

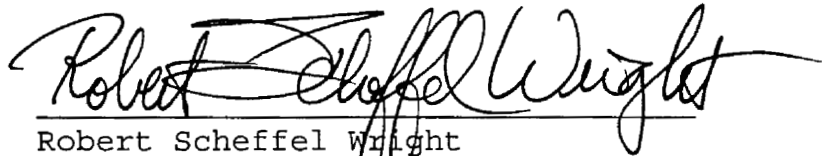
BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Joint Petition for )  
Determination of Need for the )  
Osprey Energy Center in Polk ) DOCKET NO. 001748-EC  
County by Seminole Electric )  
Cooperative, Inc. and Calpine ) FILED: January 30, 2001  
Construction Finance Company, L.P. )  
\_\_\_\_\_ )

CALPINE CONSTRUCTION FINANCE COMPANY'S  
SUPPLEMENTAL EXHIBIT TO TESTIMONY OF MICHAEL D. PETIT

Calpine Construction Finance Company, L.P., by and through its undersigned counsel, hereby gives notice that on this 30<sup>th</sup> day of January, 2001, it filed a Supplemental Exhibit (identified as MDP-5) to the testimony of its witness, Michael D. Petit. Supplemental Exhibit MDP-5 consists of a redacted amendment to the Precedent Agreement between Calpine East Fuels, L.L.C., and Gulfstream Natural Gas System, L.L.C., and updated information concerning the status of the Gulfstream natural gas pipeline.

Respectfully submitted this 30<sup>th</sup> day of January, 2001.



Robert Scheffel Wright  
Florida Bar No. 966721  
John T. LaVia, III  
Florida Bar No. 853666  
LANDERS & PARSONS, P.A.  
310 West College Avenue (ZIP 32301)  
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Attorneys for Calpine Construction  
Finance Company

DOCUMENT NUMBER-DATE

01317 JAN 30 2001

FPSC-RECORDS/REPORTING

**CERTIFICATE OF SERVICE**  
**DOCKET NO. 001748-EU**

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by hand delivery (\*), or U.S. Mail, on this 30<sup>th</sup> day of January, 2001, to the following:

Robert V. Elias, Esq.\*  
Rachel N. Isaac, Esq.  
Division of Legal Services  
Florida Public Service Comm.  
2540 Shumard Oak Boulevard  
Gunter Building  
Tallahassee, FL 32399-0850

Debra Swim, Esq.  
LEAF  
1114 Thomasville Road  
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Tallahassee, FL 32303

Scott A. Goorland, Esq.  
Dept. of Environmental  
Protection  
3900 Commonwealth Blvd, MS 35  
Tallahassee, FL 32399-2400

Mr. Paul Darst  
Dept. of Community Affairs  
Division of Local  
Resource Planning  
2740 Centerview Drive  
Tallahassee, FL 32399-2100

  
Attorney

FIRST AMENDMENT  
TO  
PRECEDENT AGREEMENT

This First Amendment to Precedent Agreement ("First Amendment") related to the Osprey Plant (formerly Auburndale Plant), is made and entered into as of this 26th day of October, 2000, 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").

WHEREAS, Shipper and Gulfstream entered into a Precedent Agreement dated as of October 8, 1999 (the "Precedent Agreement"), with respect to natural gas transportation service(s) utilizing the Gulfstream Project (as such term is defined in the Precedent Agreement) to a natural gas fired electric generating plant then referred to as the Auburndale Plant which Shipper intends to design, construct, own and operate in Polk County, Florida for a planned in-service date on or before May 1, 2003; and

WHEREAS, Shipper and Gulfstream desire to amend the Precedent Agreement as hereinafter set forth.

