



Floridian Natural Gas Storage
Company LLC

Additional Discussion Items
October 27, 2008

Introduction

In addition to preparing a revised comparative economic analysis (see Memorandum), Floridian Natural Gas Storage Company LLC (“FGS”) has asked Concentric Energy Advisors, Inc. (“Concentric”) to address the following issues:

- Summarize the Federal Energy Regulatory Commission’s (“FERC”) perspective on the role of LNG storage facilities in gas resource portfolios
- Examine the gas peaking attributes of the Florida energy market; and
- Explain how holders of firm pipeline capacity may utilize pipeline capacity segmentation to increase firm deliverability

¹ “U.S. LNG Markets and Uses: June 2004 Update, Energy Information Administration, June, 2004.

² ID.

³ ID.



The Role of Peaking LNG in a Resource Portfolio

The role of LNG in a resource portfolio has been discussed by the FERC. In general the FERC has identified three advantages for the inclusion of peaking LNG in a resource portfolio (i.e., Location, Avoided Cost, and Portfolio Utilization). Specifically,

Location

- Owners have many opportunities for locating LNG facilities in locations where it is not physically or operationally possible to locate underground storage alternatives.¹

Avoided Costs

- In locations where pipeline capacity from supply areas can be very expensive and use is highly seasonal, LNG storage helps reduce pipeline capacity commitments that are only used during peak periods.²

Portfolio Utilization

- An important concept in the design of utilities' strategies to meet highly variable demand is the notion of "load factor," which is the amount of pipeline space used throughout the year expressed as a percentage of pipeline space reserved (normally requiring large, fixed costs). The key to improving the utility's overall load factor on upstream pipelines and reducing transportation on an MMBtu basis is identifying the alternative sources of supply such as LNG or other storage options to match the characteristics of seasonal or peak demand on the distribution system.³

Although the FERC perspective was focused on natural gas local distribution companies when published in 1993 and 1994 the concepts are applicable to the current Florida energy market (i.e., limited to no geologic conditions to support underground storage; increasing cost of building new pipeline(s); and the low annual load factor of the demand and the associated resources in the portfolio.

¹ "U.S. LNG Markets and Uses: June 2004 Update, Energy Information Administration, June, 2004.

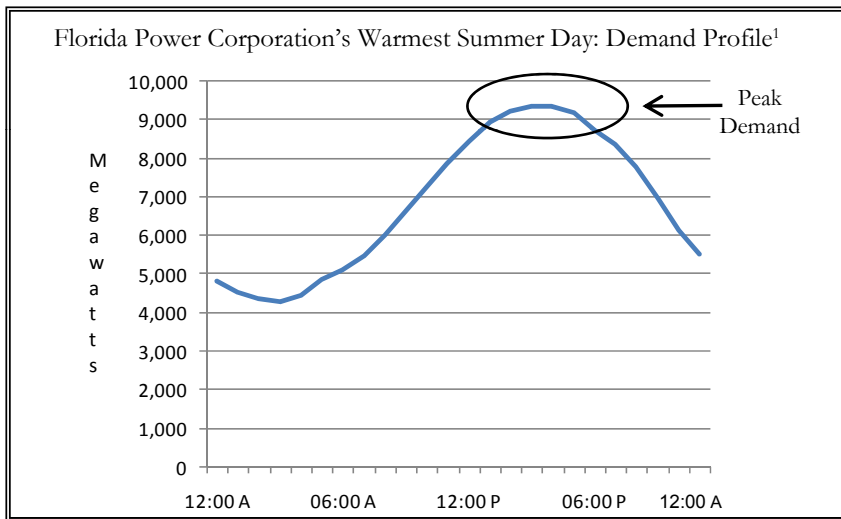
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Gas Peaking Attributes of the Florida Energy Market

The power generation segment is the largest natural gas consumer in the State of Florida. As such, the demand profile for electricity will likely influence the demand for natural gas. As shown by the chart below, the electricity demand curve has a well-defined daily peak period; and as illustrated by the quote, natural gas fired generation will provide an important role in meeting forecasted peak power demand.



In 2007 the Florida PSC **projected 1,738 MW of additional combustion turbine** and diesel generation would be required by 2016. The Florida PSC also noted **the low load factor of the peaking electric generation units** (i.e., combustion turbine units may only run between 5 and 20% of the day, or 1 to 5 hours).²{Emphasis added}

- The FGS Project, combined with pipeline capacity segmentation, has the flexibility to meet the peaking requirements associated with the natural gas portion of the forecasted 1,738 MW of peaking generation.

