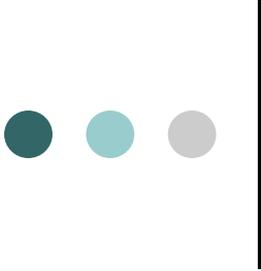


FLORIDA GAS UTILITY 2014 ANNUAL MEETING

June 25-27, 2014

Clearwater Beach, Florida

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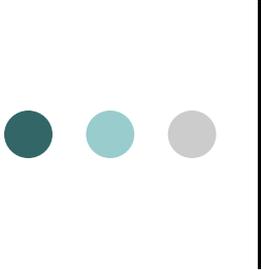
FERC LEADERSHIP

□ **New FERC Chairman**

- President Obama nominated Norman Bay, the current Director of the Office of Enforcement, to be the fifth member of the FERC. At the time, the President indicated that he intended to make Mr. Bay the Chairman. He also nominated Cheryl LaFleur, the current Acting Chairman, for another term as Commissioner.
- Some Senators raised concerns about Mr. Bay's lack of regulatory experience and the fact he will need to recuse himself from enforcement-related matters.
- Under a deal recently reached among the White House and a group of Senators, Cheryl LaFleur will remain the Acting Chairman for 9 months after she is reconfirmed to the Commission. Mr. Bay will become the Chairman at the end of this 9-month period.
- On June 19, 2014, the Senate Energy & Natural Resources Committee voted to approve their nominations. The nominations must still be voted on by the full Senate. That approval is expected by September 2014.

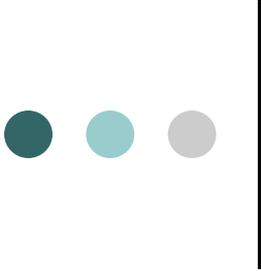
□ **Criticism of FERC Enforcement Process**

- Bill Sherman op-ed in WSJ and article in Energy Law Journal.



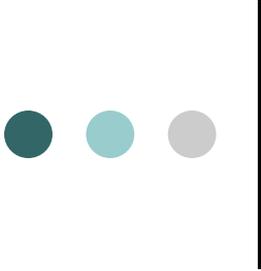
FGT UPDATE

- ❑ **NGA Section 4 Rate Case**
 - FGT must file its next rate case by November 1, 2014.
 - No indication to date that FGT intends to propose any rate design changes.
- ❑ **I-595 Replacement Project (Docket No. CP12-501)**
 - FGT replaced a segment of the 36-inch mainline in Broward County.
 - Project placed into service on May 17, 2014.
- ❑ **Pompano Compressor Station 2.15 Project (Docket No. CP14-21)**
 - FGT filed a certificate application with FERC in November 2013.
 - Project involves a new electric 22,000 hp compressor station and related facilities in Broward County. It will provide an additional MDQ of 25,000 MMBtu/day to FPL.
- ❑ **Abandonment of Riviera Facilities (Docket No. CP13-512)**
 - Prior notice request under blanket certificate for authorization to: (1) abandon the FPU Riviera M&R Station and related facilities by sale to Peninsula Pipeline (an affiliate of FPU), and (2) install a new interconnection with EFM, all located in Palm County.
- ❑ **Abandonment of MOPS (Docket No. CP13-491)**
 - In February 2014, FERC authorized FGT, Southern Natural and Northern to abandon the MOPS facilities located onshore and offshore Texas.



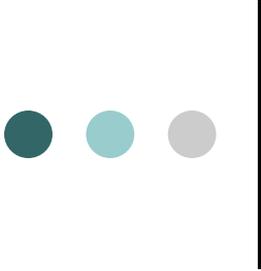
OTHER FLORIDA-RELATED NATURAL GAS PROJECT DEVELOPMENTS

- ❑ **Sabal Trail Project (Docket No. PF14-1)**
 - Spectra and NextEra JV was winning bidder in FPL's RFP for upstream pipeline project.
 - Sabal Trail proposes to lease capacity from Transco and construct 474-miles of 36-inch pipeline from Transco's Station 85 in Alabama through Florida to a point in Osceola County.
 - Project will transport 1,100,000 Dth/day of natural gas to Florida.
 - Project is currently in NEPA Pre-Filing at FERC.
 - Certificate application is likely to be filed in October 2014.
 - Proposed in-service date of initial phase of Project is May 1, 2017.
- ❑ **Florida Southeast Pipeline Project (Docket No. PF14-2)**
 - FPL affiliate FSC proposes to build 77-miles of 36-inch pipeline and 49-miles of 30-inch pipeline in Osceola, Okeechobee, Polk, St. Lucie, and Martin Counties.
 - Project will provide 600,000 Dth/day of firm transportation capacity.
 - Project is currently in NEPA Pre-Filing at FERC.
 - Certificate application is likely to be filed in August 2014.
 - Proposed in-service date of May 1, 2017.
- ❑ **Floridian Natural Gas Storage (Docket Nos. CP08-13 and CP12-100)**
 - FERC previously granted Floridian Natural Gas Storage an extension of time until August 29, 2014 to construct and place the project into service. It is likely to request another extension.



