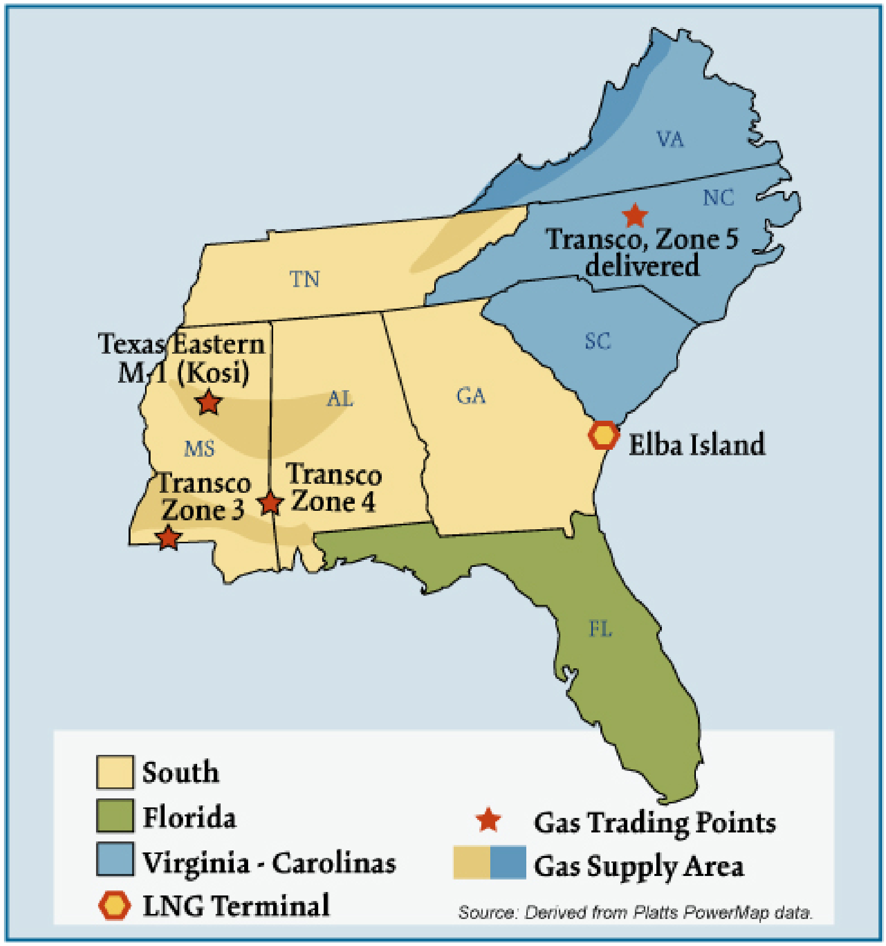
Southeast Natural Gas Regions



Overview:

Market Description

Industrial process requirements and power consumption are the fundamental drivers of the Southeast gas market. Florida is the biggest market for gas and accounts for about 30 percent of overall regional demand; the power sector comprises more than 80 percent of Florida's total demand. Overall storage capacity is the lowest of any region in the U.S.; regional storage facilities are concentrated in Mississippi. The lack of market area storage means that pipeline companies must issue notices warning customers to seek to closely match their scheduled gas volumes with actual gas usage at times and this can result in higher basis. LNG and pipeline-related infrastructure improvements, however, have augmented regional supply diversification. Principal gas supply sources include: East and South Texas, shallow and deepwater offshore locations, coalbed methane resources in the Black Warrior Basin, as well as various onshore locations, plus imports from the Lake Charles and Elba Island LNG terminals.

Geography

States covered: Alabama, Florida, Georgia, Mississippi, North Carolina, South Carolina, Tennessee, and Virginia.

Major Trading Hubs

Florida Gas Zone 3, Texas Eastern M1, Transco Zone3, Transco Zone 4, and Transco Zone 5.

Updated May 4, 2007

Storage

State Capacity: Mississippi contains 88 percent of total Southeast capacity.

Aquifer Capacity: 0%
Depleted Field Capacity: 66%
Salt Cavern: 35%
Total Capacity: Southeast has 2 percent of total US storage capacity.
Major Storage Pipelines and Capacity:
  Southern Natural Gas: 60 Bcf
  Petal Gas Storage Company: 10.75 Bcf

Demand by Sector (2005):

- Residential: 16%
- Commercial: 13%
- Industrial: 28%

State: Alabama, Florida, Georgia, Mississippi and Virginia make up 77 percent of total Southeast demand and 10 percent of total U.S. demand.

Southeast Total: 2.7 Tcf which makes up 12 percent of total U.S. daily demand.

