

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition for Determination of)
Need for an Electrical Power Plant in) DOCKET NO. 000442-EI
Polk County by Calpine Construction)
Finance Company, L.P.)

DIRECT TESTIMONY AND EXHIBITS

OF

MICHAEL D. PETIT

ON BEHALF OF

CALPINE CONSTRUCTION FINANCE
COMPANY, L.P.

DOCUMENT NUMBER-DATE

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FLORIDA PUBLIC SERVICE COMMISSION

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: PETITION FOR DETERMINATION OF NEED FOR AN ELECTRICAL
POWER PLANT IN POLK COUNTY BY CALPINE CONSTRUCTION FINANCE
COMPANY, L.P.

FPSC DOCKET NO. 000442-EI

DIRECT TESTIMONY OF MICHAEL D. PETIT

1 Q: Please state your name and business address.

2 A: My name is Michael D. Petit. My business address is the
3 Pilot House, 2nd Floor, Lewis Wharf, Boston, MA 02110.

4
5 Q: By whom are you employed and in what position?

6 A: I am employed by Calpine Eastern Corporation ("Calpine
7 Eastern") as the Director of Fuels Management.

8
9 Q: Please describe your duties with Calpine Eastern.

10 A: My role is to manage the fuel arrangements for existing
11 electric generation facilities and to provide fuel supply
12 expertise to support the Electric Power Plant Development
13 and Acquisitions Groups of Calpine Eastern. This includes
14 managing contract optimization and restructuring,
15 coordinating fuel regulatory activities, developing fuel
16 supply strategies, sourcing fuel supplies and transportation
17 services and negotiating the terms and conditions of these
18 services for Calpine Eastern in the eastern United States
19 and Canada.

DIRECT TESTIMONY OF MICHAEL D. PETIT

1 Q: What are your responsibilities with respect to the Osprey
2 Energy Center Project?

3 A: I am primarily responsible for developing the fuel supply
4 strategy and negotiating the term fuel supply and
5 transportation contracts for the Osprey Energy Center
6 Project (the "Osprey Project"). In addition, in the
7 regulatory process, I provide fuel supply support for the
8 Osprey Project as needed.

9

10 QUALIFICATIONS AND EXPERIENCE

11 Q: Please summarize your educational background and experience.

12 A: In 1977, I graduated with a B.S. in Accounting from
13 Villanova University. I have over 20 years of experience in
14 various commercial positions in the energy industry. As
15 previously noted, I am currently Director of Fuels
16 Management for Calpine Eastern Corporation. My resumé is
17 attached to this testimony and identified as Exhibit ____
18 (MDP-1).

19

20 Q: Please summarize your employment history and work
21 experience.

22 A: My employment history and work experience include 13 years
23 of employment in positions working with natural gas issues
24 of which the last nine years were with power generation

DIRECT TESTIMONY OF MICHAEL D. PETIT

1 companies as a manager or director. For the majority of the
2 last eight years, I have worked for two major power plant
3 developers (Calpine Eastern and PG&E Generating, formerly
4 known as U.S. Generating Company). As Director of Fuels
5 Management for Calpine Eastern, I am responsible for
6 developing fuel strategies, coordinating regulatory issues
7 involving fuels management, assisting with acquisition
8 matters, and negotiating fuel supply contracts and
9 transportation services. I support Calpine Eastern's
10 existing assets and the Calpine Eastern development group's
11 work with proposed competitive wholesale generation
12 facilities throughout the eastern United States and Canada.

13
14 **Q: What is your experience with regard to natural gas supply
15 arrangements, fuel plans, and regulatory support?**

16 **A:** Over the past few years, I have developed fuel supply
17 strategy and fuel plans for several announced new electric
18 generation facilities in the eastern United States, some of
19 which are either currently in operation or under
20 construction. In addition, during the same period I have
21 been responsible for all aspects of fuels management for
22 Calpine Eastern's and PG&E Generating's existing natural
23 gas-fired generation facilities in the eastern United
24 States. More detail regarding my experience is provided in
25 Exhibit ____ (MDP-1).

DIRECT TESTIMONY OF MICHAEL D. PETIT

1 Q: Have you previously testified before regulatory authorities
2 or courts?

3 A: Yes. I have provided testimony to the Massachusetts Siting
4 Board in a proceeding involving fuel supply issues for PG&E
5 Generating's Millennium Merchant Power Plant, the National
6 Energy Board (NEB) of Canada on alternative fuel supply
7 arrangements and the Maine Public Utility Commission on gas
8 lateral transportation service.

9
10 SUMMARY AND PURPOSE OF TESTIMONY

11 Q: Please summarize your testimony.

12 A: My testimony describes the fuel supply arrangements for the
13 Osprey Project. The objective of the fuel supply
14 arrangements is to provide the Osprey Project with a low
15 cost, reliable and flexible fuel supply that closely matches
16 the operational demands of a successful wholesale electric
17 generation facility.

18
19 Q: Are you sponsoring any exhibits to your testimony?

20 A: Yes. I am sponsoring the following exhibits:
21 Exhibit _____ (MDP-1): Resumé of Michael D. Petit;
22 Exhibit _____ (MDP-2): Precedent Agreement (redacted to
23 protect confidential, proprietary terms and conditions of
24 the Agreement from public disclosure.)

DIRECT TESTIMONY OF MICHAEL D. PETIT

1 Exhibit _____ (MDP-3): Gulfstream report on status of
2 permitting; and

3 Exhibit _____ (MDP-4): Gulfstream Pipeline Maps.

4 In addition, I am sponsoring Figures 13, 14 and 15 and
5 Appendix B of the Exhibits accompanying the Petition for
6 Determination of Need for the Osprey Project, as well as the
7 text that accompanies those figures.

8
9 PIPELINE FACILITIES TO SERVE THE OSPREY PROJECT

10 Q: Please describe the proposed Gulfstream Natural Gas System
11 and its permitting status.

12 A: Please see Exhibit _____ (MDP-3), which was provided by the
13 Gulfstream Natural Gas Pipeline System and which describes
14 the proposed gas transmission system and its permitting
15 status. In addition, maps of the Gulfstream System in the
16 vicinity of the Osprey Project site are included as Exhibit
17 _____ (MDP-4). For convenience, I will use the term
18 "Gulfstream System" to refer to the physical pipeline
19 systems, and the term "Gulfstream" to refer to the corporate
20 entity proposing this system.

21
22 Q: Please describe the natural gas pipeline facilities by which
23 the Osprey Project's natural gas supply will be delivered.

