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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
FLORIDA GAS TRANSMISSION COMPANY, LLC
SURREBUTTAL TESTIMONY OF MICHAEL T LANGSTON
DOCKET NO. 090172-EI

Q. Please state your name and business address.

A. My name is Michael T. Langston. My business address is 5444 Westheimer Road, Houston, Texas 77056.

Q. Are you the same person who filed direct intervener testimony in this proceeding?

A. Yes. I filed Direct Testimony on behalf of Florida Gas Transmission Company, LLC (“FGT”) in this proceeding on June 19, 2009.

Q. What is the purpose of your testimony?

A. I will respond to the issues raised by Florida Power & Light Company (“FPL”) witnesses Morley, Enjamio, Sexton, Sharra and Forrest in their rebuttal testimony filed on July 2, 2009. Specifically I will address the overstatement of the demand for natural gas presented by witnesses Morley and Enjamio, the inconsistencies in the upstream alternatives presented by witness Sexton, the subsidiary structure alternative for this project, which has been rejected by FPL witnesses Sharra and Forrest, and the problems that FPL’s proposed structure presents because it burdens the FPL ratepayers with the entire cost of the \$ 1.6 billion project, plus the costs of the upstream pipeline, regardless of actual

1 usage, and it relieves FPL of any risks associated with recovering a return on
2 its investment in the intrastate EnergySecure pipeline (“FES”). This project
3 proposal is not in the best interests of the Florida ratepayers and FPL’s petition
4 of need should be denied. I have attached as Exhibit MTL-15 a map showing
5 the various supply points, pipeline systems, and delivery points discussed in
6 this proceeding.

7 **Q. What exhibits are you presenting in this proceeding?**

8 A. I am responsible for the following exhibits:

9	<u>Exhibit No.</u>	<u>Description</u>
10	MTL-15	FGT and FES system map with
11		upstream pipeline systems
12	MTL-16	Answer to FPL Interrogatories
13		Nos. 16 & 17

14

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Demand Analysis

16 **Q. FPL witness Morley in Rebuttal Testimony on page 2, line 7-8, now argues**
17 **that the FPL population forecast is reasonable because it is within the high**
18 **end of the University of Florida forecast. Do you agree?**

19 A. No. The University of Florida’s March 2009 baseline forecast shows
20 significantly lower growth over the 10 year period, as compared to the forecast
21 developed by FPL. FPL witness Morley literally dismisses the difference as

1 forecasting error without further justification. The problem with justifying
2 FPL's overinflated projections by saying that they still fall within the “high
3 end” of the University of Florida’s projections is that it ignores the cumulative
4 effect of such an approach – which by 2018 results in a population difference
5 of some 500,000 people. Particularly in light of current economic conditions,
6 there is no reasonable basis for concluding that within two years Florida will
7 bounce back and once again be growing at its historic growth levels. FPL is
8 asking that the ratepayers to underwrite its high growth projections for \$1.6
9 billion with no risk to FPL and its shareholders. With the University of Florida
10 base case projections showing slower population growth, it is not reasonable
11 for FPL to use the high end population growth forecast to attempt to support its
12 electric demand forecasts.

13 **Q. In FPL witness Enjamio’s Rebuttal Testimony on page 7, line 22 to page**
14 **23, line 4, he indicates that you have not considered the West County**
15 **Energy Center units in your discussion of peak day demand levels. Is this**
16 **correct?**

17 A. No. In my direct testimony, I was comparing the overall expected peak day gas
18 demand once the Cape Canaveral and Riviera units are converted to gas usage.
19 I made no adjustment with respect to the West County Energy Center
20 installations because (1) the overall annual gas demand in FPL’s own Ten Year
21 Site plan filed in April 2009 already includes the addition of the West County
22 Energy Center units, and (2) the West County Energy Center units will displace

1 older, less efficient units. On page 10 of FPL's Ten Year Site Plan filed just
2 three months ago, FPL states "In addition, the following older, less efficient
3 units will also be placed on inactive Reserve status in 2009 and 2010: Cutler
4 Units 5 & 6, Port Everglades Units 1 & 2, Sanford Unit 3, Martin Unit 2, and
5 Manatee Unit 2." This is simply a case where gas demand in one area is
6 replaced by gas demand in another area. FPL's assumption that peak day
7 natural gas demand will increase approximately 40% by 2014 is not correct
8 because, as discussed above, the West County Energy Center units do not
9 represent additional peak day demand. Moreover, such an increase is
10 inconsistent with FPL witness Morley's forecasts of significantly slower
11 population growth during the relevant period. (Rebuttal Testimony, page 3,
12 lines 8-10).

