



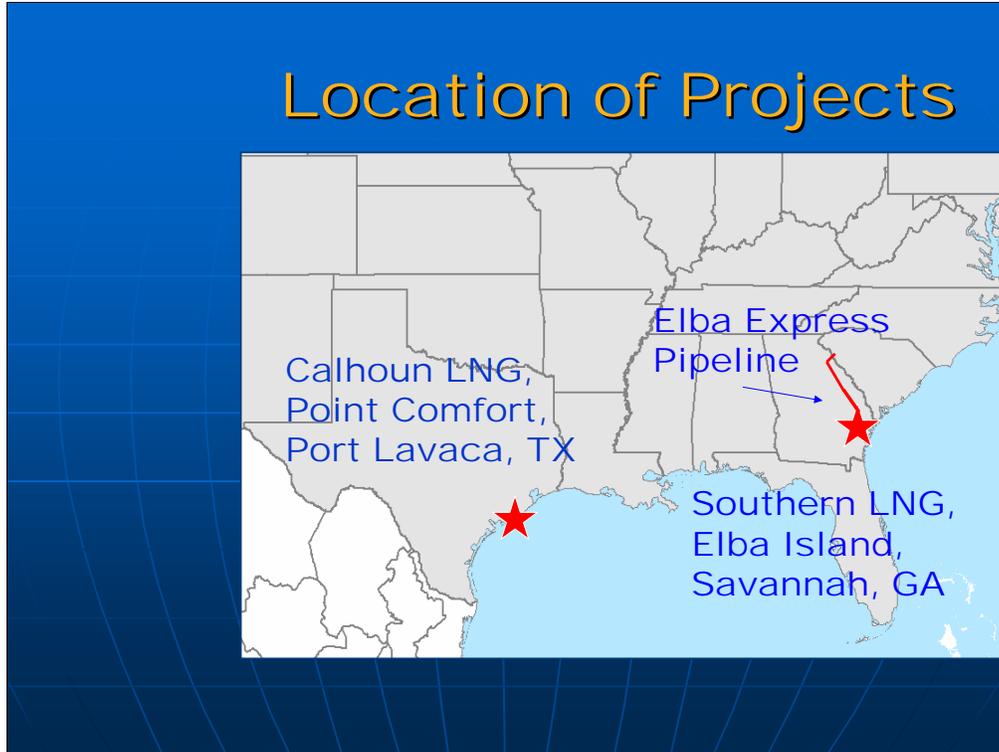
Elba and Calhoun Projects LNG Update

Item Nos.: C-4 & C-5
September 20, 2007

Good morning Mr. Chairman and Commissioners,

This morning I have a brief over view of items C-4 and C-5, two LNG proposals and then Jeff Wright of OEP will follow with a summary of the current LNG situation in the United States.

Location of Projects



The draft Order in item C-4 would authorize an expansion of the existing Elba Island LNG terminal near Savannah, Georgia which is operated by Southern LNG.

The draft Order would also authorize Elba Express Company, a subsidiary of Southern Natural, to construct and operate 189 miles of new 42-inch and 36-inch-diameter pipeline from a point near the Elba Island terminal to interconnections with Southern Natural in Georgia and Transcontinental Gas Pipeline Corporation in Georgia and South Carolina.

The Draft Order in item C-5 would authorize Calhoun LNG's request to construct and operate a new LNG import terminal at the Port of Port Lavaca and Point Comfort in Calhoun County, TX.

The draft Order also would authorize Point Comfort Pipeline Company's request to construct and operate about 27 miles of 36-inch-diameter send-out pipeline extending from the LNG terminal to a point approximately three miles southwest of Edna, TX.

Combined, these projects represent an increase in LNG regasification capacity of nearly two billion cubic feet per day or Bcf per day.

Elba III Project Components

- Elba III Terminal Expansion (Southern LNG)
- New Pipeline and Compressor Station (Elba Express)
- Transfers of Pipeline Capacity (Southern Natural Gas and Elba Express)

The proposed expansion of the Elba Island facility, known as the Elba III Project, is comprised of three main components:

The expansion of the Elba LNG terminal by Southern LNG; a new greenfield pipeline named the Elba Express; and transfers of pipeline capacity between Southern Natural and Elba Express.

