



Progress Energy

ORIGINAL

JAMES A. MCGEE
ASSOCIATE GENERAL COUNSEL
PROGRESS ENERGY SERVICE CO., LLC

May 7, 2003

VIA HAND DELIVERY

Ms. Blanca S. Bayó, Director
Division of the Commission Clerk
and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

RECEIVED - FPSC
03 MAY -7 PM 2:20
COMMISSION
CLERK

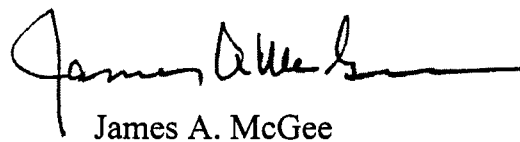
Re: Docket No. 030001-EI; **Request for Confidential Classification.**

Dear Ms. Bayó:

Enclosed for filing in the subject docket on behalf of Progress Energy Florida, Inc., formerly Florida Power Corporation, is an original and ten copies of its Request for Confidential Classification. Also enclosed is a sealed envelope containing the documents subject to the Request, with the confidential information highlighted. **This document should be held as Confidential Information in accordance with Rule 25-22.006, F.A.C.** A public copy of the document in which the confidential information has been redacted is attached to the Request.

Please acknowledge your receipt of the above filing on the enclosed copy of this letter and return to the undersigned. A 3½ inch diskette containing the above-referenced Request in WordPerfect format is also enclosed. Thank you for your assistance in this matter.

Very truly yours,


James A. McGee

JAM/scc
Enclosures

cc: Parties of record

RECEIVED & FILED


FPSC-BUREAU OF RECORDS

DOCUMENT NUMBER - DATE
04143 MAY -7 03
FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Fuel and Purchased Power Cost
Recovery Clause and Generating
Performance Incentive Factor.

Docket No. 030001-EI

Submitted for filing:
May 7, 2003

REQUEST FOR CONFIDENTIAL CLASSIFICATION

Progress Energy Florida, Inc., formerly Florida Power Corporation, (Progress Energy or the Company), pursuant to Section 366.093, F.S., and Rule 25-22.006, F.A.C., hereby requests confidential classification of the highlighted information on the audit workpapers contained in the sealed envelope enclosed with this request, which Progress Energy provided to the Commission's auditors in response to a Staff document request. In support of this request for confidential classification, Progress Energy states as follows:

Background

1. During the course of the Staff audit regarding Progress Energy's fuel transportation costs for 2002 (Audit Control No. 03-045-2-1), the Staff auditors requested, and Progress Energy and its affiliated coal supplier, Progress Fuels Corporation (PFC) provided, numerous documents for review. A number of these documents containing sensitive competitive information regarding PFC's coal procurement and transportation operations were identified by Progress Energy as confidential on the document request forms (Form PSC/AFA 6 (2/95)).

2. During the audit exit conference on April 16, 2002, the Staff auditors provided Progress Energy with a copy of those documents previously identified by the Company as confidential that they intended to retain as audit workpapers¹ (the Audit Workpapers or Workpapers), which initiated the 21-day period for requesting confidential classification provided for in Commission Rule 25-22.006(3)(a)2. Accordingly, Progress Energy submits this request in order to maintain the confidentiality of the highlighted information on the Audit Workpapers contained in the enclosed envelope, which have been labeled for identification and reference as Workpaper Sheets WP-1 through WP-24. A public version of the Workpapers, with the confidential information redacted, is attached to each filed copy of this Request. Progress Energy waives any claim of confidentiality with respect to all other documents identified as confidential on the above-referenced document request forms.

Justification for Confidential Classification

3. Subsection 366.093(1), F.S., provides that any records “found by the commission to be proprietary confidential business information shall be kept confidential and shall be exempt from s. 119.07(1) [requiring disclosure under the Public Records Act].” Proprietary confidential business information includes, but is not limited to, “[i]nternal auditing controls and reports of internal auditors” (subsection 366.093(3)(b)), “[i]nformation concerning . . . contractual data, the disclosure of which would impair the efforts of the public utility or its affiliates to

¹ The Staff auditors also provided Progress Energy with a copy of several draft audit disclosures, one of which (draft Disclosure No. 2) contains information derived from the confidential workpapers. This draft audit disclosure has therefore been highlighted and included in the sealed envelope with the other material for which confidential classification is sought by this request.

contract for goods or services on favorable terms” (subsection 366.093(3)(d)); and “[i]nformation relating to competitive interests, the disclosure of which would impair the competitive business of the provider of the information” (subsection 366.093(3)(e)). The designated portions of the Audit Workpapers fall within these statutory categories and, thus, constitute proprietary confidential business information entitled to protection under Section 366.093 and Rule 25-22.006.

4. Specifically, disclosure of the highlighted information on Workpaper Sheets WP-1 through WP-10 would provide PFC’s existing and potential coal suppliers with its waterborne transportation market proxy price directly, and would also provide these suppliers with the weighting factors for the market proxy’s annual adjustment indices or the information needed to calculate these weighting factors, which would allow them to determine PFC’s current and future market proxy prices indirectly. With this knowledge of PFC’s waterborne transportation prices, coupled with publicly available delivered prices of waterborne coal, these suppliers could readily determine the FOB mine price of the coal purchased by PFC, thereby giving them a significant competitive advantage in bidding for PFC’s future coal purchases. Because of this competitive advantage, the suppliers would be able to avoid bidding their lowest price and instead simply undercut PFC’s existing price. As a result, PFC, Progress Energy, and ultimately its customers would incur higher fuel costs than if PFC’s suppliers were not forearmed with this sensitive and competitively valuable information.

5. The highlighted information on Staff’s draft audit Disclosure No. 2, Workpaper Sheet WP-11, provides sensitive information regarding the previously undisclosed version of the published indices used by PFC and the Company to

calculate the annual adjustments to the waterborne transportation market proxy, as well as a description of the comparison made by the Staff auditors between these annual adjustments and the adjustments that would have resulted if a different version of the published indices had been used. This information would enable PFC's existing and potential coal suppliers to iteratively calculate, *i.e.*, "back in to", the weighting factors for the market proxy's annual adjustment indices, which, in turn, would allow them to determine PFC's current and future market proxy prices. As described in paragraph 4 above, these suppliers could then determine the FOB mine price of the coal purchased by PFC, which would give them a significant competitive advantage in bidding for PFC's future coal purchases and result in higher fuel costs incurred by PFC, Progress Energy, and ultimately its customers.

