

011605-8I

**Florida Power's Hedging Program
Phased Fixed Price Methodology**

Natural Gas

Fixed natural gas prices would be established using the following methodology:

On each day of a predetermined week (for example, the third week) of five predetermined months (for example, May, June, July, August and September) in the current year, the NYMEX Henry Hub natural gas futures closing price for the same day in every month of the following year will be recorded. The five months selected for each year will be adjusted depending on actual implementation date. The average of the daily prices recorded during each of the five weekly periods, plus a risk premium adjusted for volume subject to fixed pricing (10 Bcf = 3%), will be the final fixed price to be charged to customers the following year for the predetermined annual quantity of natural gas.

For example; on Monday in the third week in May 2003, the NYMEX natural gas futures closing price for Monday in the third week of each month in 2004 would be recorded. The process would be repeated on Tuesday, Wednesday, Thursday and Friday, with the 60 recorded prices averaged to determine the May weekly price. This process would be repeated again for each day in the third week of June, July, August and September. The risk premium would then be added to the average of the five weekly prices to determine the final fixed natural gas price for 2004.

The actual basis differential between the NYMEX Henry Hub price and the applicable pipeline receipt points (Florida Gas Transmission and Gulfstream) will be recovered on an actual basis.

Residual (No. 6) Oil

Because residual oil is not traded on the NYMEX exchange, the NYMEX light (WTI) crude oil contract price will be used to determine a verifiable fixed price. Since crude oil is normally priced above residual oil, the price of WTI crude oil will be reduced to 91.5% of the calculated annual value, based on historical price relationships and the inclusion of a 3% risk premium, adjustable for volume changes (2 MMBbl = 3%). In all other respects, the methodology for calculating the fixed price of residual oil is the same as the methodology for natural gas described above.

Delivery costs and applicable taxes for residual oil would be added to recoverable fuel costs.

Example Calculations

The following tables illustrate a detailed calculation of the fixed price of natural gas and residual oil using actual data from 2001.

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NYMEX daily natural gas futures (\$/Mmbtu)

Date	Day	Jan-02	Feb-02	Mar-02	Apr-02	May-02	Jun-02	Jul-02	Aug-02	Sep-02	Oct-02	Nov-02	Dec-02	Daily Average	Weekly Average	Total Average
05/14/2001	Mon	4.947	4.817	4.630	4.292	4.212	4.252	4.297	4.322	4.327	4.337	4.477	4.607	4.460		
05/15/2001	Tue	5.193	5.058	4.863	4.478	4.383	4.423	4.468	4.488	4.493	4.500	4.637	4.750	4.645		
05/16/2001	Wed	4.917	4.802	4.627	4.283	4.205	4.245	4.295	4.315	4.325	4.335	4.480	4.605	4.453		
05/17/2001	Thu	4.890	4.780	4.605	4.273	4.205	4.248	4.298	4.318	4.328	4.338	4.483	4.608	4.448		
05/18/2001	Fri	4.925	4.813	4.638	4.308	4.240	4.285	4.338	4.358	4.368	4.378	4.523	4.650	4.485	4.498	
06/18/2001	Mon	4.555	4.410	4.200	3.750	3.680	3.725	3.765	3.790	3.810	3.835	3.975	4.115	3.968		
06/19/2001	Tue	4.578	4.435	4.225	3.777	3.712	3.757	3.802	3.829	3.842	3.864	4.004	4.142	3.997		
06/20/2001	Wed	4.372	4.232	4.027	3.597	3.537	3.582	3.627	3.651	3.664	3.686	3.826	3.964	3.814		
06/21/2001	Thu	4.382	4.247	4.042	3.612	3.552	3.597	3.642	3.666	3.679	3.701	3.837	3.972	3.827		
06/22/2001	Fri	4.406	4.271	4.066	3.636	3.576	3.621	3.666	3.691	3.704	3.726	3.862	3.997	3.852	3.892	
07/16/2001	Mon	3.837	3.758	3.625	3.420	3.425	3.470	3.517	3.535	3.555	3.585	3.741	3.910	3.615		
07/17/2001	Tue	3.925	3.845	3.710	3.490	3.488	3.530	3.575	3.590	3.605	3.630	3.781	3.945	3.676		
07/18/2001	Wed	3.816	3.739	3.606	3.401	3.403	3.445	3.490	3.513	3.515	3.542	3.692	3.847	3.584		
07/19/2001	Thu	3.673	3.603	3.478	3.288	3.303	3.345	3.390	3.413	3.423	3.443	3.596	3.761	3.476		
07/20/2001	Fri	3.710	3.645	3.530	3.355	3.370	3.412	3.457	3.482	3.492	3.512	3.670	3.835	3.539	3.578	
08/13/2001	Mon	3.729	3.667	3.561	3.421	3.435	3.475	3.520	3.560	3.558	3.571	3.726	3.891	3.593		
08/14/2001	Tue	3.809	3.742	3.627	3.482	3.496	3.536	3.581	3.621	3.619	3.632	3.787	3.952	3.657		
08/15/2001	Wed	4.108	4.023	3.898	3.730	3.735	3.768	3.807	3.847	3.845	3.857	4.000	4.157	3.898		
08/16/2001	Thu	4.038	3.955	3.830	3.675	3.680	3.715	3.760	3.800	3.798	3.810	3.953	4.113	3.844		
08/17/2001	Fri	3.981	3.896	3.771	3.616	3.621	3.656	3.700	3.740	3.738	3.750	3.893	4.053	3.785	3.755	
09/17/2001	Mon	3.303	3.280	3.215	3.125	3.150	3.185	3.225	3.262	3.260	3.272	3.432	3.595	3.275		
09/18/2001	Tue	3.155	3.138	3.075	2.987	3.012	3.052	3.092	3.132	3.130	3.142	3.302	3.468	3.140		
09/19/2001	Wed	2.962	2.949	2.896	2.816	2.844	2.889	2.930	2.970	2.970	2.982	3.144	3.310	2.972		
09/20/2001	Thu	2.995	2.980	2.927	2.850	2.875	2.920	2.961	3.001	3.001	3.013	3.175	3.341	3.003		
09/21/2001	Fri	3.012	2.992	2.935	2.858	2.883	2.933	2.977	3.017	3.017	3.029	3.189	3.360	3.017	3.082	3.761
															Risk Premium	3%
															Cost Recovery Fixed Price	3.87