13 **Q. Does the installation of more gas fired units necessarily lead to greater gas**
14 **supply needs on a peak day as implied by FPL witness Enjamio?**

15 A. No. The analysis must consider overall fuel utilization. If a gas fired unit is
16 utilized on a peak day and displaces generation from a nuclear or coal fired
17 unit, then overall gas demand may be higher. However, based on FPL's own
18 plan, it seems clear that the gas demand from the new units at the West County
19 Energy Center will simply replace generation from other gas fired capacity,
20 which would not necessarily lead to any greater overall demand for gas supply.

21 **Q. Will FPL be able to meet its peak day demands?**

1 A. Yes. The newer more efficient units will displace demand from older less
2 efficient units. This means that the overall gas demand, even on a peak day
3 basis, may actually be lower, not higher. But regardless, FPL has not justified
4 how they expect to have a 40% increase in peak day gas demand by 2014.
5 Therefore, the peak day assumptions I made in my original testimony are more
6 reasonable than those offered by FPL.

7 **Cost Analysis**

8 **Q. Witness Enjamio indicates in his Rebuttal Testimony, page 8, line 17 to**
9 **page 9, line 3, that FGT did not properly consider life cycle cost in its**
10 **comparisons, and it is this result that makes the intrastate pipeline a more**
11 **attractive option. Is this true?**

12 A. No. It is FPL that has not properly considered the effects of depreciation in its
13 cost analysis. FPL has wrongly assumed that FGT's rate will necessarily
14 remain the same after the initial 25 year period. However, what the FPL
15 witnesses do not consider is that FGT will also have depreciation during that
16 time period. As a result, similar to the analysis FPL performs for its proposed
17 intrastate pipeline, the overall net investment, and subsequent rate necessary to
18 earn a return on FGT's declining investment will be much lower for the years
19 following FGT's proposed initial 25 year term. By way of example, for FGT's
20 Phase VIII project, the return and taxes other than income (primarily ad
21 valorem taxes) constitute approximately 60 -65% of the total revenue
22 requirement from which the tariff recourse rate is calculated. After a 25 year

1 period, assuming a 40 year life (as FPL has done), this would lead to a recourse
2 tariff rate that would reflect at least a 40% reduction in year 26, assuming no
3 additional required investment or cost. In addition, as shown by FPL's own
4 calculations for the FES system, the cost of service recourse rate would
5 continue to decline through the entire 40 year life of the project, and the
6 recourse rate for FGT's system would similarly continue to decline. If a
7 similar reduction were assumed for FGT's proposed rate to FPL for service to
8 Cape Canaveral and Riviera after the initial 25 year proposed term, the
9 recourse rate in year 26 would be reduced by over \$ 0.50 per MMBtu. As the
10 system continued to depreciate, the recourse rate reduction would be even
11 greater through year 40. If you took an assumed \$ 0.50 rate reduction for the
12 400,000 Mcf/d of capacity for years 26-40 , calculated at the 8.89% utilized by
13 FPL, this reduction would have a net present value of \$ 70 million. If you
14 took an assumed \$ 0.70 average rate reduction over years 26-40, the net present
15 value of this reduction would be over \$ 98 million. It is only by keeping the
16 FGT rate high throughout the projected 40 year horizon that FPL can try to
17 justify its proposed project to this Commission. FPL did not solicit proposals
18 for a 40 year term, and, therefore, the FPL witnesses have made unreasonable
19 assumptions for FGT's rates following the initial term that improperly favor the
20 FPL project. When appropriate adjustments are made for the effect of
21 depreciation over the 40 year period, together with adjustment of other
22 erroneous FPL assumptions regarding demand levels, capital costs and other

1 impacts as described throughout this testimony and summarized in my
2 conclusions , it is clear that the FPL proposed intrastate pipeline will be much
3 more expensive for Florida ratepayers.

4 **Q. FPL witness Enjamio in his Rebuttal Testimony on page 11, lines 6-10,**
5 **indicates that if he levelized the rates for the intrastate pipeline, the results**
6 **would still favor the intrastate pipeline over the 40 year cycle. Is this**
7 **correct?**

8 A. No, because as I just discussed, you have to take into account the decreased
9 rates over time based on the depreciation of the upstream pipeline investments.
10 However, the real issue is who bears the risk of underutilization. In the FPL
11 assumption, the additional FPL gas requirements are assumed to be utilized on
12 a 100% load factor basis throughout the project, even though FPL admits that it
13 won't be fully utilizing the proposed pipeline capacity until 2021. In FPL's
14 proposal, regardless of how you calculate the costs, and regardless of usage, the
15 ratepayers unfairly will pay for the \$1.6 billion investment and associated costs
16 and equity return, with no risk on the FPL shareholders.

