

FLORIDA PUBLIC SERVICE COMMISSION  
OFFICE OF COMMISSION CLERK



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**CONFIDENTIAL**

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070003-GU

Audit #07-067-4-1

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## Sequent Physical Purchases Compared to Index Pricing January 2006

Inside Ferc First-Of-Month (FOM) Index Price for Monthly Baseload Transactions

ATTACHMENT I

Location	Deal#	Start Date	End Date	Volume	Sequent Purchase Price	NYMEX or Index	FOM Index	FOM Price	Difference
<b>Destin</b>									
DESTINPL	277424	01-01-2006	01-31-2006	387,500	12.0650	Index	IF-FGT-Z3	11.7500	0.3150
DESTINPL	278023	01-01-2006	01-31-2006	155,000	11.8150	Index	IF-FGT-Z3	11.7500	0.0650
The Weighted Average Price for Sequent purchases at Destin is above FOM Index by \$ <u>0.2436</u>									
<b>Florida Gas Transmission Company</b>									
<b>Zone 1</b>									
MOPS - Refugio FGT	280727	01-01-2006	01-31-2006	154,942	11.2825	Index	IF-FGT-Z1	11.2800	0.0025
The Weighted Average Price for Sequent purchases at Zone 1 is above FOM Index by \$ <u>0.0025</u>									
<b>Mobile Bay Pipeline</b>									
<b>MOBILE BAY</b>									
MOBILE BAY POOL	277425	01-01-2006	01-31-2006	215,716	11.8100	Index	IF-FGT-Z3	11.7500	0.0600
The Weighted Average Price for Sequent purchases at MOBILE BAY is above FOM Index by \$ <u>0.0600</u>									

123,062.5  
10,075  
  
387.35  
  
12,942.9  

---

145,467.8

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Main was added on 43-2

Jan	149,5467.81
Feb	412,5936.79
Mar	55,298.27
Apr	36,698.44
May	43,203.06
June	42,884.66
July	75,527.25
Aug	70,731.63
Sept	39,961.11
Oct	8,2021.82
Nov	8,539.16
Dec	15,607.89
<b>Total</b>	<b>379,407.77</b>

Sequent price was slightly higher for all months for the majority of the volume. However, Review of the program used to generate this report (43-1/1) revealed that it excluded gas daily purchases and several deal tickets (43-1/1-1). The reason for excluding gas dailies is on 43-1/2. The Sequent costs are not fully distributed. The co. did not provide actual detail for Sequent other costs but estimated them at \$49.5 million & allocate

## Sequent Physical Purchases Compared to Index Pricing February 2006

Inside Ferc First-Of-Month (FOM) Index Price for Monthly Baseload Transactions

Location	Deal#	Start Date	End Date	Volume	Sequent Purchase Price	NYMEX or Index	FOM Index	FOM Price	Difference
<b>Destin</b>									
Destin									
DESTINPL	296515	02-01-2006	02-28-2006	556,789	8.5800	Index	IF-FGT-Z3	8.5500	0.0300
The Weighted Average Price for Sequent purchases at Destin is above FOM Index by \$ <u>0.0300</u>									
<b>Florida Gas Transmission Company</b>									
<b>Zone 1</b>									
MOPS - Refugio FGT	295620	02-01-2006	02-28-2006	109,999	8.2600	Index	IF-FGT-Z1	8.2600	0.0000
The Weighted Average Price for Sequent purchases at Zone 1 is below FOM Index by \$ <u>0.0000</u>									
<b>High Island Operating System</b>									
<b>HIOS</b>									
HIA 568	297231	02-01-2006	02-28-2006	181,283	8.0700	Index	IF-FGT-Z2	8.3600	(0.2900)
ANR	300758	02-01-2006	02-28-2006	320,236	8.0700	Index	IF-FGT-Z2	8.3600	(0.2900)
The Weighted Average Price for Sequent purchases at HIOS is below FOM Index by \$ <u>0.2900</u>									
<b>Mobile Bay Pipeline</b>									
<b>MOBILE BAY</b>									
MOBILE BAY POOL	297426	02-01-2006	02-28-2006	140,000	8.5700	Index	IF-FGT-Z3	8.5500	0.0200
The Weighted Average Price for Sequent purchases at MOBILE BAY is above FOM Index by \$ <u>0.0200</u>									

16,763.6  
 (57,572)  
 (97,868.4)  
 2,800 -  
 (125,936.7)

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## Sequent Physical Purchases Compared to Index Pricing March 2006

### Inside Ferc First-Of-Month (FOM) Index Price for Monthly Baseload Transactions

Location	Deal#	Start Date	End Date	Volume	Sequent Purchase Price	NYMEX or Index	FOM Index	FOM Price Difference		
<b>Destin</b>										
DESTINPL	331445	03-01-2006	03-31-2006	276,611	7.2600	Index	IF-FGT-Z3	7.2400	0.0200	5532.2
DESTINPL	333192	03-01-2006	03-31-2006	310,000	7.4150	Index	IF-FGT-Z3	7.2400	0.1750	54,250 -
The Weighted Average Price for Sequent purchases at Destin is above FOM Index by \$ <u>0.1019</u>										
<b>Florida Gas Transmission Company</b>										
<b>Zone 1</b>										
NGPL - Jefferson FGT	331421	03-01-2006	03-31-2006	120,714	6.9400	Index	IF-FGT-Z1	6.9400	0.0000	
MOPS - Refugio FGT	333227	03-01-2006	03-31-2006	28,986	6.9150	Index	IF-FGT-Z1	6.9400	(0.0250)	(774.65
The Weighted Average Price for Sequent purchases at Zone 1 is below FOM Index by \$ <u>0.0048</u>										
<b>High Island Operating System</b>										
<b>HIOS</b>										
ANR	300758	03-01-2006	03-31-2006	351,292	6.8900	Index	IF-FGT-Z2	7.1100	(0.2200)	(77,284.2
HIA 568	333181	03-01-2006	03-31-2006	198,611	6.8900	Index	IF-FGT-Z2	7.1100	(0.2200)	(43,694.1
The Weighted Average Price for Sequent purchases at HIOS is below FOM Index by \$ <u>0.2200</u>										
<b>Mobile Bay Pipeline</b>										
<b>MOBILE BAY</b>										
MOBILE BAY POOL	331444	03-01-2006	03-31-2006	331,141	7.2600	Index	IF-FGT-Z3	7.2400	0.0200	6622.5
The Weighted Average Price for Sequent purchases at MOBILE BAY is above FOM Index by \$ <u>0.0200</u>										
									(55,298	

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## Sequent Physical Purchases Compared to Index Pricing April 2006

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Inside Ferc First-Of-Month (FOM) Index Price for Monthly Baseload Transactions

