

041414-EI

Please refer to Exhibit PRM-5 to Pamela R. Murphy’s December 20, 2004, pre-filed testimony for Interrogatory Nos. 17-29.

18. For the second alternative listed in the table, please provide the nominal and present value amounts for each year during the projected period for the transportation, supply, and capital investment components separately.

**Answer:**

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



- Variable charge rates corrected; and
- Fuel charge rates corrected between SNG and FGT (which had a diminutive effect)

Refer to PEF’s response to #151 regarding assumptions.

**Cypress Annual Summary**  
 (Reflecting Corrections and Final Terms & Conditions)  
 Nominal Dollars

Year (May - Apr)	Capital			Total
	Transportation	Investment	Supply	
2008	(15,815,111)	(4,100,000)	(88,000,000)	(84,406,783)
2009				(119,171,526)
2010				(119,758,444)
2011				(119,714,808)
2012				(120,784,843)
2013				(123,397,365)
2014				(127,328,314)
2015				(130,526,130)
2016				(132,586,853)
2017				(134,957,084)
2018				(137,377,493)
2019				(140,130,040)
2020				(142,371,160)
2021				(144,947,063)
2022				(147,576,920)
2023				(150,566,551)
2024				(152,315,795)
2025				(152,316,341)
2026				(152,316,097)
2027				(152,620,592)
Total:				(2,685,170,202)

DOCUMENT NUMBER - DATE  
 03875 APR 20 18  
 FPSC-COMMISSION CLERK

**Cypress Annual Summary**  
 (Reflecting Corrections and Final Terms & Conditions)  
 Present Value (Discounted to 12/1/2004)

Year (May - Apr)	Capital			Total
	Transportation	Investment	Supply	
2008	(11,243,115)	(803,201)	(50,762,187)	(62,898,503)
2009				(81,942,961)
2010				(76,133,695)
2011				(70,353,627)
2012				(65,616,891)
2013				(61,972,379)
2014				(59,127,524)
2015				(56,039,580)
2016				(52,624,629)
2017				(49,525,900)
2018				(46,612,298)
2019				(43,956,993)
2020				(41,286,732)
2021				(38,863,910)
2022				(36,585,100)
2023				(34,508,532)
2024				(32,277,440)
2025				(29,844,018)
2026				(27,593,910)
2027				(25,562,359)
Total:				(993,326,982)

19. For the third alternative listed in the table, please provide the nominal and present value amounts for each year during the projected period for the transportation, supply, and capital investment components separately.

**Answer:**

The following tables of information regarding the [REDACTED] alternative reflect corrected pipeline commodity charge rates. Refer to PEF's response to #151 regarding assumptions.

[REDACTED]				
(Reflecting Corrected Variable Transport Rates)				
Nominal Dollars				
Year (May - Apr)	Transportation	Capital Investment	Supply	Total
2008	(10,751,587)	(1,350,000)	(67,507,328)	(79,608,925)
2009	[REDACTED]	[REDACTED]	[REDACTED]	(112,105,336)
2010	[REDACTED]	[REDACTED]	[REDACTED]	(112,686,378)
2011	[REDACTED]	[REDACTED]	[REDACTED]	(112,644,980)
2012	[REDACTED]	[REDACTED]	[REDACTED]	(113,702,500)
2013	[REDACTED]	[REDACTED]	[REDACTED]	(115,493,864)
2014	[REDACTED]	[REDACTED]	[REDACTED]	(119,385,453)
2015	[REDACTED]	[REDACTED]	[REDACTED]	(122,549,301)
2016	[REDACTED]	[REDACTED]	[REDACTED]	(124,591,340)
2017	[REDACTED]	[REDACTED]	[REDACTED]	(126,937,839)
2018	[REDACTED]	[REDACTED]	[REDACTED]	(129,334,013)
2019	[REDACTED]	[REDACTED]	[REDACTED]	(132,057,051)
2020	[REDACTED]	[REDACTED]	[REDACTED]	(134,277,680)
2021	[REDACTED]	[REDACTED]	[REDACTED]	(136,827,792)
2022	[REDACTED]	[REDACTED]	[REDACTED]	(139,431,317)
2023	[REDACTED]	[REDACTED]	[REDACTED]	(142,389,065)
2024	[REDACTED]	[REDACTED]	[REDACTED]	(144,122,743)
2025	[REDACTED]	[REDACTED]	[REDACTED]	(144,123,284)
2026	[REDACTED]	[REDACTED]	[REDACTED]	(144,123,042)
2027	[REDACTED]	[REDACTED]	[REDACTED]	(144,422,539)
<b>Total:</b>	[REDACTED]	[REDACTED]	[REDACTED]	<b>(2,530,814,442)</b>

