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Harold McLean  
Public Counsel



Joseph A. McGlothlin  
Associate Public Counsel

March 8, 2007

Ms. Blanca S. Bayó, Director  
Division of the Commission Clerk  
Administrative Services  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0870

Re: Docket No. 060658-EI

Dear Ms. Bayo:

On March 6, 2007 our office filed the rebuttal testimony and exhibits of Robert Sansom in the above docket. As my letter of transmittal stated, we filed a redacted version of Mr. Sansom's Exhibit RS-35 pending review by Progress Energy Florida Inc. for any confidential information. Counsel for PEF has since informed me that the exhibit contains no confidential information. Accordingly, I am submitting, for filing and distribution, the original and 15 copies of RS-35 in its unredacted form.

CMP 1  
COM 5 In addition, we realized that inadvertently we failed to attach witness Dan Lawton's resume, identified as Exhibit \_\_\_ (DL-1), to his testimony. It too is enclosed  
CTR 1 for distribution.

ECR 1

GCL 1

OPC \_\_\_\_\_

RCA \_\_\_\_\_

SCR \_\_\_\_\_

SGA \_\_\_\_\_

SEC \_\_\_\_\_

OTH \_\_\_\_\_

*Lawton*  
DOCUMENT NUMBER-DATE

02138 MAR-9 8

FPSC-COMMISSION CLERK

*Sansom*  
DOCUMENT NUMBER-DATE

02137 MAR-9 8

FPSC-COMMISSION CLERK

Thank you for your assistance.

Yours truly,

  
Joseph A. McGlothlin  
Associate Public Counsel

cc: Parties of record  
w/attachment

**ORIGINAL**

Docket No. 060658-EI  
PRB Analysis Regulated Coal  
Exhibit No. \_\_\_\_ (RS-30)  
Page 1 of 1

DOCUMENT NUMBER-DATE

02137 MAR-95

EPSC-COMMISSION CLERK

PRB ANALYSIS—REGULATED COAL

| 340,000 TONS IN 1997 |                                |                               |                                |
|----------------------|--------------------------------|-------------------------------|--------------------------------|
| Eastern (12,500 Btu) |                                | PRB (8,800 Btu)               |                                |
| Tons                 | 340,000                        | Tons                          | 480,000                        |
| Delivered Cost       | \$1.822                        | Delivered Cost                | \$1.822                        |
| Margins:             |                                | Margins:                      |                                |
| DMCC                 | ?( \$28.95 f.o.b. barge)       | DFL                           | \$1.52                         |
| KCT                  | \$ .50                         | MEMCO (\$1.70/ton on 340,000) | 1.20                           |
| MEMCO <sup>1</sup>   | 2.70                           | Market                        | 3.63                           |
| IMT                  | .10                            | Total                         | \$6.35                         |
| DFL                  | 1.52                           |                               |                                |
| Market               | 2.22                           |                               |                                |
| Total                | \$7.04                         |                               |                                |
| Market               | \$16.75 (24.25 - 7.50)         | Market (\$1 less than NOLA)   | \$11.06                        |
| Less Costs           | -6.45 (River)                  | Less Costs:                   | -2.20 (Mobile)                 |
|                      | -1.92 (IMT)                    |                               | -5.23 <sup>2</sup>             |
|                      | -6.16 (DFL) <sup>2</sup>       |                               | \$3.63                         |
|                      | \$ 2.22                        |                               |                                |
| Total Margin         | \$7.04 x 340,000 = \$2,393,600 | Total Margin                  | \$6.35 x 480,000 = \$3,048,000 |
|                      |                                |                               | σ = \$684,400                  |
|                      |                                | DFL (65% No.)                 | +\$282,000                     |
|                      |                                | Net Total EFC                 | \$966,400                      |

<sup>1</sup> \$7.50 rate in 1996 = \$3.75 margin; \$6.45 rate in 1997 = \$2.70

<sup>2</sup> 1997 budget = 116,000 reduced rate tons. On 340,000 tons, DFL rate is—116,000 @ \$3.35; 224,000 @ \$7.61—340,000 @ \$6.16

<sup>3</sup> On 480,000 tons, DFL rate is—203,000 @ \$3.02; \$277,000 @ \$6.85—480,000 @ \$5.23

**Affiliate Profits**

| Company   | Abbrev. | PEF/PFC/<br>Affiliates Activity              | Margins<br>(\$/Ton) |
|---|---------|--|---------------------|
| Diamond May Coal Co.  | DMCC    | PFC Coal Company                             | ?                   |
| Kenova Coal Terminals   | KCT     | Coal on Docks Upper Ohio &<br>Kanawha Rivers | \$0.50              |
| MEMCO   | MEMCO   | River Barge Company                          | \$2.70              |
| International Marine Terminal                                   | IMT     | New Orleans Coal Terminal                    | \$0.10              |
| Dixie Fuels Ltd.  | DFL     | Gulf Barges                                  | \$1.52              |
| Add'l Profits to PFC<br>Above Profits Directly to<br>Affiliates |         |  | \$2.22              |
|   |         | <b>Total \$/Ton Affiliate Profits</b>        | <b>\$7.04</b>       |