Location	Deal#	Start Date	End Date	Volume	Sequent Purchase Price	NYMEX or Index	FOM Index	FOM Price	Difference	
<b>Destin</b>										
Destin										
DESTINPL	353457	04-01-2006	04-30-2006	308,560	7.3550	Index	IF-FGT-Z3	7.3400	0.0150	4628.40
DESTINPL	354288	04-01-2006	04-30-2006	146,758	7.3700	Index	IF-FGT-Z3	7.3400	0.0300	4482.74
The Weighted Average Price for Sequent purchases at Destin is above FOM Index by \$ <u>0.0198</u>										
<b>Florida Gas Transmission Company</b>										
<b>Zone 1</b>										
NGPL - Jefferson FGT	343364	04-01-2006	04-30-2006	110,860	7.1150	Index	IF-FGT-Z1	7.1200	(0.0050)	(554.30)
NGPL - Jefferson FGT	352717	04-01-2006	04-30-2006	3,693	7.1150	Index	IF-FGT-Z1	7.1200	(0.0050)	(18.46)
The Weighted Average Price for Sequent purchases at Zone 1 is below FOM Index by \$ <u>0.0050</u>										
<b>Zone 2</b>										
Coastal - West Addis	351644	04-01-2006	04-30-2006	44,700	7.2425	Index	IF-FGT-Z2	7.2400	0.0025	111.75
The Weighted Average Price for Sequent purchases at Zone 2 is above FOM Index by \$ <u>0.0025</u>										
<b>Houston Pipeline Company, LP</b>										
<b>Houston Pipeline</b>										
Corpus Facility	355225	04-01-2006	04-30-2006	120,000	6.8300	Index	IF-HSC	6.8200	0.0100	1200-
The Weighted Average Price for Sequent purchases at Houston Pipeline is above FOM Index by \$ <u>0.0100</u>										
<b>Mobile Bay Pipeline</b>										
<b>MOBILE BAY</b>										
MOBILE BAY POOL	338558	04-01-2006	04-30-2006	599,990	7.3900	Index	IF-FGT-Z3	7.3400	0.0500	29,999.50
MOBILE BAY POOL	353141	04-01-2006	04-30-2006	150,000	7.3200	Index	IF-FGT-Z3	7.3400	(0.0200)	(3,000.00)
The Weighted Average Price for Sequent purchases at MOBILE BAY is above FOM Index by \$ <u>0.0360</u>										
<b>Northern Natural Gas Company</b>										
<b>MOPS</b>										
MATAGORDA 631	354974	04-01-2006	04-30-2006	88,002	7.1200	Index	IF-FGT-Z1	7.1200	0.0000	
The Weighted Average Price for Sequent purchases at MOPS is below FOM Index by \$ <u>0.0000</u>										
<b>Southern Natural Gas Company</b>										
<b>MOPS</b>										
MATAGORDA ISLAND 693 (REC	355013	04-01-2006	04-30-2006	14,238	7.1150	Index	IF-FGT-Z1	7.1200	(0.0050)	(71.19)
The Weighted Average Price for Sequent purchases at MOPS is below FOM Index by \$ <u>0.0050</u>										

36,698.44

## Sequent Physical Purchases Compared to Index Pricing May 2006

Inside Ferc First-Of-Month (FOM) Index Price for Monthly Baseload Transactions

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Location	Deal#	Start Date	End Date	Volume	Sequent Purchase Price	NYMEX or Index	FOM Index	FOM Price	Difference	
<b>Destin</b>										
Destin										
DESTINPL	354288	05-01-2006	05-31-2006	154,836	7.4000	Index	IF-FGT-Z3	7.3700	0.0300	4645.08
DESTINPL	365631	05-01-2006	05-31-2006	155,000	7.3900	Index	IF-FGT-Z3	7.3700	0.0200	3100.00
DESTINPL	366490	05-01-2006	05-31-2006	154,999	7.3900	Index	IF-FGT-Z3	7.3700	0.0200	3099.98
The Weighted Average Price for Sequent purchases at Destin is <b>above</b> FOM Index by \$ <u>0.0233</u>										
<b>Florida Gas Transmission Company</b>										
<b>Zone 1</b>										
NGPL - Jefferson FGT	343384	05-01-2006	05-31-2006	62,392	7.0850	Index	IF-FGT-Z1	7.0900	(0.0050)	6311.96
MOPS - Refugio FGT	370322	05-01-2006	05-31-2006	62,000	7.0800	Index	IF-FGT-Z1	7.0900	(0.0100)	620.0
The Weighted Average Price for Sequent purchases at Zone 1 is <b>below</b> FOM Index by \$ <u>0.0075</u>										
<b>Zone 2</b>										
Coastal - West Addis	351644	05-01-2006	05-31-2006	43,710	7.2225	Index	IF-FGT-Z2	7.2200	0.0025	109.2
The Weighted Average Price for Sequent purchases at Zone 2 is <b>above</b> FOM Index by \$ <u>0.0025</u>										
<b>Mobile Bay Pipeline</b>										
<b>MOBILE BAY</b>										
MOBILE BAY POOL	338558	05-01-2006	05-31-2006	620,000	7.4200	Index	IF-FGT-Z3	7.3700	0.0500	31,000-
MOBILE BAY POOL	366492	05-01-2006	05-31-2006	154,962	7.3900	Index	IF-FGT-Z3	7.3700	0.0200	3099.2
The Weighted Average Price for Sequent purchases at MOBILE BAY is <b>above</b> FOM Index by \$ <u>0.0440</u>										
<b>Northern Natural Gas Company</b>										
<b>MOPS</b>										
MATAGORDA 631	354974	05-01-2006	05-31-2006	91,646	7.0900	Index	IF-FGT-Z1	7.0900	0.0000	
MUI 757/762	370580	05-01-2006	05-31-2006	77,500	7.0800	Index	IF-FGT-Z1	7.0900	(0.0100)	6775-
The Weighted Average Price for Sequent purchases at MOPS is <b>below</b> FOM Index by \$ <u>0.0046</u>										
<b>Southern Natural Gas Company</b>										
<b>MOPS</b>										
MATAGORDA ISLAND 693 (REC	355013	05-01-2006	05-31-2006	28,710	7.0850	Index	IF-FGT-Z1	7.0900	(0.0050)	6143.5
The Weighted Average Price for Sequent purchases at MOPS is <b>below</b> FOM Index by \$ <u>0.0050</u>										
43203.0										

tested on 43-2

Endur Date: 16-Aug-2007  
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## Sequent Physical Purchases Compared to Index Pricing June 2006

Inside Ferc First-Of-Month (FOM) Index Price for Monthly Baseload Transactions

DECLASSIFIED

Location	Deal#	Start Date	End Date	Volume	Sequent Purchase Price	NYMEX or Index	FOM Index	FOM Price	Difference	
<b>Destin</b>										
<b>Destin</b>										
DESTINPL	354288	06-01-2006	06-30-2006	149,161	6.2300	Index	IF-FGT-Z3	6.2000	0.0300	4474.83
DESTINPL	387918	06-01-2006	06-30-2006	150,000	6.2350	Index	IF-FGT-Z3	6.2000	0.0350	5,250.00
The Weighted Average Price for Sequent purchases at Destin is above FOM Index by \$ <u>0.0325</u>										
<b>Florida Gas Transmission Company</b>										
<b>Zone 1</b>										
NGPL - Jefferson FGT	343384	06-01-2006	06-30-2006	62,352	5.8050	Index	IF-FGT-Z1	5.8100	(0.0050)	(311.76)
The Weighted Average Price for Sequent purchases at Zone 1 is below FOM Index by \$ <u>0.0050</u>										
<b>Zone 2</b>										
Coastal - West Addis	351644	06-01-2006	06-30-2006	42,810	5.9625	Index	IF-FGT-Z2	5.9600	0.0025	107.02
The Weighted Average Price for Sequent purchases at Zone 2 is above FOM Index by \$ <u>0.0025</u>										
<b>Mobile Bay Pipeline</b>										
<b>MOBILE BAY</b>										
MOBILE BAY POOL	338558	06-01-2006	06-30-2006	600,000	6.2500	Index	IF-FGT-Z3	6.2000	0.0500	30,000-
MOBILE BAY POOL	387926	06-01-2006	06-30-2006	108,000	6.1700	Index	IF-FGT-Z3	6.2000	(0.0300)	(3,240-
The Weighted Average Price for Sequent purchases at MOBILE BAY is above FOM Index by \$ <u>0.0378</u>										
<b>Northern Natural Gas Company</b>										
<b>MOPS</b>										
MATAGORDA 631	354974	06-01-2006	06-30-2006	89,644	5.8100	Index	IF-FGT-Z1	5.8100	0.0000	
MUI 757/762	370581	06-01-2006	06-30-2006	75,000	5.8458	Index	IF-FGT-Z1	5.8100	0.0358	2,685-
MOPS-REFUGIO FGT	389944	06-01-2006	06-30-2006	107,209	5.8458	Index	IF-FGT-Z1	5.8100	0.0358	3,838.6
The Weighted Average Price for Sequent purchases at MOPS is above FOM Index by \$ <u>0.0240</u>										
<b>Southern Natural Gas Company</b>										
<b>MOPS</b>										
MATAGORDA ISLAND 693 (REC	355013	06-01-2006	06-30-2006	24,694	5.8067	Index	IF-FGT-Z1	5.8100	(0.0033)	81.49
The Weighted Average Price for Sequent purchases at MOPS is below FOM Index by \$ <u>0.0033</u>										