17 **Q. FPL witnesses Enjamio in his Rebuttal Testimony on page 5, line 16-23,**
18 **and FPL witness Sharra in his Rebuttal Testimony on page 12, lines 10-23,**
19 **have indicated that FGT's potential elimination of \$132 million of**
20 **investment necessary to construct facilities to the Riviera plant does not**
21 **consider the \$86 million FPL would need to spend on the oil/gas line. Does**
22 **this affect FGT's analysis?**

1 A. No. FGT has shown that FPL's FES intrastate pipeline proposal includes
2 utilization of facilities that FPL failed to include in its bid solicitation. As a
3 result, there is clearly an excess capital amount in the FGT proposal that is
4 included in the economic assumptions utilized by FPL to assess the FGT
5 proposal. Elimination of this excess capital expense, whatever the precise
6 amount may be, would only improve the economics of the FGT proposal.

7 **Q. FPL witness Enjamio, at page 5, lines 19-23, claims that the intrastate**
8 **pipeline is more economic even after eliminating this excess capital from**
9 **the FGT proposal. Do you agree?**

10 A. No. FPL must string together many unreasonable assumptions to make this
11 claim. Besides the problem of holding the upstream transportation costs
12 constant over a 40 year period as previously discussed, FPL also utilizes an
13 inflated 600,000 Mcf/d capacity model. As shown before, the overall demand
14 at least through 2021 does not support this need. In addition, it is clear from
15 the testimony of FPL witnesses Sharra and Forrest that the overall process was
16 designed to attempt to justify additional transportation capacity on systems
17 other than FGT. (Sharra Rebuttal page 14, lines 1-6; Forrest Rebuttal page 8,
18 line 22 – page 9, line 3.)

19 **Q. In your opinion did these factors bias the results against FGT?**

20 A. Yes. FPL has admitted in filed testimony that the FGT (Company B) proposal
21 was the most economic for the 400,000 Mcf/d of capacity FPL claims it
22 actually needs through 2021 and referenced in FPL's solicitation. Only after

1 much creative work, including the upward adjustment to 600,000 Mcf/d
2 required by Company E, claiming that Transco Station 85 is the only place
3 available for diverse gas supplies, and other questionable assumptions, could
4 FPL try to justify the Company E/FES pipeline proposal.

5 **Structure of Project**

6 **Q. FPL witness Forrest, page 6, Lines 19-22, indicates that the only way the**
7 **FPL pipeline works is as a part of the regulated electric rate base. Is there**
8 **a better way to structure the construction of any necessary pipeline?**

9 A. Yes. Even assuming the demand and economic analyses are reasonable,
10 embedding these costs in the regulated electric rate base just is not appropriate
11 or fair to the Florida electric customers. With the pipeline in a separate
12 company, rates for service would be set by rate proceedings in front of the
13 Commission where all the costs would be clearly identifiable and not merged in
14 with electric generation costs. Under that structure, the cost of service rates for
15 capacity actually utilized by the FPL electric ratepayers would flow through the
16 Fuel Cost Recovery Mechanism, and any excess cost and risk would more
17 fairly be borne by the FPL shareholders. If FPL feels this project is
18 “economic,” then such a structure would still allow the infrastructure
19 development, protect the ratepayers from excess cost, and allow the
20 shareholders to earn a reasonable return on the investment decisions made by
21 FPL management.

1 **Q. Are there other issues that would need to be addressed by the structure**
2 **proposed by FPL?**

3 A. Yes. FPL has indicated that it will attempt to provide transportation services
4 for third parties utilizing any excess capacity on the FES system. If this service
5 is to provide transportation of gas originating in interstate commerce, then such
6 service may be subject to Section 311 of the Natural Gas Policy Act, and
7 Section 284 of the Federal Energy Regulatory Commission ("FERC")
8 regulations. In setting a Section 311 rate at FERC, if such assets were included
9 in electric rate base, then the rate filings would contain extensive electric
10 service revenues and cost as appropriate costs would need to be identified for
11 allocation to the intrastate pipeline operation in order to arrive at an appropriate
12 transportation rate that the FERC would approve.