Back Calculated FOB Mine Prices From Exhibit DMD-13, p. 1

Back calculated FOB mine prices implicit from Mr. Edward's analysis at Exhibit DMD-13, p. 1:

|                 | <u>CAPP</u>   | <u>PRB</u>   |
|-----------------|---------------|--|
| Dlvd \$/MMBtu   | 1.822         | 1.822  |
| Dlvd \$/ton     | 45.55         | 32.07  |
| Transp \$/ton   | <u>-16.75</u> | <u>-27.06</u> (11.06 waterborne "proxy" plus \$16.00 rail) |
| FOB Mine \$/ton | 28.75         | 5.00   |

Davis/Heller vs. Market Rates

|   | (1)<br>Davis<br>DMD-4<br>Rates | (2)<br>Heller<br>Assumed<br>Rates<br>via Cora | (3)<br>Market<br>Rates<br>via Cook | Basis For<br>Column (3)<br>Market Rates     |
|---|--------------------------------|---|------------------------------------|---|
| PRB Rail to River Incl Cars<br>& Transload (\$/ton) | 14.00                          | 13.58   | 13.16                              | Arms length TECO to<br>Cook Incl Transload. |
| Rail Miles  | 1,124 miles                    | 1,124 miles                                   | 1,240 miles                        |   |
| Cora to IMT Rate (\$/ton)                           | 5.57                           | 6.91  | 3.60 <sup>(1)</sup>                | FPSC Decision                               |
| IMT Rate  | 5.42                           | 5.42  | 1.50-1.80                          | PEF 2005 Evaluation                         |
| <b>Total</b>  | <b>24.99</b>                   | <b>25.91</b>                                  | <b>18.26 to 18.56</b>              |   |

(1) The FPSC determined that the market rate from Cook to IMT was \$3.60/ton in 2001. Heller's analysis shows a barge rate from Cora of \$6.91/ton in 1997. This increases by 2001 from \$6.91 to \$7.97 or 15%. I have not adjusted the FPSC's 2001 Cook to IMT rate downward to deflate it to 1997.

Transportation Miles

|                               | Haul Distances (Miles) |               |              |              |
|-------------------------------|------------------------|---------------|--------------|--------------|
|                               | <u>Rail to Water</u>   | <u>to IMT</u> | <u>To CR</u> | <u>Total</u> |
| CAPP to CR via IMT (a)        | 130 (Huntington)       | 1,530         | 431          | 2,091        |
| Massey Coal (b)               | 50 (Kanawha)           | 1,610         | 431          | 2,091        |
| PRB to McDuffie, Alabama      | 1,692 (Gulf)           | N/A           | 350          | 2,042        |
| PRB to Cook via IMT to CR 4/5 | 1,281 (Cook)           | 928           | 431          | 2,640        |

Docket No. 060658-EI  
Bids by Western Railroads  
CONFIDENTIAL Exhibit No. \_\_\_\_ (RS-35)  
8 Pages

**BNSF**



Sami M. Shahah

Vice President  
Coal Marketing

Burlington Northern Santa  
Fe Railway Company

P. O. Box 961051  
2650 Lou Marck Drive, 2<sup>nd</sup> Floor  
Fort Worth, TX 76131-2830  
Phone (817) 867-6253  
Fax (817) 352-7939

August 23, 2002

Hand Delivered

Mr. Dennis Edwards  
Vice President  
Progress Energy  
P. O. Box 15208  
St. Petersburg, FL 33733

Dear Dennis:

Thank you for the opportunity to discuss test shipments of Powder River Basin and Colorado coal to Crystal River. The Burlington Northern and Santa Fe Railway Company (BNSF) and Union Pacific Railroad Company (UP) are offering to establish the following trainload joint rates on coal for your consideration to encourage the testing of western coal from the PRB and Colorado:

Origins:

- 1) Mines located in the Southern Powder River Basin of Wyoming
- 2) Energy (Twentymile Mine) and Axial (Colowyo Mine), Colorado
- 3) Arco (West Elk Mine), Somerset (Sahhorn Creek Mine) and Converse (Bowie #2 Mine), Colorado.

Destination: McDuffie Coal Terminal at Mobile, Alabama for furtherance to Florida Power Corporation's Crystal River generating station.

Route: UP-Kansas City, MO-BNSF

Equipment: Trains shall be comprised of rail carrier owned or leased equipment.

Train Size for Origin 1: Minimum of 13,500 net tons per shipment

Train Size for Origin 2: Minimum of 12,900 net tons per shipment

Train Size for Origin 3: Minimum of 11,800 net tons per shipment

Docket No. 060658-EI  
 Bids by Western Railroads -  
 Confidential Exhibit No. \_\_\_\_\_ (RS-35)  
 Page 2 of 8

Loading Time: Four (4) hours

Unloading Time: Eight (8) hours

Rates: ~~\$17.91~~ per net ton from mines located in the Southern Powder River Basin.

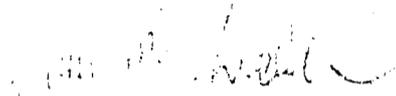
\$24.62 per net ton from Energy and Axial, Colorado

\$26.05 per net ton from Arco, Somerset and Converse, Colorado

Effectiveness and Publication:

We are prepared to establish these rates within the next 30 days, in either a non-confidential common carrier rate publication or on confidential contract basis as you prefer, to remain effective for a ninety day period thereafter.