42,884.66

pb

## Sequent Physical Purchases Compared to Index Pricing July 2006

Inside Ferc First-Of-Month (FOM) Index Price for Monthly Baseload Transactions

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Location	Deal#	Start Date	End Date	Volume	Sequent Purchase Price	NYMEX or Index	FOM Index	FOM Price	Difference	
<b>Destin</b>										
<b>Destin</b>										
DESTINPL	354288	07-01-2006	07-31-2006	155,000	6.0700	Index	IF-FGT-Z3	6.0400	0.0300	4650-
DESTINPL	404828	07-01-2006	07-31-2006	62,000	6.1350	Index	IF-FGT-Z3	6.0400	0.0950	5990-
DESTINPL	406951	07-01-2006	07-31-2006	62,000	6.1350	Index	IF-FGT-Z3	6.0400	0.0950	5890-
The Weighted Average Price for Sequent purchases at Destin is above FOM Index by \$ <u>0.0589</u>										
<b>Florida Gas Transmission Company</b>										
<b>Zone 1</b>										
NGPL - Jefferson FGT	343384	07-01-2006	07-31-2006	64,852	5.7450	Index	IF-FGT-Z1	5.7500	(0.0050)	(324.26)
The Weighted Average Price for Sequent purchases at Zone 1 is below FOM Index by \$ <u>0.0050</u>										
<b>Zone 2</b>										
Coastal - West Addis	351644	07-01-2006	07-31-2006	42,005	5.9425	Index	IF-FGT-Z2	5.9400	0.0025	10500
The Weighted Average Price for Sequent purchases at Zone 2 is above FOM Index by \$ <u>0.0025</u>										
<b>Mobile Bay Pipeline</b>										
<b>MOBILE BAY</b>										
MOBILE BAY POOL	338558	07-01-2006	07-31-2006	620,000	6.0900	Index	IF-FGT-Z3	6.0400	0.0500	31,600-
MOBILE BAY POOL	404829	07-01-2006	07-31-2006	93,000	6.1350	Index	IF-FGT-Z3	6.0400	0.0950	8,835-
MOBILE BAY POOL	406942	07-01-2006	07-31-2006	155,000	6.1700	Index	IF-FGT-Z3	6.0400	0.1300	20,150-
The Weighted Average Price for Sequent purchases at MOBILE BAY is above FOM Index by \$ <u>0.0691</u>										
<b>Northern Natural Gas Company</b>										
<b>MOPS</b>										
MATAGORDA 631	354974	07-01-2006	07-31-2006	92,679	5.7500	Index	IF-FGT-Z1	5.7500	0.0000	(560-)
MUI 757/762	370581	07-01-2006	07-31-2006	56,000	5.7400	Index	IF-FGT-Z1	5.7500	(0.0100)	(108.50)
MOPS-REFUGIO FGT	389944	07-01-2006	07-31-2006	108,500	5.7400	Index	IF-FGT-Z1	5.7500	(0.0100)	(108.50)
The Weighted Average Price for Sequent purchases at MOPS is below FOM Index by \$ <u>0.0064</u>										
<b>Southern Natural Gas Company</b>										
<b>MOPS</b>										
MATAGORDA ISLAND 693 (REC	355013	07-01-2006	07-31-2006	29,179	5.7500	Index	IF-FGT-Z1	5.7500	0.0000	
The Weighted Average Price for Sequent purchases at MOPS is below FOM Index by \$ <u>0.0000</u>										

75527.25

## Sequent Physical Purchases Compared to Index Pricing August 2006

Inside Ferc First-Of-Month (FOM) Index Price for Monthly Baseload Transactions

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Location	Deal#	Start Date	End Date	Volume	Sequent Purchase Price	NYMEX or Index	FOM Index	FOM Price	Difference	
<b>Destin</b>										
Destin										
DESTINPL	354288	08-01-2006	08-31-2006	151,667	7.5200	Index	IF-FGT-Z3	7.4900	0.0300	4,550-
DESTINPL	418224	08-01-2006	08-31-2006	77,499	7.6900	Index	IF-FGT-Z3	7.4900	0.2000	15,499.80
The Weighted Average Price for Sequent purchases at Destin is above FOM Index by \$ <u>0.0875</u>										
<b>Florida Gas Transmission Company</b>										
<b>Zone 1</b>										
NGPL - Jefferson FGT	343384	08-01-2006	08-31-2006	65,038	6.9050	Index	IF-FGT-Z1	6.9100	(0.0050)	(325.19)
The Weighted Average Price for Sequent purchases at Zone 1 is below FOM Index by \$ <u>0.0050</u>										
<b>Zone 2</b>										
Coastal - West Addis	351644	08-01-2006	08-31-2006	41,757	7.0925	Index	IF-FGT-Z2	7.0900	0.0025	104.39
The Weighted Average Price for Sequent purchases at Zone 2 is above FOM Index by \$ <u>0.0025</u>										
<b>Mobile Bay Pipeline</b>										
<b>MOBILE BAY</b>										
MOBILE BAY POOL	338558	08-01-2006	08-31-2006	620,000	7.5400	Index	IF-FGT-Z3	7.4900	0.0500	31,000-
MOBILE BAY POOL	420350	08-01-2006	08-31-2006	152,577	7.6320	NYMEX	IF-FGT-Z3	7.4900	0.1420	21,665.00
The Weighted Average Price for Sequent purchases at MOBILE BAY is above FOM Index by \$ <u>0.0682</u>										
<b>Northern Natural Gas Company</b>										
<b>MOPS</b>										
MATAGORDA 631	354974	08-01-2006	08-31-2006	75,049	6.9100	Index	IF-FGT-Z1	6.9100	0.0000	
MUI 757/762	370581	08-01-2006	08-31-2006	67,830	6.9000	Index	IF-FGT-Z1	6.9100	(0.0100)	(678.30)
MOPS-REFUGIO FGT	389944	08-01-2006	08-31-2006	108,500	6.9000	Index	IF-FGT-Z1	6.9100	(0.0100)	(1085-
The Weighted Average Price for Sequent purchases at MOPS is below FOM Index by \$ <u>0.0070</u>										
<b>Southern Natural Gas Company</b>										
<b>MOPS</b>										
MATAGORDA ISLAND 693 (REC	355013	08-01-2006	08-31-2006	15,500	6.9100	Index	IF-FGT-Z1	6.9100	0.0000	
The Weighted Average Price for Sequent purchases at MOPS is below FOM Index by \$ <u>0.0000</u>										

70,731.6

Endur Date: 16-Aug-2007  
User Name: marechig  
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28