6. This sensitive coal transportation and supply information and the justification for according it confidential treatment are virtually identical to that routinely provided by Progress Energy and approved by the Commission in the Company's Request For Confidential Classification of the monthly FPSC Form 423.

7. The highlighted information on Workpaper Sheets WP-12 through WP-24 constitutes the reports of the Company's internal auditors, and is therefore entitled to protection from disclosure pursuant to subsection 366.093(3)(b), F.S., described above.

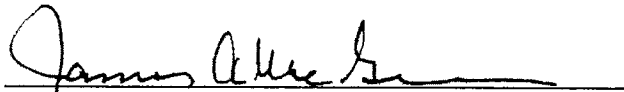
8. The designated information for which confidential classification is sought by this Request is intended to be and is treated by the Company as private and has not been publicly disclosed.

Duration of Confidential Classification

9. Progress Energy requests an 18-month confidentiality period, consistent with Rule 25-22.006 (9)(a), F.A.C. In addition, Progress Energy asks that the Audit Workpapers be returned to the Company when the Commission no longer needs the information to conduct its business, in accordance with Rule 25-22.006 (9)(b), F.A.C.

WHEREFORE, Progress Energy requests that the highlighted information in the Audit Workpapers enclosed herewith be accorded confidential classification for the reasons set forth above.

Respectfully submitted,



James A. McGee
Associate General Counsel
Progress Energy Service Company, LLC
Post Office Box 14042
St. Petersburg, FL 33733-4042
Telephone: (727) 820-5184
Facsimile: (727) 820-5519

Attorney for
PROGRESS ENERGY FLORIDA, INC.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the foregoing has been furnished to the following individuals by regular U.S. Mail the 8th day of May, 2003:

Wm. Cochran Keating, IV, Esquire
Senior Attorney
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

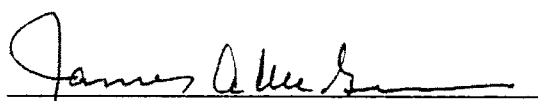
Robert Vandiver, Esquire
Office of the Public Counsel
c/o The Florida Legislature
111 West Madison Street, Room 812
Tallahassee, FL 32399-1400

Lee L. Willis, Esquire
James D. Beasley, Esquire
Ausley & McMullen
P.O. Box 391
Tallahassee, FL 32302

John T. Butler, Esquire
Steel, Hector & Davis
200 S. Biscayne Blvd., Suite 4000
Miami, Florida 33131

Jeffrey A. Stone, Esquire
Beggs & Lane
P. O. Box 12950
Pensacola, FL 32576-2950

Vicki Gordon Kaufman, Esquire
McWhirter, Reeves, et al.
117 S. Gadsden Street
Tallahassee, FL 32301



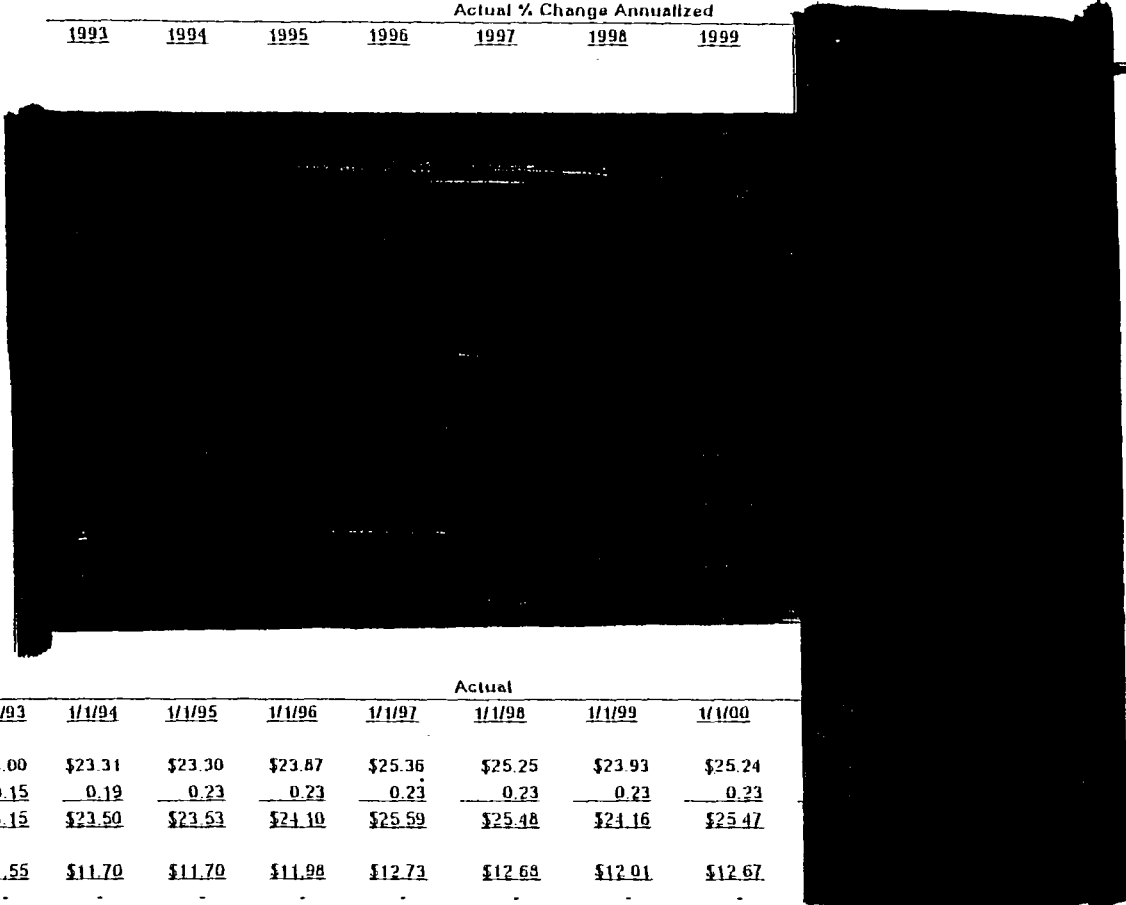
Attorney

CONFIDENTIAL

ELECTRIC FUELS CORPORATION
 Annual Market Price Adjustment
 Fourth Amendment to the Coal Supply
 Agreement between EFC and FPC