(Reflecting Corrected Variable Transport Rates)  
Present Value (Discounted to 12/1/2004)

Year	Transportation	Capital Investment	Supply	Total
(May - Apr)	(8,008,769)	(1,039,501)	(50,233,184)	(59,271,454)
2008				(77,011,925)
2009				(71,570,739)
2010				(66,136,105)
2011				(61,711,423)
2012				(57,958,337)
2013				(55,397,819)
2014				(52,576,556)
2015				(49,415,901)
2016				(46,550,392)
2017				(43,852,911)
2018				(41,396,462)
2019				(38,913,766)
2020				(36,662,944)
2021				(34,543,552)
2022				(32,613,651)
2023				(30,522,414)
2024				(28,221,310)
2025				(26,093,545)
2026				(24,174,311)
2027				(934,595,516)
Total:				

22. For the second alternative listed in the table, please provide the annual and cumulative present value revenue requirements for PEF's system for the projected period segregated into capital, O&M, and fuel components.

**Answer:**

The following tables of Cypress revenue requirements information reflect the following corrections and final terms and conditions negotiated with SNG and FGT.



- Variable charge rates corrected; and
- Fuel charge rates corrected between SNG and FGT (which had a diminutive effect)

Refer to PEF's response to #151 regarding assumptions.

<b>Cypress Revenue Requirement</b>					
Nominal Value					
Year (May - Apr)	Transportation	Supply	Capital	O&M	Total Rev Req
2008					(83,483,227)
2009					(119,400,433)
2010					(119,979,048)
2011					(119,927,403)
2012					(120,989,701)
2013					(123,594,741)
2014					(127,518,444)
2015					(130,709,234)
2016					(132,763,064)
2017					(135,126,435)
2018					(137,540,002)
2019					(140,285,726)
2020					(142,520,042)
2021					(145,089,161)
2022					(147,712,254)
2023					(150,695,142)
2024					(152,437,663)
2025					(152,431,509)
2026					(152,424,587)
2027					(152,721,832)
Total:					(2,687,349,649)

**Cypress Revenue Requirement**

Cumulative Present Value

Year (May - Apr)	Transportation	Supply	Capital	O&M	Total Rev Req
2008					(62,179,823)
2009					(144,279,004)
2010					(220,551,901)
2011					(291,029,558)
2012					(356,756,934)
2013					(418,827,738)
2014					(478,042,925)
2015					(534,160,561)
2016					(586,854,632)
2017					(636,442,238)
2018					(683,109,284)
2019					(727,114,771)
2020					(768,444,374)
2021					(807,346,117)
2022					(843,964,532)
2023					(878,502,331)
2024					(910,805,413)
2025					(940,671,836)
2026					(968,285,260)
2027					(993,864,457)

23. For the second alternative listed in the table, please provide the same analysis as provided in Interrogatory No. 20, except assume that natural gas prices will increase at a 25 percent faster rate than currently projected.

**Answer:**

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

[Redacted]

- [Redacted];
- Variable charge rates corrected; and
- Fuel charge rates corrected between SNG and FGT (which had a diminutive effect)

Refer to PEF's response to #151 regarding assumptions.

