

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.

Federal Energy Regulatory Commission • Market Oversight @ FERC.gov

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: 3.5 Tcf annually (or 9.9 Bcf) which makes up 18 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 Bcf

2006: 1.7 Bcf

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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

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.

Focal Points

Florida Prices: The highest day-ahead spot basis values recorded in the eastern half of the country during summer 2006 were often recorded at Florida citygates. Basis values regularly exceeded \$1/MMBtu, especially on days when Florida Gas Transmission issued overage alerts because of concerns about scheduled receipts matching actual gas usage.

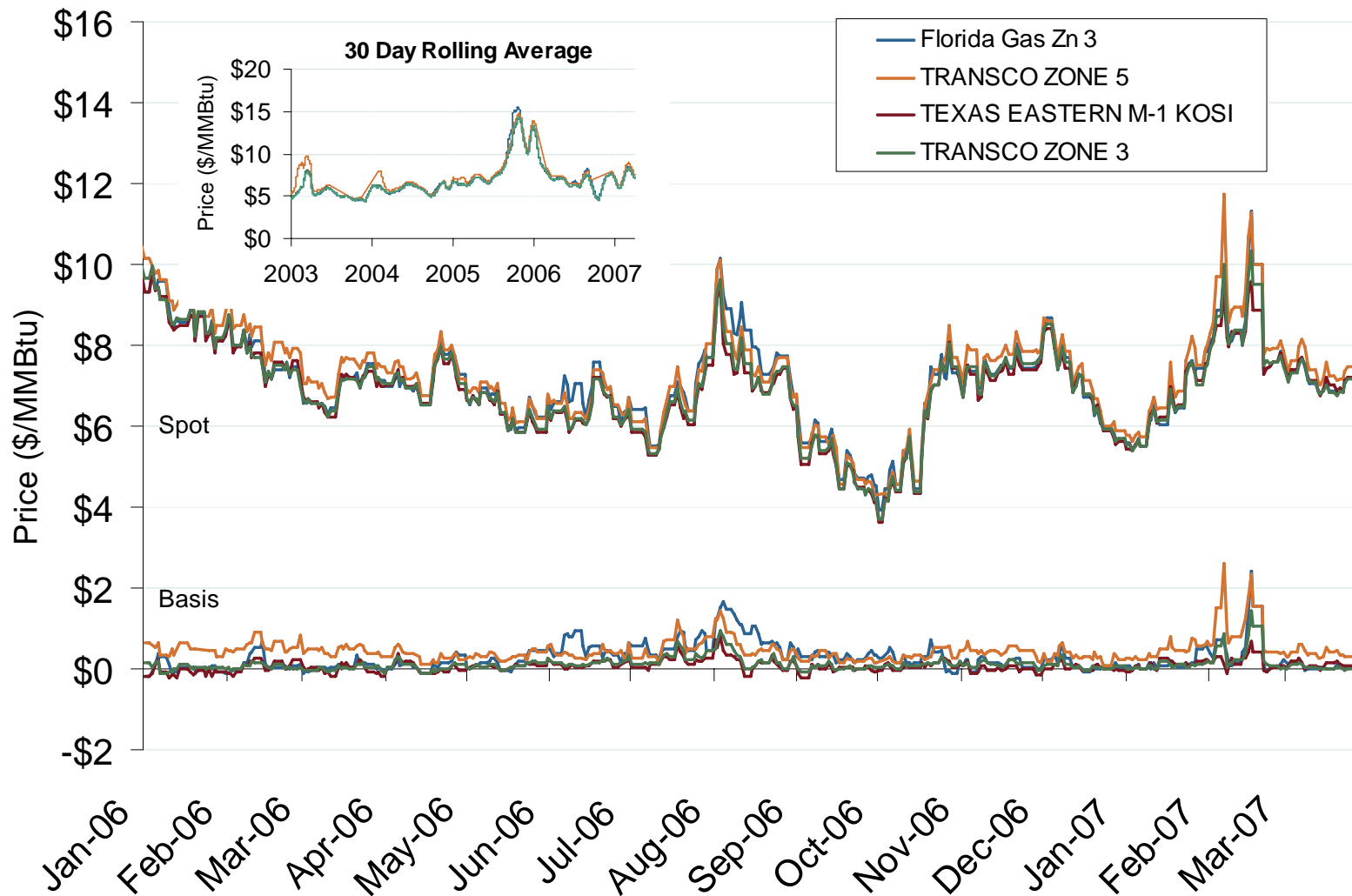
Florida Flows Increase: Available capacity data suggests that increased flows on Gulfstream spurred a 12 percent overall increase in Florida deliveries to 2.4 Bcfd from 2.1 Bcfd. Greater gas usage in Florida stemmed from natural gas prices being less expensive than Gulf Coast residual fuel oil for most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