02/24/03
 01:51 PM
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Component	Reference	Actual % Change Annualized						
		1993	1994	1995	1996	1997	1998	1999
FIXED								
CPI-U	Bureau of Labor Statistics CPI-Table 1							
RCAF-U	Association of American Railroads forecast (AAR) ICC approved (ICC)							
PPI-All Commodity	Bureau of Labor Statistics PPI-Table 6							
AHE-Total Private	Bureau of Labor Statistics Employment & Earnings Avg Hourly Earnings, Table 7							
PPI-#2 Diesel Fuel	Bureau of Labor Statistics PPI-Table 6, 0573-03							
TOTAL WEIGHTED % CHANGE								



	Actual								
	1/1/93	10/1/93	1/1/94	1/1/95	1/1/96	1/1/97	1/1/98	1/1/99	1/1/00
River: WWU Tax	\$23.00	\$23.00	\$23.31	\$23.30	\$23.87	\$25.36	\$25.25	\$23.93	\$25.24
	0.05	0.15	0.19	0.23	0.23	0.23	0.23	0.23	0.23
	\$23.05	\$23.15	\$23.50	\$23.53	\$24.10	\$25.59	\$25.48	\$24.16	\$25.47
Offshore Component =====>	50.2%	\$11.55	\$11.55	\$11.70	\$11.70	\$11.98	\$12.73	\$12.01	\$12.67

Each annual percent change shall be weighted and then added together.

10-5A
 P3
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Progress Energy Florida, Inc.
Audit Docket 020001-EI
Response to Audit Document Request No. 5B
Date of Request: 03/13/03
Date of Response: 03/14/03

1. Please state who agreed to the use of the Bureau of Labor Statistics "Advance" rates, rather than the Preliminary or Final, for the calculation of the benchmark price escalation each year.

Response:



2. Please provide access to the record by year of the calculations made by Progress Energy Florida/Florida Power Corp and/or Progress Fuels Corp/Electric Fuels Corp for the five specific indexes which compose the benchmark escalation factor by year. Please include the weight assigned to each specific index for purposes of calculating the composite index.

Response:

Please see attachments A through H, which are all marked "Confidential". Attachments A through G provide monthly indexes from January 1996 through December 2002. Attachment H provides the percentage change in each applicable index as monthly data is no longer available.

ELECTRIC FUELS CORPORATION
Average Indices - FPC Waterborne Rate
2003 Rate

CONFIDENTIAL

Waterborne rate estimated based upon YTD average indices.

	Jan-02	Feb-02	Mar-02	Apr-02	May-02	Jun-02	Jul-02	Aug-02	Sep-02	Oct-02	Nov-02	Dec-02	AVERAGE			WATER RATE			
													2002	2001	% CHG	2002	2003	Variance	
ED	[REDACTED]																		
I-U	[REDACTED]																		
AF-U rebased	[REDACTED]																		
-ALL COMMODITIES	[REDACTED]																		
E-TOTAL PRIVATE	[REDACTED]																		
#2 DIESEL FUEL	[REDACTED]																		

10-5 B
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ELECTRIC FUELS CORPORATION
Average Indices - FPC Waterborne Rate
2002 Rate

CONFIDENTIAL

Waterborne rate estimated based upon YTD average indices.

	Jan-01	Feb-01	Mar-01	Apr-01	May-01	Jun-01	Jul-01	Aug-01	Sep-01	Oct-01	Nov-01	Dec-01	AVERAGE			WATER RATE		Variance
													2001	2000	% CHG	2001	2002	
FIXED	[REDACTED]																	
CPI-U	[REDACTED]																	
RCAF-U	[REDACTED]																	
PPI-ALL COMMODITIES	[REDACTED]																	
AHE-TOTAL PRIVATE	[REDACTED]																	
PPI-#2 DIESEL FUEL	[REDACTED]																	

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ELECTRIC FUELS CORPORATION
Average Indices - FPC Waterborne Rate
2001 Rate

CONFIDENTIAL

Waterborne rate estimated based upon YTD average indices.

	Jan-00	Feb-00	Mar-00	Apr-00	May-00	Jun-00	Jul-00	Aug-00	Sep-00	Oct-00	Nov-00	Dec-00	TOTAL AVG 00	TOTAL AVG 99	YTD AVG % CHG	WATER RATE 2000	WATER RATE 2001	Variance		
XED	[REDACTED]																			
PI-U	[REDACTED]																			
CAF-U	[REDACTED]																			
PI-ALL COMMODITIES	[REDACTED]																			
PIE-TOTAL PRIVATE	[REDACTED]																			
PI-#2 DIESEL FUEL	[REDACTED]																			

[REDACTED]

[REDACTED]

01 7050
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ELECTRIC FUELS CORPORATION
 Average Indices - FPC Waterborne Rate
 2000 Rate

Attachment D

CONFIDENTIAL

	Jan-99	Feb-99	Mar-99	Apr-99	May-99	Jun-99	Jul-99	Aug-99	Sep-99	Oct-99	Nov-99	Dec-99	TOTAL AVG 99	TOTAL AVG 98	YTD AVG % CHG	WATER RATE 1999	WATER RATE 2000	Variance
FIXED	[REDACTED]																	
CPI-U																		
RCAF-U																		
PPI-ALL COMMODITIES																		
AHE-TOTAL PRIVATE																		
PPI-#2 DIESEL FUEL																		
	TOTAL WEIGHTED AVERAGE PERCENT CHANGE													5.46%	\$23.93	\$25.24	\$1.31	
	Waterway User Tax														0.23	0.23	-	
	Total Waterborne rate														\$24.16	\$25.47	\$1.31	
	Offshore rate - 50.2%														\$12.01	\$12.67	\$0.66	

[REDACTED]