Consumer Total: 8.02 million which is approximately 12 percent of total consumers in the U.S.

Key Consuming States: Georgia, North Carolina, Tennessee and Virginia make up 67 percent of the total number of consumers in the Southeast and about 8 percent of the total number of consumers in the U.S.

Residential Consumers: 91%

Average Daily Deliveries through Transcontinental Station 60:

2005: 1.7 Bcfd
2006: 1.7 Bcfd

Updated May 4, 2007

Production

State: Alabama and Virginia make up 90 percent of total Southeast production which only contributes 2 percent to total U.S. production.

Total: Total Southeast production makes up a little over 2 percent of total U.S. production.

Prices at Transco Zone 3

2005

- **Average Daily Price: $8.97**
- **Average Daily Basis: $0.25**
- **Highest Daily Price: $16.72**
- **Lowest Daily Price: $5.66**

2006

- **Average Daily Price: $ 6.86**
- **Average Daily Basis: $0.11**
- **Highest Daily Price: $9.97**
- **Lowest Daily Price: $3.70**

Pipeline Flows

Average Daily Deliveries into Florida: 2.1 Bcfd (2005) 2.4 Bcfd (2006)

Major Pipelines: Florida Gas Transmission, Gulfstream Natural Gas System, Southern Natural Gas Company, Texas Eastern Transmission and Transcontinental Gas Pipeline.

Updated May 4, 2007

Pipeline Flows (con't)

Average Daily Deliveries on Southern Natural Gas - Segment South of Franklinton

2005: 0.8 Bcfd

2006: 1.0 Bcfd

Average Daily Deliveries through Texas Eastern M1 @ the Kosciusko

2005: 0.9 Bcfd

2006: 0.9 Bcfd

Average Daily Deliveries through Transcontinental Station 65

2005: 0.7 Bcfd

2006: 1.7 Bcfd

Imports and Exports

Average Daily Sendout at the Elba Island LNG terminal:

2005: 0.3 Bcfd

2006: 0.4 Bcfd

Major Importers: BG LNG and Marathon Oil are the principal importers of LNG at Elba Island. Re-gasified LNG is currently transported into the Southeast via the Southern Natural Gas pipeline.

Updated May 4, 2007

Focal Points

Cypress Pipeline Starts: Southern Natural Gas, a subsidiary of El Paso Corporation began commercial operation of its 167-mile Cypress Pipeline on May 1, 2007. The 220 MMcfd pipeline connects with Florida Gas Transmission and flows natural gas from the Elba Island, Ga., LNG terminal to power plants, local distribution companies, large industrial plants and municipal customers in Georgia and Florida. The pipeline has increased its customers' supply diversification and access to storage. Previously, gas customers in Florida, mainly power generators, depended solely on Gulf of Mexico supply that is regularly threatened during tropical storms and hurricanes.

Florida Prices: During the summer of 2007, natural gas prices at the Florida Citygates often held a $1 plus premium to natural gas sold at the Henry Hub. Natural gas is an important fuel for electric power in Florida and currently accounts for over half of its power generation. Excessive heat, full pipes, and periodic supply concerns helped increase the August 2007 average price differential between Florida Citygates and Henry Hub to $2.47. During the same August time period, Florida gas demand averaged 8.7 Bcf/d, 15% above what was scheduled last year. On Aug 22, natural gas at the Citygates was the most expensive in the country and basis reached $3.71, the largest it's been in the last 5 years excluding a period after the 2005 hurricanes when infrastructure damage and supply disruptions occurred. Despite Florida's ever growing natural gas market, the Florida Citygates pricing point continues to have limited trading and historically low transaction volumes.

Florida Flows Increase: Available capacity data suggests that increased flows on Gulfstream spurred a 12 percent overall increase in Florida deliveries to 2.4 Bcfd from 2.1 Bcfd. Greater gas usage in Florida stemmed from natural gas prices being less expensive than Gulf Coast residual fuel oil for most of 2006.

LNG Volumes Increase: According to scheduled volume data, average daily Elba Island, Ga., sendout increased to 375 MMcfd, a rise of 16 percent, in 2006 compared with 316 MMcfd in 2005.

Updated October 5, 2007

Yearly Average of Spot Hub Prices

	Prices ($ per MMBtu)		
Hub	**2005**	**2006**	**5-Year Average**
Texas Eastern M-1 (Kosi)	8.93	6.73	5.76
Transco Zone 3	8.98	6.78	5.74
Transco Zone 4	9.14	6.87	5.79
Florida Gas Zone 3	9.22	6.95	5.80

Source: Derived from *Platts* data.