24 A: The Gulfstream System will directly serve the Osprey

DIRECT TESTIMONY OF MICHAEL D. PETIT

1 Project by an approximately 660 foot long underground
2 lateral extending from the main Gulfstream pipeline onto the
3 Osprey Project site. The diameter of the Gulfstream
4 pipeline directly servicing the plant is 16 inches. The
5 pipeline pressure at the Osprey Project site is guaranteed
6 by Gulfstream to meet the pressure requirements of the
7 Osprey Project.

8
9 NATURAL GAS SUPPLY ARRANGEMENTS FOR THE OSPREY PROJECT

10 Q: Please summarize the natural gas supply and transportation
11 arrangements for the Osprey Project.

12 A: Supply Arrangements:

13 An affiliate of Calpine Eastern, Calpine East Fuels, L.L.C.,
14 ("Calpine East Fuels") will purchase natural gas for the
15 Osprey Project from gas producers and gas marketing
16 companies that have access to those gas treatment plants,
17 processing plants and interstate natural gas transmission
18 systems with supply located in the vicinity of Mobile Bay,
19 Alabama and Pascagoula, Mississippi. There is an estimated
20 volume of approximately 2 billion cubic feet per day of
21 natural gas available in the vicinity of Mobile Bay, Alabama
22 and Pascagoula, Mississippi. In its application to the
23 Federal Energy Regulatory Commission ("FERC"), Gulfstream
24 proposes interconnections with the Mobile Bay Pipeline
25 (Koch), the Destin Plant, the Dauphin Island Gathering

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1 System Plant, the Williams plant and the Mobil Mary Ann
2 Plant. The capacity of the proposed Gulfstream facilities
3 will be over 1 billion cubic feet per day. The natural gas
4 suppliers will be responsible for delivery into the
5 Gulfstream System. Natural gas fuel supply for the Osprey
6 Project will be provided to Gulfstream receipt points by
7 natural gas marketing companies or producers through an
8 optimized combination of term contract purchases and spot
9 market purchases. The supply will satisfy the anticipated
10 fuel requirements of the Osprey Project.

11
12 Transportation Arrangements:

13 Pursuant to the Precedent Agreement, Exhibit ____ (MDP-2),
14 Calpine East Fuels will enter into a long-term, 20-year
15 firm gas transportation agreement with Gulfstream. This firm
16 transportation service will provide natural gas
17 transportation capacity for the anticipated daily fuel
18 supply required by the Osprey Project. Firm transportation
19 service will be available for the Osprey Project on the
20 Gulfstream System from the Mobile Bay, Alabama and
21 Pascagoula, Mississippi area to the Osprey Project site at
22 the required pressure on a firm basis for 365 days per year,
23 for the 20-year term of the contract. The cost of capacity
24 on the Gulfstream System is very economical and will allow
25 the Osprey Project to provide reliable low cost electricity

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1 to the State of Florida.

2

3 Q: Please describe the basic provisions of the natural gas
4 transportation agreement between Gulfstream and Calpine
5 Eastern for the Osprey Project.

6 A: The basic provisions of the natural gas transportation
7 agreement between Gulfstream and Calpine East Fuels for the
8 Osprey Project are as follows:

9 • Nature of Service: Firm, 365-day natural gas
10 transportation service on the Gulfstream System from the
11 vicinity of Mobile Bay, Alabama and Pascagoula,
12 Mississippi to the Osprey Project.

13 • Commencement of Service: Service will commence at the
14 time the plant is in service, which is projected to be in
15 the second quarter of 2003.

16 • Term of firm service: 20 years from projected plant in-
17 service date

18 • Rate: confidential

19 • Minimum Delivery Pressure: sufficient to meet plant
20 requirements

21

22 Q: What is the character of the firm natural gas transportation
23 service to be provided by Gulfstream?

24 A: The Precedent Agreement calls for Gulfstream to provide

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1 long-term firm natural gas transportation service for 365
2 days per year for the anticipated fuel requirements of the
3 Osprey Project from the supply area to the Osprey Project
4 site, at appropriate delivery pressure.

5
6 Q: What would happen if, for some reason, the Osprey Project's
7 natural gas suppliers should fail to procure sufficient gas
8 to meet the requirements of the Osprey Project?

9 A: Calpine East Fuels may purchase natural gas for the Osprey
10 Project from any other party if gas supply is temporarily
11 unavailable.

12
13 Q: What would happen in the event of an outage on the
14 Gulfstream System?

15 A: Upon becoming operational, Gulfstream anticipates connecting
16 the Gulfstream System to the Florida Gas Transmission
17 ("FGT") Pipeline System. In the event of an outage,
18 Calpine East Fuels may purchase natural gas supply from the
19 FGT system.

20
21 Q: What would happen to the Osprey Project if construction of
22 the Gulfstream System is delayed or if the Gulfstream System
23 is not constructed?

24 A: Calpine Eastern is confident that the Gulfstream System will

DIRECT TESTIMONY OF MICHAEL D. PETIT

1 be constructed. The Osprey Project and others like it
2 provide a primary impetus for the development and
3 construction of a second natural gas pipeline in Peninsular
4 Florida, in that these projects will be major and
5 significant customers. Having a second natural gas pipeline
6 available in Peninsular Florida will help avoid a serious
7 power disruption if the State's existing gas transportation
8 system is interrupted, such as occurred when a lightning
9 strike at the FGT compressor station near Perry, Florida,
10 caused gas supply problems in August, 1998.

11 While Calpine Eastern is fully confident of the
12 Gulfstream System's ultimate success, it could obtain
13 natural gas transportation from an alternative source if
14 necessary.

15

16 Q: Does this conclude your direct testimony?

17 A: Yes.

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_____)

EXHIBITS

OF

MICHAEL D. PETIT

ON BEHALF OF

**CALPINE CONSTRUCTION FINANCE
COMPANY, L.P.**

Michael D. Petit
8 Springvalley Road
Medfield, MA 02052
508-359-8659 (home)
617-557-5306 (work)

SUMMARY

Twenty-three years of experience in the energy industry in a variety of commercial functions.

EXPERIENCE

Calpine Eastern Corporation

1999-Present Director--Fuels Management

Develop fuel supply strategies for merchant power plants and cogeneration facilities in the eastern United States.

Negotiate term natural gas supply, transportation and interconnect agreements.

Coordinate fuel regulatory activity with FERC and State Regulatory Agencies.

Perform fuel due diligence on acquisition opportunities.

Evaluate strategic benefit of equity interest in reserves, storage and pipeline assets.

Optimize term fuel supply and transportation contracts for electric generation facilities.

Testify in State Siting Board proceedings.

Energy Consulting

1998-1999 Principal

Initiated consulting practice which provided fuel supply, transportation and regulatory services to power plant developers, pipelines and gas utilities.