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

1. The Precedent Agreement and Attachment 1 to the Precedent Agreement are amended by changing all references to the "Auburndale Plant" or "Plant" contained therein to the "Osprey Plant".
2. The Precedent Agreement is amended by adding a new Section 5(c) which reads as follows:

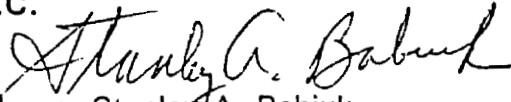

Gulfstream will include in the design of the Gulfstream Project the facilities necessary to interconnect the facilities of the Gulfstream Project and the Osprey Plant and the adjacent Auburndale Plant, including but not limited to all necessary measurement, pressure regulation and control, heating equipment and lateral pipeline ("Gulfstream Interconnection Facilities."). Gulfstream shall be responsible for all costs associated with designing, engineering, constructing, testing and placing in service the Gulfstream Interconnection Facilities for the Osprey Plant and the adjacent Auburndale Plant.

3. Exhibit A (and, where indicated, Exhibit B) to Attachment 1 to the Precedent Agreement ("Exhibit A" and/or "Exhibit B") is amended by  
(1) changing all references therein to "Auburndale",  
to, "Osprey Plant",
  
4. The rate under the heading "Reservation Charge" in Exhibit B is confirmed to be
  
5. The Precedent Agreement is amended only as herein before provided. In all other respects, the Precedent Agreement is confirmed and shall continue in full force and effect.

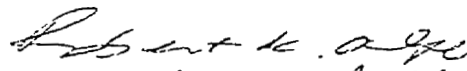

6. This First Amendment may be executed in any number of counterparts, all of which shall be considered together as one instrument.

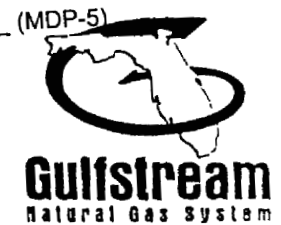
IN WITNESS WHEREOF, the Parties have caused this First Amendment to be duly executed in multiple originals by their duly authorized officers as of the date first above written above.

**GULFSTREAM NATURAL GAS SYSTEM,  
L.L.C.**

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

**CALPINE EAST FUELS, L.L.C.**

By:   
Name: Robert K. Alff  
Title: SVP  




January 22, 2001

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

RE: Permitting Status of Gulfstream

Dear Mike:

I have reviewed the schedule previously sent to Calpine Eastern and can confirm that everything is on schedule.

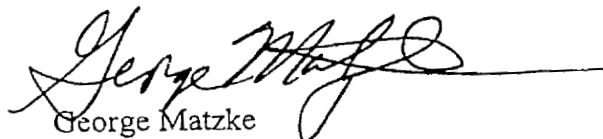
Gulfstream filed its certificate application with the Federal Energy Regulatory Commission (FERC) on October 15, 1999. The Notice of Intent to prepare an Environmental Impact Statement (EIS) was issued by FERC on December 6, 1999. The FERC issued a preliminary determination addressing all non-environmental aspects of the project on April 28, 2000. The Draft Environmental Impact Statement (DEIS) was issued by FERC August 31, 2000.

We anticipate receiving final certificate authorization from FERC in February, 2001. The date satisfies our timeline requirements to meet a June 1, 2002 in-service date.

Attached is a detailed summary/status of major permits, licenses and certifications required for the project.

If you need any other information, do not hesitate to call me.

Sincerely,



George Matzke  
Executive Director  
Business Development

Cc: Robert Scheffel Wright

**TABLE 1  
 MAJOR PERMITS, LICENSES, APPROVALS, AND CERTIFICATIONS REQUIRED  
 FOR CONSTRUCTION, OPERATION AND MAINTENANCE OF THE PROPOSED  
 GULFSTREAM NATURAL GAS SYSTEM**

