

PROGRESS ENERGY FLORIDA

DOCKET NO. 050001-EI

**Fuel and Capacity Cost Recovery
Final True-Up for the Period
January through December, 2004**

**DIRECT TESTIMONY OF
ALBERT W. PITCHER**

April 1, 2005

1 **Q. Please state your name and business address.**

2 A. My name is Albert W. Pitcher. My business address is 200 Central
3 Avenue, St. Petersburg, Florida 33701.

4

5 **Q. By whom are you employed and in what capacity?**

6 A. I am employed by Progress Fuels Corporation (PFC) in the capacity of Vice
7 President – Coal Procurement.

8

9 **Q. Have you previously submitted testimony in this proceeding?**

10 A. Yes. I submitted pre-filed testimony in this proceeding on March 1, 2005.

11

12 **Q. Have your duties and responsibilities changed since you last
13 submitted testimony in this proceeding?**

14 A. No.

15

16 **Q. What is the purpose of your testimony?**

1 A. In response to a request from Commission Staff, the purpose of my
2 testimony is to present the results of a comparative analysis of the prices
3 PFC paid for coal delivered in 2004 and available market indicators for the
4 time period during which the original procurement decision was made.

5
6 **Q. Do you have any reservations about the analysis requested by Staff?**

7 A. Yes. Factors other than price must be taken into account when coal is
8 purchased. Such factors include, but are not necessarily limited to, coal
9 quality, supplier reputation, timing of specific needs, environmental
10 considerations, and mode of transportation.

11
12 **Q. Are you sponsoring any exhibit to your testimony?**

13 A. Yes. I am sponsoring Exhibit No. __ (AWP-4) which presents the results of
14 our comparative analysis.

15
16 **Q. Was the comparative analysis reflected in Exhibit No. __ (AWP-4)
17 conducted by you or under your direction and supervision?**

18 A. Yes. I conducted the analysis along with others under my direct
19 supervision.

20
21 **Q. What market indicators are available for coal?**

22 A. There is a hierarchy of market indicators for coal, including responses to
23 Requests for Proposals (RFP), spot offers, and estimates from market

1 publications. When PFC issues a major RFP and numerous bids are
2 received, the market is determined by the bids. The bids outline a defined
3 range of prices and qualities that suppliers are committed to provide. The
4 same concept applies to month-to-month spot offers that we receive on a
5 routine basis. As with RFPs, spot offers define the market; however, there
6 typically are a smaller number of offers, the terms are shorter, and the
7 tonnages are less. If PFC receives relatively few or no spot offers, then
8 market publications as well as the buyer's experience and communication
9 with suppliers take on increasing significance in defining the market.
10

11 **Q. Please explain how you conducted the comparative analysis reflected**
12 **in Exhibit No. __ (AWP-4).**

13 A. For purposes of the analysis, we compared the price per ton associated
14 with all coal deliveries to Crystal River Units 1, 2, 4 and 5 in 2004 with the
15 best market indicator available for the time period during which the original
16 procurement decision was made.
17

18 **Q. What market indicators did you use in your analysis?**

19 A. For coal purchased under a term contract, we primarily used the range of
20 prices submitted by the bidders for that particular contract. For spot
21 purchases, we used spot offers when available. If there were only a limited
22 number of spot offers, we used them in combination with the most
23 appropriate published market estimate for the type of coal and the time

1 period of the purchase. When there were no RFP bids or spot offers
2 available, we used the most appropriate published market estimate. In
3 some cases, we determined a range of prices based on multiple market
4 reports (i.e., *Evolution Carbon International*, *Evolution Markets LLC*, *Global*
5 *Energy Decisions* (also known as *Henwood Energy*) and/or *United Power,*
6 *Inc.*) In other cases, however, only one publication provided a price for the
7 particular type of coal purchased. For example, only *Evolution Carbon*
8 *International* provides prices for foreign coal.

9
10 **Q. Please summarize the results of the comparative analysis.**

11 A. Our analysis demonstrates that the prices of coal purchased for the Crystal
12 River units in 2004 were generally below or within the range of available
13 market indicators.

14
15 **Q. Does this conclude your testimony?**

16 A. Yes, it does.

PROGRESS FUELS CORPORATION
Mark-to-Market Comparison

Crystal River Units 1 and 2
2004 Water-Delivered Coal

Supplier	Term	Tons	Origin	Purchase Date	Purchase Price/Ton	Market Indicator(s) \$/Ton	Market Indicator
Emerald International Corporation	9/1/2004	31846	Ill Basin - FOB Dixie Barge	9/1/2004			Evolution Q3 04 Spot Bid

Notes:
⁽¹⁾ This coal was purchased during September because of the inventory shortage resulting from tropical storm/hurricanes. Crystal River needed non-compliance coal, the rail could not deliver, and Emerald had the coal on the ground at IMT.