Sincerely,



cc: Mr. Bill Nock  
 Assistant Vice President Domestic Utilities  
 Union Pacific Railroad Company  
 1416 Dodge Street  
 Omaha, NE 68179

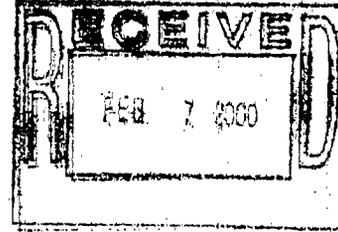
UNION PACIFIC RAILROAD COMPANY

MARKETING & SALES



1416 DODGE STREET  
OMAHA, NEBRASKA 68179

February 2, 2000



Mr. Dennis Edwards  
Vice President Coal Procurement  
Electric Fuels Corporation  
P.O. Box 15208  
St. Petersburg, FL 33733

Dear Dennis,

Thank you for meeting with Jeff and I. Based on our conversation we have developed the following proposal for your consideration covering shipments of coal from the Powder River Basin of Wyoming destined to various terminal facilities for ultimate movement to Florida Power's Crystal River Plant:

**I. ORIGINS:**

Mines served by the Union Pacific located in Campbell and Converse Counties of Wyoming.

**II. UP DESTINATIONS:**

- A. Cahokia Marine Services at Sauget, IL.
- B. Cora Dock at Cora, IL.
- C. Texas City, TX (including the Texas City Terminal Railroad)

**III. ULTIMATE DESTINATION:**

Applies only on coal moving beyond the UP destinations for use at the Crystal River Plant

**IV. TERM:**

Length of term is to be determined by mutual agreement.

**V. EQUIPMENT:**

UP or Customer furnished railcars

*Responsive to  
question #49*

PEF-FUEL-004728

**VI. TRAIN SIZE:**

115 car conventional trains or 135 car distributed power trains

**VII. MINIMUM WEIGHT:**

The aggregate minimum weight per train shall be 95% of the marked capacity of the cars supplied, not to exceed any gross weight or rail restrictions.

**VIII. BASE PRICE PER NET TON:**

A. \$11.75 (UP Cars) or \$9.65 (Customer Cars) to Cahokia Marine Services at Sauget, IL.

The price to Cahokia Marine Service includes the transfer of coal from rail cars to barges through December 31, 2000.

B. \$11.20 (UP Cars) or \$9.10 (Customer Cars) to Cora Dock at Cora, IL.

C. \$15.95 (UP Cars) or \$13.00 (Customer Cars) to Texas City, TX

Rates to Texas City are subject to confirmation of the Texas City Terminal Railroad revenue requirements.

**IX. RATE ADJUSTMENTS:**

The Base Price will be adjusted January 1, 2001 and each January 1 thereafter using the percentage change in the RCAF(U) or a mutually agreed to fixed escalator. In no case will the price be adjusted below the Base Price.

**X. MINIMUM VOLUME REQUIREMENT:**

100% of the coal transported via any mode from Campbell and Converse Counties of Wyoming to the Crystal River Plant.

**XI. LOADING FREE TIME:**

Four hours

**XII. UNLOADING FREE TIME:**

A. Eighteen hours at Cahokia Marine Services at Sauget, IL.

B. Eight hours at Cora Dock at Cora, IL

C. Twenty-four hours at Texas City, TX

**XIII. CONFIDENTIALITY:**

The information contained in this proposal is confidential and shall not be disclosed without the prior consent to the Union Pacific.

**XIV. EXPIRATION OF PROPOSAL:**

This proposal, except for confidentiality shall expire on February 29, 2000 unless sooner accepted or extended.

Thank you, for giving us the opportunity to provide this proposal. We would like to arrange a meeting to discuss this proposal and to determine if there is any way we can assist you in switching to the SPRB for some of your requirements. Please call me at 402-271-6228 with any questions or to arrange a meeting.

Sincerely,



James B. Halper  
Business Manager-Energy  
Union Pacific

Docket No. 060658-EI  
 Bids by Western Railroads -  
 Confidential Exhibit No. \_\_\_\_\_ (RS-35)  
 Page 6 of 8



May 19, 2003

Mr. Sami M. Shalah  
 Vice President, Coal Marketing  
 Burlington Northern Santa Fe Railway Company  
 Post Office Box 961051  
 Fort Worth, Texas 76131-2830

Dear Mr. Shalah:

As you know, Progress Fuels Corporation is considering the purchase of test shipments of western coal for Progress Energy Florida's Crystal River coal plants. Your letter of May 8, wherein you offered to establish a railroad joint rate from the Southern Powder River Basin of Wyoming to assist us to that end is most appreciated. At this time, however, no final decision has been made regarding a test shipment, but we could enter into a contract with the BNSF providing there were no minimums. I look forward to discussing this matter with you further.

On another note, in previous years the BNSF has most generously provided the wine for the Monday night banquet at the annual NCCI Summer Trade Seminar. As the 2003 Sponsorship Chairman for this year's Seminar scheduled for July 6-8, I am hoping that the BNSF will continue its generosity and once again provide sponsorship in this manner. Your consideration of this request will be appreciated.