| Permit/Approval   | Administering Agency   | Status a/   | Permit Expected   |
|---|--|---|---|
| <b>Federal</b><br>Review of project features that affect cultural resources that are either listed on or eligible for listing on the NRHP | <b>Advisory Council on Historic Preservation</b>   | State SHPO Field survey reports filed October 15, 1999. Supplemental Filing Submitted 2/29/00.  | ALMS Clearances are complete.   |
| Certificate of Public Convenience and Necessity   | <b>Federal Energy Regulatory Commission</b>  | Filing submitted October 15, 1999. Supplemental Filing submitted 2/29/00. Northern Highlands Alternative filing submitted May 15, 2000. DEIS Comments and updates filed 10/24/00. FEIS expected January 2001. | Certificate Expected February 2001  |
| Section 10 Permit, Fairway crossings<br>Approval Section 404 Permit   | <b>U.S. Department of the Army</b><br><b>Army Corps of Engineers</b><br>(Mobile and Jacksonville)                | Consolidated Permit in Florida filed February 29, 2000. Jacksonville District Permit filed 2/29/00. Mobile District section 10 and 404 permit to be filed December, 2000.                                     | Jacksonville District permit expected February 2001<br><br>Mobile District permit expected April, 2001. |
| Section 7, Endangered and Threatened Species Consultation   | <b>U.S. Department of the Interior</b><br><b>Fish and Wildlife Service</b><br>(Daphne, Vero Beach, Jacksonville) | Biological Assessment (BA) Filed with FWS October 15, 1999. Supplemental Survey Report filed 2/29/00. Updated BA Report filed 8/10/00 and 10/24/00. Expecting BO process complete January 2001.               | Alabama/Mississippi Clearance letter dated January 31, 2000 Received. Florida pending review            |
| Right-of-Way Permit   | <b>Minerals Management Service</b>   | Permit application filed October 15, 1999. Supplemental video survey report filed March 8, 2000. Submitted Live Bottom survey report July 28 and October 24, 2000.  | Expected May 2001 (after COE Permit issuance)   |
| Hydrostatic Test Water Discharge Permit Offshore Gulf of Mexico   | <b>U.S. Environmental Protection Agency</b>  | Permit to be filed in November, 2000.   | Expected February 2001  |
| NPDES General Stormwater discharge permit in Florida  | <b>U.S. Environmental Protection Agency/FDEP</b>   | Permit to be filed in November, 2000.   | Expected February 2001  |

**TABLE 1**  
**MAJOR PERMITS, LICENSES, APPROVALS, AND CERTIFICATIONS REQUIRED**  
**FOR CONSTRUCTION, OPERATION AND MAINTENANCE OF THE PROPOSED**  
**GULFSTREAM NATURAL GAS SYSTEM**

| Permit/Approval  | Administering Agency   | Status a/   | Permit Expected   |
|--|--|---|---|
| Section 7, Endangered and Threatened Species Consultation  | U.S. Department of Commerce<br>National Marine Fisheries Service | Clearance requested October 15, 1999. Live Bottom survey report submitted July 28, 2000.  | Clearance expected January 2001   |
| Mississippi<br>Section 401 Water Quality Certification Storm Water Discharge Permit (Section 4.2, NPDES) Notice of Construction General Discharge Permit (hydrostatic testing) | Mississippi Department of Environmental Quality                  | General permit to be filed in December 2000. 401 certificate tied to coastal wetlands permit (Joint USACOE Permit Mobile District).   | Expected April 2001   |
| Easement to cross offshore bottom lands  | Mississippi Secretary of State                                   | To be filed December, 2000 (jointly with USACOE permit).  | Expected April 2001   |
| Coastal Wetlands Permit Coastal Zone Management Act Consistency Determination  | Mississippi Department of Marine Resources                       | Gulfstream's determination filed 10/15/99. To be filed December, 2000 (jointly with USACOE permit).   | Expected April 2001   |
| Mississippi (cont.)<br>Section 106 NHPA consultation   | Mississippi Department of Archives and History                   | Survey methods approved June 15, 1999. Field survey report filed October 15, 1999. Clearance granted October 25, 1999. Supplemental Report for Line changes filed February 29, 2000.  | Clearance granted October 25, 1999.   |
| Alabama<br>Storm Water Discharge Permit, Air Permitting, NPDES General Discharge Permit (hydrostatic testing), Coastal Zone Management Act consistency determination           | Alabama Department of Environmental Management                   | Air permit filed October 15, 1999. Air Permit update report filed June 2000. NPDES General hydrostatic testing permits to be filed in December 2000. Gulfstream's request for coastal zone consistency determination filed 10/15/99 (offshore). Coastal Zone determination for onshore and state waters to be filed concurrent with USACOE Section 10/404 permit application. | Air Permit Expected January 2001<br>NPDES Permit Expected March 2001<br>Offshore CZM Consistency expected concurrent with MMS ROW Permit (Expected April 2001). |