Updated January 10, 2007

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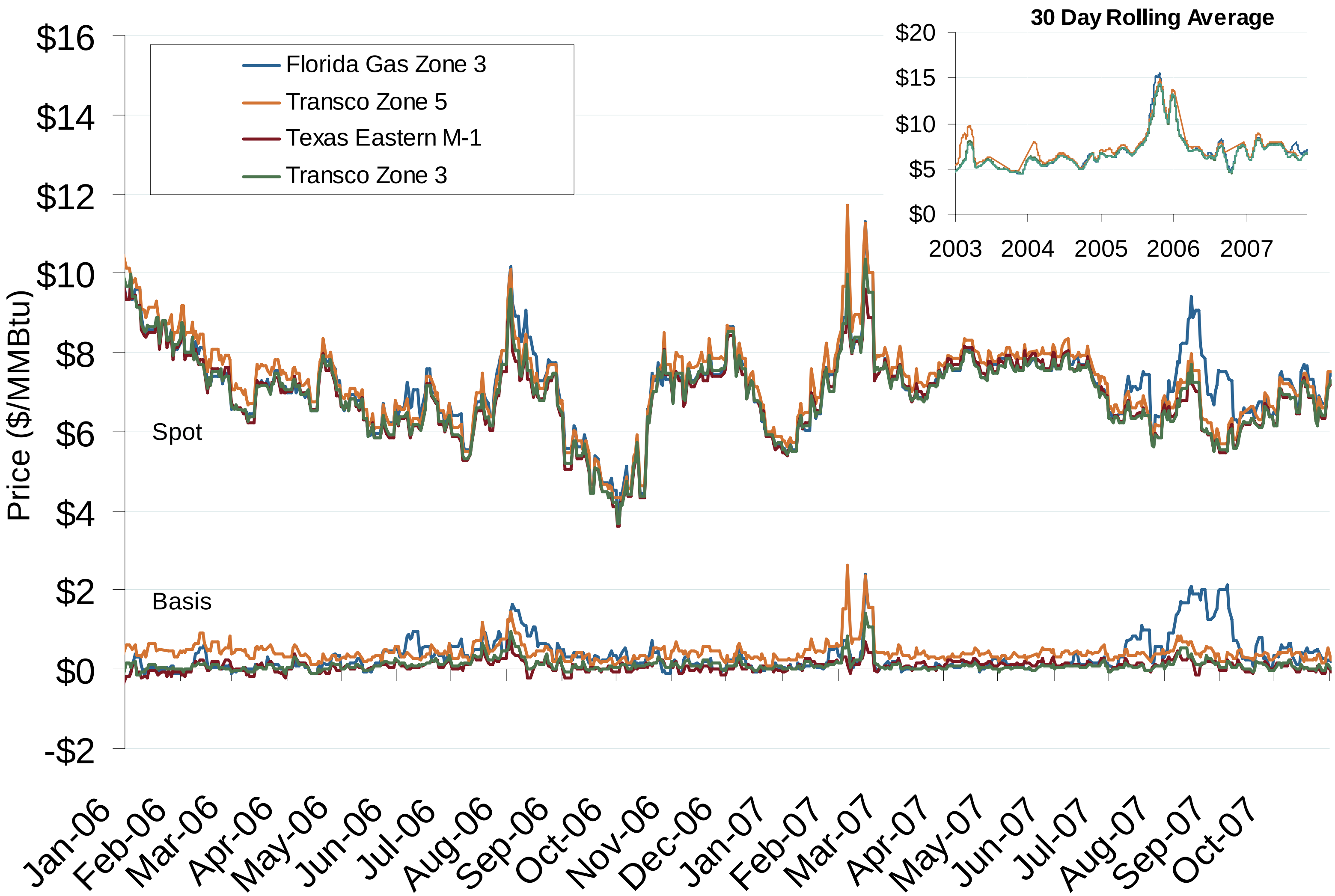
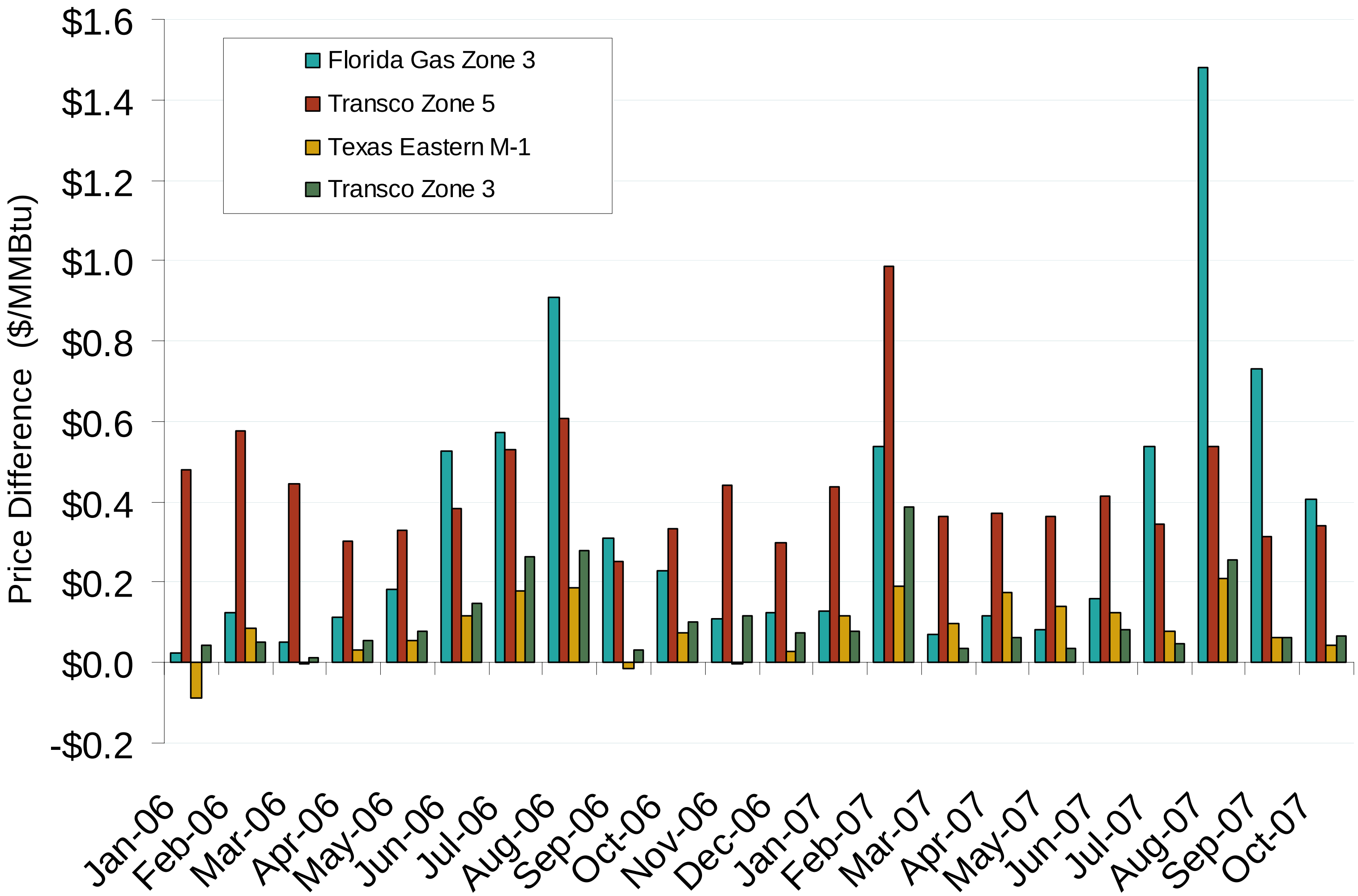
Southeastern Day-Ahead Hub Spot Prices and Basis