10-5B

ELECTRIC FUELS CORPORATION
 Average Indices - FPC Waterborne Rate
 1999 Rate

CONFIDENTIAL

	Jan-98	Feb-98	Mar-98	Apr-98	May-98	Jun-98	Jul-98	Aug-98	Sep-98	Oct-98	Nov-98	Dec-98	TOTAL AVG 98	TOTAL AVG 97	YTD AVG % CHG	WATER RATE 1998	WATER RATE 1999	Variance		
FIXED	[REDACTED]																			
PI-U	[REDACTED]																			
ICAF-U	[REDACTED]																			
PI-ALL COMMODITIES	[REDACTED]																			
HE-TOTAL PRIVATE	[REDACTED]																			
PI-#2 DIESEL FUEL	[REDACTED]																			
													TOTAL WEIGHTED AVERAGE PERCENT CHANGE		-5.22%	\$25.25	\$23.93	(\$1.32)		
													Waterway User Tax			\$0.23	0.23	-		
													Total Waterborne rate			\$25.48	\$24.16	(\$1.32)		
													Offshore rate - 50.2%			\$12.68	\$12.01	(\$0.66)		

[REDACTED]

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ELECTRIC FUELS CORPORATION
 RAILROAD FRACTIONALIZATION INDICES - FPC WATERBORNE RATE
 1997

CONFIDENTIAL

ED
 I-U
 AF-U
 I-ALL COMMODITIES
 E-TOTAL PRIVATE
 I-#2 DIESEL FUEL

	<u>Jan-97</u>	<u>Feb-97</u>	<u>Mar-97</u>	<u>Apr-97</u>	<u>May-97</u>	<u>Jun-97</u>	<u>Jul-97</u>	<u>Aug-97</u>	<u>Sep-97</u>	<u>Oct-97</u>	<u>Nov-97</u>	<u>Dec-97</u>	TOTAL AVG 97	TOTAL AVG 96	YTD AVG % CHG	WATER RATE 1997	WATER RATE 1998
[REDACTED]																	
	TOTAL WEIGHTED AVERAGE PERCENT CHANGE												-0.44%	\$25.36	\$25.25		
	Waterway User Tax												0.23	0.23			
	Total Waterborne rate												\$25.59	\$25.48			
	Offshore rate - 50.2%												\$12.73	\$12.68			

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ELECTRIC FUELS CORPORATION
 AVERAGE INDICES - FPC WATERBORNE RATE
 1996

CONFIDENTIAL

	Jan-96	Feb-96	Mar-96	Apr-96	May-96	Jun-96	Jul-96	Aug-96	Sep-96	Oct-96	Nov-96	Dec-96	TOTAL AVG 96	TOTAL AVG 95	YTD AVG % CHG	WATER RATE 1996	WATER RATE 1997
INDEXED	[REDACTED]																
PI-U																	
CAF-U																	
<i>rebased</i> PI-ALL COMMODITIES																	
HE-TOTAL PRIVATE																	
PI-#2 DIESEL FUEL																	
													TOTAL WEIGHTED AVERAGE PERCENT CHANGE	6.24%	\$23.87	\$25.36	
													Waterway User Tax		0.23	0.23	
													Total Waterborne rate		\$24.10	\$25.59	
													Offshore rate - 50.2%		\$11.98	\$12.73	

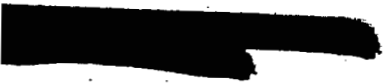
[REDACTED]

10-5 B
 P 10

CONFIDENTIAL

Attachment H

Component	Reference	% Change Annualized							
		1993	1994	1995	1996	1997	1998	1999	2000
XED									
PI-U	Bureau of Labor Statistics CPI-Table I								
CAF-U	Association of American Railroads forecast (AAR) ICC Approved (ICC)								
PI All Commodities	Bureau of Labor Statistics PPI-Table B								
IE-Total Private	Bureau of Labor Statistics Employment & Earnings Avg Hourly Earnings, Table 7								
IE-1 Diesel Fuel	Bureau of Labor Statistics PPI-Table 6, 0573-03								
TOTAL WEIGHTED % CHAN		1.34%	-0.01%	2.46%	0.24%	-0.44%	-5.27%	5.46%	5.46%



10-5-01

Draft

DISCLOSURE NO. 2

SUBJECT: WATERBORNE COAL TRANSPORTATION COSTS.

STATEMENT OF FACT:

In FPSC order PSC-93-1331-FOF-EI, the Utility was authorized to use a base year waterborne transportation cost of \$23.00, effective January 1, 1993. This per-ton price was to be escalated each year on a weighted average of the change in five economic indexes published by the US Bureau of Labor Statistics (BLS). We were told by the Utility that the BLS adjusts each quarterly index three times (preliminary, advanced and final). On the BLS website and in other computer databases, each set of numbers is overwritten by the following set of numbers:

[REDACTED]

AUDIT OPINION: A Utility representative stated that the change in indexes and the subsequent change in the per-ton transportation price is agreed each year between the Utility and FPSC Staff.

[REDACTED]

[REDACTED]

[REDACTED]

The periodic increases in the cost per gallon of the waterway user tax was analyzed and verified using published information. We were not able to determine the accuracy of the original per ton equivalent used in the base year cost effective at January 1, 1993. All subsequent increases were determined to be accurately computed.

AUDIT CONCLUSION: We were not able to verify the current benchmark price using the preliminary index amounts. However, the current amount is less than what it would be if final index numbers were used.

FLORIDA POWER CORPORATION
Analysis of Waterborne Coal Transportation: Per-Ton Costs
AS OF 12/31/02

JES
3/17/03

Dkt020001-EI

Purpose: Verify that per-ton costs and escalators were mathematically accurate since 1992.

Basic Benchmark per-ton price:

10-5A

P2 The original price was \$23.00 per ton, based on \$34,546,039.38 divided by 1,502,244 tons.

Escalators in Use:

The escalators which the Utility says it has used are:

10-5
P2
P2

1. Consumer Price Index - Urban
2. Producer Price Index
3. Average Hourly Earnings index
4. Rail Cost Adjustment Factor - Unadjusted (measures the rate of inflation in railroad inputs).
5. Producer Price Index - Number 2 diesel fuel

Note: These agree with E-Mail from Bernie Windham, FPSC engineer.

