

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  
 DJC

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	2.99%	2.56%	2.83%	2.95%	2.29%	1.56%	2.21%	3.36%	2.85%	1.64%
RCAF-U	Association of American Railroads forecast (AAR) ICC approved (ICC)	2.62%	2.46%	2.97%	1.12%	1.93%	-0.50%	1.40%	4.94%	1.41%	0.72%
PPI-All Commodities	Bureau of Labor Statistics PPI-Table 6	1.54%	1.26%	3.57%	2.33%	0.00%	-2.51%	0.88%	5.66%	1.13%	-2.16%
AHE-Total Private	Bureau of Labor Statistics Employment & Earnings Avg Hourly Earnings, Table 7	2.36%	2.58%	2.97%	3.23%	3.72%	4.16%	3.68%	3.78%	4.22%	3.21%
PPI-#2 Diesel Fuel	Bureau of Labor Statistics PPI-Table 6, 0573-03	-1.62%	-7.72%	1.42%	23.16%	-8.26%	-26.71%	20.97%	63.05%	-9.88%	-7.03%
TOTAL WEIGHTED % CHANGE		1.34%	-0.03%	2.46%	6.24%	-0.44%	-5.22%	5.46%	15.78%	-0.48%	-1.05%

		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	1/1/01	1/1/02	1/1/03
	River: WWU Tax	\$23.00	\$23.00	\$23.31	\$23.30	\$23.87	\$25.36	\$25.25	\$23.93	\$25.24	\$29.22	\$29.08	\$28.77
		0.05	0.15	0.19	0.23	0.23	0.23	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	\$29.45	\$29.31	\$29.00
Offshore Component =====	50.2%	\$11.55	\$11.55	\$11.70	\$11.70	\$11.98	\$12.73	\$12.68	\$12.01	\$12.67	\$14.67	\$14.60	\$14.44

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

entire DN  
 MRS-13-05  
**DECLASSIFIED**  
**CONFIDENTIAL**

DOCUMENT NUMBER-DATE  
 04144 MAY-78  
 FPSC-COMMISSION CLERK

10-5A  
 P345

050001-ETI

WORKPAPER SHEET  
 WP-1

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:**

The calculation of the benchmark price escalation each year actually uses the "first published" factor, which is considered the preliminary (rather than advance or final) factor. Historically, the "first published" factor has been used in most contracts that carry escalations. This methodology was verbally agreed upon by FIGPU, OPC and Staff in 1993 and subsequently at annual meetings in Tallahassee between the parties.

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.

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**ELECTRIC FUELS CORPORATION**  
Average Indices - FPC Waterborne Rate  
2003 Rate

Waterborne rate estimated based upon YTD average indices.

INDEX	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		Variance	
													2001	2002	2002	2003		
	10%																	
CPI-U	20%	177.1	177.6	178.8	179.8	179.8	180.1	180.7	181.0	181.3	181.3	180.9	179.9	177.0				
SCAF-U	rebased			95.7		95.7												
CPI-ALL COMMODITIES	20%	128.5	128.6	106.1	131.0	106.2	131.2	131.5	110.8	133.0	133.2	99.6	97.8	97.1				0.72%
WHE-TOTAL PRIVATE	10%	14.6	14.6	14.7	14.7	14.8	14.8	14.8	14.9	14.9	14.9	15.0	14.8	14.3				3.21%
CPI-#2 DIESEL FUEL	20%	59.2	59.8	69.4	77.9	74.2	77.4	80.4	91.9	99.0	86.0	86.9	78.0	83.9				-7.03%
	100%																	
TOTAL WEIGHTED AVERAGE PERCENT CHANGE													-1.05%	\$29.08	\$28.77	(\$0.31)		
Waterway User Tax													0.23	0.23				
Total Waterborne rate													\$29.31	\$29.00	(\$0.31)			
Offshore rate - 50.2%													\$14.60	\$14.44	(\$0.16)			

Note: 2003 Rate calculation is based on 2002 YTD Average Indices.