**TABLE 1 (cont.)  
 MAJOR PERMITS, LICENSES, APPROVALS, AND CERTIFICATIONS REQUIRED  
 FOR CONSTRUCTION, OPERATION AND MAINTENANCE OF THE PROPOSED  
 GULFSTREAM NATURAL GAS SYSTEM**

| Permit/Approval  | Administering Agency                                     | Status w/   | Permit Expected   |
|--|--|---|---|
| Easement to cross offshore bottom lands, listed species, fisheries, wetlands review and consultation                       | Alabama Department of Conservation and Natural Resources | To be filed December, 2000 (jointly with USACOE permit).  | Expected April 2001   |
| Section 106 NHPA consultation  | Alabama Historical Commission                            | Survey methods approved July 1, 1999.<br>Field survey report filed October 15, 1999.  | Onshore Clearance Letter received November 18, 1999.<br>Offshore Clearance Letter Received July 3, 2000.  |
| <b>Florida</b><br>Environmental Resource Permit (ERP), Easement to cross state-owned uplands and sovereign submerged lands | Department of Environmental Protection (FDEP)            | Consolidated Permit filed February 29, 2000.<br>Easements filed February 29, 2000.  | Permit and Easements expected January 2001  |
| Coastal Zone consistency determination   | FDEP   | Request for Determination filed 10/15/00 (FERC Filing) and 1/29/00 (Florida Consolidated Permit Application).   | Expected January 2001   |
| Letter of acknowledgment for completion of cultural resource investigations recommended for the project area               | Department of State, Division of Historical Resources    | Survey methods approved July 20, 1999 and Unanticipated Finds Plan approval on September 14, 1999. Field survey reports filed October 15, 1999. SHPO comments received December 20, 1999 (onshore Florida) and December 10, 1999 (offshore Florida). Supplemental Report for onshore Line changes filed February 29, 2000, additional Phase II report filed May, 2000. Florida offshore phase II survey report filed October, 2000. | Offshore Clearance received October 16, 2000.<br><br>Florida onshore letter of acknowledgement received from SHPO on December 20, 2000, May 1 and 3, 2000, April 5, 2000, and June 9, 2000. |
| Natural heritage inventory review  | Florida Natural Areas Inventory                          | Received T/E database information from Florida Natural Areas Inventory and Alabama/Mississippi Natural Heritage Program.  | No clearance required   |

**TABLE 1 (cont.)  
 MAJOR PERMITS, LICENSES, APPROVALS, AND CERTIFICATIONS REQUIRED  
 FOR CONSTRUCTION, OPERATION AND MAINTENANCE OF THE PROPOSED  
 GULFSTREAM NATURAL GAS SYSTEM**

| Permit/Approval   | Administering Agency  | Status a/   | Permit Expected   |
|---|---|---|---|
| Review of impacts to endangered and threatened species, Species Relocation permits (if necessary) | Florida Fish and Wildlife Conservation Commission   | Field survey reports filed October 15, 1999. Supplemental follow-up report filed February 29, 2000. Northern Highlands Alternative Report filed 5/15/00. BA filed 8/10/00, 10/24/00 | Clearance to be Granted January 2001  |
| Consumptive Use permit for hydrostatic test water withdrawal.                                     | Southwest Florida Water Management District, South Florida Water Management District, St. Johns River WMD | General permits filed in November 2000.   | Expected March 2001<br>—  |
| Industrial Wastewater Permit for Hydrostatic Testwater Discharge                                  | Florida Department of Environmental Protection (FDEP)   | Permits to be filed in November 2000.   | Expected March 2001   |
| General Permit for Geotechnical Borings   | Florida Department of Environmental Protection (FDEP)   | Issued June, 1999 and January 2000.   | <u>SW District</u><br>Permits issued:<br>1) July 1, 1999<br>2) December 23, 1999<br>3) January 12, 2000<br>4) May 12, 2000<br>5) June 14, 2000<br><u>South District</u><br>1) February 2, 2000<br>2) April 12, 2000<br><u>Southeast District</u><br>1) February 3, 2000 |
| Local Submerged Lands Easement  | Tampa Port Authority  | Filed jointly with Consolidated Permit February 29, 2000.   | Expected January 2001   |