Southern LNG would expand the deliverability of the LNG terminal by an additional 0.9 Bcf per day. The expansion, which would be accomplished by adding two additional storage tanks and vaporization equipment, would be accomplished in two phases.

In the first phase, Southern LNG proposes to construct a new 200,000 cubic meter storage tank and increase regasification capacity by 0.4 Bcf per day with an in-service date of 2010. In addition, Southern proposes to modify its existing unloading docks to accommodate larger LNG ships and to facilitate the simultaneous unloading of two LNG ships.

In the second phase, Southern LNG proposes to construct another 200,000 cubic meter storage tank and increase its regasification capacity by about 0.5 Bcf per day with an in-service date of December 2012.

Elba Express, the Southern Natural subsidiary, proposes to construct 189 miles of pipeline from Port Wentworth, GA to interconnections with Southern at Wrens, Georgia and Transco in Hart Co, GA and Anderson Co, SC with a transportation capacity of nearly 1 Bcf per day. This would coincide with the first phase of the Elba terminal expansion.

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In the second phase, Elba Express proposes to construct 10,000 hp of compression to provide an additional 230,000 cubic feet per day of capacity for a total of 1.175 Bcf per day to the interconnections with Southern and Transcontinental. In addition, the draft Order authorizes Southern Natural to transfer an undivided ownership interest to Elba Express of up to 1.175 Bcf per day of capacity and acquire an ownership interest of 0.5 Bcf per day in the Elba Express pipeline that extends from Port Wentworth to Rincon, Ga.

Calhoun Project Components

- New LNG Import Terminal
- New Send-Out Pipeline

The draft Order in item C-5, authorizes Calhoun LNG to construct a new LNG terminal at the Port of Port Lavaca and Point Comfort in Calhoun County, TX and authorizes Point Comfort Pipeline to construct a new 27-mile-long pipeline from the tailgate of the terminal to a point approximately three miles southwest of Edna, Texas. The terminal and pipeline would have the capacity to deliver one billion cubic feet of regasified LNG per day.

The marine terminal will be constructed on dredged material owned by the Calhoun County Navigation District and will be designed to accommodate 120 LNG vessels per year.

Point Comfort's 27-mile-long pipeline will interconnect with two local industries, four intrastate pipelines and five interstate pipelines and will be co-located with other utility rights-of-way for approximately 90 percent of its length.

The draft Order requires Calhoun and Point Comfort to construct and place the facilities in service within five years of the date of the Order.

I would note that the Calhoun proposal, which was filed in March of 2005, is the last LNG project to be authorized that has not gone through the Commission's Pre-filing process.

LNG Safety and Reliability – Compliance Requirements

- Elba III Order - 30 facility engineering conditions.
- Calhoun Order - 62 facility engineering conditions.
- No site preparation allowed until Hazard Detection and Control Plans and Emergency Response and Cost-Sharing Plans are approved.

As with all LNG proposals, safety and reliability were a major focus of the analyses.

The Elba III Draft Order contains 30 engineering, safety, and reliability related conditions. The Calhoun Draft Order, which approves a new site for an LNG terminal, contains 62 engineering, safety, and reliability conditions.

For instance, Southern LNG and Calhoun would not be cleared to begin site preparation work until their Hazard Detection and Control Plans as well as their Emergency Response and Cost-Sharing Plans have been approved.

LNG Safety and Reliability - Inspections

- Engineering and environmental inspections every 8 weeks during construction.
- No operation allowed until completion of Commissioning inspection.
- Annual inspections after in-service.

Further, the staff will also undertake a robust inspection program that would continue throughout the life of the project.

Engineering and environmental inspections will take place at each LNG project at least every 8 weeks during construction.