Cypress Revenue Requirement					
Nominal Value					
Year (May - Apr)	Transportation	Supply	Capital	O&M	Total Rev Req
2008	[Redacted]	[Redacted]	[Redacted]	[Redacted]	(85,755,770)
2009	[Redacted]	[Redacted]	[Redacted]	[Redacted]	(123,691,516)
2010	[Redacted]	[Redacted]	[Redacted]	[Redacted]	(125,015,211)
2011	[Redacted]	[Redacted]	[Redacted]	[Redacted]	(125,478,579)
2012	[Redacted]	[Redacted]	[Redacted]	[Redacted]	(126,866,201)
2013	[Redacted]	[Redacted]	[Redacted]	[Redacted]	(129,760,520)
2014	[Redacted]	[Redacted]	[Redacted]	[Redacted]	(133,973,735)
2015	[Redacted]	[Redacted]	[Redacted]	[Redacted]	(137,447,719)
2016	[Redacted]	[Redacted]	[Redacted]	[Redacted]	(139,993,791)
2017	[Redacted]	[Redacted]	[Redacted]	[Redacted]	(142,886,428)
2018	[Redacted]	[Redacted]	[Redacted]	[Redacted]	(145,849,628)
2019	[Redacted]	[Redacted]	[Redacted]	[Redacted]	(149,188,153)
2020	[Redacted]	[Redacted]	[Redacted]	[Redacted]	(151,991,975)
2021	[Redacted]	[Redacted]	[Redacted]	[Redacted]	(155,175,328)
2022	[Redacted]	[Redacted]	[Redacted]	[Redacted]	(158,435,393)
2023	[Redacted]	[Redacted]	[Redacted]	[Redacted]	(162,107,225)
2024	[Redacted]	[Redacted]	[Redacted]	[Redacted]	(164,438,178)
2025	[Redacted]	[Redacted]	[Redacted]	[Redacted]	(164,877,375)
2026	[Redacted]	[Redacted]	[Redacted]	[Redacted]	(165,316,856)
2027	[Redacted]	[Redacted]	[Redacted]	[Redacted]	(166,094,065)
Total:	[Redacted]	[Redacted]	[Redacted]	[Redacted]	(2,854,343,646)

**Cypress Revenue Requirement**  
Cumulative Present Value

Year	Transportation	Supply	Capital	O&M	Total Rev Req
(May Apr)					
2008					(63,863,393)
2009					(148,898,098)
2010					(228,360,941)
2011					(302,090,997)
2012					(371,002,061)
2013					(436,161,339)
2014					(498,366,833)
2015					(557,369,344)
2016					(612,925,537)
2017					(665,353,390)
2018					(714,832,738)
2019					(761,623,896)
2020					(805,693,745)
2021					(847,293,577)
2022					(886,564,332)
2023					(923,711,927)
2024					(958,552,702)
2025					(990,852,659)
2026					(1,020,796,930)
2027					(1,048,611,338)



24. For the third alternative listed in the table, please provide the annual and cumulative present value revenue requirements for PEF's system for the projected period segregated into capital, O&M, and fuel components.

**Answer:**

The following tables of revenue requirement information regarding the [REDACTED] alternative reflect corrected pipeline commodity charge rates. Refer to PEF's response to #151 regarding assumptions.

<b>Bahamas Based Revenue Requirement</b>					
Nominal Value					
Year (May - Apr)	Transportation	Supply	Capital	O&M	Total Rev Req
2008					(78,507,368)
2009					(112,346,330)
2010					(112,919,939)
2011					(112,871,123)
2012					(113,921,241)
2013					(115,705,218)
2014					(119,589,438)
2015					(122,745,934)
2016					(124,780,638)
2017					(127,119,819)
2018					(129,508,695)
2019					(132,224,452)
2020					(134,437,820)
2021					(136,980,691)
2022					(139,576,994)
2023					(142,527,542)
2024					(144,254,040)
2025					(144,247,423)
2026					(144,240,046)
2027					(144,532,431)
Total:					(2,533,037,183)

**Bahamas Based Revenue Requirement**  
Cumulative Present Value

Year (May - Apr)	Transportation	Supply	Capital	O&M	Total Rev Req
2008					(58,415,330)
2009					(135,591,724)
2010					(207,309,841)
2011					(273,577,879)
2012					(335,407,275)
2013					(393,471,007)
2014					(448,962,877)
2015					(501,623,256)
2016					(551,113,756)
2017					(597,730,456)
2018					(641,642,217)
2019					(683,090,822)
2020					(722,050,701)
2021					(758,754,352)
2022					(793,333,765)
2023					(825,978,934)
2024					(856,528,973)
2025					(884,774,433)
2026					(910,889,024)
2027					(935,081,611)

25. For the third alternative listed in the table, please provide the same analysis as provided in Interrogatory No. 24, except assume that natural gas prices will increase at a 25 percent faster rate than currently projected.