## Sequent Physical Purchases Compared to Index Pricing September 2006

Inside Ferc First-Of-Month (FOM) Index Price for Monthly Baseload Transactions

DECLASSIFIED

Location	Deal#	Start Date	End Date	Volume	Sequent Purchase Price	NYMEX or Index	FOM Index	FOM Price	Difference	
<b>Destin</b>										
<b>Destin</b>										
DESTINPL	354288	09-01-2006	09-30-2006	150,000	7.5500	Index	IF-FGT-Z3	7.5200	0.0300	4500
DESTINPL	437506	09-01-2006	09-30-2006	73,143	7.8200	Index	IF-FGT-Z3	7.5200	0.3000	21,942.9
The Weighted Average Price for Sequent purchases at Destin is above FOM Index by \$ <u>0.1185</u>										
<b>Florida Gas Transmission Company</b>										
<b>Zone 1</b>										
NGPL - Jefferson FGT	343384	09-01-2006	09-30-2006	56,624	6.6550	Index	IF-FGT-Z1	6.6600	(0.0050)	(283.12)
The Weighted Average Price for Sequent purchases at Zone 1 is below FOM Index by \$ <u>0.0050</u>										
<b>Zone 2</b>										
Coastal - West Addis	351644	09-01-2006	09-30-2006	37,548	6.8625	Index	IF-FGT-Z2	6.8600	0.0025	9387
The Weighted Average Price for Sequent purchases at Zone 2 is above FOM Index by \$ <u>0.0025</u>										
<b>Mobile Bay Pipeline</b>										
<b>MOBILE BAY</b>										
MOBILE BAY POOL	338558	09-01-2006	09-30-2006	600,000	7.5700	Index	IF-FGT-Z3	7.5200	0.0500	3000
MOBILE BAY POOL	437503	09-01-2006	09-30-2006	90,000	7.8200	Index	IF-FGT-Z3	7.5200	0.3000	27000
MOBILE BAY POOL	437981	09-01-2006	09-30-2006	120,000	7.4200	Index	IF-FGT-Z3	7.5200	(0.1000)	(12,000)
MOBILE BAY POOL	438545	09-01-2006	09-30-2006	75,000	7.5360	NYMEX	IF-FGT-Z3	7.5200	0.0160	1200
The Weighted Average Price for Sequent purchases at MOBILE BAY is above FOM Index by \$ <u>0.0522</u>										
<b>Northern Natural Gas Company</b>										
<b>MOPS</b>										
MATAGORDA 631	354974	09-01-2006	09-30-2006	57,500	6.6600	Index	IF-FGT-Z1	6.6600	0.0000	
MOPS-REFUGIO FGT	389944	09-01-2006	09-30-2006	76,406	6.6500	Index	IF-FGT-Z1	6.6600	(0.0100)	(764.06)
TIVOLI PLANT OUTLET	439358	09-01-2006	09-30-2006	50,303	6.5660	NYMEX	IF-FGT-Z1	6.6600	(0.0940)	(4728.4)
The Weighted Average Price for Sequent purchases at MOPS is below FOM Index by \$ <u>0.0298</u>										
<b>Southern Natural Gas Company</b>										
<b>MOPS</b>										
MATAGORDA ISLAND 693 (REC	355013	09-01-2006	09-30-2006	10,500	6.6600	Index	IF-FGT-Z1	6.6600	0.0000	
The Weighted Average Price for Sequent purchases at MOPS is below FOM Index by \$ <u>0.0000</u>										

39,961.11

## Sequent Physical Purchases Compared to Index Pricing October 2006

DECLASSIFIED

Inside Ferc First-Of-Month (FOM) Index Price for Monthly Baseload Transactions

Location	Deal#	Start Date	End Date	Volume	Sequent Purchase Price	NYMEX or Index	FOM Index	FOM Price	Difference	
<b>Destin</b>										
<b>Destin</b>										
DESTINPL	354288	10-01-2006	10-31-2006	86,957	4.4500	Index	IF-FGT-Z3	4.4200	0.0300	2608.71
DESTINPL	451249	10-01-2006	10-31-2006	150,446	4.5200	Index	IF-FGT-Z3	4.4200	0.1000	15,044.1
DESTINPL	451275	10-01-2006	10-31-2006	306,458	4.5200	Index	IF-FGT-Z3	4.4200	0.1000	30,645.8
The Weighted Average Price for Sequent purchases at Destin is above FOM Index by \$ <u>0.0888</u>										
<b>Florida Gas Transmission Company</b>										
<b>Zone 1</b>										
NGPL - Jefferson FGT	343398	10-01-2006	10-31-2006	31,900	4.0750	Index	IF-FGT-Z1	4.0800	(0.0050)	(159.50)
The Weighted Average Price for Sequent purchases at Zone 1 is below FOM Index by \$ <u>0.0050</u>										
<b>Zone 2</b>										
Coastal - West Addis	351644	10-01-2006	10-31-2006	36,883	4.2025	Index	IF-FGT-Z2	4.2000	0.0025	92.21
The Weighted Average Price for Sequent purchases at Zone 2 is above FOM Index by \$ <u>0.0025</u>										
<b>Mobile Bay Pipeline</b>										
<b>MOBILE BAY</b>										
MOBILE BAY POOL	338558	10-01-2006	10-31-2006	620,000	4.4700	Index	IF-FGT-Z3	4.4200	0.0500	31,000.0
MOBILE BAY POOL	451245	10-01-2006	10-31-2006	93,000	4.4500	Index	IF-FGT-Z3	4.4200	0.0300	2,790.0
The Weighted Average Price for Sequent purchases at MOBILE BAY is above FOM Index by \$ <u>0.0474</u>										
										82,021.82

016

## Sequent Physical Purchases Compared to Index Pricing November 2006

Inside Ferc First-Of-Month (FOM) Index Price for Monthly Baseload Transactions

DECLASSIFIED

Location	Deal#	Start Date	End Date	Volume	Sequent Purchase Price	NYMEX or Index	FOM Index	FOM Price	Difference	
<b>Destin</b>										
Destin										
DESTINPL	465580	11-01-2006	11-30-2006	120,000	7.3600	Index	IF-FGT-Z3	7.3200	0.0400	4800 -
The Weighted Average Price for Sequent purchases at Destin is above FOM Index by \$ <u>0.0400</u>										
<b>Florida Gas Transmission Company</b>										
<b>Zone 1</b>										
NGPL - Jefferson FGT	465588	11-01-2006	11-30-2006	116,521	6.9800	Index	IF-FGT-Z1	7.0200	(0.0400)	(4660.72)
The Weighted Average Price for Sequent purchases at Zone 1 is below FOM Index by \$ <u>0.0400</u>										
<b>Mobile Bay Pipeline</b>										
<b>MOBILE BAY</b>										
MOBILE BAY POOL	446116	11-01-2006	11-30-2006	240,000	7.3550	Index	IF-FGT-Z3	7.3200	0.0350	8400 -
The Weighted Average Price for Sequent purchases at MOBILE BAY is above FOM Index by \$ <u>0.0350</u>										
									8539.16	

P11

## Sequent Physical Purchases Compared to Index Pricing December 2006

Inside Ferc First-Of-Month (FOM) Index Price for Monthly Baseload Transactions

DECLASSIFIED

Location	Deal#	Start Date	End Date	Volume	Sequent Purchase Price	NYMEX or Index	FOM Index	FOM Price	Difference
<b>Destin</b>									
Destin									
DESTINPL	478355	12-01-2006	12-31-2006	124,000	8.5600	Index	IF-FGT-Z3	8.5300	0.0300 3720-
The Weighted Average Price for Sequent purchases at Destin is above FOM Index by \$ <u>0.0300</u>									
<b>Florida Gas Transmission Company</b>									
<b>Zone 1</b>									
NGPL - Jefferson FGT	465588	12-01-2006	12-31-2006	120,068	7.9600	Index	IF-FGT-Z1	8.0000	(0.0400) (4802.7)
The Weighted Average Price for Sequent purchases at Zone 1 is below FOM Index by \$ <u>0.0400</u>									
<b>Mobile Bay Pipeline</b>									
<b>MOBILE BAY</b>									
MOBILE BAY POOL	446116	12-01-2006	12-31-2006	247,999	8.5650	Index	IF-FGT-Z3	8.5300	0.0350 8679.97
MOBILE BAY POOL	476685	12-01-2006	12-31-2006	310,000	8.5600	Index	IF-FGT-Z3	8.5300	0.0300 9300-
The Weighted Average Price for Sequent purchases at MOBILE BAY is above FOM Index by \$ <u>0.0322</u>									
<b>Northern Natural Gas Company</b>									
<b>MOPS</b>									
MOPS-REFUGIO FGT	389944	12-01-2006	12-31-2006	128,936	7.9900	Index	IF-FGT-Z1	8.0000	(0.0100) (289.36)
The Weighted Average Price for Sequent purchases at MOPS is below FOM Index by \$ <u>0.0100</u>									
								15607.89	

P12



Deal Ticket Excluded Text

KW  
9/16/07  
JHP 9/16/07

Request

Please provide the following deal tickets that were excluded from the report provided by Sequent: 200213, 392000, 390121, 451813, 475438, 559003 and 587359.