Tuesday, January 30, 2001

# Gas Daily®

## Daily Price Survey

Listed in the left column are the midpoints of the daily ranges for the most common prices, paid in \$/mmBtu of a typical volume of 5 thousand mmBtu. The middle column shows absolute low-high prices for transactions reported on the date at the top of the column; the third column shows that day's ranges for the most common prices. The prices are generally for gas flowing today; weekends are usually priced using data collected Friday. Ranges are for deals done before nomination deadlines. Boldface indicates the price range is based on data reported the previous day. Plus type indicates insufficient data to reconfirm or change the previous range. The common range is built around the volume-weighted average and the midpoint is calculated for the common range. Data in this table is Copyright 2001 by FT Energy. NATIONAL AVERAGE PRICE: \$7.295

| Trans. date                            | 1/29     | 1/29      | 1/29     |
|--|----------|-----------|----------|
| Flow date(s)                           | 1/30     | 1/30      | 1/30     |
|  | Midpoint | Absolute  | Common   |
| <b>Permian Basin Area</b>              |          |           |          |
| El Paso                                | 8.850    | 8.53-8.5  | 6.57-7.3 |
| Northrn (Mids 1-6)                     | 8.480    | 8.42-7.0  | 6.42-5.4 |
| Tex intras, Waha area                  | 8.545    | 8.45-7.5  | 6.47-8.2 |
| Transwestern                           | 8.885    | 8.80-7.0  | 6.64-6.9 |
| <b>East Texas-North Louisiana Area</b> |          |           |          |
| Canthage Hub to gate                   | 8.510    | 8.40-8.0  | 6.48-5.6 |
| Koch (Zones 1&2)                       | 8.185    | 8.09-2.7  | 6.12-2.1 |
| Lone Star                              | 8.255    | 8.20-3.0  | 6.23-2.8 |
| MRT mainline                           | 8.595    | 8.45-8.8  | 6.54-6.5 |
| MRT west leg                           | 8.528    | 8.51-5.6  | 6.51-5.4 |
| NGPL TexOk (West)                      | 8.420    | 8.35-3.8  | 6.37-4.7 |
| NGPL TexOk (East)                      | 8.435    | 8.33-6.0  | 6.37-5.0 |
| Tennessee, 100 Leg                     | 8.335    | 8.21-5.0  | 6.20-4.1 |
| Texas Eastern (ETX)                    | 8.300    | 8.20-4.0  | 6.25-3.5 |
| Texas Gas (entire Z 1)                 | 8.580    | 8.43-7.0  | 6.49-8.3 |
| <b>East-Houston-Katy</b>               |          |           |          |
| Houston Ship Channel                   | 8.615    | 8.46-7.5  | 6.54-6.9 |
| Katy plant to gate                     | 8.555    | 8.35-7.0  | 6.47-6.4 |
| Trunkline North                        | 8.590    | 8.58-8.0  | 6.58-8.0 |
| <b>North-Texas Panhandle</b>           |          |           |          |
| NGPL (Panman)                          | 8.340    | 8.20-6.40 | 6.28-4.9 |
| Northern (Mid 10)                      | 8.190    | 8.15-2.3  | 6.17-2.1 |
| Transwestern                           | 8.665    | 8.60-7.0  | 6.64-6.8 |
| <b>South-Corpus Christi</b>            |          |           |          |
| Agua Dulce hub                         | 8.385    | 8.17-4.8  | 6.28-4.7 |
| Florida Gas                            | 8.500    | 8.35-6.3  | 6.43-5.7 |
| HPL                                    | 8.440    | 8.30-5.0  | 6.39-4.9 |