Developed fuel supply plans for merchant generation and cogeneration facilities.

Negotiated term fuel supply and transportation arrangements.

U.S. Generating Company/J. Makowski Associates

(PG&E Generating Company)

1995-1998 Director, Project Management Services--NE Region

1995-1997 Vice President of Alberta Northeast Gas Limited and Boundary Gas Inc.

1992-1994 Manager, Fuel Acquisition and Operations

Responsible for the optimization of long term fuel supply and transportation contracts for electric generation facilities.

Negotiator of major natural gas supply, sales and transportation contracts.

Experienced in Project Development and Acquisitions/sales activity for gas and electric generation assets.

Coordinated pipeline rate cases on major pipelines and successfully led settlement proceedings.

Developed strategies for FERC and NEB initiatives.

Testified in NEB and State Siting Board proceedings on fuel related issues.

Michael D. Petit
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Managed short-term marketing, hedging and fuel procurement activity.
Directed daily operations, contracting, reporting and fuel budgeting.
Managed the Canadian supply agreements for 500,000 MCF/Day of natural gas for a consortium of 20 Northeastern local gas and gas/electric distribution companies.

Intercontinental Energy Company
1991-1992 Manager Fuel Supply

Optimized long term fuel supply and transportation agreements for cogeneration facilities.
Negotiated short term fuel supply and transportation arrangements.
Developed and implemented fuel management systems.

Citizens Energy Corporation
1988-1991 Natural Gas Marketing Manager
1985-1988 Manager Oil Trading & Operations

Negotiated sales and purchases of natural gas including back to back transactions.
Managed multiple interstate pipeline supplies to optimize transportation
Coordinated sales endeavors of Field Representatives.
Analyzed and implemented trading opportunities in crude oil and refinery products.
Managed crude oil and refinery product contracts to maximize value.
Scheduled pipeline and vessel activity for crude oil and refinery products.
Initiated Bank Letters of Credit and implemented fuel reporting system.

Atlantic Richfield Company
1977-1985 Five Commercial and three analytical positions

Coordinated Finished (Refinery) Product, Mid-continent crude oil and Feedstock trading activity.
Negotiated spot and term crude oil and refinery product supply, sales and transportation arrangements.
Managed inventory within multifaceted crude oil pipeline systems.
Developed inventory and contract management tracking and scheduling system.
Approved Bank Letters of Credit.

EDUCATION

Bachelor of Science, Accounting--Villanova University 1977

MEMBERSHIPS

New England Gas Association

PRECEDENT AGREEMENT

This Precedent Agreement ("Agreement"), is made and entered into as of this 8th day of October, 1999, by and between Calpine East Fuels, L.L.C., a Delaware limited liability company ("Shipper"), and Gulfstream Natural Gas System, L.L.C., a limited liability company formed under the laws of the State of Delaware ("Gulfstream") (hereinafter Shipper and Gulfstream are sometimes referred to individually as a "Party" or collectively as the "Parties").

WITNESSETH:

WHEREAS, Gulfstream intends to design, construct, own and operate a natural gas pipeline that will extend from interconnections with the facilities of various natural gas treatment plants, processing plants and interstate natural gas transmission systems in the vicinity of Mobile, Alabama and southeastern Mississippi to various delivery points in peninsular Florida ("Gulfstream Project"); and

WHEREAS, Shipper intends to design, construct, own and operate a natural gas fired electric generating plant in Polk County, Florida ("Plant") which Shipper plans to have in-service on or before _____ and desires to receive firm transportation service(s) from Gulfstream on the Gulfstream Project for the natural gas supply required for the Plant; and

WHEREAS, subject to the terms and conditions set forth in this

Agreement, Gulfstream is willing to proceed with its efforts to develop the Gulfstream Project for the provision of the firm transportation service(s) hereinafter described, and Shipper is willing to subscribe for such transportation services.

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein, and intending to be bound, Shipper and Gulfstream agree as follows:

1. Notice of Intent to Proceed. This Agreement is subject to (i) the outcome of an open season for the Gulfstream Project, and (ii) the determination by Gulfstream, in the exercise of its sole discretion, whether or not to proceed with the filing and prosecution of application(s) for the governmental and regulatory authorization(s) described in Paragraph 2 below. Within a reasonable time following execution and delivery of this Agreement by Shipper, Gulfstream will proceed with the filing and prosecution of such application(s) with respect to the Gulfstream Project. To facilitate Gulfstream's ability to develop the Gulfstream Project, Shipper will refrain from committing to obtain any transportation service(s) from other person(s) which service(s) would be in lieu of the transportation services provided for herein.

2. Regulatory Authorizations To Be Sought By Gulfstream. Subject to the other terms and conditions of this Agreement, Gulfstream will proceed with due diligence to apply for and attempt to obtain all governmental and regulatory authorizations, including without limitation authorizations from the Federal Energy

Regulatory Commission ("FERC"), which Gulfstream determines are necessary for Gulfstream to (i) construct, own and operate (or cause to be constructed and operated) the Gulfstream Project, (ii) render the transportation service(s) contemplated in this Agreement and all of the precedent agreements with other shippers for transportation service(s) to be provided utilizing the Gulfstream Project and (iii) perform its obligations as contemplated in this Agreement. Gulfstream will request that the FERC issue a preliminary determination on the non-environmental aspects of the Gulfstream Project. Gulfstream reserves the right to file and prosecute any and all applications for such authorizations (and any supplements and amendments thereto) and, if necessary, institute any court review with respect thereto, in such manner as it deems to be in its best interest. Shipper agrees to support and cooperate in the efforts of Gulfstream to obtain all authorizations which Gulfstream determines are necessary for Gulfstream to construct, own and operate the Gulfstream Project and render the transportation service(s) contemplated in this Agreement, including, at the sole discretion of Shipper, the filing of an intervention or other pleading in support of the Gulfstream Project. If the FERC determines that information related to Shipper's markets, gas supply or upstream or downstream transportation arrangements is required from Gulfstream, Shipper agrees to provide Gulfstream with such information in a timely manner to enable Gulfstream to respond within the time required by

FERC; provided that Gulfstream will use reasonable best efforts to obtain a protective order from the FERC for any commercially sensitive or confidential information identified by Shipper.