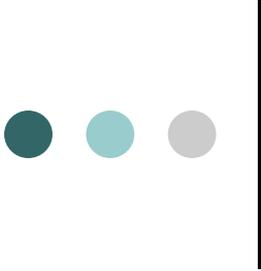
OTHER FLORIDA-RELATED NATURAL GAS PROJECT DEVELOPMENTS

- ❑ **Gulf South Southeast Market Expansion Project (Docket No. CP13-96)**
 - In November 2013, FERC authorized Gulf South to construct a new pipeline in Mississippi and Alabama to deliver shale gas produced in Texas, Oklahoma and Louisiana to markets in the Southeast U.S. and Florida. Project is currently under construction and will provide 510,500 Dth/day of firm transportation capacity.
- ❑ **EEC Modification Project (Docket No. CP14-115)**
 - Project includes the installation of new and additional compression in Georgia.
 - Project will add north-to-south transportation capacity to the EEC system.
 - Project will help EEC transport domestically produced natural gas on a firm basis to the proposed Elba Liquefaction Project for export from the U.S. and other points of delivery.
 - Certificate application filed with FERC on March 21, 2014.
- ❑ **Southern Natural Zone 3 Expansion Project (Docket No. CP14-393)**
 - Project includes the construction of a pipeline loop in Alabama and the installation of additional compression at existing compressor stations in Georgia and Florida.
 - Project will create an additional 235 MMcf/day of firm capacity and provide access to natural gas entering its system through interconnections with EEC.
 - Certificate application filed with FERC on May 30, 2014.



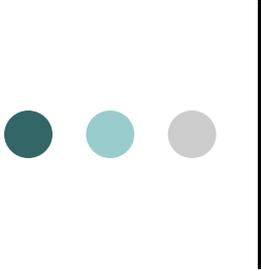
FERC NATURAL GAS-ELECTRIC COORDINATION EFFORTS

- ❑ **NOPR on Coordination of Scheduling Processes (Docket No. RM14-2)**
 - In a NOPR issued in March 2014, FERC proposed to:
 - Move the start of the Gas Day from 9:00 a.m. CCT to 4:00 a.m. CCT;
 - Move the deadline for submitting nominations in the Timely Nomination Cycle from 11:30 a.m. CCT to 1:00 p.m. CCT;
 - Increase the number of intraday nomination cycles from 2 to 4; and
 - Require interstate natural gas pipelines to allow multiple shippers associated with a designated agent or asset manager to be jointly and severally liable under a single firm transportation service agreement.
 - FERC provided NAESB with 180 days (September 29, 2014) to either develop consensus standards or notify FERC that it was unable to do so.
 - NAESB held multiple meetings in recent months, but has been unable to develop consensus standards to date.
 - After the NAESB Natural Gas-Electric Forum, the Board of Directors directed the WGQ Executive Committee and Business Practices Subcommittee to develop standards without a reference to the start of the Gas Day to be filed with FERC by September 29, 2014. This means that the new start of the Gas Day will be addressed at FERC.
 - Under the schedule adopted by FERC in the NOPR, comments will be due on November 28, 2014.



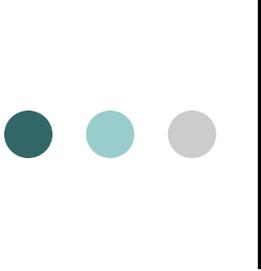
NATURAL GAS, NGL AND OIL DEVELOPMENTS

- ❑ **Shale-Related Increases in Natural Gas Supplies and Markets Served**
 - Increased use of natural gas for power generation.
 - New York State embargo on shale production.
 - Natural gas exported from the U.S.
 - Increased natural gas exports to Mexico by pipeline.
 - Natural gas exports to Canada expected to increase over next few years.
 - Export of domestically-produced LNG (as discussed on next slide).
- ❑ **Increased Oil and Liquids Pipeline Activity at FERC**
 - The number of petitions for declaratory orders asking FERC to approve the rate structure and terms of service for new pipelines or expansions continues to rise.
 - There have been calls for FERC to standardize the policies developed in these individual declaratory orders.
 - FERC provided some general guidance on open season confidentiality agreements and “duty to support” clauses in Colonial (Docket No. OR14-8).
 - FERC appears more receptive to complaints and protests filed by shippers.
 - Guttman Energy v. Buckeye (Docket No. OR14-4)
 - United Airlines and Southwest v. Colonial (Docket No. OR14-18)
 - Liquids Shippers Group v. Shell (Docket Nos. IS14-104 to IS14-106)