| Koch (Zone 1)                          | 8.280    | 8.27-2.8  | 6.27-2.8 |
| NGPL (STX)                             | 8.415    | 8.27-5.3  | 6.26-4.8 |
| Tennessee                              | 8.400    | 8.25-4.5  | 6.30-5.0 |
| Texas Eastern (STX)                    | 8.190    | 8.00-4.3  | 6.05-3.0 |
| Transco, St 30                         | 8.485    | 8.15-8.2  | 6.35-5.8 |
| Trunkline South                        | 8.420    | 8.41-4.3  | 6.41-4.3 |
| PG&E-GTT                               | 8.130    | 8.05-2.0  | 6.09-1.7 |
| <b>Louisiana-Onshore South</b>         |          |           |          |
| ANR                                    | 8.525    | 8.40-7.0  | 6.45-8.0 |
| Columbia                               | 8.590    | 8.39-8.1  | 6.46-7.2 |
| Columbia, Mainline                     | 8.600    | 8.48-7.9  | 6.58-7.4 |
| FGT Z1                                 | 8.500    | 8.36-8.3  | 6.43-5.7 |
| FGT Z2                                 | 8.555    | 8.40-7.4  | 6.47-6.4 |
| FGT Z3                                 | 8.525    | 8.34-8.5  | 6.45-8.0 |
| Henry Hub                              | 8.600    | 8.29-7.00 | 6.42-7.0 |
| Koch (Zones 2&4)                       | 8.365    | 8.25-5.5  | 6.29-4.4 |
| NGPL (L.A.)                            | 8.475    | 8.38-8.8  | 6.38-5.8 |
| Sonal                                  | 8.635    | 8.45-7.8  | 6.55-7.2 |
| Tennessee, 500 Leg                     | 8.475    | 8.28-7.2  | 6.38-5.0 |
| Tennessee, 800 Leg                     | 8.495    | 8.30-7.2  | 6.38-5.0 |
| Texas E. (WLA)                         | 8.250    | 8.02-5.0  | 6.13-3.7 |
| Texas E. (FLA)                         | 8.415    | 8.21-8.2  | 6.31-5.2 |
| Texas Gas SL                           | 8.580    | 8.42-8.3  | 6.48-8.8 |
| Transco, St. 15                        | 8.519    | 8.30-7.1  | 6.47-6.2 |
| Transco, St. 85                        | 8.780    | 8.50-9.4  | 6.88-8.0 |
| Trunkline WLA                          | 8.465    | 8.35-8.8  | 6.38-5.5 |
| Trunkline ELA                          | 8.285    | 8.07-4.5  | 6.18-3.8 |
| <b>Oklahoma</b>                        |          |           |          |
| ANR                                    | 8.510    | 8.36-7.4  | 6.41-8.1 |
| NGPL (Midcont.)                        | 8.465    | 8.40-8.2  | 6.41-5.2 |
| Reliant (North/South)                  | 8.570    | 8.45-8.5  | 6.52-6.2 |
| Reliant (West)                         | 8.485    | 8.35-8.5  | 6.38-5.4 |
| Northern (Mid 11)                      | 8.210    | 8.17-2.5  | 6.19-2.3 |
| OGT                                    | 8.510    | 8.35-8.8  | 6.43-5.9 |

continued on next page

## FTC clears El Paso Energy/Coastal merger

The Federal Trade Commission (FTC) yesterday said it would allow the \$24 billion merger of El Paso Energy and Coastal Corp. to proceed, provided that the two companies divest their interests in 11 natural gas pipeline systems totaling more than 2,500 miles of pipe.

The commission voted 5-0 to accept the proposed consent agreement to allow the merger, which would create the nation's largest interstate pipeline company. The approval comes more than a year after El Paso said it would merge with Coastal in a stock deal then valued at approximately \$16 billion, including \$6 billion of assumed debt and preferred equity (GD 1/19/00).