Sam, thank you once again for your letter of May 8 and know that Progress Fuels looks forward to the possibility of doing business with the BNSF.

Sincerely,

A. W. Pitcher  
 Vice President, Coal Procurement

AWP/ro

Progress Fuels Corporation  
 7000 Central Avenue  
 St. Petersburg, FL 33701

PER-FUEL-004731

Docket No. 060658-EI  
Bids by Western Railroads -  
Confidential Exhibit No. \_\_\_\_\_ (RS-35)  
Page 7 of 8

**BNSF**



Sunil M. Shahani

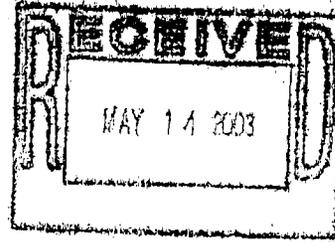
Vice President  
Coal Marketing

Burlington Northern Santa Fe  
Railway Company

P. O. Box 861951  
2650 Low Meek Drive 2<sup>nd</sup> Floor  
Fort Worth, TX 76131-2830  
Phone (817) 867-0253  
Fax (817) 352-7939

May 8, 2003

Mr. Al Pitcher  
Vice President Coal Procurement  
Progress Fuels Corp.  
P. O. Box 15208  
St. Petersburg, FL 33733



Dear Mr. Pitcher:

The Burlington Northern and Santa Fe Railway Company (BNSF) and Union Pacific Railroad Company (UP) are offering to establish the following trainload joint rates on coal for your consideration to encourage the testing of western coal from the Southern Powder River Basin of Wyoming:

- Origin: Mines located in the Southern Powder River Basin of Wyoming
- Destination: McDuffie Coal Terminal at Mobile, Alabama for furtherance to Florida Power Corporation's Crystal River generating station.
- Route: UP-Kansas City, MO-BNSF
- Equipment: Trains shall be comprised of rail carrier owned or leased equipment.
- Train Size: Minimum of 13,500 net tons per shipment
- Loading Time: Four (4) hours
- Unloading Time: Eight (8) hours
- Rate: \$15.95 per net ton
- Maximum Volume: A maximum of 200,000 net tons may be shipped pursuant to this offer.

*Response to  
question # 48*

Confidentiality: This offer is confidential and shall not be disclosed by BNSF, UP, Progress Energy or Progress Energy's agents, affiliates, consultants or counsel without the express written consent of the other parties.

We are prepared to establish this rate within the next 30 days in a confidential contract to remain effective through December 31, 2003.

Sincerely,



cc: Mr. Dwain Lanier  
Executive Director Fossil Fuels  
Progress Energy  
P. O. Box 1551, MC 8A  
Raleigh, North Carolina 27602

Mr. Bill Nock  
Assistant Vice President Energy - East  
Union Pacific Railroad Company  
1416 Dodge Street  
Omaha, NE 68179

Docket No. 060658-EI  
Kennecott Letter Offering  
Exhibit No. \_\_\_\_ (RS-36)  
Page 1 of 1

Kennecott Energy Company  
505 South Gillette Avenue  
Gillette, Wyoming 82717-3000  
(307) 687-6000 Fax: (307) 687-6015

10-16-98

# Kennecott Energy

October 15, 1998

VIA FEDERAL EXPRESS 727.824.6673

Mr. Dennis G. Edwards  
Vice President - Coal Procurement  
Electric Fuels Corporation  
One Progress Plaza, BT10C  
St. Petersburg, FL 33701

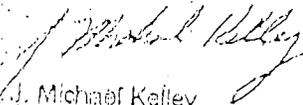
Dear Dennis:

Kennecott Energy Company appreciates receiving your proposal dated October 1, 1998, to supply coal to Electric Fuels' Crystal River via the CSX or via the Gulf of Mexico.

Our current coal portfolio is comprised of subbituminous Powder River Basin coals, with a heating value ranging from 8,400 to 9,400 BTU/lb and a Colorado coal with a heating value of 10,500 BTU. We continue to pursue opportunities that might fit your future coal requirements and would appreciate remaining on your Bid Solicitation list.

Best regards with your current solicitation.