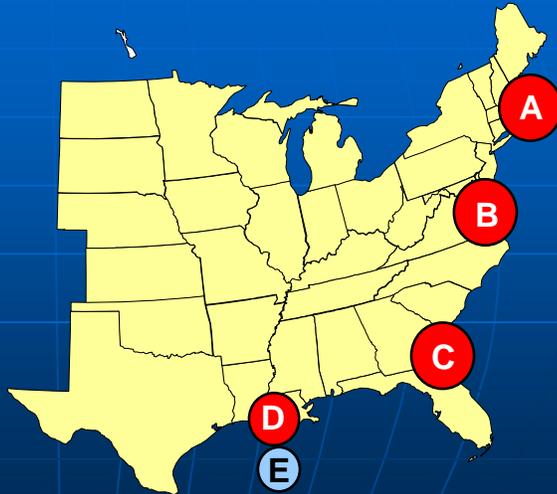
After construction is complete, a commissioning inspection will be conducted to ensure that all conditions are met. If so, operation of the terminals would be approved.

And after the facilities are placed in service, FERC staff would continue to conduct annual inspections of the facilities for the life of the projects.

That concludes my portion of the presentation and now, Jeff Wright will review the current status of LNG in the United States.

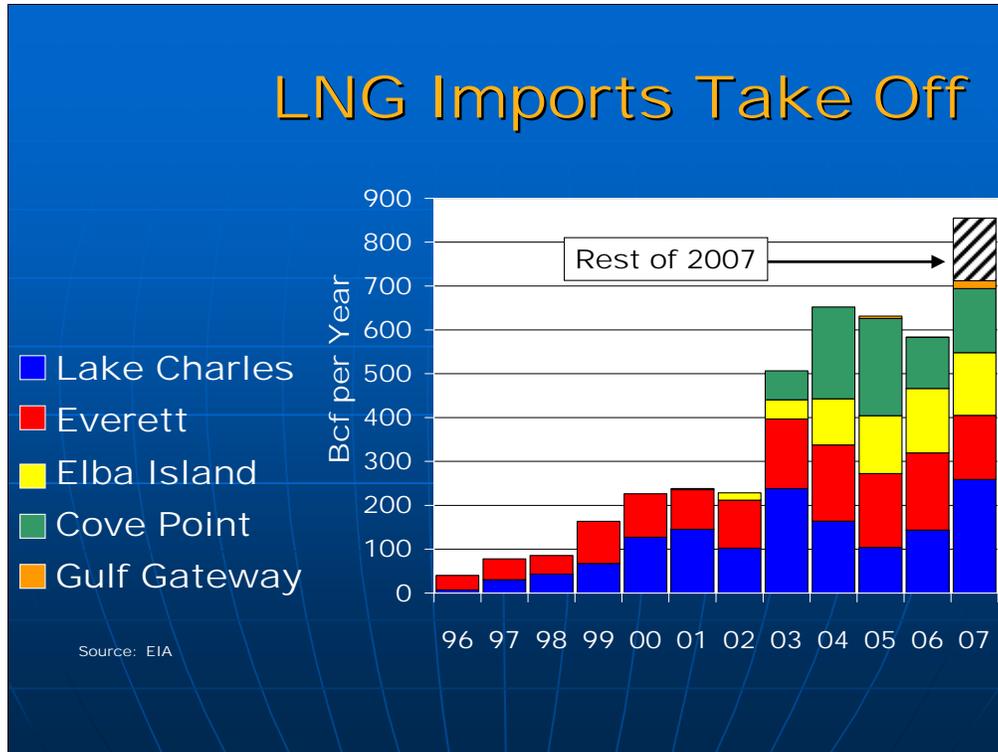
U.S. Regasification Terminals

- A – Everett, MA
- B – Cove Point, MD
- C – Elba Island, GA
- D – Lake Charles, LA
- E – Gulf Gateway