Response

As indicated earlier, these deals were excluded to ensure the report was extracted in the most accurate and responsive manner as possible. The majority of the deals referenced above that were excluded from the extraction represent activity on FGT with FCG. They are not purchases from third parties. Sequent on occasion makes purchases from FCG during the month when FCG has excess supply. Several of the exemptions listed above represent purchases at points where FCG cannot receive gas, for example at pools. They were not included because the gas could not be sold to FCG. Several of the exemptions represent purchases in a month at points where FCG might be able to receive gas, but no gas was actually sold to FCG.

The following further details the reasoning behind why the following deal tickets were excluded from the report provided by Sequent.

43-11-1

- 200213 is a purchase at a receipt point FCG cannot receive into its transport.
- 392000 is a purchase of gas in the market area (in the state of Florida). This gas cannot be received into FCG transport.
- 390121 is a purchase of gas in the market area (in the state of Florida). This gas cannot be received into FCG transport.
- 451813 is a purchase of gas in the market area (in the state of Florida). This gas cannot be received into FCG transport.
- 475438 is a purchase of gas in the market area (in the state of Florida). This gas cannot be received into FCG transport.
- 559003 and 587359 are purchases at HIOS which can deliver into FGT but did not flow in the months impacted.

Attached is additional information on these transactions, including a deal summary table and supporting invoices (See Attachment I), and a summary report that was generated using the prior code created to run the earlier report for these deals only (See Attachment II).

DECLASSIFIED

Source: Reg 1

43-11-1

ATTACHMENT I

Out of period

Endur Deal #	Inv. Type	Counterparty	Buy / Sell	Daily Volume	Pipeline	Zone	Location	Start Date	End Date	Price Index	4- Spread	Eq. Bus. Unit	Trader	Trade Time/Date	Trigger	Quantity	Type	Quantity
167245	COMM-PHYS	GLENCORE LTD - BU	Buy	14,899	Florida Gas Transmission Company	Zone 2	CS #6 Zachary	6/1/2005	06/30/2005 Th	0 IF-FGT-ZZ	0.09	PORT_TRD_GULF COAST	Mapelli	5/27/2005 12:04	No	Daily	14,899.00	
199413	COMM-PHYS	STONE ENERGY - BU	Buy	10,000	High Island Operating System	HIOS	HIA 568	8/1/2005	08/31/2005 We	0 IF-ANR-LA	-0.81	PORT_TRD_GULF COAST	pjohnson	7/27/2005 9:13	No	Daily	10,000.00	
200213	COMM-PHYS	STONE ENERGY - BU	Buy	1,200	Florida Gas Transmission Company	Zone 2	Noble Energy - Duhon #1	8/1/2005	08/31/2005 We	0 IF-FGT-ZZ	-0.81	PORT_TRD_GULF COAST	Isaacs	7/27/2005 15:48	No	Daily	1,200.00	
218302	COMM-PHYS	STONE ENERGY - BU	Buy	14,828	High Island Operating System	HIOS	HIA 568	9/1/2005	09/30/2005 Fr	0	0	PORT_TRD_GULF COAST	pjohnson	8/24/2005 14:29	No	Daily	14,828.00	
257358	COMM-PHYS	STONE ENERGY - BU	Buy	4,850	Florida Gas Transmission Company	Market Area	FP&L - Turkey Point	2/1/2006	02/28/2006 Tu	0 NYM_NG	0.38	PORT_TRD_GULF COAST	Mapelli	1/25/2006 15:45	No	Daily	4,850.00	
351241	COMM-PHYS	STONE ENERGY - BU	Buy	8,512	High Island Operating System	HIOS	HIA 568	4/1/2006	04/30/2006 wSu	0	0	PORT_TRD_GULF COAST	pjohnson	3/24/2006 13:44	No	Daily	8,512.00	
371478	COMM-PHYS	STONE ENERGY - BU	Buy	5,537	High Island Operating System	HIOS	HIA 568	5/1/2006	05/31/2006 We	0	0	PORT_TRD_GULF COAST	pjohnson	4/27/2006 7:43	No	Daily	5,537.00	
388147	COMM-PHYS	STONE ENERGY - BU	Buy	4,378	High Island Operating System	HIOS	HIA 568	6/1/2006	06/30/2006 Fr	0	0	PORT_TRD_GULF COAST	pjohnson	5/24/2006 16:01	No	Daily	4,378.00	
380121	COMM-PHYS	NU FLA CITY - BU	Buy	0	Florida Gas Transmission Company	Market Area	C.G. FGT	4/1/2006	04/30/2006 wSu	0	0	AFF_AMT_NUI_FCG	Isaacs	5/25/2006 15:54	No	Daily	0	
382000	COMM-PHYS	NU FLA CITY - BU	Buy	0	Florida Gas Transmission Company	Market Area	C.G. FGT	4/1/2006	04/30/2006 wSu	0	0	AFF_AMT_NUI_FCG	Isaacs	5/20/2006 17:07	No	Daily	0	
392001	COMM-PHYS	NU FLA CITY - BU	Buy	0	Florida Gas Transmission Company	Market Area	C.G. FGT	6/1/2006	06/30/2006 Fr	0	0	AFF_AMT_NUI_FCG	Isaacs	6/20/2006 16:51	No	Daily	0.00	
395122	COMM-PHYS	NU FLA CITY - BU	Buy	0	Florida Gas Transmission Company	Market Area	C.G. FGT	5/1/2006	05/31/2006 Fr	0	0	AFF_AMT_NUI_FCG	Isaacs	6/9/2006 11:28	No	Daily	0.00	
397588	COMM-PHYS	NU FLA CITY - BU	Buy	0	Florida Gas Transmission Company	Market Area	C.G. FGT	5/1/2006	05/31/2006 Fr	0	0	AFF_AMT_NUI_FCG	Isaacs	6/21/2006 13:24	No	Daily	0.00	
403183	COMM-PHYS	NU FLA CITY - BU	Buy	0	Florida Gas Transmission Company	Market Area	C.G. FGT	7/1/2006	07/31/2006 Mo	0	0	AFF_AMT_NUI_FCG	Isaacs	6/26/2006 11:26	No	Daily	0.00	
408512	COMM-PHYS	NU FLA CITY - BU	Buy	0	Florida Gas Transmission Company	Market Area	C.G. FGT	7/1/2006	07/31/2006 Mo	0	0	AFF_AMT_NUI_FCG	Isaacs	6/26/2006 11:32	No	Daily	0	
408526	COMM-PHYS	NU FLA CITY - BU	Buy	0	Florida Gas Transmission Company	Market Area	C.G. FGT	6/1/2006	06/30/2006 Fr	0	0	AFF_AMT_NUI_FCG	Isaacs	6/25/2006 14:18	No	Daily	0	
429638	COMM-PHYS	NU FLA CITY - BU	Buy	0	Florida Gas Transmission Company	Market Area	C.G. FGT	9/1/2006	09/30/2006 wSa	0	0	AFF_AMT_NUI_FCG	Isaacs	9/25/2006 12:16	No	Daily	0.00	
437296	COMM-PHYS	NU FLA CITY - BU	Buy	0	Florida Gas Transmission Company	Market Area	C.G. FGT	9/1/2006	09/30/2006 wSa	0	0	AFF_AMT_NUI_FCG	Isaacs	11/7/2006 8:23	No	Daily	0	
461813	COMM-PHYS	NU FLA CITY - BU	Buy	0	Florida Gas Transmission Company	Market Area	C.G. FGT	11/1/2006	11/30/2006 Th	0	0	AFF_AMT_NUI_FCG	Isaacs	11/14/2006 10:33	No	Daily	0	
472891	COMM-PHYS	NU FLA CITY - BU	Buy	0	Florida Gas Transmission Company	Market Area	C.G. FGT	10/1/2006	10/31/2006 Tu	0	0	AFF_AMT_NUI_FCG	Isaacs	11/20/2006 14:49	No	Daily	13,979.00	
475438	COMM-PHYS	NU FLA CITY - BU	Buy	13,979	High Island Operating System	HIOS	H1 341	12/1/2006	12/31/2006 wSu	0	0	PORT_TRD_GULF COAST	Isaacs	12/8/2006 14:58	No	Daily	0	
478212	COMM-PHYS	MARINER - BU	Buy	0	Florida Gas Transmission Company	Market Area	C.G. FGT	11/1/2006	11/30/2006 Tu	0	0	AFF_AMT_NUI_FCG	Isaacs	12/13/2006 10:50	No	Daily	0	
486294	COMM-PHYS	NU FLA CITY - BU	Buy	0	Florida Gas Transmission Company	Market Area	C.G. FGT	1/1/2007	01/31/2007 Tu	0	0	AFF_AMT_NUI_FCG	Isaacs	1/19/2007 13:20	No	Daily	0	
494488	COMM-PHYS	NU FLA CITY - BU	Buy	0	Florida Gas Transmission Company	Market Area	C.G. FGT	1/1/2007	01/31/2007 Tu	0	0	AFF_AMT_NUI_FCG	Isaacs	1/18/2007 13:20	No	Daily	0.00	
517728	COMM-PHYS	NU FLA CITY - BU	Buy	0	Florida Gas Transmission Company	Market Area	C.G. FGT	1/1/2007	01/31/2007 Tu	0	0	AFF_AMT_NUI_FCG	Isaacs	1/19/2007 13:20	No	Daily	0	
517728	COMM-PHYS	W&T OFFSHORE - BU	Buy	12,223	High Island Operating System	HIOS	ANR	4/1/2007	04/30/2007 Mo	0	0	PORT_TRD_GULF COAST	Isaacs	3/25/2007 14:29	No	Daily	12,223.00	
53188	COMM-PHYS	MARINER - BU	Buy	10,371	High Island Operating System	HIOS	ANR	5/1/2007	05/31/2007 We	0	0	PORT_TRD_GULF COAST	Isaacs	4/26/2007 12:59	No	Daily	10,371.00	
673278	COMM-PHYS	W&T OFFSHORE - BU	Buy	12,428	High Island Operating System	HIOS	ANR	5/1/2007	05/31/2007 Th	0	0	PORT_TRD_GULF COAST	Isaacs	4/26/2007 13:45	No	Daily	12,428.00	
687368	COMM-PHYS	W&T OFFSHORE - BU	Buy	12,248	High Island Operating System	HIOS	ANR	6/1/2007	06/30/2007 wSa	0	0	PORT_TRD_GULF COAST	Isaacs	5/23/2007 14:51	No	Daily	12,248.00	