Sincerely,



J. Michael Kelley  
Manager Sales

JRM:kan

PEF-FUEL-005082

41 Plants East Of The Mississippi River Using PRB Coal In 1996

| Plant            | PRB    | Other     | Plant               | PRB  | Other     |
|------------------|--------|-----------|---------------------|------|-----------|
| Allen, TN        | UNK    | WBIT/ILLB | Michigan City, MI   | 60%  | ILLB      |
| Alma, WI         | 85%    | ILLB      | Miller, AL          | 72%  | SAPP      |
| Bailly, IN       | 46%    | ILLB      | Mitchell, MI        | 79%  | WBIT      |
| Belle River, MI  | 100%   | N/A       | Monroe, MI          | 68%  | CAPP      |
| Campbell, MI     | 69%    | CAPP      | Oak Creek, WI       | 48%  | WBIT/ILLB |
| Clifty Creek, IN | 61%    | CAPP/ILLB | Pleasant Prarie, WI | 100% | N/A       |
| Cobb, MI         | 72%    | CAPP      | Powerton, IL        | 100% | ILLB      |
| Columbia, WI     | 100%   | N/A       | River Rouge, MI     | 48%  | CAPP      |
| Crawford, IL     | 100%   | N/A       | Rockport, IN        | 100% | N/A       |
| Daniel, MS       | 81%    | WBIT      | Schahfer 14-15, IN  | 84%  | WBIT      |
| Dewey, WI        | 95%    | ILLB      | Scherer, GA         | 65%  | CAPP      |
| Edgewater, WI    | 100%   | N/A       | Shawnee, KY         | UNK  | UKN       |
| Fisk, IL         | 100%   | N/A       | St. Clair, MI       | 89%  | NAPP      |
| Gannon, FL       | 20-33% | CAPP/ILLB | State Line, IN      | 100% | N/A       |
| Genoa, WI        | 51%    | ILLB      | Tanners Ck 4, IN    | 2%   | UNK       |
| J.P. Pulliam, WI | 100%   | N/A       | Trenton Channel, MI | 40%  | CAPP      |
| Joliet, IL       | 100%   | N/A       | Watson, MS          | 5%   | ILLB      |
| Joppa, IL        | 100%   | N/A       | Waukegan, IL        | 100% | N/A       |
| Kincaid, IL      | 4%     | WBIT/ILLB | Weadock, MI         | 57%  | CAPP      |
| Lansing, MI      | 93%    | ILLB      | Weston, WI          | 100% | N/A       |
|                  |        |           | Will County, IL     | 100% | N/A       |

TECO Data on PRB Prices  
(Cents/MMBtu)

| Year | ECT<br>Contract | ECT<br>Spot | ECT<br>Total | ECT<br>lbs.<br>SO2 | ECT<br>PRB | PRB<br>lbs.<br>SO2 |
|------|-----------------|-------------|--------------|--------------------|------------|--------------------|
| 1996 | 169.4           | 132.7       | 148.3        | 3.27               | 142        | 0.48               |
| 1997 | 158.7           | 132.1       | 147.3        | 3.60               | 141        | 0.48               |
| 1998 | 152.9           | 132.6       | 145.5        | 3.58               | 135        | 0.92               |
| 1999 | 150.0           | 127.2       | 142.0        | 3.52               | 125        | 0.43               |
| 2000 | 152.4           | 125.1       | 144.4        | 3.83               | 122        | 0.50               |
| 2001 | 165.7           | 143.2       | 154.4        | 3.93               | 143        | 0.54               |
| 2002 | 159.2           | 149.0       | 155.4        | 3.69               | 135        | 0.58               |

Docket No. 060658-EI  
Pitcher Email Spot Barge Purchases  
Exhibit No. \_\_\_\_ (RS-39)  
Page 1 of 1

Pitcher, A) (PFC)

From: Pitcher, A) (PFC)  
Sent: Tuesday, September 14, 2004 8:49 PM  
To: Crake, Kyle (Energy)  
Subject: Spot Barge Purchases 2005-2006

2005 - 2006  
Offers and  
Evaluations

The current coal market, both rail and barge, continues to be very strong because of lack of supply due to the trucking issues in both Kentucky and West Virginia and various environmental issues regarding permitting. There is no indication that any material decline in pricing will occur until late in 2005 or early 2006. In addition to the strong pricing, multiple utilities (TVA, South Carolina Gas & Electric, South Carolina Public Service, and Constellation) are currently in the market for large tonnage. Basically, many potential customers are chasing very few tons. TVA is seeking both rail and barge coal and this email concerns Delta barge coal requirements for 2005 and 2006. 4-5

Based upon the above facts, it is my opinion that issuing an RFP for Delta barge coal, at this time to chase a very limited supply, is unwise. I have been calling various suppliers to determine availability for next year and I have found very few tons available and most of the companies want long term agreements (2005-2006). PFC's 2005 and 2006 open position for Delta barge delivered coal is approximately 800,000 tons and 550,000 tons respectively. These amounts are different than previously discussed because we have shifted the entire Massey Delta contract to rail delivery, because this is the most economical move for this coal and our estimated beginning 2005 inventory of M&T will be higher due to delayed deliveries resulting from a very active hurricane season. Previous projections had Massey Delta contract split 60% rail and 40% water to balance logistics.

Based upon our 2005 and 2006 requirements, I recommend purchasing the following:

Progress Fuels Corporation-  
Marketing & Trading (M&T)

40,000 tons per month at a delivered price of 3.153 \$/mmbtu;  
The term would be 1/1/2005-12/31/2006

CMC/Coal Marketing  
Company Ltd. (Colombian)

25,000 tons per month at a delivered price of 3.176 \$/mmbtu;  
The term would be 1/1/2005-12/31/2006

See the attached evaluations. These bids were considered and only one other bid was near competitive. The Guasare bid was approximately 17.5 cents/mmbtu higher, on a delivered basis, than the either the M&T or the Colombian bid.

Please note the CMC offer expires on Friday September 17. No time was given. Therefore, I am assuming the close of business.