El Paso and Coastal had hoped to have the deal wrapped up by the fourth quarter of last year and, for a while, it seemed that the regulatory agencies would go along with that timetable. FERC

(continued on page 7)

## Gulfstream snags environmental OK from FERC

After months of study, FERC last week issued a favorable environmental impact statement for the proposed Gulfstream Natural Gas System, which would bring gas to the Florida peninsula through a 700-mile underscan pipe. Although the project still awaits final certificate approval from FERC, it now appears poised to break Florida Gas Transmission's (FGT) interstate pipeline monopoly in the state.

Building an underscan pipeline poses major environmental challenges, and FERC conceded that the project would "result in temporary and permanent alteration of wildlife habitat, as well as direct impact on wildlife such as disturbance, displacement or mortality." But staff also found that the bulk of the impact would occur during construction, and therefore ruled that the project would have limited adverse effects.

The assessment should cheer the backers of Gulfstream, Williams and Duke Energy, who

(continued on page 7)

## Cash off as NYMEX stumbles into March

Cash prices and the NYMEX might have been expected to pick up the pace Monday after the weekend, but continued mild weather forecasts had the market down.

The slowdown started in overnight NYMEX Access trading, when six-to-10 day weather forecasts showed warmer-than-normal weather in store for the eastern half of the nation.

The Market

The NYMEX February futures contract was the first to be affected. It opened down substantially from Friday's settlement, and plummeted throughout the trading day before the monthly expiration.

As the NYMEX contract weakened, already soft cash prices fell off by 30¢-50¢ or more.

It was a "bloodbath" yesterday in Louisiana, one source said, as trading at the Henry Hub fell into the low \$6.30s. "Louisiana has been strong until today (Monday). The market should

(continued on page 6)

## Bush forms energy task force on higher prices

After a weekend of pledging only tough love for California and its worsening energy crisis, the Bush administration yesterday named Vice President Dick Cheney to head a new federal task force that will focus on ways to deal with skyrocketing energy prices and the country's dependence on foreign oil.

California's problems are its own, and the state should expect no major lifeline from the federal government, key Bush team members told various weekend media outlets. Still, the administration spent time meeting yesterday to discuss the crisis in California, which threatens to spread to other western states.

On Thursday and Friday, Energy Secretary Spencer Abraham and FERC Chairman Curt Hébert are expected to attend a conference called by the Western Governors Assn. to discuss

### EIA notes convergence

In response to U.S. electricity restructuring and natural gas deregulation in recent years, the energy industry in the United States has gradually experienced the convergence of electric utilities and natural gas companies — creating a new form of energy company, the “energy services company.”

A recent report of the U.S. Energy Information Administration (EIA) tracks the change of the energy companies in the United States that have followed from a flurry of recent mergers and acquisitions. While the number of vertically integrated petroleum companies has declined, the ranks of energy services companies have swelled, “signaling a fundamental change in the characteristics of a major U.S. energy company, EIA said.

Energy services companies, according to EIA, “have greater flexibility to market both electricity and natural gas interchangeably, thereby having the opportunity to maintain and/or increase their customer base.” Through mergers, EIA added, companies also benefit from improved efficiency, lower operating costs, and “the opportunity to participate in the growing market for natural gas-fired power plants.”

The four leading energy companies in the U.S. — Enron, Williams, El Paso Energy and Coastal — are all energy services companies, EIA noted.

The U.S. energy industry had six convergence mergers in 1997, two in 1998, three in 1999 and six in 2000, with six additional transactions now pending, EIA said. VT

### Pipeline operational update

Effective immediately and until further notice, El Paso Natural Gas is declaring an unauthorized overpull penalty. Shippers are urged to immediately review their supply/demand balance and the performance of their suppliers, to ensure sufficient gas is being delivered to El Paso to cover the gas being taken off the system. To ensure system integrity, El Paso will place limits on scheduled volumes at interconnections that are underperforming.

Southern Natural Gas second North Main line repair has been completed. Therefore, the capacity allocations for Group 1 - Birmingham Group, Group 2 - Gadsden Group, Group 4 - Chattanooga Group and Group 13 - East Tennessee Group that were implemented for Jan. 27 have been canceled.