**Answer:**

The following tables of revenue requirement information regarding the [REDACTED] alternative reflect corrected pipeline commodity charge rates. Refer to PEF's response to #151 regarding assumptions.

<b>Bahamas Based Revenue Requirement</b>					
Nominal Value					
Year (May - Apr)	Transportation	Supply	Capital	O&M	Total Rev Req
2008					(80,757,158)
2009					(116,594,449)
2010					(117,905,676)
2011					(118,366,717)
2012					(119,738,901)
2013					(121,809,261)
2014					(125,980,095)
2015					(129,416,948)
2016					(131,938,966)
2017					(134,802,114)
2018					(137,735,119)
2019					(141,037,742)
2020					(143,814,914)
2021					(146,965,867)
2022					(150,192,766)
2023					(153,825,360)
2024					(156,134,398)
2025					(156,568,673)
2026					(157,003,230)
2027					(157,770,773)
<b>Total:</b>					<b>(2,698,359,125)</b>

**Bahamas Based Revenue Requirement**  
Cumulative Present Value

Year (May - Apr)	Transportation	Supply	Capital	O&M	Total Rev Req
2008					(60,082,043)
2009					(140,164,569)
2010					(215,040,691)
2011					(284,528,564)
2012					(349,509,770)
2013					(410,631,053)
2014					(469,083,289)
2015					(524,599,657)
2016					(576,923,622)
2017					(626,352,130)
2018					(673,048,034)
2019					(717,254,418)
2020					(758,927,106)
2021					(798,301,832)
2022					(835,507,029)
2023					(870,735,862)
2024					(903,798,185)
2025					(934,452,813)
2026					(962,874,912)
2027					(989,280,330)

27. Please list and describe the reasons for the difference in transportation between the second and third alternatives.

**Answer:**

The difference in transportation is due to differences in transportation rates proposed by the respective bidders. The second alternative (Cypress) reflects negotiated transportation rates associated with Southern Natural Gas' Cypress Pipeline Expansion project as well transportation rates associated with the Florida Gas Transmission (FGT) system. The third alternative (Bahamas Based) reflects the bidder's bundled proposed transportation rates associated with two components of transportation: (1) transportation associated with a new undersea pipeline to be built by an affiliate of the bidder from the bidder's proposed Greenfield LNG gasification facility located in the Bahamas and terminating at an interconnection with the FGT system; and (2) transportation capacity acquired by the bidder on the FGT system. The following table summarizes the proposed transportation rates for the second and third alternatives. This table has been updated to reflect the correct commodity charge rates for both alternatives and the correct fuel charge rates for Southern Natural Gas and Florida Gas Transmission.

Alternative	Fixed Transportation -\$/Dt		Commodity Charge \$/Dt	Fuel Charge
	Summer	Winter		
Second – Cypress: Southern Natural Gas	████████	████████	████████	████████
Florida Gas Transmission	████████	████████	████████	████████
Third – Bahamas Based ██████████ ██████████	████████	████████	████████	████████

29. Please provide the reasons for the date selected in footnote (d).

**Answer:**

The analysis that is summarized in Exhibit PRM-5 (as corrected) to Pamela R. Murphy's December 20, 2004, pre-filed testimony is substantially the same analysis relied upon by Progress Energy Florida management when it approved execution of agreements with BG LNG Services, LLC, Southern Natural Gas Company and Florida Gas Transmission System during the 3<sup>rd</sup> Quarter of 2004. The forward curve for HH as of 8/5/04 was the latest available at the time the analysis was prepared.

Please refer to Exhibit PRM-6 to Pamela R. Murphy's December 20, 2004, pre-filed testimony for Interrogatory Nos. 30-37.

30. For the first alternative listed in the table, please provide the nominal and present value amounts for each year during the projected period for the transportation, supply, and capital investment components separately.

**Answer:**

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



- 
- Variable charge rates corrected; and
- Fuel charge rates corrected between SNG and FGT (which had a diminutive effect)

Refer to PEF's response to #151 regarding assumptions.