To City Gas  
 ①  
 ②  
 ③

2007

Most Excluded because they were sales back from City Gas  
 Other Deal tickets were for Noble/Duhon location - can't go to City  
 & High Island Operating System ANR - Can go to city but in 2007.

FLORIDA GAS  
 2006 PGA Audit Supplement  
 Docket No. 070003-GU  
 Audit Control No. 07-067-4-1  
 September 7, 2007  
 Deal Ticket Review

100  
 9/16/07  
 11/16/07

DECLASSIFIED

REGISTRY BUSINESS FORMS, INC. Phone: (847) 698-2926 Fax: (847) 698-4608 Email: info@rbs.com

434  
 11/16/07



**Question:**

Please ask them to explain why they are only using the beginning of the month prices and not including the gas daily prices to make an average cost. Why should the OSS sales be the only ones to get the benefit of the gas daily pricing.

Please make them aware that they can use the lower of FULLY DISTRIBUTED costs or market.

They may want to figure out what the fully distributed cost is and this would go away.

**Response:**

FCG has multiple supply needs, including (1) Base Load Gas, which represents a sales and purchase commitment for each day of the entire month and is nominated prior to the beginning of the month, and flows every day during the month, and (2) Swing Gas, which flow only as needed during the month, and is nominated the day before it is needed.

Because of the difference in obligations of both the supplier and the purchaser of these two services, they are priced differently. Base load supply is priced at flat first-of-the-month indices as published in *Inside FERC*. The volumes that are purchased by Sequent to meet FCG's base load needs are specifically based on the volumes communicated to Sequent by FCG's Gas Control during bid week prior to the start of the next month. FCG, like most utilities and end-users of gas, cannot predict with certainty their full system requirements in any given month before the month begins; however, in the case of the test month (May 2006), baseload purchases represented approximately 97.5% of its total monthly usage. Thus, to meet its swing gas requirements above and beyond what Gas Control predicted its base load needs to be, Sequent purchases additional gas for the utility on a daily basis in the swing or daily market as requested by Gas Control. For all of the swing requirements, the commodity is priced at flat Gas Daily average as published in *Gas Daily* for that day.

Regarding OSS, Sequent credits the FCG's book with sales made to third parties (off-system sales, or OSS) at the time FCG upstream firm transportation on Florida Gas Transmission is available to make such sales. If such transportation is only available on a daily basis, as in the case of the test month (May 2006), then Sequent will make sales to third parties on a daily basis and make purchases on a daily basis. Sequent makes no profit on gas daily sales directly to FCG.

**DECLASSIFIED**

Source: Request 1

9/6/07  
JHP  
9/7/07

Request

Please provide additional explanation in support of FCG's and Sequent's current gas procurement practices. In particular, explain further market pricing and Sequent's actual cost of gas.

Response

Market Price and Cost of Gas

Through the process of responding to Staff's inquiries about Sequent's actual cost of gas and the market price of gas, we believe it is now important to clarify the definition of these terms. Market price of gas can be simply described as the appropriate Index price associated with the type of purchases made by FCG (baseload and daily swing purchases). For monthly baseload purchases, market price is the price published in the *Inside FERC's Gas Market Report* associated with the appropriate location of delivery. In FCG's case, the locations are Florida Gas Transmission Zone 1, 2, and 3. For daily purchases made by FCG, the market price of gas is the price published in *Platt's Gas Daily* publication on the specific day of gas flow associated with the specific day that FCG placed an order for incremental gas supplies as well as the specific location, Florida Gas Transmission Zone 1, 2, and 3. It is very important to match the Inside FERC price with the baseload volumes for each month to determine the market price for baseload gas and to match the specific Gas Daily price with the specific days and volumes associated with FCG's daily purchases to determine the market price of gas. One cannot average the daily prices with the baseload prices to determine an "average" market price. Simple averages are not accurate representations due to the fact that the appropriate index price must be matched with the quantity of monthly or daily purchases. If all purchases were ordered by FCG on a daily basis, market price would be the appropriate Gas Daily price on the day the gas was ordered for all the volumes. If all purchases were ordered by FCG on a monthly baseload basis, the market price would be the appropriate Inside FERC price for the month in which the gas was ordered.

In the responses to-date, Sequent has analyzed the test month of May 2006. Due to the fact that FCG ordered 97% of its total volumes for the month on a baseload basis and only 3% of its volumes on a daily swing basis, we focused our earlier efforts on comparing the monthly Index prices (market prices) to Sequent's actual costs of gas for monthly delivery. Our detailed response includes all invoices associated with Sequent's actual purchases for monthly baseload supply. The analysis of this data showed that Sequent's actual costs were \$3,189.46 higher than the market price charged to FCG. Clearly, FCG is receiving the lower of cost or market pricing. In looking at the remaining 3% of gas purchased by FCG on a daily basis, an additional daily analysis (See Attachment III) shows that Sequent's actual costs on the specific days that FCG ordered incremental daily purchases was \$201.57 greater than the costs invoiced to FCG for such daily purchases.