To prepare for implementation of Fort Nelson Gathering System's Patry Lake byproduct allocation enhancements, Westcoast Energy's WestFD will be unavailable today from 7 p.m. until 7 a.m. tomorrow. VT

### Gulfstream gets positive review ... (from page 1)

recently sealed an agreement to purchase the project from Coastal (GD 1/20). Williams and Duke scrapped their own plans to build a competing undersea route, Buccaneer Gas Pipeline, choosing instead to proceed with the \$1.65 billion Gulfstream project once the deal with Coastal is completed.

Stan Mays, a Coastal spokesman, said the project's backers were “pleased with FERC's timely review” of the project. Gulfstream now expects final approval to come within the next few months.

But the Gulfstream project still faces competition from FGT, which has forwarded its own plans for an aggressive expansion of its current system. In evaluating the merits of the Gulfstream route, FERC also considered three system alternatives, including an expansion of the FGT system, a Buccaneer/Gulfstream link-up in central Florida and a stand-alone underwater segment built by Buccaneer.

As envisioned, Gulfstream would run across the Gulf of Mexico from a point near Mobile, Ala., before coming onshore in the Tampa Bay area and proceeding east to West Palm Beach. Buccaneer would also have originated in the Mobile Bay area, but would have had landfall at a point further north.

Gulfstream and Buccaneer were designed to tap into a booming market for gas-fired generation in Florida. At present, FGT does not have the capacity to meet demand.

Moving into the Florida market will be a major undertaking for Gulfstream. All told, the project would require 743 miles of pipe, 128,000 HP of compression, 22 meter stations, 4 manifold stations, 34 mainline valves and 28 pig launchers. During the scoping process, the project encountered resistance over routing through Highland County. FERC, in turn, directed Gulfstream to consider a route alternative.

In addition, the project raised questions about possible impacts on threatened or endangered species. FERC originally identified a number of marine animals — including the Florida manatee and several species of sea turtle — that might possibly be harmed by construction. Gulfstream has promised to use construction techniques such as directional drilling to minimize displacement of or injury to marine populations; but as FERC noted, “if directional drilling is shown to be infeasible or fails during construction [of] this waterbody, the conventional open-cut trench technique would be used.”

Regarding the impact on land species, FERC concluded that most would not be directly in the construction area, and therefore would not be in danger.

FERC was also encouraged by plans to keep most of the onshore pipe line segment within existing rights-of-way. According to the recent finding, “with the use of Gulfstream's proposed mitigation and adoption of our recommended mitigation measures, construction and operation of the proposed facilities would result in limited environmental impacts.” (CP00-6) NH

### FTC OKs El Paso merger ... (from page 1)

approved the merger last summer (GD 7/27/00). However, FTC officials saw more potential for the merger creating non-competitive situations in several regions of the country.

The proposed agreement, which the companies have endorsed, provides for the divestiture of the proposed Gulfstream pipeline in Florida to a new purchaser to ensure future competition for gas transportation into the state. The agreement also provides for divestiture of El Paso and Coastal interests in existing gas pipelines serving customers in New York State and the Midwest.

In addition, it would require the divestiture of seven pipelines in the Gulf of Mexico and establish a development fund for the purchaser of El Paso's Green Canyon and Tarpon pipelines to cover the costs of extending these pipelines to specified areas in the Gulf where El Paso and Coastal pipelines are significant competitors.

“The series of divestitures required by this order address the very real competitive concerns that have resulted from the recent and rapid consolidation in the U.S. market for natural gas transportation,” said Molly Boast, acting director of the FTC's Bureau of Competition. “Appropriately, the order goes even further, by requiring competitive protections for future pipeline construction and extensions in key parts of the country.”

Officials with both companies praised the FTC decision. “This merger is a transforming event for both El Paso Energy and Coastal,” said El Paso Chairman, President and CEO William Wise. “The scale we now possess opens an even wider range of extraordinary opportunities. Our combination of assets, intellectual capital and financial resources creates the largest