Crystal River Units 1 and 2
2004 Rail-Delivered Coal

Supplier	Term	Tons	Origin	Purchase Date	Purchase Price/Ton	Market Indicator(s) \$/Ton	Market Indicator(s)
Alpha Coal Sales Co., LLC	9/1/04 - 10/31/04	21481	CPL Contract	Sept 2004 ⁽¹⁾			Evolution/Henwood/United
CAM-Kentucky LLC	1/1/02-12/31/04	480000	Damron Fork	Nov 2000 ⁽²⁾			Spot Bids -United
CAM-Kentucky LLC	9/16/2004 - 9/30/04	30000	Damron Fork	Sept 2004			Sept Rail Bids
CAM-Kentucky LLC	10/01/ - 10/31/04	20000	Damron Fork	Sept 2004			Henwood/United/Evolution
CAM-Kentucky LLC	11/01/04 - 12/31/04	30000	Damron Fork	Oct 2004			Henwood/United/Evolution
Central Coal Company	10/01/04-10/31/04	11011	CPL Contract	Oct 2004 ⁽¹⁾			Evolution/Henwood/United
Consol of Kentucky Inc./ Consol Sales Co.	1/1/02 - 12/31/04	652055	Rapidloader/Jones Fork	April 2003			Reopener RFP Bids
Massey Coal Sales Company	10/1/03 -3/31/05	48378	Goff/New Ridge	Sept 2003			Reopener RFP Bids
Progress Fuels Corporation	9/1/04-3/31/05	106133	Charlene	Sept 2004			Sept Rail Bids
Total		1399058					

Notes:
⁽¹⁾ Coal swap between PFC and CP&L. Payback is based upon Btus.
Contract negotiated in 2000. The "Purchase Price/Ton" was the 2004 reopener price.

Crystal River Units 4 and 5
2004 Water-Delivered Coal

Supplier	Term	Tons	Origin	Purchase Date	Purchase Price/Ton	Market Indicator(s) \$/Ton	Market Indicator(s)
Asset Management Group, Inc.	1/1/04-6/30/04	78511	WV - Rail to River	Jan 2004			United
Central Coal Company	2/1/04-12/31/04	65786	Marmet	Jan 2004			Spot Bids
Central Coal Company	2/1/04-12/31/04	205024	Kanawha Eagle	Jan 2004			Spot Bids
Coal Marketing Company, Ltd.	10/1/04-12/31/06	76632	Colombia - NOLA	Sept 2004			Q3 04 Foreign Bids
Drummond Coal Sales, Inc.	2003 C/O	15013	Colombia - Mobile	May 2003			Q2 03 Spot Bids
Drummond Coal Sales, Inc.	2/1/04 - 12/31/04	268240	Colombia - Mobile	Dec 2003			Evolution
Drummond Coal Sales, Inc.	9/1/04 - 9/30/04	74812	Colombia - NOLA	Sept 2004			Evolution
Emerald International Corporation	2003 open	5216	Poland/IMT	Apr 2003			Q1 03 Bids (Coal Only)
Guasare Coal International n.v.	1/1/04 - 12/31/05	136887	Mina Norte	Oct 2003			RFP Bids on 12800 Basis
Guasare Coal International n.v.	1/1/04 - 12/31/06	640495	Pasa Diablo	Oct 2003			RFP Bids on 12800 Basis
Guasare Coal International n.v.	9/1/04 - 9/30/04	46700	Pasa Diablo	Aug 2004			Q3 Water Bids
Keystone Coal Company	3/1/04-12/31/04	80185	Marmet	Feb 2004			Spot Bids
Marmet Syntuel LLC	2003 C/O	5257	Quincy	2002			2001 Solicitation - Price
Kanawha River Terminals, Inc.	2003 C/O	9925	Quincy	Nov 2003			
Massey Coal Sales Company, Inc.	1/1/04-12/31/04	45900	Bandmill to Ceredo/TTI	Sept 2003			Q4 03 Spot Bids
Peabody COALTRADE, Inc.	3/1 - 6/30 2 Trains	26232	PRB	Mar 2004			Q3 Bids/Reopener RFP bids
Progress Fuels Corporation	1/1/04-12/31/04	538926	Quincy	Sept 2003			Evolution
Total		2317341					Massey - Central

Crystal River Units 4 and 5
2004 Rail-Delivered Coal

Supplier	Term	Tons	Origin	Purchase Date	Purchase Price	Market Indicator(s) \$/Ton	Market Indicator(s)
AEP Energy Services, Inc. (Quaker)	2/1/03 - 1/31/04	9742	Damron Fork	Jan 2003			Q1 03 Bids
Alliance Coal Sales Corporation	1/1/04-2/29/04	19212	Scotts BR	Jan 2004			Evolution Markets
MC Mining, LLC	1/1/04 - 12/31/06	502038	Scotts BR	Aug 2004			Q3 Bids/Reopener RFP bids
Asset Management Group, Inc.	1/1/04 - 12/31/04	239885	Wells	Jan 2004			United Coal
CAM-Kentucky LLC	1/1/04 - 10/31/06	496551	Damron Fork	Aug 2003			Q3 Bids/Reopener RFP bids
Virginia Power Energy Marketing, Inc.	1/1/04-12/31/04	115920	Scotts BR	Aug 2003			Solicitation Jul 03
Massey Coal Sales Company, Inc.	9/1/03-12/31/04	185552	Bandmill	Sept 2003			Q3 Bids/Reopener RFP bids
Progress Fuels Corporation	1/1/04-3/31/04	85593	Benedict	Dec 2003			United - Evolution
Progress Fuels Corporation	2/1/04-4/30/04	37835	Benedict	Jan 2004			Koch/PFC Offers
Progress Fuels Corporation	8/1/04-12/31/04	38040	Fanco	Aug 2004			Evolution Markets (Rail)
Total		1730367					