Source: Derived from *Platts* data.

Updated November 2, 2007 2058

Southeastern Monthly Average Basis Value to Henry Hub



Source: Derived from *Platts* data.

Updated November 2, 2007

2059

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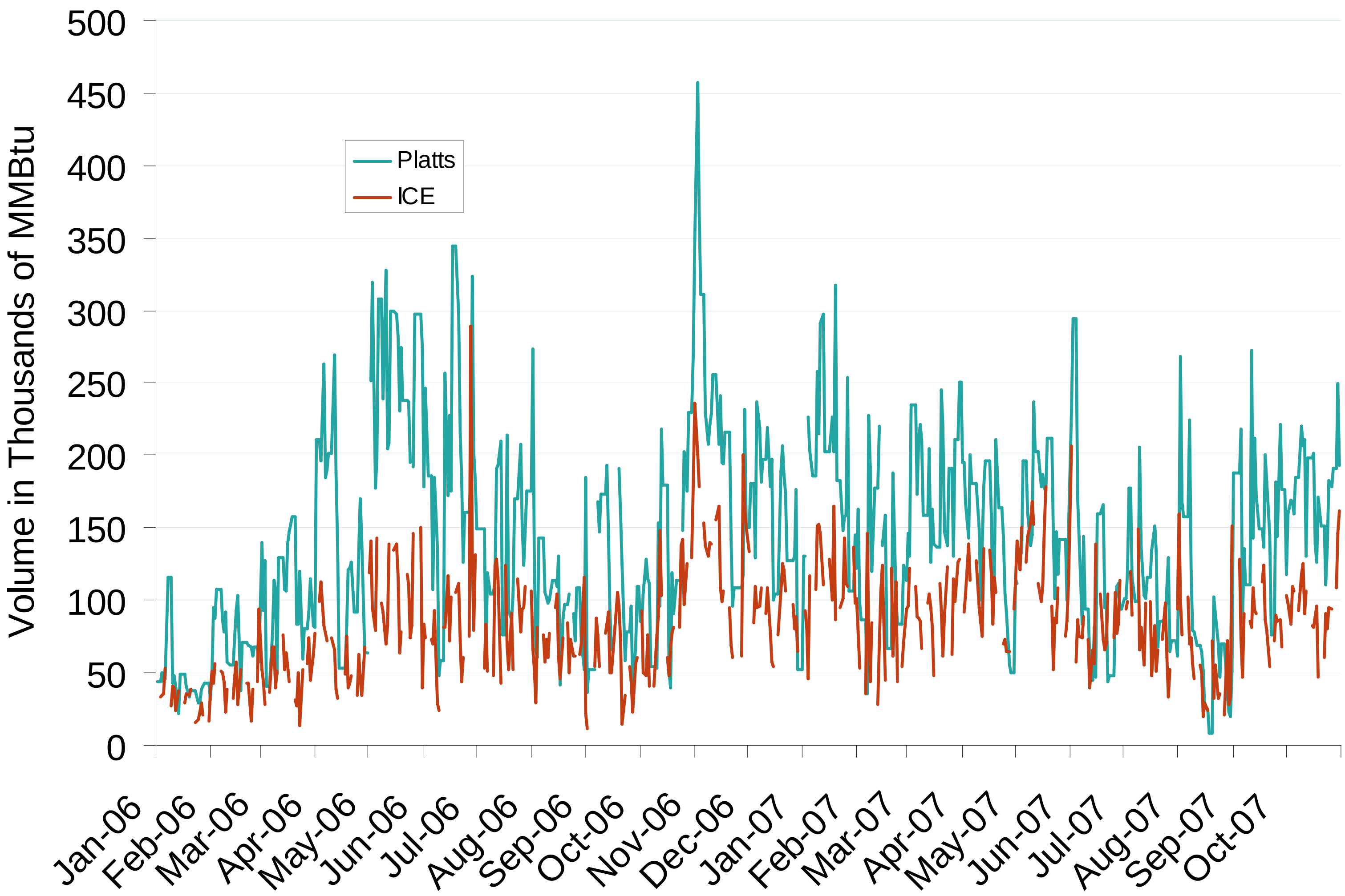
Published and Traded Daily Spot Volumes at Texas Eastern M-1 Kosi