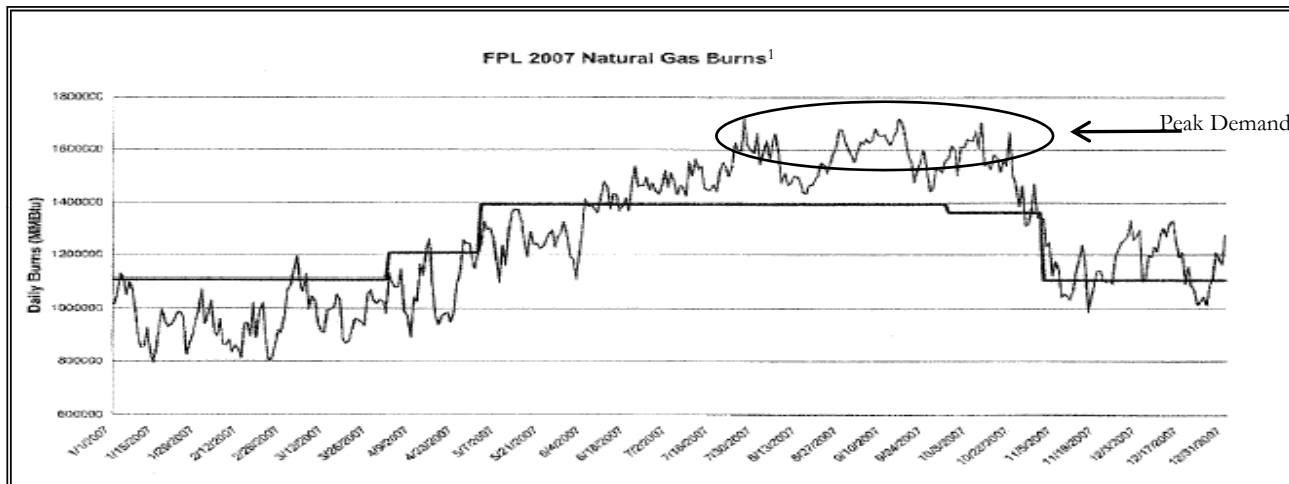
¹ SNL Industry Data: 2006 Electricity Demand Data for Florida Power Corporation.

² Florida Public Service Commission, "Review of 2007 Ten-Year Site Plans for Florida's Electric Utilities", December 2007 p. 7.



Gas Peaking Attributes of the Florida Energy Market (continued)

Based on the Florida electric market, the natural gas demand in Florida also has a peaking requirement. For example, as shown by the FPL 2007 natural gas consumption, there were a limited number of days when demand peaked above 1.6 BCF.



In addition, the Florida Public Service Commission has discussed the difference between average day and peak day natural gas requirements.

Based on the forecasted requirements of electric utilities and other sectors, the Commission estimates that total pipeline demand will require an average of 3.15 Bcf/day by 2014...Because the 2014 **forecasted pipeline capacity requirement, based on the average demand, might understate gas capacity need**, the Commission also conducted a forecast based on the **projected peak demand for gas capacity**. Based on this methodology, the Commission estimates that by 2014, **incremental pipeline capacity requirements could increase up to 1.34 Bcf/day.**² {Emphasis added}

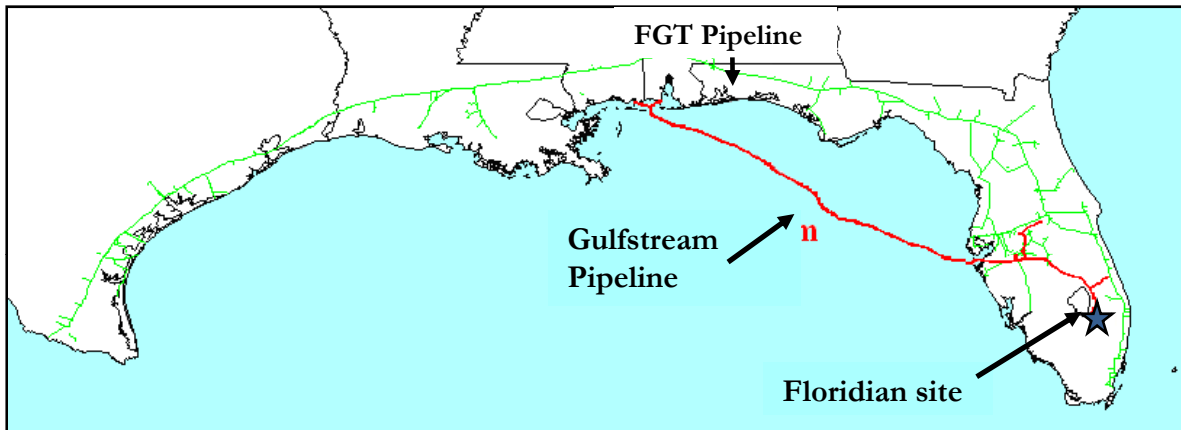
¹ Florida Power & Light presentation to PSC September 10, 2008.

² Florida Public Service Commission Division of Economic Regulation, "A Review of Florida Electric Utility 2005 Ten-Tear Site Plans". December 2005, P.43.



Pipeline Capacity Segmentation

One of the main advantages of the FGS Project is the ability to segment the pipeline capacity serving Florida.



Pipeline Capacity Segmentation – Example

Assumptions

FGT Capacity	=	2.2 BCF/day
Gulfstream Capacity	=	1.1 BCF/day
Total Pipeline Capacity	=	3.3 BCF/day
FGS Deliverability	=	0.8 BCF/day

Pipeline Capacity Segmentation

Based on the pipeline capacity assumptions (i.e., FGT at 2.2 BCF/day and Gulfstream at 1.1 BCF/day) and assuming certain operating conditions, the FGS deliverability (i.e., 0.8 BCF/day) could increase the pipeline capacity into Florida from 3.3 BCF/day up to 4.1 BCF/day on any day that FGS delivers natural gas to the pipelines. In other words, the delivery of gas from FGS, coupled with capacity segmentation, could provide 24% additional daily gas delivery capability to the Florida market.