3. Shipper's Regulatory Authorizations.

Subject to the other terms and conditions of this Agreement, Shipper shall proceed with due diligence to apply for and attempt to obtain from all governmental and regulatory authorities having jurisdiction all authorizations necessary for Shipper to (i) construct, own and operate (or cause to be constructed and operated) the Plant and all other facilities necessary to enable Shipper to utilize the transportation service(s) contemplated in this Agreement and (ii) perform its obligations as contemplated in this Agreement. Shipper reserves the right to file and prosecute applications for such authorizations (and any supplements and amendments thereto) and, if necessary, institute any court review with respect thereto, in such manner as it deems to be in its best interest; provided, however, that Shipper shall prosecute such applications (and any supplements and amendments thereto or court appeals) in a timely manner and in no event shall Shipper take any action that would obstruct, interfere with or delay the receipt by Gulfstream of the authorizations described in Paragraph 2 above. Gulfstream agrees to support and cooperate in the efforts of Shipper to obtain all authorizations necessary for Shipper to utilize the transportation service(s) contemplated herein. Subject to its receipt of all such necessary authorizations and subject to

the satisfaction of each of the conditions precedent set forth in Paragraph 6 below (or written waiver of the same by the Party on whose behalf such condition is imposed), Shipper agrees to proceed with due diligence to construct, or cause to be constructed, the Plant and all other facilities necessary for Shipper to utilize the transportation service(s) contemplated herein.

4. Service Agreement.

(a) Service Agreement. Shipper and Gulfstream agree to execute, within ten (10) business days after the date each Party gives the other Party written notice that each of the conditions precedent imposed on behalf of such Party in Paragraph 6 hereof has been satisfied or waived by such Party, the Firm Transportation Service Agreement attached hereto as Attachment 1, as such Agreement may be amended from time to time to conform to changes approved by the FERC to Gulfstream's FERC Gas Tariff ("Service Agreement"). Service under the Service Agreement will commence as set forth in Paragraph 4(b) below.

(b) Commencement and Term of Service. Shipper will give Gulfstream written notice of the date Shipper plans to place the Plant in-service no less than _____ months prior to such date (the "Plant In-Service Date"); provided that Shipper shall give Gulfstream timely written notice thereafter of any change(s) to the Plant In-Service Date which change(s) shall not delay the Plant In-Service Date by more than _____ months and, if such written notice is provided, the date specified therein shall become

the new Plant In-Service Date; and further provided that the Plant In-Service Date shall be no later than
Transportation service(s) under the Service Agreement will commence on the date specified by Gulfstream in the written notice to be provided to Shipper pursuant to Paragraph 4(c) below. After transportation service(s) commences under the Service Agreement, such service(s) will continue for the primary term set forth therein and year to year thereafter subject to termination in accordance with the provisions of the Service Agreement. Nothing in this Subparagraph 4(b) shall modify or otherwise change Shipper's right, as set forth in Subparagraph 5(b), to terminate this Agreement or the Service Agreement, as the case may be, if Gulfstream does not commence service on or before

(c) Notice of Commencement of Transportation Service(s). No less than thirty (30) days prior to the date Gulfstream is ready to commence transportation service(s) under the Service Agreement, Gulfstream will notify Shipper in writing that such transportation service(s) will commence on a date certain, which date will be the later to occur of (1) June 1, 2002 or (2) the Plant In-Service Date (the "Commencement Date"). As of the Commencement Date, Gulfstream

will stand ready to provide firm transportation service(s) to Shipper pursuant to the provisions of the Service Agreement, and Shipper will pay to Gulfstream all applicable charges provided for in the Service Agreement.

(d) Test Gas

5. Construction of Facilities.

(a) Design and Construction. Upon execution and delivery of this Agreement by Shipper, Gulfstream will undertake the preliminary design of the facilities for the Gulfstream Project and any other preparatory actions required for Gulfstream to complete and file application(s) with the FERC and other governmental or regulatory agencies having jurisdiction for the authorizations which Gulfstream determines are necessary for Gulfstream to (i) construct, own and operate (or cause to be constructed and operated) the Gulfstream Project, (ii) render the transportation service(s) contemplated in this Agreement and all of the precedent agreements with other shippers for transportation service(s) to be provided utilizing the Gulfstream Project and (iii) perform its obligations as contemplated in this Agreement. Upon satisfaction of each of the conditions precedent set forth in Paragraph 6 below,

or written waiver of the same by the Party on whose behalf such condition is imposed, and subject to the continuing commitments of Shipper and all of the other shippers who have executed precedent agreements for transportation service(s) to be provided utilizing the Gulfstream Project, Gulfstream will proceed with due diligence to construct the pipeline and other facilities (as authorized by the FERC and other governmental or regulatory agencies having jurisdiction) which are necessary for the provision of the firm transportation service(s) contemplated in this Agreement.

Notwithstanding Gulfstream's due diligence, if Gulfstream is unable to commence the transportation service(s) for Shipper as contemplated herein by the Plant In-Service Date, Gulfstream will continue to proceed with due diligence to complete construction of such necessary pipeline and other facilities, and commence transportation service(s) for Shipper at the earliest practicable date thereafter.

(b) Limitation of Liability. Gulfstream will neither be liable to Shipper nor will this Agreement or the Service Agreement be subject to cancellation (except as hereinafter provided) if Gulfstream is unable to complete the construction of such pipeline and other facilities and commence the firm transportation service(s) contemplated herein by the Plant In-Service Date; provided, however, Gulfstream will continue to proceed with due diligence to complete construction of such pipeline and other facilities, and commence such transportation service(s) for Shipper

at the earliest practicable date thereafter. If Gulfstream is unable to commence the transportation service(s) for Shipper as contemplated herein by the Plant In-Service Date which shall not be earlier than _____ Shipper, in its sole discretion, will have the option not to commence the transportation service(s) until _____ and, in that event, applicable charges under the Service Agreement will not commence until _____.

If Gulfstream is unable to commence the transportation service(s) for Shipper by four (4) months prior to the Plant In Service Date, Shipper, in its sole discretion, will have the option to terminate this Agreement and will have no further liability to Gulfstream.

6. Conditions Precedent.

The commencement of transportation service(s) under the Service Agreement, and Gulfstream's and Shipper's respective rights and obligations hereunder and under the Service Agreement, are expressly made subject to the satisfaction of each of the following conditions precedent; provided, however, that each such condition may be waived in writing by the Party on whose behalf the condition is imposed:

(a) Conditions Precedent Imposed On Behalf Of Gulfstream:

(b) Conditions Precedent Imposed On Behalf Of Shipper:

7. Rates and Rate Design Methodology. Shippers electing a negotiated rate agree to pay such rate without regard to any action or determination of the FERC with respect to Gulfstream's FERC-approved, filed rates. Shippers electing recourse rates agree to pay such rates, subject to changes determined by the FERC from time to time. Recourse rates will be the rates filed with and approved by the FERC, pursuant to the Natural Gas Act or successor legislation.