Yearly Average of DA Hub Prices

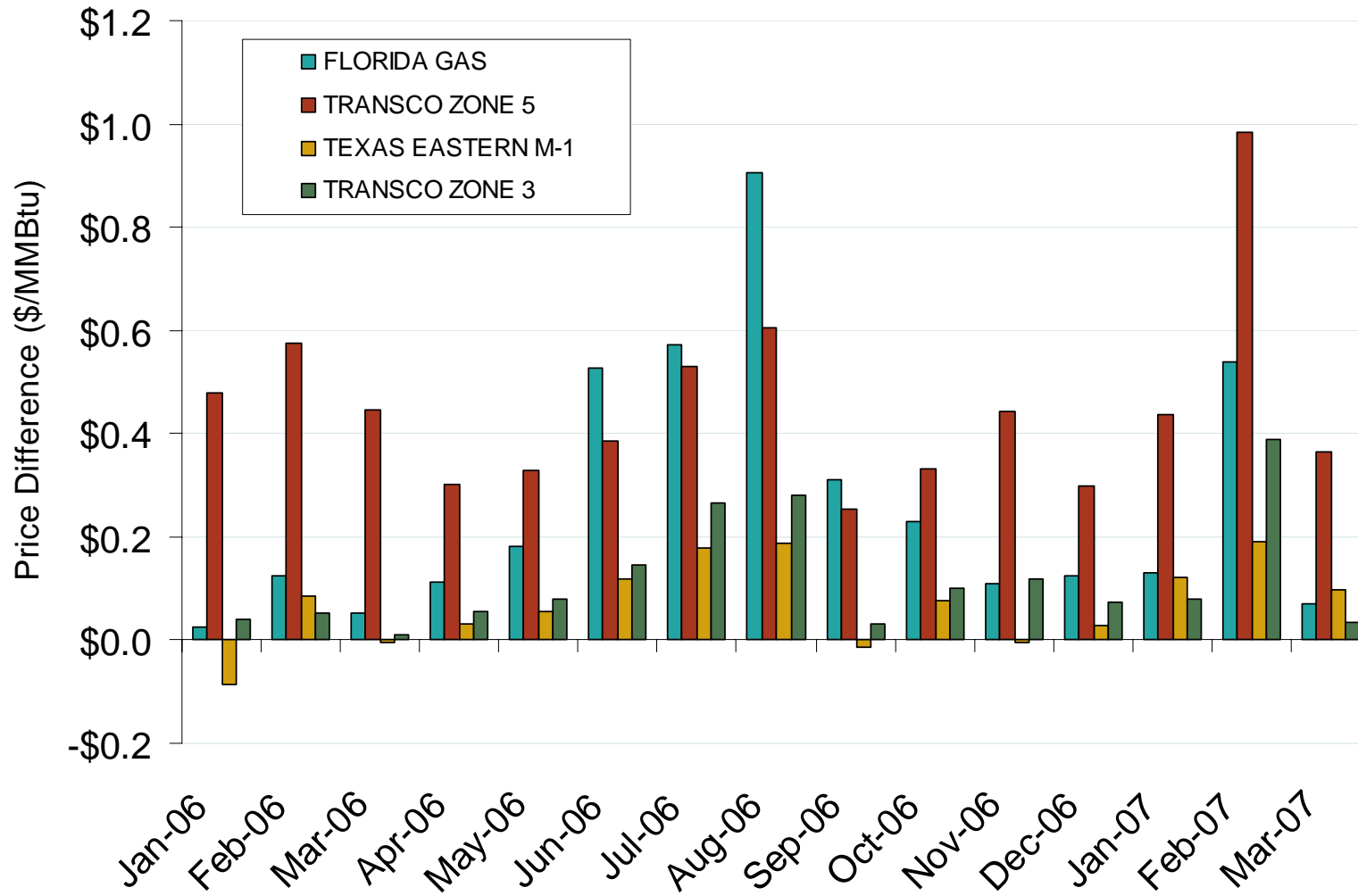
Hub	Prices (\$ per MMBtu)		
	2005	2006	5-Year Average
Texas Eastern M-1 (Kosi)	8.93	6.73	5.76
Transco Zone 3	8.98	6.78	5.74
Transco Zone 4	9.14	6.87	5.79
Florida Gas Zone 3	9.22	6.95	5.80