13 **Q. FPL witness Forrest indicates at page 2, line 19-22, that FGT's proposal of**
14 **successively lower rates was a positive reflection of the alleged competition**
15 **of the intrastate alternative. Is that correct?**

16 A. No. FGT submitted revised proposals to FPL as material costs, primarily steel
17 prices, declined from unprecedented 2008 levels, thus reducing expected
18 capital costs. By making real time adjustments in this manner, FGT was being
19 responsive to FPL's solicitations. FGT knew that FPL had solicited proposals
20 from many companies, and that there was already competition for this service.

1 **Q. Witness Sharra indicates that FPL was not able to consider additional**
2 **capacity within FGT's Phase VIII expansion due to timing issues. (Sharra**
3 **Rebuttal Testimony, page 13 line 21 – page 14, line 1.) Do you agree?**

4 A. No. The precedent agreement between FGT and FPL for Phase VIII capacity
5 was signed in February 2008 and amended in August 2008. During this time
6 frame, FPL had filed to convert the Cape Canaveral and Riviera plants from
7 older fossil-fueled plants to combined cycle gas service, with the Commission
8 approving these conversions in September 2008. FGT did not file its formal
9 FERC certificate application for the Phase VIII project until October 31, 2008.
10 Clearly FPL could have discussed an expansion of the FGT Phase VIII project
11 to include an additional 400,000 Mcf/d of capacity after approval of the
12 conversions by the Commission and prior to FGT's filing of the certificate
13 application. As with its failure to explore open season opportunities, FPL
14 failed to pursue additional Phase VIII capacity with FGT before issuing its bid
15 solicitation in July 2008.

16 **Q. FPL witness Forrest in his Rebuttal Testimony, page 6, line 22 through**
17 **page 7, line 2 indicates that FPL feels that placing the pipeline in a**
18 **separate entity would provide no benefit to FPL's customers and would**
19 **burden those customers with the costs of operating the separate entity and**
20 **managing an affiliate relationship. Do you agree?**

21 A. No. The investment of \$ 1.6 billion in this system, if placed in the FPL electric
22 rate base, will result in approximately \$288 million in initial annual cost impact

1 on FPL customers. As such, to the extent this system is overbuilt, the
2 customers are paying for this excess capacity in their rates while FPL's
3 shareholders are guaranteed to recover a return on their investment. FPL has
4 not quantified any alleged expenses that it would incur as a result of placing the
5 intrastate/FES system in a separate entity, let alone quantifying how these costs
6 outweigh the burden suffered by the ratepayers with an overbuilt system
7 included in electric rates. FPL makes vague reference to the "affiliate
8 transaction rules" and "legal, administrative and on-going expenses" of
9 establishing a separate entity to hold the FES asset, but has made no attempt to
10 provide actual costs or risk analysis for this Commission to consider.

11 **Supply Security**

12 **Q. FPL witness Forrest indicates that the intrastate pipeline will provide**
13 **supply reliability and avoid the issues faced during Hurricanes Katrina**
14 **and Rita. (Rebuttal Testimony, page 12, lines 19-22.) Do you agree?**

15 A. No. Construction of the FPL intrastate pipeline would essentially run parallel
16 to the FGT system, and so would have the same reliability profile. The issue of
17 curtailment of gas supply as raised by FPL witness Forrest (page 12, lines 10-
18 16) is actually a function of where FPL chooses to purchase its gas supply, not
19 the reliability of the pipeline capacity infrastructure. Therefore, it is the actual
20 supply purchasing practices of FPL that change the risk dynamics of hurricane
21 impacts since loss of supply, rather than curtailment of pipeline capacity, is the
22 most likely outcome of hurricane damage in the Gulf. Moreover, both the

1 pipeline industry and FPL have already taken steps to minimize such impacts in
2 the future. For example, since 2005, the SESH system has been constructed,
3 and many other expansions and interconnects have been constructed to provide
4 greater supply alternatives. Attached as exhibit MTL-16 is FGT's answer to
5 FPL Interrogatories Nos. 16 and 17 which outlines the
6 expansions/interconnects into the FGT system since 2005.

7 **Q. If it is gas supply and not transportation capacity that is primarily**
8 **impacted by hurricanes, what impact is seen on prices in such events?**

9 A. FPL is correct that in the event of major supply disruptions, prices are affected.
10 Any purchaser of gas attempting to buy gas on the spot market during such a
11 supply disruption will pay prices higher than those that can be negotiated in
12 long-term supply contracts. But the more liquid the supply point, the better
13 chance to obtain lower-priced gas. Accordingly, in the event of a disruption of
14 FPL's gas supply, it is important to have access to the most liquid supply points
15 in order to ensure access to the greatest number of alternative suppliers at the
16 most favorable prices available. For this reason, FGT's direct testimony
17 highlighted the benefits of the Perryville area, and FGT's existing interconnects
18 that provide supply diversity from that area. FPL is clearly now trying to
19 promote Transco Station 85 supply availability in order to support the
20 combined Company E/FES proposal, but Exhibit MTL-12 clearly shows
21 Perryville to be a much more liquid supply point.