8. Representations and Warranties.

(a) Gulfstream. Gulfstream represents and warrants that (i) it is duly organized and validly existing under the laws of the State of Delaware and has all requisite legal power and authority to execute this Agreement and carry out the terms, conditions and provisions hereof; (ii) this Agreement constitutes the valid, legal and binding obligation of Gulfstream, enforceable in accordance with the terms hereof, (iii) there are no actions, suits or proceedings pending or, to Gulfstream's knowledge, threatened against or affecting Gulfstream before any Court or administrative

body that might materially adversely affect the ability of Gulfstream to meet and carry out its obligations hereunder; and (iv) the execution and delivery by Gulfstream of this Agreement has been duly authorized by all requisite limited liability company action.

(b) Shipper. Shipper represents and warrants that (i) it is duly organized and validly existing under the laws of the State of Delaware and has all requisite legal power and authority to execute this Agreement and carry out the terms, conditions and provisions hereof; (ii) this Agreement constitutes the valid, legal and binding obligation of Shipper, enforceable in accordance with the terms hereof, (iii) there are no actions, suits or proceedings pending or, to Shipper's knowledge, threatened against or affecting Shipper before any Court or administrative body that might materially adversely affect the ability of Shipper to meet and carry out its obligations hereunder; (iv) the execution and delivery by Shipper of this Agreement has been duly authorized by all requisite corporate action, and (v) upon execution and delivery of the Service Agreement, Shipper will satisfy the Agreed Creditworthiness Requirements

9. Term. This Agreement shall become effective when executed by both Gulfstream and Shipper, and shall remain in effect unless and until terminated as hereinafter provided.

(a) Termination of Precedent Agreement. In the event each of the conditions precedent set forth in Paragraph 6 above has not

been satisfied or waived by the Party on whose behalf such condition is imposed by the date specified in such Paragraph, then such Party may terminate this Agreement by giving written notice of termination to the other Party within thirty (30) days of such date.

(b) Commencement of Transportation Service(s). If this Agreement is not terminated pursuant to Paragraph 5(b) or Paragraph 9(a) above, then this Agreement will terminate by its express terms on the Commencement Date, and thereafter Gulfstream's and Shipper's respective rights and obligations related to the transactions contemplated herein shall be determined pursuant to the terms and conditions of the Service Agreement and the terms and conditions of Gulfstream's FERC Gas Tariff, as in effect from time to time.

10. Assignment. This Agreement shall be binding upon Gulfstream, Shipper and their respective successors and assigns; provided, however, that neither Party shall assign this Agreement or any rights or obligations hereunder without first obtaining the prior written consent of the other Party (which consent shall not be unreasonably withheld), the consent of Gulfstream's lenders if required, and any necessary governmental and regulatory authorizations. Nothing contained herein shall prevent Gulfstream from pledging, mortgaging or assigning its rights as security for its indebtedness and Gulfstream may assign to the pledgee or mortgagee (or to a trustee for a holder of such indebtedness) any monies due or to become due under the Service Agreement. Subject

to the provision of adequate credit support in Gulfstream's and, if required, Gulfstream's Lenders, reasonable judgment, Shipper may assign this Agreement to any direct or indirect subsidiary or affiliate of Shipper. Shipper may also assign this Agreement as security for financing to any person or persons providing debt or equity financing to Shipper to provide funds for the development, design, construction and operation of the Plant.

11. Modification or Waiver.

No modification or waiver of the terms and conditions of this Agreement shall be made except by the execution by the Parties of a written amendment to this Agreement.

12. Notices.

All notices, requests, demands, instructions and other communications required or permitted to be given hereunder shall be in writing and shall be delivered personally or mailed by certified mail, postage prepaid and return receipt requested or by facsimile, as follows:

If to Gulfstream:

Gulfstream Natural Gas System, L.L.C.
500 Renaissance Center
Detroit, Michigan 48243
Attention: Stanley A. Babiuk
Senior Vice President
Telephone: (313) 496-5653
Facsimile: (313) 496-5052

If to Shipper:

Calpine East Fuels, L.L.C.
Michael D. Petit
Director of Fuels Management - Eastern Region

The Pilot House, 2nd Floor
Lewis Wharf
Boston, Massachusetts 02110
Telephone: 617-723-7200 ext. 106
Facsimile: 617-723-7635

or to such other place within the United States of America as either Party may designate as to itself by written notice to the other Party. All notices given by personal delivery or mail shall be effective on the date of actual receipt at the appropriate address. Notice given by facsimile shall be effective upon actual receipt if received during recipient's normal business hours or at the beginning of the next business day after receipt if received after the recipient's normal business hours.

13. Limitation of Liability. Each Party agrees that any and all claims, demands and causes of action that it may bring against the other Party shall be limited to the assets of the other Party.

Execution of this Agreement does not bind any Member of Gulfstream or any of its affiliates (or Shipper or any of its affiliates) or require any Member of Gulfstream or any of its affiliates (or Shipper or any of its affiliates) to undertake any obligation in connection with this Agreement. Accordingly, each Party waives its rights to proceed against, in the case of Shipper, the Members of Gulfstream or any of their respective affiliates or in the case of Gulfstream, any of Shipper's affiliates. Shipper and Gulfstream further agree that neither Party shall be liable to the other Party for consequential, incidental, indirect or punitive damages, whether arising in contract, tort or otherwise. As used in this

Paragraph 13, the term "affiliates" means with respect to a Party, a person that, directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with such Party.

14. No Third Person Beneficiary. This Agreement shall not create any rights in third parties, and no provision hereof shall be construed as creating any obligations for the benefit of, or rights in favor of, any person or entity other than Gulfstream and Shipper.

15. Governing Law. THE CONSTRUCTION, INTERPRETATION, AND ENFORCEMENT OF THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF DELAWARE, EXCLUDING ANY CONFLICT OF LAW OR RULE WHICH WOULD REFER ANY MATTER TO THE LAWS OF A JURISDICTION OTHER THAN THE STATE OF DELAWARE.

16. Multiple Counterparts. This Agreement may be executed by the Parties in any number of counterparts, each of which shall be deemed an original instrument, but all of which shall constitute but one and the same agreement.

17. Effect of Invalid Provision. Except as otherwise expressly stated herein, in the event any provision contained in this Agreement shall for any reason be held invalid, illegal or unenforceable by a court or regulatory agency of competent jurisdiction by reason of a statutory change or enactment, such invalidity, illegality or unenforceability shall not affect the remaining provisions of this Agreement.