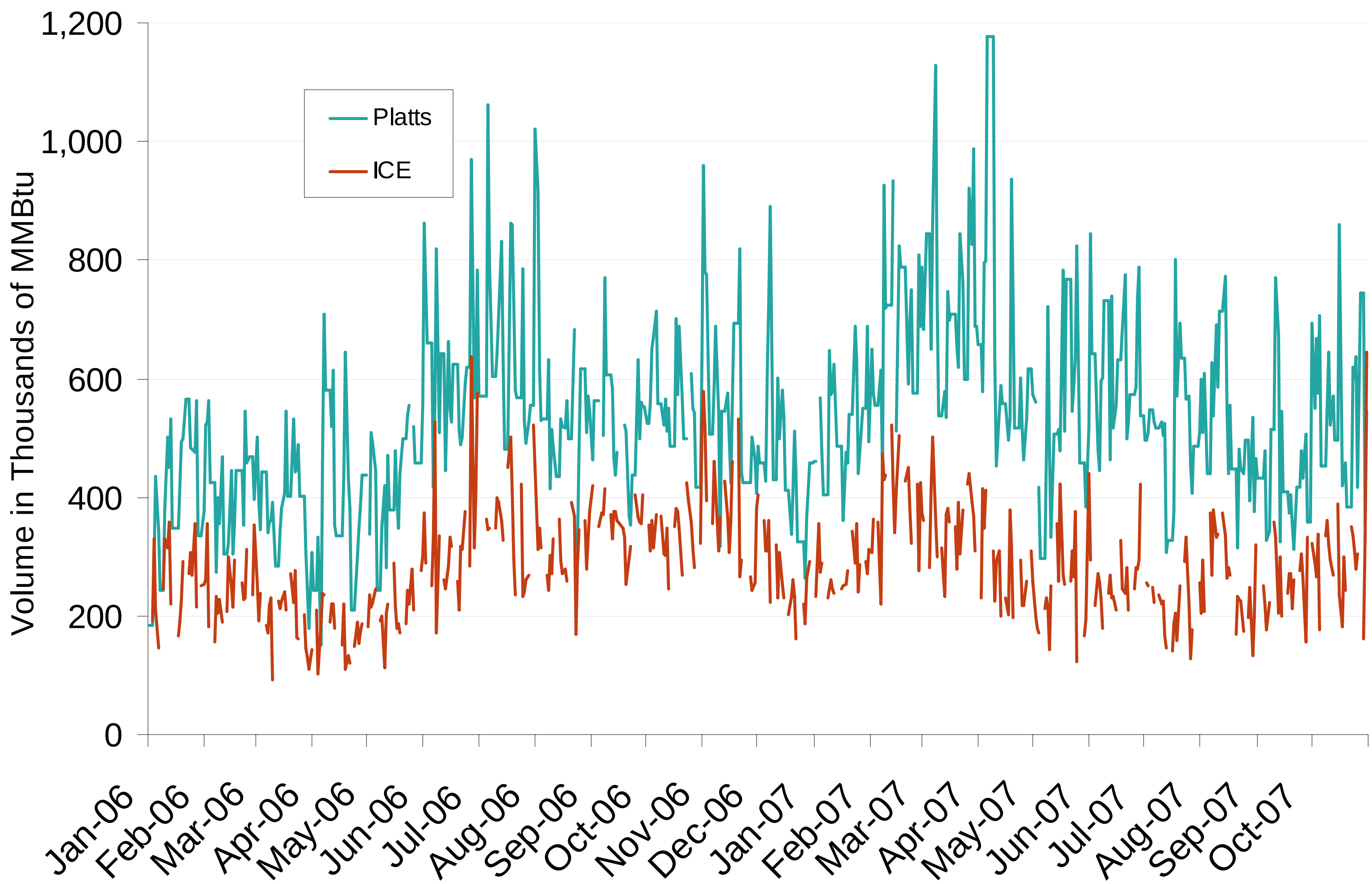


Source: Derived from *Platts* and *ICE* data.

Updated November 2, 2007

2153

Published and Traded Daily Spot Volumes at Transco Zone 3