1 **Q. FPL witness Sexton in his Rebuttal Testimony, page 9, line 16 through**
2 **page 10, line 11 indicates that he believes there is too much capacity on**
3 **FGT from the Mobile Bay area. Is this a significant factor?**

4 A. No. While FPL witness Sexton wants to focus on Mobile Bay to attempt to
5 support FPL's hurricane arguments, FPL has contracted for capacity from this
6 area to move supplies from interconnect points, including supplies purchased
7 into the SESH system, which originates in the Perryville area. FGT also
8 provides access from supplies from other interconnect points, such as Destin
9 Pipeline, Transco, and others. The fact that FPL has contracted for firm
10 capacity from these points does not limit the type or location of supplies it is
11 able to access via upstream pipelines. In fact, in the proposed Company E/FES
12 pipeline proposal, FPL would access Transco Station 85, and have to contract
13 for upstream capacity, or obtain supplies from shippers that hold that upstream
14 capacity.

15 **Q. FPL witness Sexton argues that you did not correctly consider sunk cost**
16 **for those producers holding capacity on the pipeline systems delivering gas**
17 **to Transco Station 85. (Rebuttal Testimony page 12, lines 6-7.) Is this the**
18 **point you were making in your testimony?**

19 A. No. The point of my testimony is that FPL should have considered the
20 upstream transportation cost in its own analysis in determining where the most
21 liquid supply point is located, and where over the long term it can best access
22 low cost supplies. While the costs for the transportation agreements in place

1 with producers on the Boardwalk and Mid-Continent Express systems would
2 be sunk costs for those producers only, it does not represent a full supply
3 analysis of where lower costs for gas supplies could be obtained over the
4 longer term. If FPL witness Sexton is indicating that over a 20 year time
5 horizon producers are willing to suffer a “loss” on sunk transportation costs to
6 Transco Station 85, then that logically leads to a concern that there may not be
7 suppliers willing to pay such costs once the original contracts expire. The point
8 here is that FPL’s incomplete analysis leaves many supply and pricing
9 questions unanswered. FPL has not provided sufficient detail regarding
10 upstream costs for this Commission to approve a project costing \$1.6 billion
11 for the intrastate piece alone.

12 **Q. Is there another way this analysis on supply and transportation sunk cost**
13 **can be analyzed?**

14 A. Yes. The premium over the Henry Hub price for gas delivered into FGT in
15 Zone 3 is \$ 0.0389 on average. Therefore, on average, the price of gas
16 delivered into FGT in Zone 3 would be \$ 0.0722 higher than the price available
17 into Transco at Station 85. (See Exhibit MTL-14.) That price differential
18 should lead producers who hold capacity on SESH and other systems
19 delivering to FGT to deliver to FGT prior to deliveries to Transco Station 85.
20 In addition, as more specifically discussed in my direct testimony, Gulf
21 South/Boardwalk has leased capacity on the Destin system at a cost of \$ 0.065
22 per MMBtu. As a result, even those producers FPL witness Sexton points to

1 that have sunk transport cost on the Boardwalk system would pay the
2 additional \$ 0.065 per MMBtu transport cost on the Destin system to access a
3 market that pays an additional \$ 0.0722 per MMBtu up to the total capacity
4 leased from the Destin system.

5 **Q. Has FPL witness Sexton provided adequate analysis on this issue of supply**
6 **and transportation sunk costs in his rebuttal?**

7 A. No. Market dynamics are variable, but over time, supplies will move to the
8 locations where the overall best netbacks to producers, and lowest prices to the
9 markets, converge. There has been inadequate analysis from FPL on the
10 supply/transport alternatives available within the market. In addition, FPL has
11 elected not to participate in the open season opportunities for additional
12 capacity that have been available. As noted previously, Transco held an open
13 season for capacity from Transco Station 85 to interconnects with FGT and
14 Gulfstream. FPL witness Sharra states that conversations with Transco
15 indicate that other parties have shown interest in the inexpensive expansion
16 from Transco Station 85 to FGT and Gulfstream. (Rebuttal Testimony, page 6,
17 line 20 through page 7, line 2.) If this access to Transco Station 85 is so
18 strategic to supply diversity, then why did FPL not consider it a strategic source
19 of supply to its existing FGT and Gulfstream capacity? The economic cost to
20 the Florida ratepayers of this FPL management decision is significant. . For
21 example, if FPL utilized FGT's proposal and contracted with Transco for
22 capacity from Transco Station 85 to FGT's interconnect point at Citronelle