18. Confidentiality. Except as hereinafter provided, neither Gulfstream nor Shipper, nor their respective affiliates, directors, officers, and employees, advisors and representatives shall disclose to any third person the terms and conditions of this Agreement, or any confidential or proprietary information, whether written or verbal, disclosed by either Party at any time in connection with the transaction contemplated herein and clearly designated at the time of disclosure as confidential or proprietary, without the other Party's prior written consent to such disclosure. This Paragraph 18 shall not apply to disclosures that, in the opinion of Gulfstream's or Shipper's counsel, as the case may be, are required by state or federal laws, rules or regulations or are required by the FERC in respect of the Gulfstream Project or by the Florida Public Service Commission in respect of the Plant (in which case, the Party so required to make such disclosure shall advise the other Party prior to such disclosure and, if requested by the other Party, shall use every reasonable effort to maintain the confidentiality of this Agreement, including, without limitation, seeking a protective order). The provisions of this Paragraph 18 shall not apply to any bank, lender or financial institution providing funds to Gulfstream in connection with the financing of the Gulfstream Project or to Shipper in connection with the financing of Shipper's Plant (in which case, the Party making the disclosure shall advise the other

Party prior to such disclosure and, if requested by the other Party, shall use every reasonable effort to maintain the confidentiality of this Agreement). The disclosure of any information pertaining to this Agreement within Gulfstream's or Shipper's internal organization (including affiliates) and within the organization of any third person to which disclosure is authorized by Gulfstream or Shipper shall be limited to those personnel whose duties require their review or counsel with respect to this Agreement and the Party making such disclosure shall instruct such personnel to maintain the confidentiality of this Agreement.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed in multiple originals by their duly authorized officers as of the date first written above.

GULFSTREAM NATURAL GAS SYSTEM, L.L.C.

By: Stanley A. Babiuk OSJ
Name: Stanley A. Babiuk
Title: Senior Vice President

CALPINE EAST FUELS, L.L.C.

By: Robert K. Alff
Name: Robert K. Alff
Title: Vice President
East Coast Region MP

Attachment 1

FORM OF AGREEMENT
Rate Schedule FTS

Date: _____

Contract No. _____

SERVICE AGREEMENT

This AGREEMENT is entered into by Gulfstream Natural Gas System, L.L.C. ("Transporter") and Calpine East Fuels, L.L.C. ("Shipper").

WHEREAS, Shipper has requested Transporter to transport Gas on its behalf and Transporter represents that it is willing to transport Gas under the terms and conditions of this Agreement.

NOW, THEREFORE, Transporter and Shipper agree that the terms below, together with the terms and conditions of Transporter's applicable Rate Schedule and General Terms and Conditions of Transporter's FERC Gas Tariff constitute the transportation service to be provided and the rights and obligations of Shipper and Transporter.

1. AUTHORITY FOR TRANSPORTATION SERVICE WILL BE UNDER SECTION 284G.
2. RATE SCHEDULE: FTS
3. CONTRACT DATA:

Note: List Receipt Point(s), Delivery Point, MDQ, MHQ, Receipt Point MDQ and delivery pressure on Exhibit A.

Such Contract Quantities shall be reduced for scheduling purposes, but not for billing purposes, by the Contract Quantities that Shipper has released through Transporter's capacity release program for the period of any release.

4. TERM:

This Agreement shall be effective on the Plant In-Service Date.

Transporter will stand ready to provide firm transportation service(s) to Shipper pursuant to the provisions of this Agreement, and Shipper will pay to Transporter all applicable charges provided for in this Agreement. If Gulfstream is unable to commence the transportation service(s) for Shipper as contemplated herein by the Plant In-Service Date which shall not be earlier than November 1, 2002, Shipper, in its sole discretion, will have the option not to commence the transportation service(s) until November 1, 2003, and, in that event, applicable charges under the Service Agreement will not commence until November 1, 2003.

1. This Agreement shall remain in force and effect for a primary term of 20 years

5. RATES:

6. **INCORPORATION BY REFERENCE:**

The provisions of Transporter's applicable Rate Schedule and the General Terms and Conditions of Transporter's FERC Gas Tariff are specifically incorporated herein by reference and made a part hereof.

7. **NOTICES:**

All notices can be given by telephone or other electronic means, however, such notice shall be confirmed in writing at the addresses below or through Transporter's EBB. Shipper or Transporter may change the addresses below by written notice to the other without the necessity of amending this Agreement:

TRANSPORTER:

Gulfstream Natural Gas System, L.L.C.
500 Renaissance Center
Detroit, MI 48243
Attention: Gas Control (Nominations)
 Volume Management (Statements)
 Cash Control (Payments)
 System Marketing (All Other Matters)

SHIPPER:

Calpine East Fuels, L.L.C.
Michael D. Petit
Director of Fuels Management - Eastern Region
The Pilot House, 2nd Floor
Lewis Wharf
Boston, Massachusetts 02110
Telephone: 617-723-7200 ext 106
Facsimile: 616-723-7635

INVOICES AND STATEMENTS:

Same as above

NOMINATIONS:

Same as above

8. FURTHER AGREEMENT:

This Agreement shall be binding upon Transporter, Shipper and their respective successors and assigns; provided, however, that neither Party shall assign this Agreement or any rights or obligations hereunder without first obtaining the prior written consent of the other Party (which consent shall not be unreasonably withheld), the consent of Transporter's lenders if required, and any necessary governmental and regulatory authorizations. Nothing contained herein shall prevent Transporter from pledging, mortgaging or assigning its rights as security for its indebtedness and Transporter may assign to the pledgee or mortgagee (or to a trustee for a holder of such indebtedness) any monies due or to become due under this Agreement. Subject to the provision of adequate credit support in Transporter's and, if required, Transporter's Lenders, reasonable judgment, Shipper may assign this Agreement to any direct or indirect subsidiary or affiliate of Shipper. Shipper may also assign this Agreement as security for financing to any person or persons providing debt or equity financing to Shipper to provide funds for the development, design, construction and operation of the Plant (as such term is defined in the Precedent Agreement).

9. OPERATIONAL FLOW ORDERS:

Transporter has the right to issue an effective Operational Flow Order pursuant to Section 13 of the General Terms and Conditions.

10. SPECIFICATION OF NEGOTIATED RATE (See Exhibit B):

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed by their respective Officers or Representatives thereunto duly authorized to be effective as of the date stated above.

Calpine East Fuels, L.L.C. SHIPPER: _____

TRANSPORTER: Gulfstream Natural Gas
System, L.L.C.

By: _____

By: _____

Title: _____

Title: _____

Date: _____

Date: _____

EXHIBIT A

FORM OF AGREEMENT
Transporter's Rate Schedule FTS
(Continued)

BETWEEN GULFSTREAM NATURAL GAS SYSTEM AND CALPINE EAST FUELS,
L.L.C.