Source: Derived from *Platts* and *ICE* data.

Updated November 2, 2007

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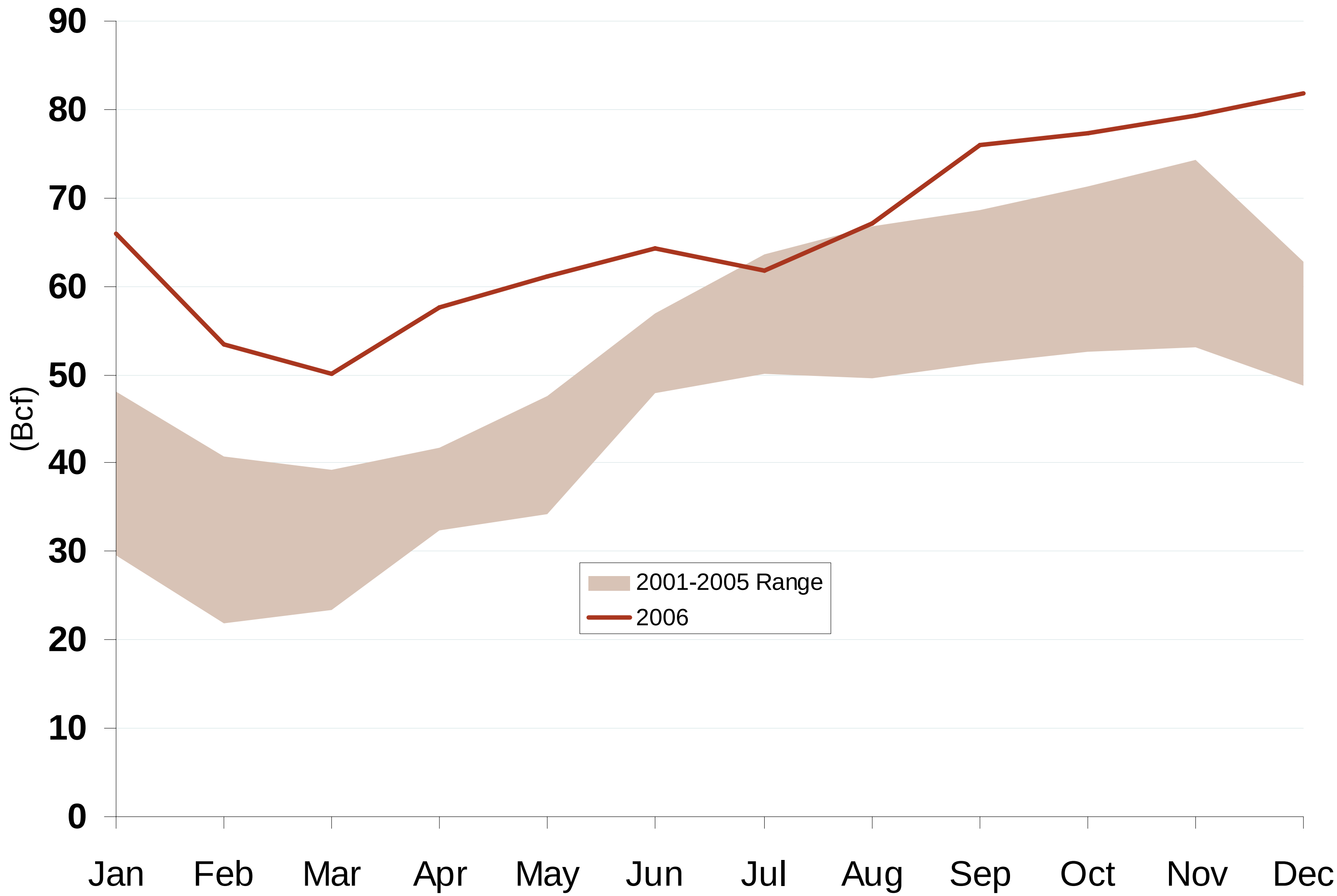
Southeast Regional Storage Inventory Levels