<b>Cypress Annual Summary</b>				
Nominal Dollars				
Year (May - Apr)	Transportation	Capital Investment	Supply	Total
2007				(91,644,882)
2008				(118,806,903)
2009				(148,964,407)
2010				(149,698,055)
2011				(149,643,510)
2012				(150,981,054)
2013				(154,246,707)
2014				(159,160,392)
2015				(163,157,662)
2016				(165,733,567)
2017				(168,696,355)
2018				(171,721,867)
2019				(175,162,550)
2020				(177,963,950)
2021				(181,183,829)
2022				(184,471,150)
2023				(188,208,189)
2024				(190,394,744)
2025				(190,395,426)
2026				(190,395,121)
<b>Total:</b>				<b>(3,270,630,320)</b>

## Cypress Annual Summary

### Present Value

Year (May - Apr)	Transportation	Capital Investment	Supply	Total
2007				(73,909,183)
2008				(88,344,265)
2009				(102,428,701)
2010				(95,167,119)
2011				(87,942,034)
2012				(82,021,113)
2013				(77,465,474)
2014				(73,909,405)
2015				(70,049,475)
2016				(65,780,786)
2017				(61,907,375)
2018				(58,265,372)
2019				(54,946,241)
2020				(51,608,415)
2021				(48,579,888)
2022				(45,731,375)
2023				(43,135,665)
2024				(40,346,800)
2025				(37,305,023)
2026				(34,492,388)
<b>Total:</b>				<b>(1,293,336,098)</b>



32. For the first alternative listed in the table, please provide the annual and cumulative present value revenue requirements for PEF's system for the projected period segregated into capital, O&M, and fuel components.

**Answer:**

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



- [Redacted]
- Variable charge rates corrected; and
- Fuel charge rates corrected between SNG and FGT (which had a diminutive effect)

Refer to PEF's response to #151 regarding assumptions.

Cypress Revenue Requirement					
Nominal Value					
Year (May - Apr)	Transportation:	Supply:	Capital:	O&M:	Total Rev Req:
2008					(90,721,326)
2009					(119,035,810)
2010					(149,185,011)
2011					(149,910,650)
2012					(149,848,368)
2013					(151,178,430)
2014					(154,436,837)
2015					(159,343,497)
2016					(163,333,873)
2017					(165,902,917)
2018					(168,858,864)
2019					(171,877,552)
2020					(175,311,433)
2021					(178,106,048)
2022					(181,319,163)
2023					(184,599,741)
2024					(188,330,058)
2025					(190,509,912)
2026					(190,503,917)
2027					(190,496,361)
Total:					(3,272,809,767)

## Cypress Revenue Requirement

Cumulative Present Value:

Year (May - Apr)	Transportation:	Supply:	Capital:	O&M:	Total Rev Req:
2008					(73,131,727)
2009					(161,644,950)
2010					(264,224,205)
2011					(359,525,472)
2012					(447,587,022)
2013					(529,714,586)
2014					(607,274,871)
2015					(681,268,700)
2016					(751,393,293)
2017					(817,240,817)
2018					(879,207,405)
2019					(937,525,227)
2020					(992,517,843)
2021					(1,044,167,175)
2022					(1,092,783,095)
2023					(1,138,546,125)
2024					(1,181,709,527)
2025					(1,222,080,559)
2026					(1,259,406,687)
2027					(1,293,917,285)

33. For the first alternative listed in the table, please provide the same analysis as provided in Interrogatory No. 32, except assume that natural gas prices will increase at a 25 percent faster rate than currently projected

**Answer:**

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

[REDACTED]

- [REDACTED];
- Variable charge rates corrected; and
- Fuel charge rates corrected between SNG and FGT (which had a diminutive effect)

Refer to PEF's response to #151 regarding assumptions.

<b>Cypress Revenue Requirement</b>					
Nominal Value					
Year (May - Apr)	Transportation:	Supply:	Capital:	O&M:	Total Rev Req:
2008	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	(92,255,413)
2009	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	(122,347,234)
2010	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	(154,548,866)
2011	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	(156,205,854)
2012	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	(156,787,338)
2013	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	(158,524,054)
2014	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	(162,144,060)
2015	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	(167,412,612)
2016	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	(171,756,978)
2017	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	(174,941,326)
2018	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	(178,558,855)
2019	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	(182,264,585)
2020	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	(186,439,465)
2021	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	(189,945,964)
2022	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	(193,926,871)
2023	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	(198,003,665)
2024	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	(202,595,162)
2025	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	(205,510,555)
2026	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	(206,061,249)
2027	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	(206,611,697)
<b>Total:</b>	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	<b>(3,466,841,802)</b>