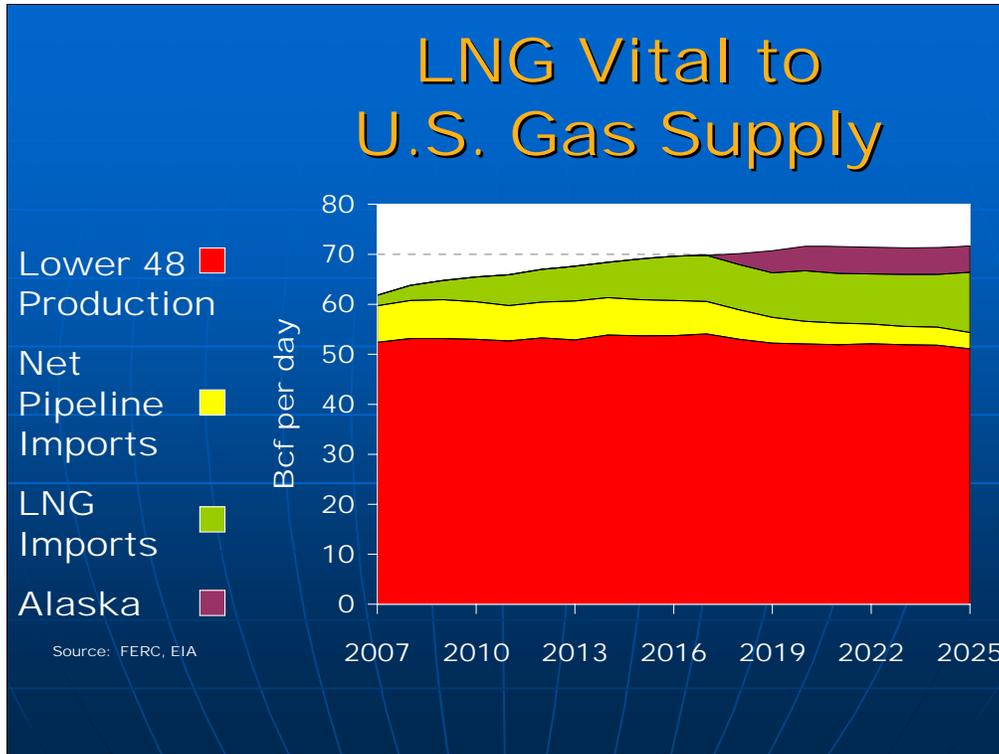
Good morning, Chairman and Commissioners. I would like to give you an update on the status of liquefied natural gas in the U.S. This slide gives you a quick look at the five existing regasification terminals in Everett, Massachusetts; Cove Point, Maryland; Elba Island, Georgia; Lake Charles, Louisiana; and offshore Louisiana.

