



FLORIDA GAS UTILITY 2012 ANNUAL MEETING

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St. Pete Beach, Florida

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FGT UPDATE

- ❑ **NGA Section 4 Rate Case**
 - FGT must file its next rate case by November 1, 2014
- ❑ **Skirmish over FGT's Summer 2011 Fuel/Loss Under-recoveries**
- ❑ **Pascagoula Expansion Project (Docket No. CP09-456-000)**
 - Placed into service in September 2011
 - Interconnects Mobile Bay Lateral Expansion Project with Gulf LNG
- ❑ **Miami Mainline Loop Project (Docket No. CP11-16-000)**
 - Placed into service on May 15, 2012
 - Pipeline looping and pig receiver at compressor station per PHMSA directive
- ❑ **Cape Canaveral Project (Docket No. CP11-145-000)**
 - FERC issued certificate in October 2011; currently under construction
 - New compressor station and upgrade existing pipeline for FP&L
- ❑ **I-595 Replacement Project (Docket No. PF12-5-000)**
 - NEPA pre-filing review of project initiated by FERC in January 2012
 - Replace pipeline in Broward County
- ❑ **Kinder Morgan-El Paso Merger**
 - FTC required Kinder Morgan to divest assets in Rocky Mountains, but not the Southeastern U.S., as condition of merger which closed on May 25, 2012



OTHER NATURAL GAS PIPELINE/ PROJECT DEVELOPMENTS

- ❑ **Southern Natural NGA Section 4 Rate Case**
 - Settlement in last rate case prohibits Southern Natural from filing rate case to be effective before September 1, 2012
- ❑ **Southern Natural Spin-off of Offshore Gathering Facilities**
- ❑ **Bear Creek Storage NGA Section 5 Case (Docket No. RP12-121-000)**
 - FERC initiated investigation into rates in November 2011
 - Staff, Bear Creek Storage and parties recently reached settlement in principle
 - Savings to be flowed through to Southern Natural and Tennessee customers
- ❑ **Boardwalk Acquired Petal Gas Storage and Hattiesburg Gas Storage**
 - Two storage facilities located near Hattiesburg, MS
- ❑ **Cancellation of Projects Due to Changed Market Dynamics**



LNG DEVELOPMENTS

- ❑ **FERC authorization to install liquefaction facilities at existing (and perhaps some new) LNG terminals in order to export domestically produced natural gas as LNG**
 - Sabine's liquefaction project authorized in April 2012
 - Freeport LNG, Cameron LNG and Trunkline LNG proposals pending
 - Plans for new West Coast export terminals
- ❑ **DOE authorization to export LNG to FTA and non-FTA countries**
 - Sabine granted authorization to export LNG to non-FTA countries in May 2011
 - DOE expected to act on other pending non-FTA export applications after a study on the impacts of LNG exports is issued in late summer
- ❑ **Utilization of LNG for localized purposes**
 - Floridian Natural Gas Storage (Docket No. CP12-100-000)
 - Application to amend certificate to permit its customers to elect storage withdrawals of LNG into customer-supplied trucks



OTHER NATURAL GAS, NGL AND OIL SUPPLY DEVELOPMENTS

- ❑ **Alaskan Gas**
 - Conversion to export project?
- ❑ **Shale**
 - Marcellus producers v. Gulf producers compete to supply Southeast U.S.
 - Federal v. state jurisdiction over fracking
 - Natural gas v. NGLs
 - Capital focused on NGLs
- ❑ **Reversed Seaway Pipeline**
 - Crude oil transportation from Cushing, OK origin to U.S. Gulf Coast destinations began on May 19, 2012
 - FERC rejected market-based initial rates (Docket No. OR12-4-000)
- ❑ **Keystone XL Pipeline**
 - Application for Presidential Permit denied by President in January 2012
 - National Interest Determination
 - New application for Presidential Permit filed with State Department on May 4, 2012



ELECTRIC REGULATORY DEVELOPMENTS

- ❑ **Rise of natural gas-fired generation**
 - Decline of coal, wind credits expiring
 - Low natural gas prices
- ❑ **Mergers**
 - Duke and Progress (Docket No. EC11-60-000)
- ❑ **Investigations into Outages**
 - Outages and curtailments in Southwest in February 2011
 - Blackout in Southern California in September 2011
 - Efforts aimed at better coordination between natural gas and electric markets
- ❑ **NERC**
 - Definition of Bulk Electric System
 - Audits
- ❑ **ISOs/RTOs**
 - Entergy to join MISO



DODD-FRANK ACT

- ❑ **CFTC has finalized about half of the rules proposed to implement the Dodd-Frank Act, including:**
 - Definitions of “swap dealer” (SD) and “major swap participant” (MSP)
 - Potential impact of *de minimis* exemption from SD definition on a Special Entity’s ability to hedge
 - SDs and MSPs are subject to more burdensome requirements, including registration, internal and external business conduct standards, recordkeeping, reporting, capital, and margin requirements
 - Position limits
 - ISDA and SIFMA court challenge pending
 - Recordkeeping and reporting requirements
 - SD/MSP counterparty will generally be responsible for reporting swap transaction data to repository
 - Business conduct standards for SDs and MSPs
 - Special duties when dealing with a “Special Entity” such as a city, county or municipality
 - SD that acts as an advisor to a Special Entity must make a reasonable determination that any swap or trading strategy involving a swap recommended by the SD is in the best interests of the Special Entity
 - SD or MSP that offers to enter or enters into a swap with a Special Entity must have a reasonable basis to believe that the Special Entity has an independent representative that meets certain criteria
 - Prohibition against market manipulation and anti-disruptive trading practices



DODD-FRANK ACT

- ❑ **The CFTC must still finalize several rules, including:**
 - Definitions of “swap”
 - End-user exception from mandatory clearing of swaps
 - A counterparty is eligible for end-user exception if: (1) it is not a financial entity, (2) is using the swap to hedge or mitigate commercial risk, and (3) notifies the CFTC how it generally meets its financial obligations associated with entering into non-cleared swaps
 - Swap documentation requirements for SDs and MSPs
 - Existing swap documentation will need to be brought into compliance with requirements
 - SDs and MSPs will require an end-user counterparty to provide documentation showing that it qualifies for the end-user exemption from mandatory clearing
 - Margin and capital requirements for non-bank SDs and MSPs
 - End-users should be exempt from requirements for uncleared swaps
 - Separate Prudential Regulators proposal will cover bank SDs and MSPs
- ❑ **Implementation of most CFTC final rules to be phased-in**