CONTRACT NUMBERS: _____

CONTRACTED CAPACITY: Dth/d

ORIGINAL CONTRACT DATE: _____

AMENDMENT DATE: _____

Primary Delivery Points: Shipper's _____
_____ when constructed and placed in-service or
other plants that Calpine or its affiliates own or operate along
the primary path.

Total Delivery Point MDQ: Dth/d

MHQ at Primary Delivery Point: of MDQ . Shipper may vary the flow rate at any of
the Primary Delivery Points from _____ per hour to _____ Dth per hour, as long as the
cumulative hourly flow rate at _____ Primary Delivery Points does not exceed (1)
Dth per hour and (2) the quantities nominated and scheduled for the day under this
Agreement. In addition, the cumulative hourly flow rate under _____ the firm Service
Agreements between Shipper and Transporter may not exceed _____ per hour at _____

Minimum Delivery Pressure: 650 psig

Contract Number/ Primary Route	Primary Receipt Point <u>Point</u> (1)	Primary Receipt Point <u>MDQ</u>
---	--	---

(1) All receipt points added in the Mobile Bay, Alabama area will be available to
Shipper. Gulfstream will use reasonable best efforts to obtain interconnections with
DIGS Process Plant, Mobil's Maryann Plant, Williams Process Plant, Mobile Bay Pipeline,
Destin Pipeline and WGP-Transco.

EXHIBIT B

STATEMENT OF NEGOTIATED RATES

<u>Shipper</u>	<u>Contract Number</u>	<u>Contract Term</u> 20yrs	<u>Rate Schedule</u>	<u>Reservation Charge</u>	<u>Commodity Charge</u>	<u>Receipt Points</u> See	<u>Delivery Points</u> See	<u>Quantity</u>	
						Ex .A	Ex.A	Dth/d	

Clean Energy For Florida's Future



July 21, 2000

Mr. Michael D. Petit
Director of Fuels Management
Calpine Eastern
The Pilot House, 2nd Floor
Lewis Wharf
Boston, MA 02110

Dear Mr. Petit:

You requested that I update you regarding the status of the Gulfstream Natural Gas System L. L. C. project ("Gulfstream"). Gulfstream filed its application with the Federal Energy Regulatory Commission ("FERC") on October 15, 1999 for a certificate of public convenience and necessity to construct, own and operate an interstate natural gas pipeline.

As required by the FERC, the filing includes a comprehensive environmental report that reflects extensive research and field activities relating to Gulfstream's route. This includes surveys for endangered species, cultural resources, wetlands, and other land features. Gulfstream is determined to develop a project that respects, protects, and where possible, enhances the environment. Furthermore, in preparing the filing, Gulfstream developed a route that took into account the needs and desires of affected landowners. To accomplish this, early in the pipeline's planning stages, Gulfstream invited the views of the landowners, government agencies, environmental groups and others with respect to the best possible route for the pipeline. Gulfstream narrowed the route from an original study corridor of ten miles, to a three mile study corridor, and later, to a 1000 foot study corridor. The corridor was finally narrowed to 300 feet for the filing and has been further refined. Since the filing Gulfstream has worked with affected landowners and communities on refining the route. The original route has been slightly modified to accommodate the wishes of those affected. Indeed, Gulfstream believes that the collaborative process engaged in with landowners, government agencies, environmental groups and others has resulted in unprecedented support for the project.

Gulfstream obtained a preliminary determination, on its application to build the Gulfstream project, from the FERC on April 28, 2000. The preliminary determination covers all non-environmental aspects of Gulfstream's application, such as rates and other business issues. A draft environmental impact statement is expected to be issued by FERC staff this summer.

Based upon the timelines in other cases, and given the completeness of the application that was filed, Gulfstream projects that it will have a certificate by the first quarter of 2001, and will be in service by June 2002.

If you need any additional information, please call me at (813) 288-1811.

Sincerely,


George E. Matzke
Executive Director Business Development

Gulfstream Natural Gas System, L. L. C.

2502 Rocky Point Drive • Suite 1040 • Tampa, FL 33607 • (813) 288-1811 • Fax (813) 289-4438 • www.gulfstreamgas.com

FPSC Docket No. 000442-EI
Calpine Construction Finance Co., L.P.

Witness: Petit

Exhibit _____ (MDP-3)

GULFSTREAM NATURAL GAS SYSTEM, L.L.C.

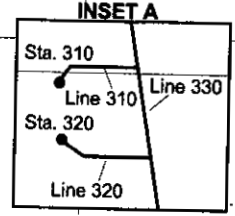
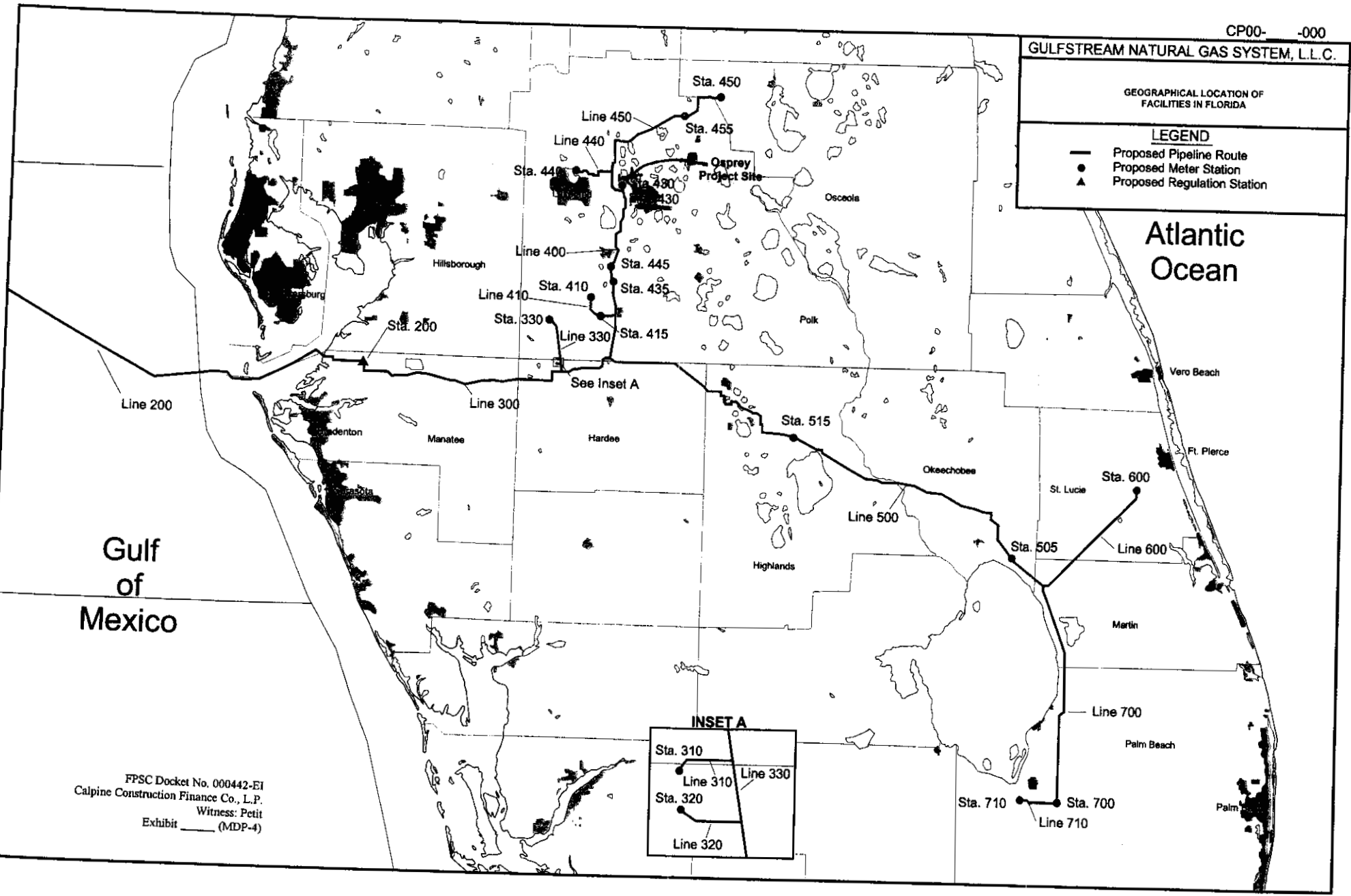
GEOGRAPHICAL LOCATION OF FACILITIES IN FLORIDA