Southeastern Day-Ahead Hub Spot Prices and Basis



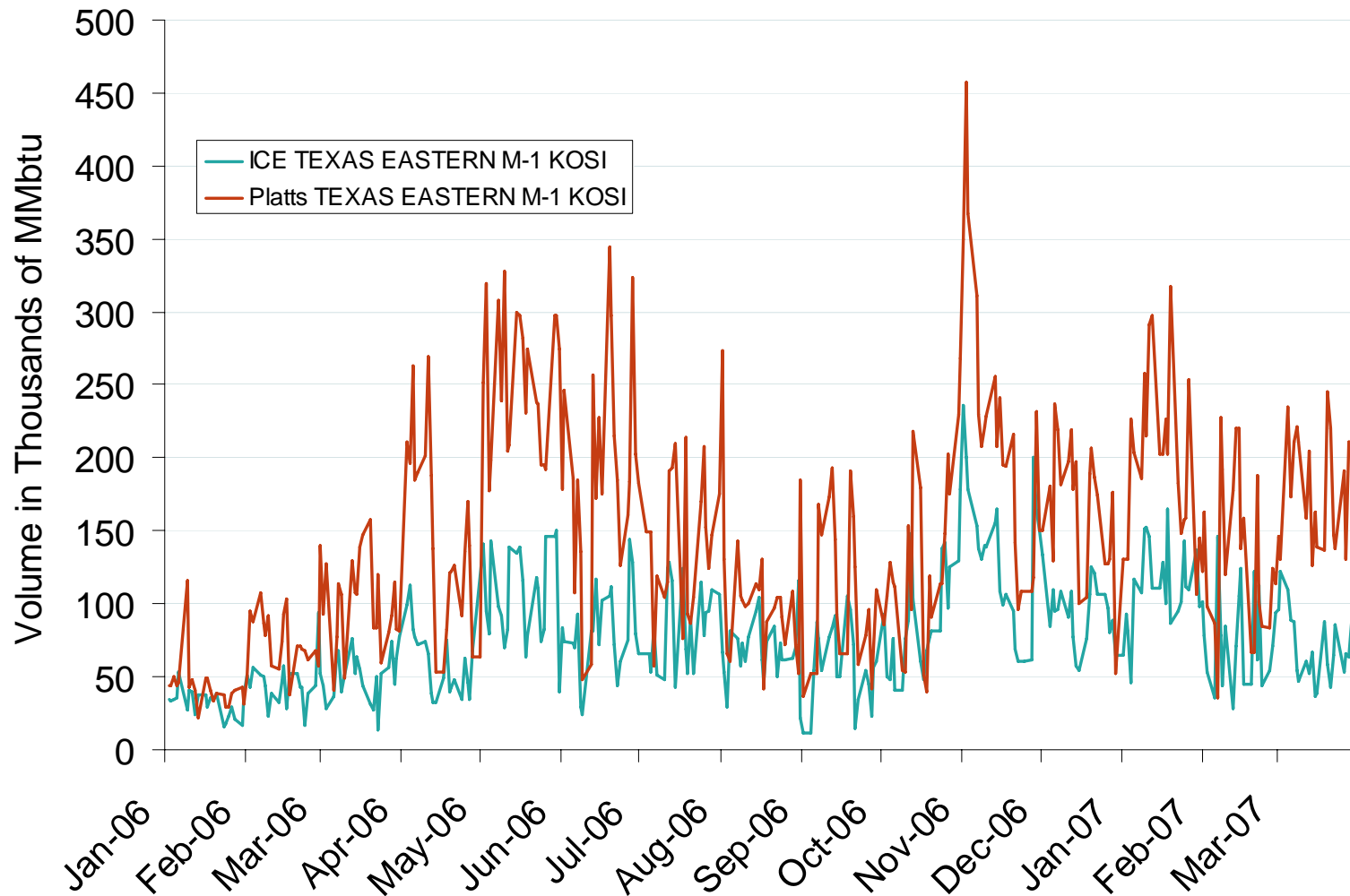
Source: Derived from *Platts* data.

