1 and 3 Months after Customer's Permits Issued	07/01/99	06/01/00
COMPANY	Permits Acceptance and Commencement of Construction	Between 1 and 3 Months of Company's Permits Issued	07/01/99	09/01/00
COMPANY	Completion of Construction and Date of Pipeline in Service	Between 3 and 6 Months after Permits Acceptance and Commencement of Construction by Company	10/01/99	03/01/01
CUSTOMER	Plant Fuel Testing	Between 12 and 18 Months after Permits Acceptance and Commencement of Construction by Customer	07/01/00	12/01/01
CUSTOMER	Completion of Construction and Date of Commercial Operation	Between 18 and 24 Months after Permits Acceptance and Commencement of Construction by Customer	01/01/01	06/01/02

REDACTED