Escalator Percentages:

10-5B
P2
P1

1. Percentages for a given quarter are calculated at three monthly points.
 - a. Preliminary - available 30 days after the end of the quarter.
 - b. Advanced - available 60 days after end of quarter
 - c. Final - available 90 days after end of quarter
2. For example, the preliminary rate for the 4th quarter of 2002 would first be available on January 30, 2003. The advanced rate would be available on February 28, 2003. The final rate would be available on March 31, 2003.
3. According to the Utility, the rates are available on the Bureau of Labor Statistics' internet web site. As each successive set of numbers become available, the preceding numbers are not saved historically, but are overwritten by the new numbers. This feature of the web site makes the previous numbers non-retainable unless recorded off-line.

SPECIFIED
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4. [REDACTED]

Auditor Comments:

10-5C
P3

1. I need to know what weight is assigned to each factor to calculate the weighted change from one year to the next.
2. I would also need some independent, verifiable source of information to determine whether the factors, rates of change and weights are accurate in order to arrive at the escalated, benchmark, water-borne, per-ton price of coal for the years 1993 through 2002.

Conclusion: None drawn. Provided for information only.

SOURCE: As referenced.

W/P 46-8

Florida Power Corp.
 DEK 2000 E I - FPC
 Waterbury Coal Tar's operation Prices - Schedule of Escalation
 Year Ended 12/31/02
 FEB 02/26/03

02/24/03
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DJC

CONFIDENTIAL

ELECTRIC FUELS CORPORATION
Annual Market Price Adjustment
Fourth Amendment to the Coal Supply
Agreement between EFC and FPC

Component	Reference	Actual % Change Annualized									
		1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
FIXED											
CPI-U	Bureau of Labor Statistics CPI-Table 1										
RCAF-U	Association of American Railroads forecast (AAR) ICC approved (ICC)										
PPI-All Commoditie	Bureau of Labor Statistics PPI-Table 6										
AHE-Total Private	Bureau of Labor Statistics Employment & Earnings Avg Hourly Earnings, Table 7										
PPI-#2 Diesel Fuel	Bureau of Labor Statistics PPI-Table 6, 0573-03										
TOTAL WEIGHTED % CHANGE		✓ 1.34%	✓ -0.03%	✓ 2.46%	✓ 6.24%	✓ -0.44%	✓ -5.22%	✓ 5.46%	✓ 15.78%		

	10/1/93	1/1/94	1/1/95	1/1/96	1/1/97	1/1/98	1/1/99	1/1/00
Previous Year Factor X Total wt. % Change	\$23.00	\$23.31	\$23.30	\$23.87	\$25.36	\$25.25	\$23.93	\$25.24
River; WWU Tax	0.05	0.19	0.23	0.23	0.23	0.23	0.23	0.23
Tax is 2¢ per gallon	\$23.05	\$23.50	\$23.53	\$24.10	\$25.59	\$25.48	\$24.16	\$25.47
Translocates to 5¢ per ton of coal transported								
Offshore Component ===== X 50.2%	\$11.55	\$11.70	\$11.70	\$11.98	\$12.73	\$12.68	\$12.01	\$12.67

✓ Traced to FPC calculations in workpapers from WP 10-5B.

CONFIDENTIAL
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 Source: PBC
 Form 10-5B
 P2
 2-11-02
 34,546,039.38 ÷
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 WP 96-7
 INTERIM BUSINESS FORMS, INC.
 (847) 698-3200 FAX (817) 698-4008

Florida Power Corp.
DET 02 0001 E J FOC
Use of BLS Rates in Waterborne Transportation
Year Ended 12/31/02
JEA 3/14/03

Progress Energy Florida, Inc.
Audit Docket 020001-EI
Response to Audit Document Request No. 5B.
Date of Request: 03/13/03
Date of Response: 03/14/03

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1. Please state who agreed to the use of the Bureau of Labor Statistics "Advance" rates, rather than the Preliminary or Final, for the calculation of the benchmark price escalation each year.

Response:

[Redacted]

2. Please provide access to the record by year of the calculations made by Progress Energy Florida/Florida Power Corp and/or Progress Fuels Corp/Electric Fuels Corp for the five specific indexes which compose the benchmark escalation factor by year. Please include the weight assigned to each specific index for purposes of calculating the composite index.

Response:

Please see attachments A through H, which are all marked "Confidential". Attachments A through G provide monthly indexes from January 1996 through December 2002. Attachment H provides the percentage change in each applicable index as monthly data is no longer available.

PBC

Auditor Comment.

[Redacted]

2 Annual calculation results will be included as required in confidential workpapers.

3. Amplifying statement by Marcia Olivier from Diana Davis at Progress Energy Fuels is that the BLS statistics are overwritten by subsequent changes.

[Redacted]

PBC

46-4

Florida Power Corp.
Dkt 020001E7 - FAC
Base Price and Escalators for Water Borne Transportation - Cost
Year Ended 12/31/02
Filed 03/12/03

ORDER NO. PSC-93-1331-FOF-EI
DOCKET NO. 930001-EI
PAGE 5

Issued: 9/13/93

the April - September 1993 period at the February 1993 hearings represents 3/4 of the payment to DOE required for 1993. The remainder of the 1993 payment and all future DOE payments should be approved for fuel cost recovery. We approve of FPC's recovery of \$972,000 through the Fuel Cost Recovery Clause.

Florida Power Corporation also requested approval of a market pricing mechanism for water-borne transportation services provided by Electric Fuels Corporation (EFC). The parties agreed that the Commission should approve a base price of \$23.00 effective January 1, 1993 for waterborne transportation services provided to Florida Power Corporation through Electric Fuels Corporation. We also agree. The base price will be adjusted January 1 each year, thereafter, using a composite index comprised of five specific indices with ten percent of the base price remaining fixed. In addition, the market price will be subject to further adjustment for the cost of governmental impositions on EFC's transportation suppliers which cause an increase or decrease in EFC's water-borne transportation costs not in effect as of December 31, 1992.