Source: Derived from *EIA* data.

Updated August 9, 2007

2065

Pipeline Projects

Company	Project Name	Capacity (Bcf)	Capital Cost (Millions)+	Status	Year Certificated	State
Dominion Cove Point LNG, LP	Cove Point East Project	445	$43.5	In-Service 04/05	2003	VA-VA
Petal Gas Storage LLC	Petal Gas	600	$0.2	In-Service 04/05	2005	MS
East Tennessee Natural Gas Company	Jewell Ridge Pipeline	235	$53.1	In-Service 10/06	2006	VA-VA
Florida Gas Transmission Company	Phase VII	160	$105.5	Under Construction	2006	FL-FL
Midwest Gas Transmission Company	MGT Eastern Extension	120	$26.3	Approved	2006	TN-TN
Southern Natural Gas Company	Cypress Piepline Project	500*	$321.0	In-Service 05/07	2006	GA-FL
Total		**1,560**	**$549.6**			

Pipeline Projects

* Phase I capacity is 221,000 MMBtu/day. + Capital cost figures are estimates.

Source: FERC Office of Energy Projects.

Updated May 11, 2007

2062

Storage Projects

Storage Projects								
Company	**Project Name**	**Capacity (Bcf)**	**Deliverability (MMcf/d)**	**Capital Cost (Millions)+**	**Status**	**Year Certificated**	**State**
Caledonia Energy Partners, LLC	Caledonia Energy Complex Project	11.7	330	N/A	Under Construction	2005	MS
Freebird Gas Storage, LLC	Freebird Storage	6.1	160	N/A	Under Construction	2005	AL
Gulf South Pipeline Company, LP	Jackson Storage Field Project	2.4	0	$8.6	Approved	2005	MS
SG Resources Mississippi, LLC	Southern Pines Energy Center	12	12,00	N/A	Limited Service 10/06	2006	MS

'+ Capital cost figures are estimates.

Source: FERC Office of Energy Projects. Data as of Dec. 2005.

Updated January 10, 2007

LNG Projects

LNG Projects

Company	**Project Name**	**Capacity (Bcf)**	**Send-out (Bcf/d)**	**Status**	**Year Certificated**	**State**
Bayou Casotte Energy LLC	Casotte Landing LNG (Pascagoula, MS)	10.1	1.3	Filed 09/05	TBD	MS
Gulf LNG Energy, LLC	Port of Pascagoula LNG (Pascagoula, MS	6.8	1.5	Filed 10/05	TBD	MS
Southern LNG, Inc.	Elba Island Terminal	0	0.5	In Service 2/06	2006	GA
Total 2005		**16.9**	**3.3**			

Source: FERC Office of Energy Projects. Data as of Dec. 2005.