1 using Transco's existing tariff rate, there would be a savings of \$ 0.11 as
2 compared to the rate assumptions made by FPL in its analysis. The value of
3 this excess \$ 0.11 over the 40 year life of the proposed FPL project, utilizing
4 only the 400,000 Mcf/d of capacity proposed by FGT (discounted at FPL's rate
5 of 8.89%) would have a net present value of approximately \$ 175 million.

6 **Q. Can you outline the key points in your surrebuttal testimony?**

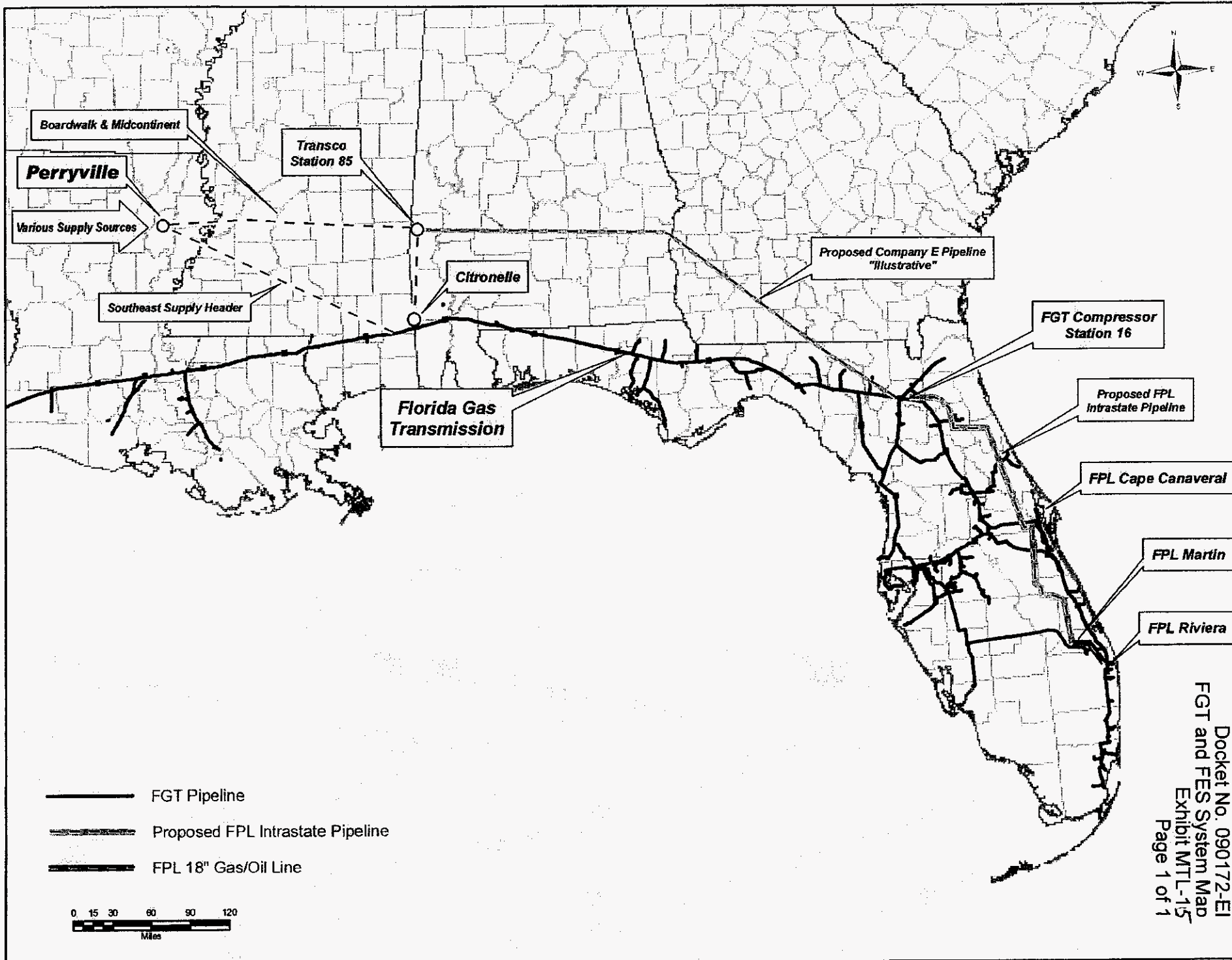
7 A. Yes. FPL still has not adequately explained or substantiated its demand
8 forecasts to the extent necessary to justify the construction of this \$1.6 billion
9 pipeline. It seems clear that the need for additional capacity is probably less
10 and certainly not more than 400,000 Mcf/d until at least 2021, or even later,
11 depending on Florida's long term population growth. Under its current
12 proposal, FPL seeks to unfairly burden its electric ratepayers with significant
13 costs to pay for an investment of \$1.6 billion for this intrastate line, and to take
14 on costs for additional upstream capacity, driving the total well above what is
15 fair, just, and reasonable for Florida ratepayers. Therefore, at a minimum, if
16 FPL is permitted to proceed with this project, such investment must be placed
17 in a separate subsidiary, where rates can be set based on cost of service
18 ratemaking review by the Commission over time. If FPL does not need the full
19 capacity of the pipeline system, and is unable to sell this excess capacity into
20 the market, then its shareholders should bear the additional cost burden, not the
21 Florida consumers.