LNG Imports Take Off

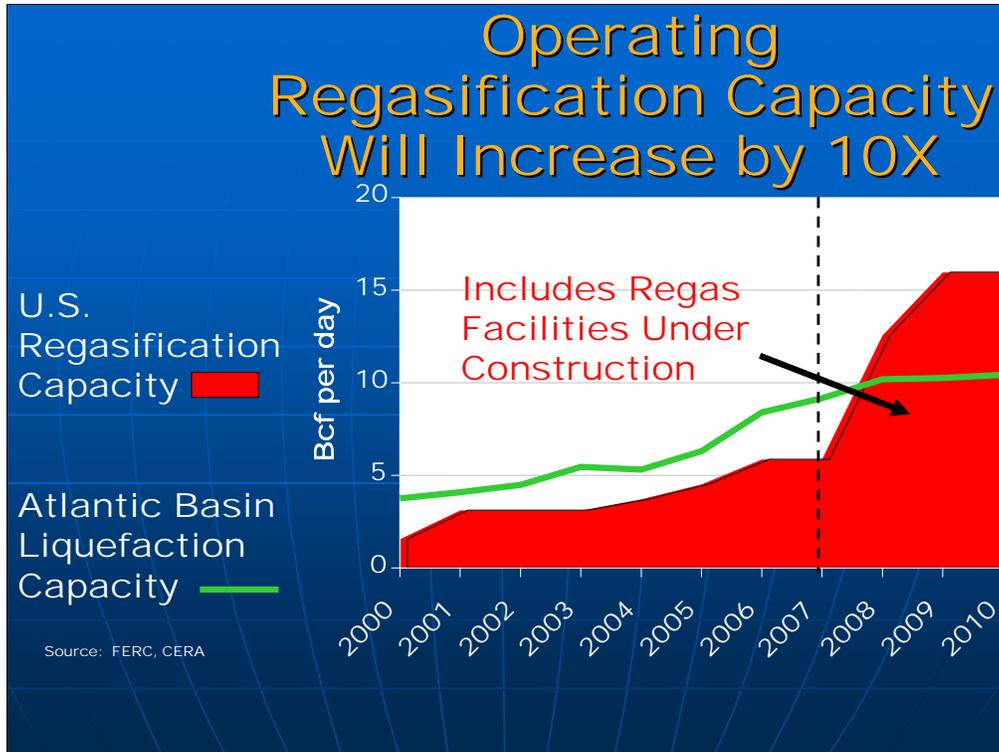


Here we see the rapid growth in LNG imports into the U.S. In 1996, the U.S. imported 40.3 Bcf of LNG at two terminals – Lake Charles and Everett – an average of just over a tenth of a Bcf per day. This represented less than two-tenths of a percent of the U.S. gas supply that year. There was moderate growth until about 2002 when the import level more than doubled in 2003. Then LNG imports moderated again until this year. By the end of September, LNG imports are expected to exceed last year's totals by 22 percent. And the Energy Information Administration of the Department of Energy estimates that the U.S. will import another 143 Bcf of LNG before the end of the year – a record setting total of 855 Bcf, an 47 percent increase over 2006. This amounts to a daily average of over 2.3 Bcf or almost 4 percent of U.S. gas supply. This growth will continue in 2008 as EIA projects a 20 percent increase in LNG imports over 2007 to just over 1 trillion cubic feet or 2.8 Bcf per day – 4.5 percent of the U.S. gas supply.

This year, over 550 Bcf of LNG was delivered from March through August. This translates to an average import level of 3 Bcf per day over this six month period. On some individual days, LNG imports approached 4 Bcf. This surge of LNG imports can be attributed to at least two factors: higher gas price levels in the U.S. vis-à-vis the rest of the world over this time period and the U.S.' enormous storage capacity. In essence, the U.S. can take advantage of world price differentials, even when the gas is not immediately needed, by placing it in underground storage.



The previous slide showed the growth in LNG as a component of the U.S. gas supply, but will this trend continue? The answer is that it must in order to meet demand. This chart shows the expected contribution of domestic production represented by Lower 48 production and Alaskan production, net pipeline imports, and LNG imports. Domestic production is only expected to increase at an annual rate of 0.4 percent from 2007 to 2025. Net pipeline imports which include imports from Canada will fall at an annual rate of -4.35 percent over the same time period. Finally, LNG imports are expected to grow at an annual rate of 10.2 percent, comprising 17 percent of U.S. gas supply. This need for LNG in the U.S. could actually increase if the expected volumes from Alaska to the Lower 48 do not materialize.



This slide depicts the rise in regasification capacity in the Lower 48 states since the beginning of the decade to the present and the projected increases in regas capacity through the end of the decade. We've seen expansions at the existing LNG terminals in Everett, Cove Point, Elba Island, and Lake Charles. In addition, a new deepwater LNG terminal 116 miles from the Louisiana coast – known as Gulf Gateway – commenced service in March 2005. Over this time period, operating regasification capacity has increased from a little over 1.5 billion cubic feet per day to almost 6 billion cubic feet per day; a four-fold increase in capacity.

Substantial increases in regasification capacity are on tap for the remainder of the decade. Currently, there are four new LNG regasification terminals under construction: Freeport LNG in Freeport, Texas; Sabine Pass LNG in Sabine, LA ; Cameron LNG in Hackberry, LA and Golden Pass LNG in Sabine, Texas. In addition, expansions of the Sabine Pass LNG terminal and at the existing Cove Point terminal in Maryland are under construction. These new and expanded terminals will add 6.7 Bcf per day of regasification capacity in 2008 and an additional 3.4 Bcf per day in 2009. All told this is an increase of 10.1 Bcf per day of regasification capacity in the next two years. So, by the end of the decade, the U.S. will see its LNG regasification capacity increase by ten times the amount that was available in 2000.

At the same time, liquefaction capacity increase in the Atlantic Basin will almost triple to just over 10 Bcf per day. While U.S. regasification capacity is expanding faster than liquefaction capacity, this capacity should enable the U.S. to take further advantage of situations where the price differential favors exporters bringing LNG to the U.S.

That concludes our presentation. We will be happy to answer any question you may have.