



ORIGINAL

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

March 10, 2003

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

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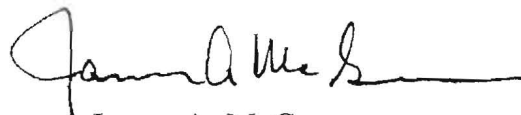
Re: Docket No. 020404-EQ

Dear Ms. Bayó:

Enclosed for filing in the subject docket on behalf of Progress Energy Florida, Inc., formerly Florida Power Corporation, are an original and fifteen copies of its Amended Petition.

Please acknowledge your receipt of the above filing on the enclosed copy of this letter and return to the undersigned. Also enclosed is a 3.5 inch diskette containing the above-referenced document in WordPerfect format. Thank you for your assistance in this matter.

Very truly yours,


James A. McGee

JAM/scc
Enclosure

cc: Parties of record

AUS _____
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PROGRESS ENERGY FLORIDA

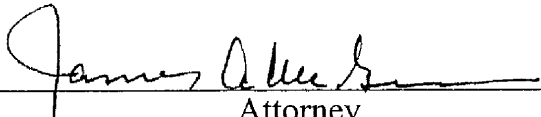
DOCKET No. 020404-EQ

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of Progress Energy Florida's Amended Petition has been furnished to the following individuals by regular U.S. Mail the 10th day of March, 2003:

Wm. Cochran Keating IV, Esquire
Office of General Counsel
Economic Regulation Section
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



Attorney

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Florida Power Corporation for approval of its plan to share the risks of the Bay County QF contract modification.

Docket No. 020404-EQ

Submitted for filing:
March 11, 2003

AMENDED PETITION

Progress Energy Florida, Inc., formerly Florida Power Corporation, (Progress Energy, or the Company) hereby amends its original Petition filed May 8, 2002 in this docket to reflect the revision to its risk sharing plan offered by the Company at the Commission's Agenda Conference on September 3, 2002. In support of its Amended Petition, Progress Energy states as follows:

1. In its recommendation dated August 22, 2002, Staff maintained that the Company's proposed risk sharing plan was inappropriately skewed in favor of the Company because of its failure to recognize the up-front charge of \$610,000 paid by customers as a result of the Bay County QF contract amendment previously approved by the Commission.

2. At the outset of its comments to the Commission at the September 3, 2002 Agenda Conference, the Company acknowledged this unintended oversight on its part and offered to revise its proposal in a manner to provide that the sharing of savings under the amended Bay County contract would begin only after the savings realized had completely offset the customers' \$610,000 up-front payment, escalated for the time value of the initial amount. Staff agreed that revising the Company's proposal in this manner would remedy the problem it had identified.

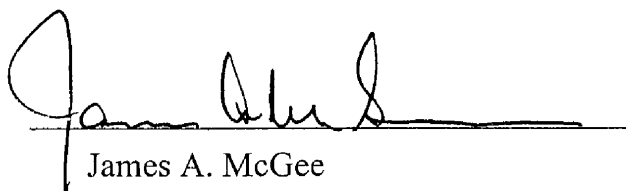
3. This item was deferred at the September 3rd Agenda Conference to give the Office of Public Counsel an opportunity to comment on the proposal. Since that time, no issues have been raised. Progress Energy believes the matter is ripe for decision.

4. Accordingly, the Company has revised Exhibit A to the original Petition, which contains the details of the proposed risk sharing plan and provides examples of its application, in order to correct this oversight consistent with its representation to the Commission. Revised Exhibit A, which is attached to this Amended Petition, highlights to the revised language in bold. In addition, references to "Florida Power" have been changed to "Progress Energy".

5. Except as amended herein, the Company's original Petition remains unchanged and is incorporated herein by this reference.

WHEREFORE, Progress Energy respectfully requests the Commission to approve the Company's Bay County sharing plan as set forth in revised Exhibit A hereto.

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.

EXHIBIT A
(revised)

**PROGRESS ENERGY'S PLAN FOR SHARING
THE RISKS AND BENEFITS OF THE
AMENDED BAY COUNTRY QF CONTRACT**

Progress Energy's Sharing Plan for the Amended Bay County QF Contract

Progress Energy will share the risks and benefits of the early termination modification to the Bay County contract with its customers on a 50/50 basis. This sharing plan will be implemented through the fuel adjustment proceeding beginning with the filing of Progress Energy's projections to establish its fuel cost recovery factors for calendar year 2007, and thereafter with the Company's projection filing for each succeeding calendar year through 2022.

Procedure:

Each of Progress Energy's projection filings subject to this sharing plan shall include an estimate of the costs of purchases under the original Bay County contract for the upcoming projection period, and an estimate of the costs to replace the purchases under the original Bay County contract for the projection period.

The estimate of the costs of purchases under the original Bay County contract for each projection period will be based on the lower of (a) the forecasted cost of coal in dollars per MMBTU for Tampa Electric Company's Big Bend Unit 4, multiplied by a heat rate of 9,790 MMBTU per kWh, or (b) Progress Energy's hourly marginal energy cost in cents per kWh, plus the applicable capacity payments, if any, specified in the original contract, assuming a capacity factor of 75% for the Bay County facility spread evenly over each hour of each day.

The estimate of the costs to replace the purchases under the original Bay County contract for each projection period will be based on Florida Power's hourly marginal energy cost in cents per kWh for the quantity of energy that would have been provided under the original contract, assuming a 75% capacity factor for the Bay County facility spread evenly over each hour of each day.

If the estimated replacement costs are lower than the estimated contract costs, **the cost savings will first be applied to offset the up-front cost of \$610,000 previously paid by customers (escalated for the time value of the customers' previous payment); thereafter**, one-half of the cost savings will be added to Progress Energy's recoverable fuel costs for the projection period. If the estimated replacements costs are higher than the estimated contract costs, one-half of the cost increase will be subtracted from Progress Energy's recoverable fuel costs for the period. Absent extraordinary circumstances, these estimates will not be subject to re-estimation using actual data for the period.

Example 1 - Sharing calculation for the 2007 projection period.

At a 75% capacity factor, the Bay County facility would have generated 72,270 MWhs at its Committed Capacity of 11 MWs. Assuming a Big Bend 4 coal cost of \$1.761 per MMBTU, energy payments under the original Bay County contract would have been \$1,300,000. Capacity payments under the original contract would have been \$3,363,000, for a total estimated contract cost of \$4,663,000 for the projection period. Assuming that Progress Energy's estimated hourly marginal costs averaged 4.013 cents per kWh for the year, the estimated replacement costs would be \$2,900,000 for the projection period. The difference would be an annual savings of \$1,763,000, of which **\$855,200 (\$610,000 adjusted for time value) would be applied to offset the customers' previous up-front payment, and one-half of the remaining savings, or \$453,900**, would be added to Progress Energy's recoverable fuel costs for the 2007 projection period.

Example 2 - Sharing calculation for the 2014 projection period.

At a 75% capacity factor, the Bay County facility would have generated 72,270 MWhs at its Committed Capacity of 11 MWs. Assuming a Big Bend 4 coal cost of \$2.032 per MMBTU, energy payments under the original Bay County contract would have been \$1,500,000. No capacity payments would have been made in 2014 under the original contract, for a total estimated contract cost of \$1,500,000 for the projection period. Assuming that Progress Energy's estimated hourly marginal costs averaged 4.289 cents per kWh for the year, the estimated replacement costs would be \$3,100,000 for the projection period. The difference would be an annual cost increase of \$1,600,000, of which one-half, or \$800,000, would be subtracted from Progress Energy's recoverable fuel costs for the 2014 projection period.