A. W. Pitcher  
Vice President, Coal Procurement  
Progress Fuels Corporation  
One Progress Plaza, #1100  
St. Petersburg, FL 33701  
Phone No. 727-424-4002  
Fax No. 727-824-9001  
E-mail: [awpitcher@progressfuels.com](mailto:awpitcher@progressfuels.com)

9/14/2004

Docket No. 060658-EI  
Photos of Crystal River Plant  
Composite Exhibit No. \_\_\_\_ (RS-40)

Sansom Photographs February 22, 2007 Visit To Crystal River

(Provided separately.)

Docket No. 060658-EI  
Crystal River coal yard Layout  
Exhibit No. \_\_\_\_ (RS-41)  
Page 1 of 1



Docket No. 060658-EI  
PE's Notes on Conversation - Hatt  
Exhibit No. \_\_\_\_ (RS-42)  
Page 1 of 1

Progress Energy's Notes Regarding Conversation - Rod Hatt - Coal Combustion, Inc.  
(5/3/05 telecon)

DTE Energy [Notes from 4/19/05 Clearwater Coal Conference presentation by Andy Dobizanski]

- Monroe station is like our Roxboro. Have 4 units totaling 3000 MW's.
- Blend 3 coals at a time. (Black Thunder PRB, Low S CAPP, Mid S CAPP)
- Burn 8-10 MM tons/yr.
- Have on-line coal sampler to assist with quality, "At Monroe, we performance blend."  
Specifies: X-Ray Fluorescence on-line coal analyzer and Digital Fuel Tracking System (DFTS).

RoU Hatt - Coal Combustion, Inc. [5/3/05 telecon]

- Thinks ~~25%~~ PRB can get away without having to do major improvements as long as daily housekeeping [washing complete fuel handling system for dust] is addressed.
- 50% PRB blend: need to watch because even though 50% PRB, PRB might comprise 80% of the dust.
- PRB is high grind (55-60), so constraint might not be so much BTU's as feeder capacity.
- If serious about PRB, suggested visited some of the PRB User's Group Plant of the Year to learn best practices. [Plant Miller in Alabama, Dominion Energy's Kincaid, etc.]
- Housekeeping: need to paint plant white and make it white again at the end of every day. Complete washdown. Over a dozen utilities have had sloppy housekeeping with PRB and paid the price with explosions.
- PRB Users Group [[www.prbcoal.com](http://www.prbcoal.com)] is a good resource.
- Keys to PRB:
  1. Ability to clean up each day - immaculate housekeeping
  2. Fire protection is a good backup - but if do proper cleanup, don't need to have. Is nice to have though.

PRB Tons Bid In 2004 For 2005-2007

| Company   | 2005      | 2006      | 2007      |
|-----------|-----------|-----------|-----------|
| Arch      | 500,000   | 500,000   | 500,000   |
| Peabody   | 300,000   | 300,000   | 300,000   |
| Triton    | 1,000,000 | 1,000,000 | 1,000,000 |
| Kennecott | 200,000   | 400,000   | 400,000   |
| Total     | 2,000,000 | 2,200,000 | 2,200,000 |

**PRB SO2 Emissions At Miller 1-4 vs. CAPP SO2 Emissions At Crystal River 4&5**

| Plant                        | Unit       | As Burned <sup>(1)</sup><br>Sulfur<br>Converted To<br>SO2 | SO <sub>2</sub> <sup>(2)</sup><br>Emissions<br>From Stacks | % Removed<br>In Boiler Ash |
|------------------------------|------------|---|--|----------------------------|
| Miller<br>(PRB Coal)         | 1          | 0.5730  | 0.4577   | 20.12                      |
|                              | 2          | 0.5725  | 0.4622   | 19.27                      |
|                              | 3          | 0.5683  | 0.4680   | 17.65                      |
|                              | 4          | 0.5688  | 0.4772   | 16.10                      |
|                              | <b>Avg</b> |   |  | <b>18.285</b>              |
| Crystal River<br>(CAPP Coal) | 4          | 1.0377  | 0.9807   | 5.49                       |
|                              | 5          | 1.0427  | 0.9741   | 6.58                       |
|                              | <b>Avg</b> |   |  | <b>6.035</b>               |

(1) Source: 2004 EIA Form 767.

(2) Source: U.S. EPA CEMS data.