The market price for EFC's water-borne deliveries would cover the transportation components to the Crystal River plant site. This would include short-haul rail/truck transportation to the up-river dock, up-river barge transloading, river barge transportation, Gulf barge transloading (IMT), Gulf barge transportation (Dixie Fuels), as well as port fees and assist tug. The market price would also cover, i.e., replace, the return on EFC's equity investment in IMT and Dixie Fuels currently provided under cost-plus pricing for water transportation.

Florida Power and Light Company

Florida Power and Light Company requested recovery of the cost of the Martin gas pipeline lateral through the Fuel Cost Recovery Clause. According to the terms of Order No. 14546, the Commission has the flexibility to review fossil fuel related costs not specifically addressed in the order on a case-by-case basis to determine whether those costs are appropriate for recovery through the fuel clause.

The weight of the evidence is that the Martin gas pipeline lateral has reduced costs, or at the very minimum has not resulted in any increased costs, and the decision was made with the ratepayers' interest in mind, which is to minimize cost. In

The five indices in actual use are:
Index Weight
Fixed Component
Consumer Price Index - Urban
Rail Adjustment Factor
Producer Price Index - All
Average Hourly Earnings
Producer Price Index - #2 Diesel
Fuel
Source: FBSC

CONFIDENTIAL

46-3

CONFIDENTIAL

Company: Florida Power Corp
 Subject: Analysis of the Percentage Changes by Year of the Various indexes.
 Period: Year Ended 12/31/02.
 Filename: Escalation of Waterborne Coal Transportation Benchmark Costs
 Range: A37_V70
 Auditor: Tom Slambaugh *TSL 3/28/02*

Purpose: Recalculate the annual percentage changes, based on the change by year in each index.

Component	(01/01/93) Base Year	Percentage Change By year	Base Year 1993	Percentage Change By year	1994	Percentage Change By year	1995	Percentage Change By year	1996	Percentage Change By year	1997	Percentage Change By year	1998	Percentage Change By year	1999	Percentage Change By year	2000	Percentage Change By year	2001	Percentage Change By year	2002
Fixed	0.00	0.0000%	0.00	0.0000%	0.00	0.0000%															
Consumer Price Index-U	0.00	ERR	0.00	ERR	0.00	ERR															
Rail Cost Adjust. Factor	0.00	ERR	0.00	ERR	0.00	ERR															
Producer Price Index-All	0.00	ERR	0.00	ERR	0.00	ERR															
Average Hourly Earnings	0.00	ERR	0.00	ERR	0.00	ERR															
#2 Diesel Fuel	0.00	ERR	0.00	ERR	0.00	ERR															

The 8.38% is also due to rebasing.
 Rebasing information is available for 1996 and 2000 only.

FPC says 14.8/14.3 = 3.21%
 Actual calc results in 3.35%

Change from 2001-2002 in RCAF is due to rebasing.
 Not all years are rebased. Total net effect of rebase
 in 2000-2001 changes FPC % from 1.41 to -6.57% (9.98% change).

For 2001-2002, FPC states the above as 177.0, then uses
 177.1 in 200-2001. Changes one percent or the other.
 Use of 177.1 in 2001 produces 1.58% instead of 1.64%.

Verification of Escalated Price with WaterWay Use Tax and Offshore Percentage:

Total of Basic Components per audit	\$23.00	\$23.31	\$23.32	\$23.90	\$25.28	\$25.16	\$23.92	\$24.99	\$28.49
Effect of WaterWay Use tax	\$0.05	\$0.19	\$0.23	\$0.23	\$0.23	\$0.23	\$0.23	\$0.23	\$0.23
Total of Basic Components and WWU Tax	\$23.05	\$23.50	\$23.55	\$24.13	\$25.51	\$25.39	\$24.15	\$25.22	\$28.72
Total of Basic Components	\$23.00	\$23.31	\$23.32	\$23.90	\$25.28	\$25.16	\$23.92	\$24.99	\$28.49
Effect of Offshore Component	50.20%	50.20%	50.20%	50.20%	50.20%	50.20%	50.20%	50.20%	50.20%
Total of Basic & Tax X Offshore per audit	\$11.55	\$11.70	\$11.71	\$12.00	\$12.69	\$12.63	\$12.01	\$12.54	\$14.30
Total of Basic & Tax X Offshore per FPC	\$11.55	\$11.70	\$11.70	\$11.98	\$12.73	\$12.68	\$12.01	\$12.67	\$14.67
Accounted Difference	46-7 (\$0.00)	\$0.00	\$0.01	\$0.02	(\$0.04)	(\$0.05)	(\$0.00)	(\$0.13)	(\$0.37)

Disclosures Notes:

The earliest year-end average for which index information has been provided is 1995. 1993 and 1994 information was not included.
 The percentage changes by year are expressed as two decimal places by FPC. The actual percentage changes can be expressed to as many as eight decimal places in some years.
 Some percentages were different from year to year because some beginning and ending utility numbers for the same years were different.
 Some indexes are not consistently stated from year to year. The cause is either rebasing of the RCAF index or mathematical errors in calculating the percentage changes.

Source: FPC documentation provided from Electric Fuels Corp. doc/rec 10-5B.

U-1-1

CONFIDENTIAL

Company: Florida Power Corporation
 Subject: Analysis of the Escalation of the Costs of Waterborne Coal Transportation
 Period: Year Ended 12/31/02
 Purpose: Verify that the escalation of the benchmark price for waterborne coal transportation has been calculated accurately and with the use of the proper factors and weighting of factors.