## Cypress Revenue Requirement

Cumulative Present Value:

Year (May - Apr)	Transportation:	Supply:	Capital:	O&M:	Total Rev Req:
2008					(74,360,350)
2009					(165,322,193)
2010					(271,570,853)
2011					(370,859,552)
2012					(462,986,601)
2013					(549,093,774)
2014					(630,514,653)
2015					(708,246,365)
2016					(781,977,051)
2017					(851,402,229)
2018					(916,919,125)
2019					(978,752,324)
2020					(1,037,227,029)
2021					(1,092,301,669)
2022					(1,144,290,200)
2023					(1,193,368,656)
2024					(1,239,794,303)
2025					(1,283,337,450)
2026					(1,323,705,496)
2027					(1,361,129,653)

56. Why should the Commission approve PEF's 20-year contract for LNG?

**Answer:**

The Cypress project at issue in this matter involves bringing a new source of fuel, specifically liquefied natural gas, into Florida. Unlike a "standard" natural gas pipeline from a nearby source of natural gas, an LNG project such as this one requires significant additional upfront capital investment from the supplier to build the natural gas pipeline LNG infrastructure (such as gas reserves and the associated production, a liquefaction plant, and LNG ships, which totals more than \$1 billion).

As discussed in detail in PEF's pre-filed testimony, responses to the Staff's requests for production of documents, and responses to Staff's 1<sup>st</sup> set of interrogatories, PEF contracted with Southern Natural for firm transportation of the gas supply through an expansion of Southern's existing pipeline system to be built from Elba Island to a point of interconnection with the FGT pipeline in Clay County, Florida, and with FGT for transportation from the point of interconnection with Southern to the Hines Energy Complex. PEF's commitment to the Cypress LNG expansion project on the Southern Natural Gas Pipeline is approximately 32% of the overall Cypress project. Understandably, suppliers and transportation companies such as BG, Southern Natural, and FGT would not want to go forward with a "green field", capital-intensive project of this magnitude without some "front end" assurance that they will have long-term customers to make the project worthwhile and financially feasible. Similarly, companies such as PEF would not want to commit to any such project on a long-term basis without pre-approval from the Commission on the issues of reasonableness and prudence. In fact, our understanding is that Florida Power & Light is requiring respondents to its August, 2004 Request for Proposals for LNG supply and transportation to include conditions precedent in their respective bids for Commission pre-approval of any contract. Unlike smaller, shorter term or less complicated fuel supply and transportation arrangements that by their nature do not lend themselves to advance approval from the Commission, a long term capital-intensive project such as this one will not ever reasonably happen unless all parties in the project have advance assurances regarding their respective financial concerns, and that is why the Commission should approve PEF's 20-year contract for LNG.

Without the Commission's pre-approval of PEF's long term natural gas supply purchase and firm transportation agreements, the State of Florida will be denied a new long-term supply of natural gas from an LNG source as well as a new pipeline alternative to the existing pipelines - Florida Gas Transmission and Gulfstream Natural Gas System. This new pipeline extension, which will receive natural gas that has been regasified at the Elba Island LNG Terminal and then transported to consumers throughout Florida, not only benefits PEF's consumers and ratepayers, but all natural gas users in the State of Florida. If approved, Florida will no longer be solely dependent on natural gas supplied from the Gulf of Mexico and will no longer be dependent on natural gas supply subject to significant hurricane disruptions. Rather, Florida would have access to a liquefied natural

gas supply from the Elba Island LNG Terminal. This will increase security and diversity of natural gas supply, which again benefits all consumers within the State.

Through its pre-filed testimony, responses to the Staff's requests for production of documents, and responses to Staff's 1<sup>st</sup> set of interrogatories, PEF believes it has demonstrated that these contracts, taken collectively, represent a reasonable, prudent, and cost-effective choice that provide PEF's customers the best overall gas supply and transportation option for Hines 4 and other system needs. The contracts at issue also enhance diversity of fuel supply for PEF while maintaining system reliability and performance. Therefore, PEF believes it is prudent for the Commission to pre-approve the LNG contract at issue.