Updated January 8, 2007

2064

Natural Gas Consumers by State (2005)

Sector	Residential	Commercial	Industrial	State Total	% of US	% of Region
Alabama	799,256	64,473	2,786	866,515	1%	11%
Florida	656,069	55,479	432	711,980	1%	9%
Georgia	1,770,757	128,117	3,453	1,902,327	3%	24%
Mississippi	439,952	53,846	1,151	494,949	1%	6%
North Carolina	992,906	109,205	2,891	1,105,002	2%	14%
South Carolina	541,523	56,974	1,526	600,023	1%	7%
Tennessee	1,049,032	124,755	2,497	1,176,284	2%	15%
Virginia	1,066,302	90,577	1,402	1,158,281	2%	14%
Regional Total	**7,315,797**	**683,426**	**16,138**	**8,015,361**	**12%**	**100%**
Total US	**63,573,466**	**5,196,428**	**205,217**	**68,975,111**		
% of US	**12%**	**13%**	**8%**	**12%**		
% of Region	**91%**	**9%**	**0%**	**100%**		

Source: Derived from *EIA* data.

Note: Units equal number of consumers.

Updated February 2, 2007

Natural Gas Demand By Sector (2005)

Sector	Residential	Commerical	Industrial	Vehicle Fuel	Electric Power	Other Fuel	State Total	% of US	% of Region
Alabama	41,682	26,658	151,083	116	104,786	30,013	354,338	2%	13%
Florida	16,124	57,690	63,133	727	630,410	10,643	778,727	4%	28%
Georgia	124,459	52,916	154,176	789	72,267	5,708	410,315	2%	15%
Mississippi	24,151	20,611	93,073	28	135,562	27,232	300,657	1%	11%
North Carolina	63,865	47,696	86,821	80	27,009	4,292	229,763	1%	8%
South Carolina	28,537	22,048	74,002	29	45,011	2,427	172,054	1%	6%
Tennessee	66,250	54,264	94,855	116	5,627	9,250	230,362	1%	8%
Virginia	85,355	65,838	73,741	399	66,951	7,703	299,987	1%	11%
Regional Total	**450,423**	**347,721**	**790,884**	**2,284**	**1,087,623**	**97,268**	**2,776,203**	**12%**	**100%**
US Total	**4,806,136**	**3,101,526**	**6,745,835**	**22,265**	**5,869,145**	**1,696,296**	**22,241,203**		
% of US	**9%**	**11%**	**12%**	**10%**	**19%**	**6%**	**12%**		
% of Region	**16%**	**13%**	**28%**	**0%**	**39%**	**4%**	**100%**		

Source: Derived from *EIA* data.

Note: Units equal millions of cubic feet. Other Fuel consists of Lease Fuel, Plant Fuel, and Pipeline & Distribution use. *Updated January 10, 2007*

2101

Natural Gas Production by State

Dry Production	2004	2005	Yearly Change	2005 % of US	2005 % of Region
Alabama	300,888	282,769	-6%	1.6%	68%
Florida	2,505	2,121	-15%	0.0%	1%
Mississippi	131,995	38,615	-71%	0.2%	9%
Tennessee	2,100	2,200	5%	0.0%	1%
Virginia	152,495	88,610	-42%	0.5%	21%
Regional Total	**589,983**	**414,315**	**-30%**	**2.3%**	**100%**
US Total	**18,757,477**	**18,074,237**	**-4%**		
% of US	**3%**	**2%**			

Source: Derived from *EIA* data.

Note: Units are millions of cubic feet.

Updated Jaunary 10, 2007

2102

Natural Gas Storage by Field Type (2005)

Field Type	Salt Dome Fields	Salt Dome Capacity	Aquifers	Aquifers Capacity	Depleted Fields	Depleted Fields Capacity	Total Fields	Total Capacity	% of US Capacity	% of Region	Dry Proved Reserves
Alabama	1	8,300	0	0	1	2,715	2	11,015	0%	6%	3,965,000
Florida	0	0	0	0	0	0	0	0	0%	0%	77,000
Mississippi	3	45,577	0	0	4	105,370	7	150,947	2%	88%	755,000
Tennessee	0	0	0	0	1	1,200	1	1,200	0%	1%	0
Virginia	2	5,618	0	0	1	3,417	3	9,035	0%	5%	2,018,000
Southeast Total	**6**	**59,495**	**0**	**0**	**7**	**112,702**	**13**	**172,197**	**2%**	**100%**	**6,815,000**
US Total	**30**	**250,532**	**44**	**1,350,689**	**320**	**6,667,222**	**394**	**8,268,443**			**204,385,000**
% of US	**20%**	**24%**	**0%**	**0%**	**2%**	**2%**	**3%**	**2%**			**3%**
% of Region	**46%**	**35%**	**0%**	**0%**	**54%**	**65%**	**100%**	**100%**			

Source: Derived from *EIA* data.

Note: Capacity units are millions of cubic feet.

Updated January 10, 2007

2103