LEGEND

- Proposed Pipeline Route
- Proposed Meter Station
- ▲ Proposed Regulation Station

Atlantic Ocean

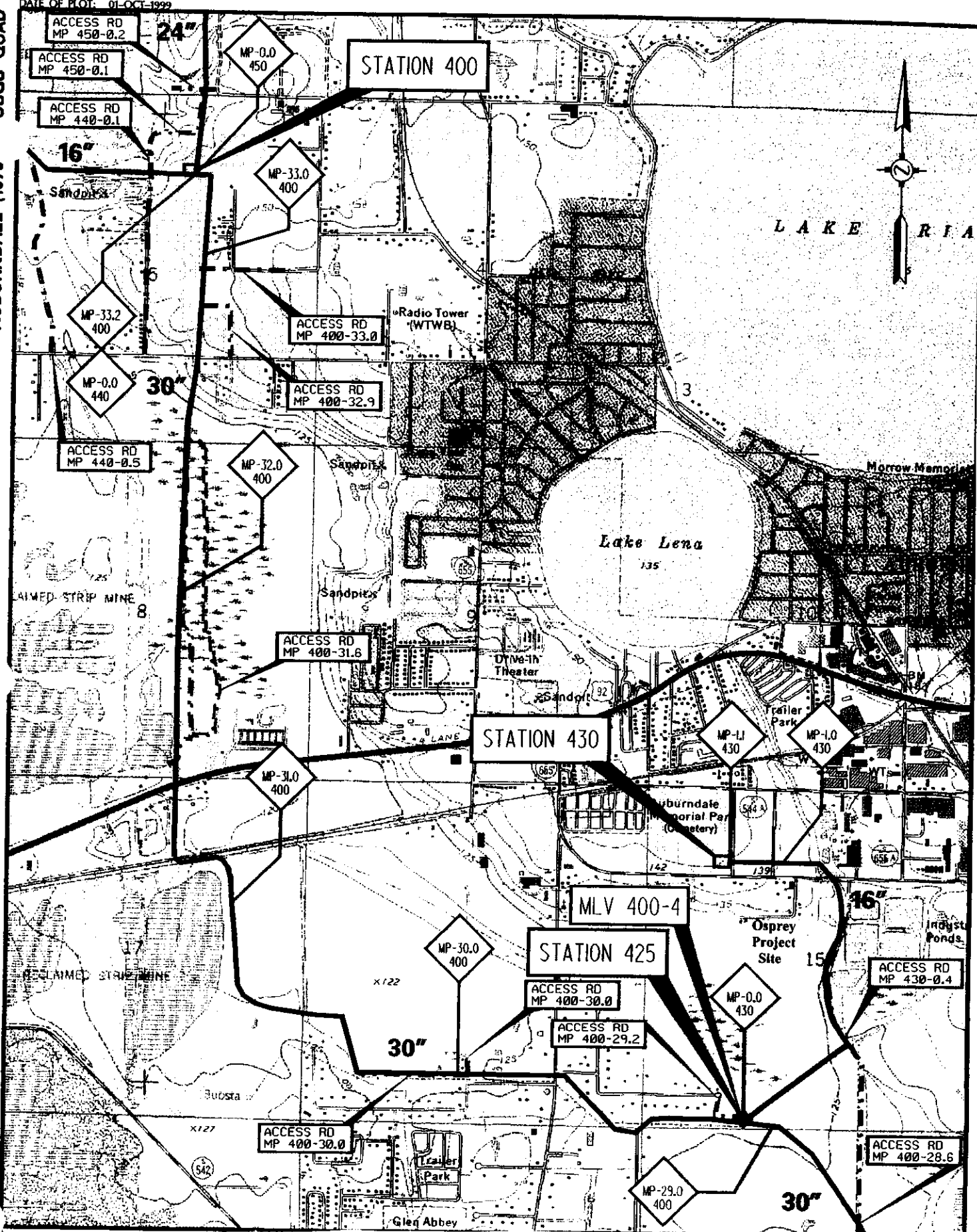
Gulf of Mexico



FPSC Docket No. 000442-EI
 Calpine Construction Finance Co., L.P.
 Witness: Petit
 Exhibit _____ (MDP-4)

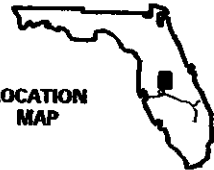
DATE OF PLOT: 01-OCT-1999

USGS QUAD
AUBURDALE (1975)



M.J. Harden Associates, Inc.
Kansas City, MO

LOCATION
MAP



GULFSTREAM NATURAL GAS SYSTEM, L.L.C.
GEOGRAPHICAL LOCATION OF FACILITIES
(Auburdales/Opsey Area)

LOC. POLK COUNTY, FLORIDA		REV. 0	
CKD. BY	ENG.	DATE 10-15-99	W.O.
DRN. BY	SCALE 1"=2000'	DWG. NO.	9 of 9