NYMEX daily light crude oil (WTI) futures (\$/BBL)

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Date	Day	Jan-02	Feb-02	Mar-02	Apr-02	May-02	Jun-02	Jul-02	Aug-02	Sep-02	Oct-02	Nov-02	Dec-02	Daily Average	Monthly Total Average	Average	
05/14/2001	Mon	27.370	27.030	26.720	26.440	26.180	25.930	25.680	25.430	25.190	24.950	24.720	24.510	25.846			
05/15/2001	Tue	27.420	27.080	26.770	26.490	26.230	25.980	25.730	25.490	25.260	25.030	24.810	24.600	25.908			
05/16/2001	Wed	27.220	26.880	26.570	26.290	26.030	25.780	25.530	25.290	25.060	24.830	24.610	24.400	25.708			
05/17/2001	Thu	27.310	26.970	26.660	26.380	26.120	25.870	25.620	25.380	25.150	24.920	24.700	24.490	25.798			
05/18/2001	Fri	28.100	27.740	27.410	27.110	26.830	26.560	26.290	26.040	25.800	25.560	25.330	25.110	26.490	25.950		
06/18/2001	Mon	27.070	26.790	26.510	26.230	25.950	25.680	25.420	25.160	24.900	24.660	24.440	24.240	25.588			
06/19/2001	Tue	27.000	26.730	26.450	26.170	25.890	25.620	25.360	25.100	24.840	24.600	24.380	24.180	25.527			
06/20/2001	Wed	26.150	25.920	25.680	25.430	25.180	24.930	24.690	24.450	24.220	23.990	23.790	23.610	24.837			
06/21/2001	Thu	26.110	25.890	25.650	25.410	25.180	24.950	24.720	24.490	24.260	24.040	23.850	23.680	24.853			
06/22/2001	Fri	26.250	26.030	25.790	25.550	25.320	25.090	24.860	24.630	24.400	24.180	23.990	23.820	24.993	25.159		
07/16/2001	Mon	25.790	25.660	25.510	25.360	25.210	25.060	24.910	24.750	24.590	24.430	24.260	24.090	24.968			
07/17/2001	Tue	25.470	25.330	25.160	24.990	24.830	24.670	24.520	24.360	24.200	24.040	23.880	23.720	24.598			
07/18/2001	Wed	24.960	24.840	24.710	24.570	24.430	24.290	24.150	24.000	23.850	23.700	23.560	23.420	24.207			
07/19/2001	Thu	24.660	24.530	24.390	24.240	24.100	23.960	23.820	23.670	23.520	23.370	23.230	23.090	23.882			
07/20/2001	Fri	25.520	25.370	25.210	25.060	24.910	24.770	24.630	24.480	24.330	24.180	24.030	23.890	24.698	24.471		
08/13/2001	Mon	26.640	26.350	26.070	25.800	25.550	25.310	25.070	24.830	24.610	24.390	24.180	23.970	25.231			
08/14/2001	Tue	26.730	26.450	26.180	25.920	25.680	25.440	25.200	24.960	24.740	24.520	24.310	24.100	25.353			
08/15/2001	Wed	26.360	26.130	25.890	25.650	25.410	25.180	24.950	24.720	24.510	24.300	24.090	23.880	25.089			
08/16/2001	Thu	26.180	25.950	25.720	25.490	25.260	25.040	24.830	24.620	24.420	24.220	24.020	23.820	24.964			
08/17/2001	Fri	25.370	25.170	24.970	24.770	24.580	24.390	24.200	24.010	23.820	23.630	23.440	23.250	24.300	24.987		
09/17/2001	Mon	28.730	28.290	27.870	27.460	27.060	26.660	26.280	25.920	25.580	25.260	24.980	24.740	26.569			
09/18/2001	Tue	27.900	27.550	27.200	26.850	26.500	26.150	25.810	25.490	25.190	24.910	24.660	24.440	26.054			
09/19/2001	Wed	27.130	26.860	26.590	26.320	26.050	25.780	25.510	25.240	24.970	24.700	24.450	24.230	25.653			
09/20/2001	Thu	26.820	26.560	26.300	26.030	25.760	25.490	25.220	24.950	24.680	24.410	24.160	23.950	25.361			
09/21/2001	Fri	26.200	26.010	25.790	25.550	25.290	25.030	24.770	24.510	24.250	23.990	23.750	23.540	24.890	25.705	25.254	
															Adjustment for #6 oil price and Risk Premium		0.915
															Cost Recovery Fixed Price		