Southeastern Monthly Average Basis Value to Henry Hub



Source: Derived from Platts data.

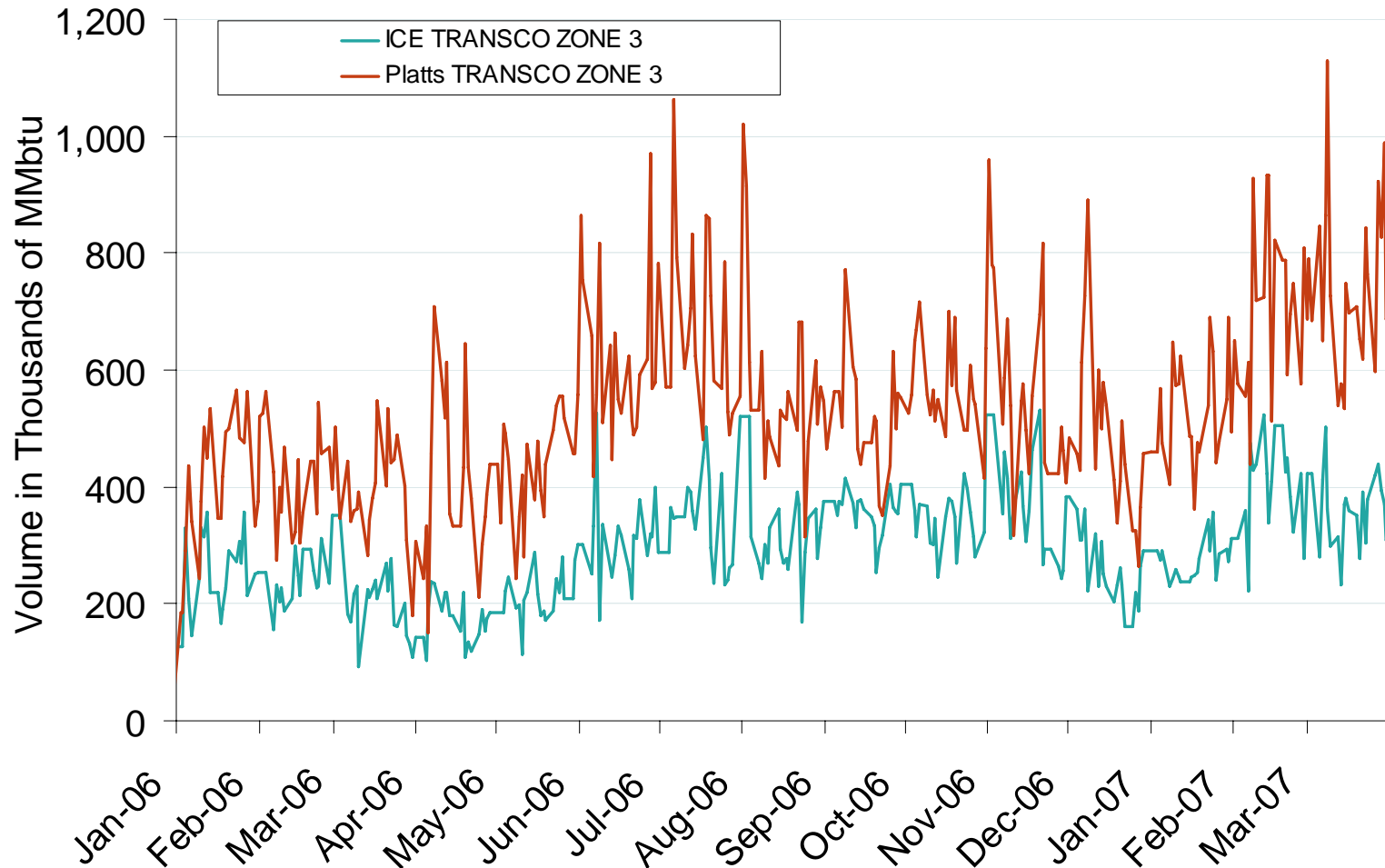
Published and Traded Daily Spot Volumes at Texas Eastern M-1 Kosi