Filename: Waterborne Coal Transportation
 Range: A37..Y115
 Auditor: Tom Stambaugh

04/02/03

Escalation of Total Benchmark Price by Total Change

Component	Weights	(CY 1993) Base Year	Factors By year	(CY 1994) Escalated Year	(CY 1995) Escalated Year	(CY 1996) Escalated Year	(CY 1997) Escalated Year	(CY 1998) Escalated Year	(CY 1998) Escalated Year	(CY 1999) Escalated Year	(CY 2000) Escalated Year	(CY 2001) Escalated Year	(CY 2002) Escalated Year
Benchmark price as recalculated by auditor	\$23.00	\$23.31	-0.030%	\$23.30	\$23.87	6.235%	\$25.36	\$25.25	\$23.93	\$25.24	\$25.22	\$25.22	\$25.22
Benchmark price as recalculated by Utility	\$23.00	\$23.31	-0.030%	\$23.30	\$23.87	6.240%	\$25.36	\$25.25	\$23.93	\$25.24	\$25.22	\$25.22	\$25.22
Unaccounted Difference	\$0.00	\$0.00		\$0.00	(\$0.00)		(\$0.00)		\$0.00		\$0.00		\$0.00

Verification of Weighted Percentage Change:

Component	Weights	(CY 1993) Base Year	Factors By year	(CY 1994) Escalated Year	(CY 1995) Escalated Year	(CY 1996) Escalated Year	(CY 1997) Escalated Year	(CY 1998) Escalated Year	(CY 1998) Escalated Year	(CY 1999) Escalated Year	(CY 2000) Escalated Year	(CY 2001) Escalated Year	(CY 2002) Escalated Year
Fixed													
Consumer Price Index-U													
Rail Cost Adjustment Factor-Unadjusted													
Producer Price Index-All Commodities													
Average Hourly Earnings Index													
Producer Price Index-#2 Diesel Fuel													
Calculation of Weighted Factors													
Calculations by Utility													
Unaccounted Difference													

Conclusion: The Utility has apparently used the weighted average of this factors to calculate the annual escalation of the benchmark price. Accept the Utility calculation of the benchmark price.

FLORIDA POWER CORPORATION
WATERBORNE COAL TRANSPORTATION COSTS
AS OF 12/31/02

Fel
3/19/03

Dkt020001-EI

Purpose: Verify that Waterborne Coal Transportation Cost information is based on identifiable and provable indexes, changes by year and percentage changes.

10-5 **Work Performed:** Issued document request 5, 5A, and 5B. The response to doc/rec 5 included a set of definitions of the indexes used in the composite index for price escalation and a calculation of percentage changes. The calculation was scanned for reasonableness and returned to the Utility.

10-5A After deciding that more research was needed, 5A was issued. The FPC response to 5A stated the origin of the \$23 per ton benchmark price and showed a table of percentage changes from 1993 through the end of 2002. The table was marked confidential and has been maintained accordingly.

10-5B Auditors wrote doc/rec 5B to obtain greater detail of the calculation of the indexes by year, and the weighting of each for the purposes of determining the escalation of the benchmark price.

46-9 thru 46-13 Various internet web-sites were accessed to extract and print data which can be used to verify to the year-by-year changes in the various indexes and the resulting composite index.

Audit Observations: The supporting data provided by the Utility and recalculated by the auditor led to the following observations:

10-5A p.3 1. The Utility has used five indexes available from the US Bureau of Labor Statistics or the Association of American Railroads consistently since January 1, 1993.

10-5A p.2 2. By agreement with Staff, Public Counsel and the Florida Industrial Power Users Group, the
10-5B p.2 [REDACTED]

3 [REDACTED]
46-7 [REDACTED]

46 4. The audit staff used the Utility's method of calculation and arrived at the same weighted percentage changes and per-ton costs each year as did the Utility. FPSC Order PSC-93-1331-FOF-EI specifies that the price will change each year by the amount of change in a composite index. The composite index, in turn, will change based on the changes in five specific indexes, each of which is weighted by a specified percent.
46-3 }
46-3 }
1 p.2

46-4 5. The indexes are published each year by the US Bureau of Labor Statistics (BLS). For example, the quarter-end indexes are published at Jan 30 as Preliminary (first published), then at Feb 28 as Advanced, and finally at March 31 as Final. On the BLS website, the previous numbers are overwritten by the succeeding numbers, according to the Utility.

46-4 } 6. [REDACTED]
7 p.2 }
46-2 }
1 of 2 }

46-3 **Conclusion:** [REDACTED]
46-3 }
p.1 }

SOURCE: As referenced

**SPECIFIED
CONFIDENTIAL**

W/P 46 Lead

Florida Power Corp
Dkt 02001E1-FAK 08/05
FPC Internal Audit Workpaper - FPC Equity % of Total Assets
Year Ended 12/31/02

FOR NOVEMBER 2000

	9	10	11	12	13	
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32						

NET LONG TERM ASSETS (NTLA) [REDACTED] M
[REDACTED] M
EQUITY [REDACTED] M
NTLA - [REDACTED] M
EQUITY / NTLA → [REDACTED]
PSC STIPULATED EQUITY DIFFERENCE: [REDACTED]
IMMATERIAL 1/24/05-4/01 1/1/02 26

PURPOSE: TEST COMPLIANCE OF FPC'S REGULATED CAPITAL STRUCTURE WITH THE PSC APPROVED STRUCTURE.

PROCEDURE: CALCULATED EQUITY AS A PERCENTAGE OF NET LONG TERM ASSETS FOR THE TEST MONTH & COMPARED TO THE PSC APPROVED RATE OF 55%.

RESULTS: CALCULATED EQUITY AS A PERCENTAGE OF NET LONG TERM ASSETS TO BE 55.1%. THIS IS REASONABLE WHEN COMPARED TO THE PSC STIPULATED PERCENTAGE OF 55%. ALSO NOTE THAT FPC MAKES AN ADJUSTMENT TO EQUITY EVERY JANUARY TO BRING THE EQUITY PERCENTAGE BACK TO AN EVEN 55%.

CONCLUSIONS: CAPITAL STRUCTURE APPEARS PROPER.

Audit Comments:

1. Per internal auditors, FPC readjusts equity to be 55% per FPSC Order PSC-92-0347-FOF-EI. Further FPSC Order PSC-92-0776-FOF-EI, p/1, states the 55% equity ratio was a measure of reasonableness, not a fixed number.
2. The components were traced to the general ledger as indicated, or calculated from general ledger components as indicated.

Conclusion: The net equity is about 55% of net long-term assets.