43-1  
27

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If Sequent were to add its overhead costs to this analysis, Sequent's costs would have been even higher. If we allocated Sequent's overhead costs (salary, general & administrative costs) to FCG on the basis of Sequent's gross margin (See Attachment IV), an additional \$233,000 of total dollars in costs would have to be allocated to FCG over the entire year of 2006. Sequent's 50% share of gross margin associated with asset management activity for FCG resulted in \$655,000 to Sequent in 2006. Sequent's total gross margin in 2006 was \$139,247,000. Consequently, gross margin associated with asset management activity for FCG amounted to 0.47% of Sequent's total gross margin. As Sequent's total operating expenses in 2006 were \$49,537,000, a calculated allocation to FCG would be \$233,000.

43-1  
3

Translating this \$233,000 total dollar amount to an increase to the price of gas would amount to an additional \$0.058 per Dth of gas sold to FCG for every Dth sold to FCG in 2006. This calculation is made by taking the \$233,000 of annual costs that could be allocated to FCG divided by 3,949,851 Dth sold to FCG by Sequent in 2006. This additional \$0.058 per Dth, if allocated to FCG's May 2006 invoices would have amounted to an additional \$16,600 in costs (\$.058\*286,219 Dth) that Sequent would allocate to FCG. Sequent does not allocate any of these costs to FCG. If Sequent did allocate these costs to FCG, total FCG costs in the test month of May 2006 would be \$19,991.03 greater than what was invoiced to FCG (\$16,600 in overhead, \$3,189.46 in higher costs for monthly baseload supply, and \$201.57 in higher costs for daily purchases). Consequently, FCG is receiving the lower of fully distributed costs or market prices.

#### Natural Gas Industry Fundamentals and FCG's Gas Purchasing

The following description provides an overview of how gas is priced in the natural gas industry as well as a discussion of how gas is ordered by FCG.

Approximately one week prior to the beginning of each month, natural gas market participants initiate their purchase and sales action plans for the upcoming month's business on a first-of-the-month (FOM) basis for baseload supplies (baseload supplies are those which an entity projects its upcoming monthly demand to encompass and requires gas to be purchased and sold for the same quantity at the same price for every day of the month; this is in contrast to swing supplies, which constitute incremental supplies to baseload that are needed on a daily basis after the month begins). This activity cycle is commonly referred to as 'bid week' in the natural gas industry. As a result of that activity, FOM indices begin to develop during "bid week" at points across the natural gas marketplace. These indices, which are published in such periodicals as *Inside FERC*, are indicative of the market-clearing price structures to which buyers and sellers transact and are used as the basis for pricing baseload purchases and sales. Therefore, index may be translated into 'market' pricing. Once the month begins, FOM pricing is no longer available to market participants. Gas pricing is then determined on a daily basis with daily pricing structures (e.g., Gas Daily published pricing), and may constitute pricing that is higher or lower to FOM pricing (See Attachment V, GDD/IFERC Comparison Summary FY 2005 and 2006).

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Sequent's monthly gas procurement methodology for the account of FCG encompasses a straightforward process. Prior to the beginning of any given month, FCG communicates its monthly estimated baseload requirements to Sequent. In response to that communication, Sequent then goes into the open market and purchases gas supplies from a variety of sources and vendors that will match the FCG purchase order. As such, the FOM index defines the "market" pricing for monthly baseload supply. Additionally, Sequent will only purchase baseload supply that corresponds to a baseload purchase order by FCG. It is important to note that Sequent does not purchase incremental daily supplies at the time that it makes baseload purchases, in anticipation of the movement of market pricing which may occur after the first of the month. To do so would indicate that Sequent "speculates" on the price of natural gas in the market, which it does not. Simply stated, Sequent matches baseload purchases with baseload requirements for the account of FCG. Also, Sequent may often be required to pay premiums (index-plus) on a particular package of gas in order to secure the volume for FCG. Although Sequent may pay a premium, FCG is only charged on an "index-flat" basis for that specific purchase point by Sequent. As such, Sequent incurs a loss, which may be offset by subsequent asset management activity performed by Sequent during the month, i.e., optimization of any unused FCG firm transportation capacity.

During the month, as FCG experiences incremental or reduced gas demand, the utility communicates that information to Sequent in the form of additional purchases from Sequent or sales back to Sequent. In an effort to fulfill that additional requirement, Sequent will purchase supplies on a daily basis from a variety vendors from the locations specified by FCG. The pricing for all additional daily gas is priced using a Platt's Gas Daily publication price. Sequent's actual cost of daily gas may be modestly above or below this Gas Daily price.

When viewing the principle issue of market vs. cost for the above, it is important to bear in mind key aspects of Sequent's purchase model practices: (a) Sequent aligns purchases with corresponding sales to FCG as requested on both an FOM and daily basis; (b) FCG is not charged a premium over the FOM index price nor the applicable daily index price; and (c) Sequent does not purchase gas supplies in anticipation of either market pricing or FCG non-baseload requirements; Sequent does not speculate in the marketplace.

Given the above, it is not appropriate to 'blend' or average an FOM supply price with that of a daily price. FOM pricing and daily pricing must be kept separate and distinct and may only be compared to actual costs associated with the specific volumes ordered by FCG for monthly baseload and daily swing supplies.

As a final analysis, Sequent wanted to address the issue of how Gas Daily prices compare to Inside FERC prices over the last 2 years (2005 and 2006). This should address Commission Staff's question regarding whether daily prices (Gas Daily) are lower than monthly prices (Inside FERC). The two attached graphs (*See Attachment V*) show that in some months daily prices (blue color) are higher than monthly prices (pink color) and in some months daily prices are lower than monthly prices. We used the location of Florida gas Transmission Zone 1 as the location for this analysis as a large portion of FCG's

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supply is purchased in this zone. There is no way to predict when daily prices will be higher or lower than monthly prices. To do so would involve price speculation as no one can determine in advance if daily prices will be higher or lower than monthly prices. This would be analogous to being able to conclusively predict how the stock market would perform in advance.

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 Audit Control No. 07-067-4-1  
 September 7, 2007

Compare Gas Daily to Spot Purchases

KW  
 9/6/07

Comparison of Sequent Daily Purchase Cost to FCG Daily Purchase Cost

ATTACHMENT III

Total Sequent Daily Purchase				FCG Daily Ordered						
Day	Volume	Price	Amount	Day	Volume	Price	Amount	FCG Vol	Difference	Value
12	8,500		\$58,990.00							
12	5,000		\$33,850.00							
12	1,200		\$8,094.00							
12	2,500		\$17,350.00							
12	1,600		\$11,307.00							
	18,800	\$6.89	\$129,591	12	250	6.94	\$1,735.00	250	\$0.05	\$11.72
13	6,200		\$41,523.00							
13	4,800		\$31,849.00							
13	11,000	\$6.67	\$73,372.00	13	882	6.305	\$5,561.01	882	(\$0.37)	(\$322.09)
14	6,200		\$39,558.00							
14	4,800		\$31,849.00							
14	11,000	\$6.49	\$71,407.00	14	700	6.305	\$4,413.50	700	(\$0.19)	(\$130.58)
25	7,352		\$46,699.00							
25	4,800		\$31,298.00							
25	4,433		\$28,748.00							
25	12,152	\$6.42	\$77,997.00	25	848	6.485	\$5,499.28	848	\$0.07	\$56.43
26	7,400		\$45,843.00							
26	4,799		\$30,652.00							
26	12,199	\$ 6.27	\$76,495.00	26	1,027	6.315	\$6,485.51	1027	\$0.04	\$45.60
27	7,400		\$45,132.00							
27	4,799		\$30,652.00							
27	12,199	\$ 6.21	\$75,784.00	27	925	6.23	\$5,762.75	925	\$0.02	\$16.36
28	7,400		\$44,787.00							
28	4,799		\$30,652.00							
28	12,199	\$ 6.18	\$75,439.00	28	927	6.23	\$5,775.21	927	\$0.05	\$42.61
29	7,400		\$44,787.00							
29	4,799		\$30,652.00							
29	12,199	\$ 6.18	\$75,439.00	29	862	6.23	\$5,370.26	862	\$0.05	\$39.62
30	7,400		\$44,787.00							
30	4,799		\$30,652.00							
30	12,199	6.18	\$75,439.00	30	843	6.23	\$5,251.89	843	\$0.05	\$38.75
										(\$201.57)

431  
 2

Sequent paid \$201.57 less for the specific transactions for May than it charged City. This is immaterial.