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

Corrected May 7, 2007

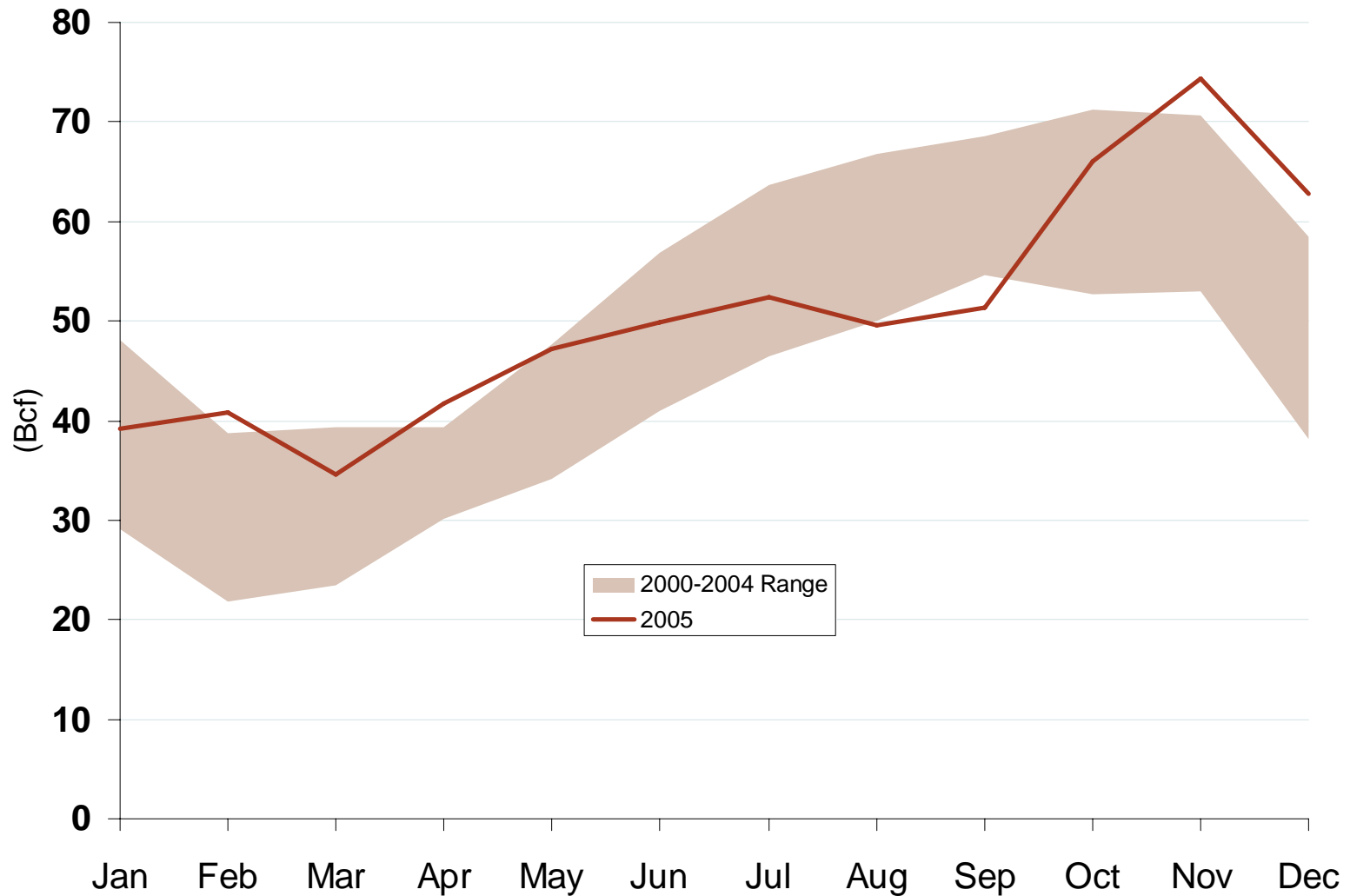
Published and Traded Daily Spot Volumes at Transco Zone 3



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

Corrected May 7, 2007

Southeast Regional Storage Inventory Levels



Source: Derived from EIA data. Complete 2006 data not yet available.

Updated January 10, 2007

Pipeline Projects

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 Pipeline Project	500	\$321.0	Under Construction	2006	GA-FL
Total		2,060	\$549.6			

+ Capital cost figures are estimates.

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.

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			

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.

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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.

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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