45-4
p 2 of 2

Company: Electric Fuels Corp. (EFC)
 Period: As of 12/31/02
 Subject: Supplemental Schedules *Feb 02/25/03*

Purpose: Verify that rate base and other components in the main schedule are accurately calculated and based on accounts and balances in the EFC general ledger

<u>Detail of Rate Base</u>	Thirteen Month Avgs Per Books	FPSC Adjustments	Total Average Rate Base
Plant in Service	[REDACTED]	0	[REDACTED]
Accumulated Depr and Amort	[REDACTED]	0	[REDACTED]
Net Plant In Service	[REDACTED]	0	[REDACTED]
Lease Receivable - Locomotive Investment			
Current	[REDACTED]	0	[REDACTED]
Long-Term	[REDACTED]	0	[REDACTED]
Total Locomotive	[REDACTED]	0	[REDACTED]
Total Plant and Investment	[REDACTED]	0	[REDACTED]
Working Capital	[REDACTED]		[REDACTED]
Total Average Rate Base	[REDACTED]		[REDACTED] 45

Detail of Working Capital

	Thirteen Month Avgs Per Books	FPSC Adjustments	Total Average Rate Base
Current Assets:			
Cash	[REDACTED]	[REDACTED] (A)	0
Accts Recv	[REDACTED]	0 (B)	[REDACTED]
Current Lease Recv	[REDACTED]	[REDACTED] (C)	0
InterCo Accts Rec	[REDACTED]	[REDACTED] (D)	0
InterCo Advances Recv	[REDACTED]	[REDACTED] (E)	0
InterCo Other REcv	[REDACTED]	0	[REDACTED]
Inventory	[REDACTED]	0	[REDACTED]
Prepays	[REDACTED]	0	[REDACTED]
Deferred Charges	[REDACTED]	[REDACTED] (F)	[REDACTED]
Current Liabilities:			
InterCo Accts Payable	[REDACTED]	[REDACTED] (D)	[REDACTED]
Accts Pay	[REDACTED]	[REDACTED] (G)	[REDACTED]
Advances from Progress	[REDACTED]	[REDACTED] (H)	[REDACTED]
Curr Portion LTD	[REDACTED]	0	[REDACTED]
Accrued Interest	[REDACTED]	0	[REDACTED]
Accrued Liabilities	[REDACTED]	0	[REDACTED]
FASB 106	[REDACTED]	0	[REDACTED]
InterCo Other Payable	[REDACTED]	0 (B)	[REDACTED]
Income Taxes Payable	[REDACTED]	0	[REDACTED]
Net Working Capital	[REDACTED]		[REDACTED]

- (A) Remove remaining cash
- (B) Reclas InterCo advances payable to A/R
- (C) Reclas current portion of Lease Recv assoc with EFC Locomotive investment to Long Term
- (D) Reclas Interco A/R to A/R.
- (E) Remove advances investments with PCH; EFC short term line of credit with PCH is interest bearing.
- (F) Remove EFC unamortized debt placement fees.
- (G) Remove advances from (investments with) PCH; EFC short term line of credit is interest bearing.
- (H) Remove current portion of long term debt.

Drawn from the EFC audit, Confidential.

Conclusion: Accounts and adjustments are correct for a working capital calculation.

Company: Florida Power Corporation
 Period: As of 12/31/01
 Subject: Audit of EFC capital structure
 Filename: Audit of EFC capital structure - short cut method.
 Range: A37, H114
 Auditor: Tom Stambaugh
Feb 0 2/2 0/03

(1) Actual per Books	(2) FPSC Adjustments	(3) Adjusted Total	(4) Ratio	(5) Allocated to Rate Base	(6) Cost Rate	(7) Weighted Avg Cost of Capital
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Revenue Requirements:

Rate Base	[REDACTED]
Overall Rate of Return	[REDACTED]
After Tax Operating Income	[REDACTED]
Tax (Current, Deferred, ITC)	[REDACTED]
Depreciation	[REDACTED]
General & Administrative	[REDACTED]
Operating Expenses	[REDACTED]
Revenue Requirements	[REDACTED]
Current Revenues	[REDACTED]
Difference	[REDACTED]

From 45-2 #3

0.050473% of current revenues
 ↳ 20.95

Proof of Revenues:

Revenue Requirement	[REDACTED]
Expenses	[REDACTED]
Operating Expenses	[REDACTED]
Genl & Admin	[REDACTED]
Depreciation	[REDACTED]
Expense Sub-Total	[REDACTED]
Book Income Before Taxes	[REDACTED]
Tax Adjustments	[REDACTED]
Interest Expense Allowed	[REDACTED]
Taxable Income	[REDACTED]
Tax Rate	[REDACTED]
Current and Deferred Taxes	[REDACTED]
Flow Through	[REDACTED]
Taxes Allowed	[REDACTED]
Requested Return	[REDACTED]
Rate Base	[REDACTED]
Rate of Return	[REDACTED]

Net Rate Base per EFC:

Per FPSC Audit	[REDACTED]
Total	[REDACTED]
Cash Removed	[REDACTED]
PCH Invest (Loan)	[REDACTED]
Rounding	[REDACTED]
Net Rate Base	[REDACTED]
Wtd Cost of Debt	[REDACTED]
Long Term Debt	[REDACTED]
Short Term Debt	[REDACTED]
ITC Debt Portion	[REDACTED]
Total Wtd Debt	[REDACTED]
Interest Expense	[REDACTED]
(Rate Base X Wtd Debt)	[REDACTED]
Interest Expense per EFC	[REDACTED]
Difference	[REDACTED]
Percent Difference:	[REDACTED]

Proof of 55% Equity to Debt Ratio:

Per Books	Percents
Common Equity	[REDACTED]
Long Term Debt	[REDACTED]
Short Term Debt	[REDACTED]
Total	[REDACTED]
Per FPSC	Percents
Common Equity	[REDACTED]
Long Term Debt	[REDACTED]
Short Term Debt	[REDACTED]
Total	[REDACTED]
Alloc to Rate Base	Percents
Common Equity	[REDACTED]
Long Term Debt	[REDACTED]
Short Term Debt	[REDACTED]
Total	[REDACTED]

Audit Comment:

- The act of extending the decimal fractions to seven decimal places reveals immaterial rounding differences.
- Common equity Per Books, Per FPSC and Allocated to Rate Base are close to, but do not equal precisely, 55%.
- According to FPSC Order PSC-92-0776-FOF-81, 55% was a "reasonable" percentage, not a fixed amount.

Conclusion: Immaterially Different-Accept Progress Energy Audit Services Results.