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Source: Request 1

431  
 2

FLORIDA GAS  
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 Audit Control No. 07-067-4-1  
 September 7, 2007  
 Sequent Expenses

KW  
 9/6/07

JHP  
 9/10/07

Sequent Energy Management  
 FCG Allocated Cost  
 Year-ended 2006  
 (amounts in \$ thousands)

Attachment IV

Florida City Gas 2006

Sequent Total Aggregate Net Margin in FCG Book Value  
 If Allocated Expenses \*  
 Estimated EBIT

\$	655	43-1 ÷ 12 = 19416.67
\$	(233)	
\$	422	43-4

Sequent 2006 Earnings Summary

Gross Margin  
 Expenses  
 EBIT

\$	139,247
	(49,537)
\$	89,710

Percentage of Gross Margin \*\*

0.47%

\* Estimate Expense = (49,537) x 0.47% = 23,282.0 estimated expenses  
 \*\* Percentage of Gross Margin = \$655/\$139,247

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Source: Reg 1

43-1  
 3



# Sequent Physical Purchases Compared to Index Pricing May 2006

## Inside Ferc First-Of-Month (FOM) Index Price for Monthly Baseload Transactions

Location	Deal#	Start Date	End Date	Volume	Sequent Purchase Price	NYMEX or Index	FOM Index	FOM Price	Difference
<b>Destin</b>									
Destin									
DESTINPL	354288	05-01-2006	05-31-2006	154,836	7.4000	Index	IF-FGT-Z3 1	7.3700	0.0300
DESTINPL	365631	05-01-2006	05-31-2006	155,000	7.3900	Index	IF-FGT-Z3 2	7.3700	0.0200
DESTINPL	366490	05-01-2006	05-31-2006	154,999	7.3900	Index	IF-FGT-Z3 3	7.3700	0.0200
The Weighted Average Price for Sequent purchases at Destin is <b>above</b> FOM Index by \$ <u>0.023</u>									
<b>Florida Gas Transmission Company</b>									
<b>Zone 1</b>									
NGPL - Jefferson FGT	343384	05-01-2006	05-31-2006	62,392	7.0850	Index	IF-FGT-Z1 4	7.0900	(0.0050)
MOPS - Refugio FGT	370322	05-01-2006	05-31-2006	62,000	7.0800	Index	IF-FGT-Z1 5	7.0900	(0.0100)
The Weighted Average Price for Sequent purchases at Zone 1 is <b>below</b> FOM Index by \$ <u>0.003</u>									
<b>Zone 2</b>									
Coastal - West Addis	351644	05-01-2006	05-31-2006	43,710	7.2250	Index	IF-FGT-Z2 6	7.2200	0.0025
The Weighted Average Price for Sequent purchases at Zone 2 is <b>above</b> FOM Index by \$ <u>0.0025</u>									
<b>Mobile Bay Pipeline</b>									
<b>MOBILE BAY</b>									
MOBILE BAY POOL	338558	05-01-2006	05-31-2006	620,000	7.4200	Index	IF-FGT-Z3 7	7.3700	0.0500
MOBILE BAY POOL	366492	05-01-2006	05-31-2006	154,962	7.3900	Index	IF-FGT-Z3 8	7.3700	0.0200
The Weighted Average Price for Sequent purchases at MOBILE BAY is <b>above</b> FOM Index by \$ <u>0.0440</u>									
<b>Northern Natural Gas Company</b>									
<b>MOPS</b>									
MATAGORDA 631	354974	05-01-2006	05-31-2006	91,646	7.0900	Index	IF-FGT-Z1 9	7.0900	0.0000
MUI 757/762	370580	05-01-2006	05-31-2006	77,500	7.0800	Index	IF-FGT-Z1 10	7.0900	(0.0100)
The Weighted Average Price for Sequent purchases at MOPS is <b>below</b> FOM Index by \$ <u>0.0040</u>									
<b>Southern Natural Gas Company</b>									
<b>MOPS</b>									
MATAGORDA ISLAND 693 (REC	355013	05-01-2006	05-31-2006	28,710	7.0850	Index	IF-FGT-Z1 11	7.0900	(0.0050)
The Weighted Average Price for Sequent purchases at MOPS is <b>below</b> FOM Index by \$ <u>0.0050</u>									



Tick

only Z2 to less terms than sold to City 58760

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Endur Date 07-Aug-2007  
 User Name marezhg  
 File Path \\SEM\lanepicrystal\F0\_FCG\_Purchases.rpt

X traced to invoice  
 However, invoice only  
 except 1st of month  
 purchase for this report

Cant tell if this is all  
 purchased or not  
 trace to Platt's Gas Market  
 Report WP43-1/1-1 original audit

JHD 9/16/07

FLORIDA GAS  
 2006 PGA Audit Supplement  
 Docket No. 070003-GU  
 Audit Control No. 07-0674-1  
 September 7, 2007  
 Mary Compton

GRIFFIN BUSINESS FORMS, INC.  
 Phone: (947) 888-2626  
 Fax: (947) 888-4608  
 Email: info@griffin.com

Source Report

43-2

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9/11/07

Source: Request 1

FLORIDA CITY GAS  
 ANALYSIS OF SEQUENT ACTUAL COST OF GAS FOR THE MONTH OF MAY  
 TEST YEAR ENDED DECEMBER 31, 2006  
 KATHY L. WELCH  
 24-Aug-07  
 WORKPAPER 43-4

	THERMS	TOTAL COST	Z1 THERMS	Z1 COST	Z2 THERMS	Z2 COST	Z3 THERMS	Z3 COST
INVOICE 1	163,500	1,205,990.00					163,500	1,205,990.00
INVOICE 2	1,473,662	10,238,664.74					1,473,662	10,238,664.74
INVOICE 3	155,000	1,145,450.00					155,000	1,145,450.00
INVOICE 4	62,391	442,040.24	62,391	442,040.24				
INVOICE 5	204,398	1,302,620.95	204,398	1,302,620.95				
INVOICE 6	55,485	389,903.61			55,485	389,903.61		
INVOICE 7	786,962	5,707,192.55					786,962	5,707,192.55
INVOICE 8	155,000	1,145,450.00					155,000	1,145,450.00
INVOICE 9	114,501	791,907.67	114,501	791,907.67				
INVOICE 10	156,443	1,015,735.77	156,443	1,015,735.77				
INVOICE 11	45,920	310,575.11	45,920	310,575.11				
	3,373,262	23,695,530.64	583,653	3,862,879.74	55,485	389,903.61	2,734,124	19,442,747.29
AVERAGE COST		7.02		6.62		7.03		7.11
MARKET				7.09		7.22		7.37
DIFFERENCE				(0.47)		(0.19)		(0.26)
CITY THERM PURCHASES				123,307.00		58,760.00		114,527.00
DIFFERENCE BETWEEN AVG. COST AND COST TO CITY				(58,145.09)		(11,329.54)		(29,646.09)
ALLOCATION OF SEQUENT EXPENSES								19,416.67
NET DIFFERENCE FOR MAY								(79,704.06)

FLORIDA GAS  
 2006 PCA Audit Supplement  
 Docket No. 070003-GU  
 Audit Control No. 07-067-4-1  
 September 7, 2007  
 Segment Cost including Gas Daily Purchases

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KW  
 9/17/07  
 JAW  
 9/11/07