Revised SO2 Overpayments

|                          | 2000       | 2001       | 2002                                      | 2003       | 2004       | 2005       |
|--------------------------|------------|------------|---|------------|------------|------------|
| lbs SO2/MMBtu Water Bit. | 1.12       | 1.11       | 1.12                                      | 1.03       | 1.04       | 1.02       |
| % Removed Bit C          | 6.0        | 6.0        | 6.0                                       | 6.0        | 6.0        | 6.0        |
| Bit C SO2 lbs/MMBtu      | 1.0528     | 1.0656     | 1.0528                                    | 0.9682     | 0.9776     | 0.9588     |
| PRB lbs/MMBtu SO2        | 0.6        | 0.6        | 0.6                                       | 0.6        | 0.6        | 0.6        |
| Removed % From PRB       | 18.3       | 18.3       | 18.3                                      | 18.3       | 18.3       | 18.3       |
| PRB SO2 lbs/MMBtu        | 0.4902     | 0.4902     | 0.4902                                    | 0.4902     | 0.4902     | 0.4902     |
| Difference in lbs/MMBtu  | 0.5626     | 0.5754     | 0.5626                                    | 0.478      | 0.4874     | 0.4686     |
| MMBtu PRB Coal           | 36,617,231 | 35,795,905 | 31,753,000                                | 32,780,835 | 37,980,082 | 31,771,004 |
| Δ lbs SO2                | 20,600,854 | 20,596,964 | 17,864,238                                | 15,669,239 | 18,511,492 | 14,887,892 |
| Δ Tons SO2               | 10,300     | 10,298     | 8,932                                     | 7,835      | 9,255,746  | 7,444      |
| \$/Ton SO2               | 141        | 186        | 152                                       | 176        | 442        | 906        |
| New Overpayments \$      | 1,452,360  | 1,915,518  | 1,357,682                                 | 1,378,893  | 4,091,040  | 6,744,215  |
| Old Overpayments \$      | 1,497,278  | 1,897,541  | 1,410,049                                 | 1,413,510  | 4,106,799  | 7,513,540  |
| Difference \$            | (44,918)   | 17,977     | (52,367)                                  | (34,617)   | (105,759)  | (769,325)  |
| <b>Net Changes</b>       |            |            | \$989,009 (78% due to 2005 PRB Btu error) |            |            |            |

Docket No. 060658-EI  
Proposed Agenda Synfuels Meeting  
Exhibit No. \_\_\_\_\_ (RS-46)  
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PROPOSED AGENDA  
New River Synfuel LLC  
Quincy Dock -- March 14, 2005 @ 9:00 am

Participants:

- New River Synfuel LLC/Charleston Capital Corporation -- Don Dargie, Don Logan, Bob Russell, Gordon Deane
- Black Hawk Synfuel LLC -- Fred Verardi, Donna Davis, Sasha Weintraub, Brett Phipps, Butch Smith, Kenny Fletcher, Paul Armstrong (Manager of Coals & Terminals), Brian Bender (Trader, SolArc System), Dennis Taylor (Purchasing Supervisor), Christine Barclay (Accountant for New River)
- Synfuel Services, LLC -- Mark Wiley, Ralph Barbaro (Energy Ventures -- Consultant)
- Novogrudac & Company LLP -- By phone if needed

Site Walk

Basle Review

1. General Review of Day's Schedule & Purpose of Meeting
2. Operations Review
  - a. Total tons processed: New River tons vs. KRT; changes over time
  - b. Feedstock deliveries: accounting, sources, quality, handling, tracking, accuracy -- changes over time
  - c. Reagent: accounting, handling, monitoring, accuracy -- changes over time
  - d. Synfuel & Coal shipments: accounting, customers, quality, handling, tracking, accuracy -- changes over time and differences in shipments
  - e. Co-mingling -- SolArc system, directions to operators, accuracy of reports, periodic inventory adjustments, aerial surveys, degradation/moisture
  - f. Practicality of eliminating co-mingling of feedstock -- impact on synfuel vs. coal operations
3. Payments terms:
  - a. Feedstock payment invoices -- contract terms; historical practices, practical going forward
  - b. Synfuel sales receipts -- contract terms, historical practices, practical going forward
  - c. Marketing, O&M, Transloading, Supply Fees -- contract terms, historical practices, practical going forward
  - d. Potential conflicts in interpretation/description of above
  - e. Other
4. Other Contract Terms for Discussion?
  - a. Guarantees
  - b. Feedstock at market prices and commercially reasonable terms
  - c. Record keeping
  - d. Working Capital Loan

5. Synfuel-Feedstock Spread
  - a. Historical for 3<sup>rd</sup> parties, changes over time; anticipated future
  - b. \$4 spread -- genesis of program, Btu expectations, tonnage expectations, feedstock vs. synfuel sales tracking, anticipated future tonnage

Financial & Other Issues

6. \$4 Infinity Commission Sales on Purchase & Sales
  - a. Relation to \$4 spread, if any
  - b. History and quantification
  - c. Anticipated future
7. \$18.1 million accounting adjustments
  - a. Novogradac conclusions re amount
  - b. BHS procedures to ensure does not re-occur
  - c. NRS procedures to review BHS procedures
  - d. Interest on unbilled amounts -- dollar amount, fairness
8. KRT's Proposed \$3.6 MM Inventory Adjustment
  - a. Genesis of claim
  - b. Supporting data for claim, accuracy; comparable data for parallel coal operations
  - c. Other \$0.8 MM inventory adjustment item
  - d. Procedures for future
9. NexGen's Claim resulting from Potential Moisture Adjustment
  - a. Genesis and amount of claim
  - b. Supporting data for claim, accuracy
  - c. Novogradac response re appropriateness of claim
  - d. GP response re appropriateness of claim
  - e. Procedures for future
10. Working Capital Loan
  - a. \$6 MM allowed dollar amount via 1<sup>st</sup> Amendment vs. at historical and current operating level
  - b. Posting of items to WC Loan -- timing, obligations, tracking
  - c. Implications of insufficient cash flow to fully pay down (recent \$8 MM issue)
  - d. Impact of synfuel collections lagging feedstock billings on interest charges and magnitude of outstanding balance
  - e. Funding of WC Reserve (\$600,000)