LNG DEVELOPMENTS

- ❑ **DOE/FE Proposed Change to its LNG Export Decision-Making Procedures and Economic Study**
 - In May 2014, DOE/FE proposed revised procedures under which it will act on applications to export LNG from the Lower-48 to Non-FTA countries only after the review required by NEPA has been completed. Comments on its proposal are due on July 21, 2014.
 - DOE/FE also announced plans to undertake an economic study in order to gain a better understanding of how potential LNG exports between 12 Bcf/day and 20 Bcf/day could affect the public interest.
- ❑ **FERC Authorization for Liquefaction Facilities at LNG Terminals**
 - Cheniere's Sabine Pass is the only project that has been approved by FERC, received final DOE/FE authorization to export LNG to Non-FTA countries, and is currently under construction.
 - 13 proposed LNG export terminals are pending at FERC, including Elba Liquefaction Project.
 - Cameron LNG export terminal authorized by FERC on June 19, 2014.



ELECTRIC DEVELOPMENTS

❑ **Order No. 745**

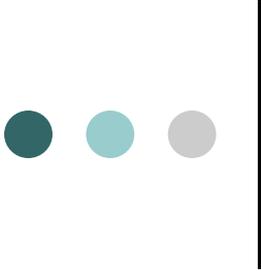
- In May 2014, the D.C. Circuit overturned Order No. 745, the final rule which required that demand response resources receive comparable compensation to generation in wholesale energy markets.
- The D.C. Circuit viewed this area as one reserved to the states to regulate.
- FERC has asked the full D.C. Circuit to rehear the May 2014 decision *en banc* .

▪ ***PPL, et al. v. Nazarian, et al.***

- On June 6, 2014, the Fourth Circuit overturned the Maryland PSC's attempt to regulate wholesale sales.
- The Fourth Circuit ruled that the Maryland PSC infringed on FERC's exclusive authority to regulate the wholesale sale of electricity in interstate commerce by circumventing and displacing federal rules.

❑ **Order No. 1000**

- Numerous stakeholders are challenging Order No. 1000, FERC's regional transmission planning and cost allocation final rule, in the D.C. Circuit.



ELECTRIC DEVELOPMENTS

❑ NERC

▪ **Reliability (Docket No. RD14-6)**

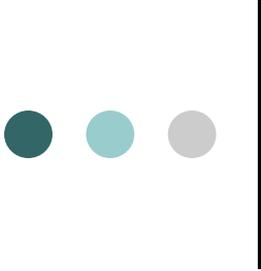
- In March 2014, FERC directed NERC to develop reliability standards requiring owners and operators of the Bulk-Power System to address risks due to physical security threats and vulnerabilities
- NERC filed a petition responding to that directive on May 27, 2014.

▪ **Bulk Electric System (Docket No. RD14-2)**

- In March 2014, FERC also further refined the definition of Bulk Electric System (BES) to bolster reliability

❑ Entergy/MISO

- Entergy integrated into MISO in December 2013.
- QF and parallel flow problems have ensued.



FERC ENFORCEMENT

- ❑ **BP (Docket No. IN13-15)**
 - In May 2014, FERC established a hearing to determine whether BP violated the prohibition against market manipulation.
 - FERC alleges that BP manipulated the next-day, fixed-price natural gas market at Houston Ship Channel from September through November 30, 2008. FERC previously proposed a civil penalty of \$28 million.

- ❑ **JP Morgan (Docket Nos. IN11-8 and IN13-5)**
 - In July 2013, JP Morgan agreed to pay a civil penalty of \$285 million and disgorge \$125 million in profits to settle alleged market manipulation in the CAISO and MISO markets.

- ❑ **Barclays (Docket No. IN08-8)**
 - Barclays is fighting a civil penalty of \$435 million and disgorgement of \$34.9 million in profits assessed by FERC for alleged market manipulation in Western power markets in U.S. District Court.