1 As to supply access, FPL has provided incomplete analysis of the overall
2 supply and transportation alternatives available to FPL to access supplies from
3 more liquid supply points for the Commission to make any meaningful
4 determination as to whether this proposed \$ 1.6 billion project is economically
5 feasible and in the best interest of FPL ratepayers.

6 As shown in my testimony, use of the oil/gas line to Riviera would save at least
7 \$ 50 million in capital (based on FPL's own numbers) compared to FGT's
8 capital assumptions, tariff rate assumptions for use of Transco capacity over 40
9 years would have a net present value of \$ 175 million, and adjustment to rate
10 assumptions for years 26-40 for FGT's proposal would have a net present value
11 of \$ 70-\$98 million. This clearly raises issues as to whether or not the
12 proposed FES project is economic for the Florida ratepayers.

13 **Q. Does this conclude your surrebuttal testimony?**

14 A. Yes.



Florida Gas Transmission Company, LLC
Docket No. 090172-EI
FPL First Set of Interrogatories
Interrogatory No. 16
Page 1 of 1

Question

Within the past five years, has FGT been approached by anyone seeking to add or expand an interconnect with FGT that would add gas supply to the system? If so, please provide details of each such request, including the requested location of the interconnect, the size of the interconnect, and a description of the primary supply markets that will feed the interconnect.

Response

FGT incorporates objections 1, 2, 5, 8, 9, and 10. Notwithstanding the foregoing objections, FGT states:

See the attachment, "FGT Attachment to Response to FPL first ROG No. 16," which provides information on all new or expanded interconnects on the FGT system that have been placed in-service from 2005-2009.

Also listed on this attachment are proposed points where FGT executed an interconnect agreement but the upstream pipeline project did not move forward.

Responsible Person: Objections by Counsel. Substantive Response by Jack Boatman, V.P. Marketing, Florida Gas Transmission Company, LLC, 5444 Westheimer Road, Houston, TX 77056.