11. OTHER ITEMS NEEDING RESOLUTION?

12. Resolution

- a. Items resolved and their resolution (be specific)
- b. Items not resolved and next steps (specific steps with timetables and deadlines)

Docket No. 060658-EI  
Black hawk Synfuel  
Exhibit No. \_\_\_\_ (RS-47)  
Page 1 of 1

COPY

Docket No. 060658-EI  
Black Hawk Synfuel  
Exhibit No. \_\_\_\_\_ (RS-47)  
Page 1 of 2

# Black Hawk Synfuel LLC

One Progress Plaza, BT10C, St. Petersburg, Florida 33701  
Phone No. 727/824-6692 Fax No. 727/824-6601

June 12, 2001

Mr. Dennis Edwards  
Vice President, Coal Procurement  
Electric Fuels Corporation  
P.O. Box 15208  
St. Petersburg, FL 33733

Dear Dennis:

Black Hawk Synfuel LLC (sales agent for New River Synfuel, LLC) is pleased to offer Electric Fuels Corporation Synfuel for the twelve months beginning January 1, 2002 through December 31, 2002, meeting the following specifications:

| Specifications              |                |
|-----------------------------|----------------|
| Moisture-maximum %          | 8.00           |
| Ash-maximum %               | 12.00          |
| Btu - minimum               | 12,100         |
| Sulfur - maximum %          | .68            |
| Volatile - maximum %        | 32.0           |
| Ash fusion                  | 2650 Degrees F |
| Size                        | Synfuel        |
| Tonnage per month           | 120,000        |
| Price F.O.B. Barge - Quincy | \$39.25        |
| Transportation              | \$3.75         |

This product would be loaded at our Kanawha River Terminals' Quincy Dock at Mile Post 73.10 on the Kanawha River.

If successful, we reserve the right, with prior approval and applicable adjustment for transportation, to ship this product from our Sandy River Synfuel LLC at Mile Post 8.5 and Colona Synfuel LLC at Mile Post 7.7, both located on the Big Sandy River, and Ceredo Synfuel LLC at Mile Post 314.50 on the Ohio River.

DEF-FUEL-004865

Mr. Dennis Edwards  
June 12, 2001  
Page 2

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The weights and analysis at loading will govern for payment. Payments will be due upon receipt of the analysis and the invoices.

I hope you find this offer favorable, and I look forward to hearing from you.

Sincerely,

BLACKHAWK SYNFUEL, LLC



A. W. Pitcher  
Vice President - Sales

AWP:lrb

cc: W.D. Carter

Docket No. 060658-EI  
Indication of Product Availability  
Exhibit No. \_\_\_\_ (RS-48)  
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PFC M&T  
CR 142

Indication of Product Availability

Docket No. 060658-EI  
Indication of Product Availability  
Exhibit No. \_\_\_\_\_ (RS-48)  
Page 1 of 2

Mr. Fitcher,

Per our conversations of last week, Progress Fuels Corporation -- Marketing & Trading (PFC M&T) is pleased to submit the following indication of product availability for the consideration of Progress Fuels Corporation -- Regulated (PFC--R). I would appreciate the ability to follow-up with you after you have had the chance to evaluate the numbers:

First Indication

Term: 1/1/05 - 12/31/06  
Quantity: 15,000 tons/month (subject to prior sale or commitment)\*  
Quality: Based on As Received -- Monthly Weighted Averages  
BTU-- 12,000 Min.  
ASH- 13.50% Max.  
SO2 #/MMBTU- 2.00# Max. -- 1.8# Typical  
Price: \$55.75/NT for Coal FOB Barge  
Location: Originating on the Big Sandy River

Second Indication

Term: 1/1/05 - 12/31/06  
Quantity: 15,000 tons/month (subject to prior sale or commitment)  
Quality: Based on As Received -- Monthly Weighted Averages  
BTU- 12,000 Minimum  
ASH- 13.50% Maximum  
SO2 #/MM BTU- 1.20# Maximum  
Price: \$59.50/NT for Coal FOB Barge  
Location: Originating in the Marmet Pool of the Kanawha River

These indications are based upon PFC M&T, via its operation of various Synfuel entities for other parties, being able to ship a volume as a synfuel product. Our intention would be to ship as much synfuel as possible, however, in the dynamic environment of Section 29, we must reserve the right to ship coal. We also understand current restrictions on your receipt of synfuel of a 1.2# SO2 require the product to be no greater than a 0.68% sulfur on a weighted average.

Alternate Source: PFC may elect at its sole option to ship either or both products from its facilities located at the Ceredo Dock, the Kanawha River Docks, or from the Big Sandy River Docks. Tons shipped from these facilities will be priced at an agreed to transportation differential, as part of the basic economic considerations of this package. The alternate sources will meet the parameters of the agreement between the parties.

As a general caveat, these indications are submitted subject to the party's negotiation of mutually acceptable terms and conditions, including but not limited to the inclusion of quality adjustment provisions and subsequent finalization of agreements.

I hope PFCR finds these indications of interest. With the dynamics of today's marketplace we cannot hold these indications open more than a short period of time. We are also moving forward with other's interested in these types of product.

I appreciate your attention to this matter and if you have any questions please do not hesitate to contact me.

Joe Jefferson  
Director -- Coal Sales