FGT New or Expanded Interconnects 2005 - 2009

<u>Interconnecting Party</u>	<u>Description of Primary Supply Source</u>	<u>Zone</u>	<u>State</u>	<u>Year In-Service</u>	<u>Point Capacity (MMBtu/day)</u>	<u>Notes</u>
Dominion	Central Texas Gathering System	1	TX	2006	140,000	
Tres Palacios	South Texas / Storage	1	TX	2008	200,000	
Enterprise	South Texas / Texas Intrastate	1	TX	2009	100,000	
Enbridge	East & Central Texas	1	TX	2008	200,000	
Houston Pipeline	East & Central Texas	1	TX	2005	120,000	(1)
Liberty (Sempra)	Various Interconnects / Cameron LNG	1	LA	2009	400,000	
Marquee	Well connect	1	LA	2007	1,000	
New Century	Well Connect	1	LA	2008	2,500	
Duncan Oil	Well Connect	1	LA	2006	1,000	
Zachary	Well connect	1	LA	2009	2,000	
Whitehead	Well Connect	1	TX	2008	2,000	
Kinder Morgan	Texas / Louisiana / Sabine Pass LNG	2	LA	2009	300,000	
Pine Prairie	Texas / Louisiana / Storage	2	LA	2008	400,000	
Bobcat	Louisiana / Storage	2	LA	2008	150,000	
Columbia Gulf	Texas / Louisiana	2	LA	2008	300,000	(1)
Petrologistics	Louisiana / Storage	2	LA	2009	100,000	
Mardi Gras Pipeline	Louisiana	2	LA	2009	20,000	
Noble	Well Connect	2	LA	2005	20,000	
Zachary	Well Connect	2	LA	2008	7,000	
Cimarex	Well Connect	2	LA	2006	15,000	
Liberty Kaplan	Well Connect	2	LA	2007	10,000	
Pennington	Well Connect	2	LA	2006	15,000	
Walter Oil and Gas	Well Connect	2	LA	2006	1,000	
Gulf South	Louisiana / Southeast Expansion	3	LA	2008	600,000	(1)
Southeast Supply Header	Perryville Hub / Various Interconnects	3	MS	2008	1,000,000	
Destin	Offshore / Various Interconnects	3	MS	2009	750,000	(1)
Crosstex Pearl River	Mississippi	3	MS	2008	75,000	(1)
Southeast Supply Header	Perryville Hub / Various Interconnects	3	AL	2008	250,000	
Southern Pines	Storage / Various Interconnects	3	AL	2008	1,200,000	
Bay Gas	Storage / Various Interconnects	3	AL	2009	1,200,000	(2)

Notes

- (1) Upgrade of capacity at existing interconnect
- (2) Bay Gas plans to expand point capacity to 1,800,000 in 2010

FGT New or Expanded Interconnects - Florida					
<u>Interconnecting Party</u>	<u>Description of Primary Supply Source</u>	<u>State</u>	<u>Year In-Service</u>	<u>Point Capacity (MMBtu/day)</u>	<u>Notes</u>
SNG-Cypress Pipeline	Elba LNG & SNG System Supply	FL	2007	300,000	
AES Ocean Express	Bahamas or offshore LNG	FL	---	800,000	(3)
Tractebel Calypso	Bahamas or offshore LNG	FL	---	800,000	(3)
El Paso Seafarer Pipeline	Bahamas or offshore LNG	FL	---	800,000	(3)
Notes					
(3) Proposed project could not obtain adequate market support to go forward					

Florida Gas Transmission Company, LLC
Docket No. 090172-EI
FPL First Set of Interrogatories
Interrogatory No. 17
Page 1 of 1

Question

Does FGT have current plans to construct or expand any supply receipt interconnects? Please provide details of each proposed interconnect/expansion, such as the location of the interconnect, the size of the interconnect, and a description of the primary supply markets that will feed the interconnect. In addition, with respect to each planned receipt point expansion or installation, please identify any pipeline facility expansions planned to be constructed that would enable the FGT system to transport such expanded supplies on a firm contractual basis to delivery points within FGT's Market Zone.

Response

FGT incorporates objections 1, 2, 3, 5, 7, 8, and 9. Notwithstanding the foregoing objections, FGT states:

FGT has executed agreements with two parties who plan to install interconnect facilities that will be placed in-service in 2010.

In addition, FGT will be able to provide access to the 1.3 Bcf/d Gulf LNG Terminal currently being constructed in Pascagoula, Mississippi; FGT and Transco are currently moving forward with a joint project to construct a pipeline lateral with an expected in-service date in the fourth quarter of 2011 that will provide FGT shippers direct access to this new supply source.

See the attachment, "FGT Attachment to Response to FPL first ROG No. 17."

Responsible Person: Objections by Counsel. Substantive Response by Jack Boatman, V.P. Marketing, Florida Gas Transmission Company, LLC, 5444 Westheimer Road, Houston, TX 77056.

FGT New or Expanded Interconnects - Future						
Interconnecting Party	Description of Primary Supply Source	Zone	State	Year In Service	Point Capacity (MMBtu/day)	Notes
Golden Pass Pipeline	Golden Pass LNG / Various Pipelines	1	TX	2010	400,000	(1)
Golden Triangle	Texas Intrastate Pipelines / Storage	1	TX	2010	400,000	(1)
Gulf LNG / Pascagoula Lateral	Gulf LNG Terminal	3	MS	2011	342,600	(2),(3)
Notes						
(1) FGT has executed interconnect agreement						
(2) FGT & Transco will file FERC certificate applications this summer requesting approval to construct pipeline lateral to provide direct connection to the Gulf LNG Terminal currently being constructed in Pascagoula MS.						
(3) The capacity of 342,600 represents FGT's ownership percentage of 42.3% in the project.						