10-5B  
P3 R 10

**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		
														2001	2000	% CHG	2001	2002	Variance
FIXED	10%																		
CPI-U	20%	175.1	175.8	176.2	176.9	177.7	178.0	177.5	177.5	178.3	177.7	177.4	176.7	177.1	172.2	2.85%			
RCAF-U	20%			107.6			107.9			107.8			107.6	107.7	106.2	1.41%			
PPI-ALL COMMODITIES	20%	138.8	136.5	135.9	136.3	136.6	135.7	133.9	133.5	133.4	130.2	130.1	128.0	134.1	132.6	1.13%			
AHE-TOTAL PRIVATE	10%	14.02	14.10	14.17	14.22	14.26	14.29	14.35	14.38	14.45	14.47	14.52	14.61	14.32	13.74	4.22%			
PPI-#2 DIESEL FUEL	20%	96.6	93.4	86.3	84.7	89.8	92.6	85.0	80.9	91.2	75.4	74.4	56.2	83.9	93.1	-9.88%			
	100%													<b>TOTAL WEIGHTED AVERAGE PERCENT CHANGE</b>					
																<b>-0.48%</b>	<b>\$29.22</b>	<b>\$29.08</b>	<b>(\$0.14)</b>
														<b>Waterway User Tax</b>			<b>0.23</b>	<b>0.23</b>	<b>-</b>
														<b>Total Waterborne rate</b>			<b>\$29.45</b>	<b>\$29.31</b>	<b>(\$0.14)</b>
														<b>Offshore rate - 50.2%</b>			<b>\$14.67</b>	<b>\$14.60</b>	<b>(\$0.07)</b>

*Note: 2002 Rate calculation is based on 2001 YTD Average Indices.*

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**ELECTRIC FUELS CORPORATION**  
 Average Indices - FPC Waterborne Rate  
 2001 Rate

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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	
FIXED	10%																			
CPI-U	20%	168.8	169.8	171.2	171.3	171.5	172.4	172.8	172.8	173.7	174.0	174.1	174.0	172.2	166.6	3.36%				
RCAF-U	20%			105.0			105.0			106.2			108.5	106.2	101.2	4.94%				
PPI-ALL COMMODITIES	20%	128.3	129.8	131.0	130.7	131.6	133.3	133.2	132.9	134.5	135.1	134.6	135.7	132.6	125.5	5.66%				
AHE-TOTAL PRIVATE	10%	13.50	13.53	13.60	13.64	13.65	13.71	13.76	13.80	13.83	13.89	13.94	14.01	13.74	13.24	3.78%				
PPI-#2 DIESEL FUEL	20%	76.0	85.4	90.2	84.3	83.6	85.5	87.9	91.4	108.9	109.2	110.5	104.7	93.1	57.1	63.05%				
	100%																			
																TOTAL WEIGHTED AVERAGE PERCENT CHANGE	15.78%	\$25.24	\$29.22	\$3.98
																Waterway User Tax		0.23	0.23	-
																Total Waterborne rate		\$25.47	\$29.45	\$3.98
																Offshore rate - 50.2%		\$12.67	\$14.67	\$2.00

Note: 2001 Rate calculation is based on 2000 YTD Average Indices.  
 Indices are first published, except for CPI-U which are revised for Jan-Aug.2000

01 of 10  
 35-01

**ELECTRIC FUELS CORPORATION**  
 Average Indices - FPC Waterborne Rate  
 2000 Rate

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		<u>Jan-99</u>	<u>Feb-99</u>	<u>Mar-99</u>	<u>Apr-99</u>	<u>May-99</u>	<u>Jun-99</u>	<u>Jul-99</u>	<u>Aug-99</u>	<u>Sep-99</u>	<u>Oct-99</u>	<u>Nov-99</u>	<u>Dec-99</u>	<u>TOTAL AVG 99</u>	<u>TOTAL AVG 98</u>	<u>YTD AVG % CHG</u>	<u>WATER RATE 1999</u>	<u>WATER RATE 2000</u>	<u>Variance</u>
FIXED	10%																		
CPI-U	20%	164.3	164.5	165.0	166.2	166.2	166.2	166.7	167.1	167.9	168.2	168.3	168.3	166.6	163.0	2.21%			
RCAF-U	20%			99.3			100.2			101.1			104.3	101.2	99.8	1.40%			
PPI-ALL COMMODITIES	20%	123.2	122.4	122.8	123.5	124.5	125.1	125.5	126.8	128.0	127.9	128.4	128.0	125.5	124.4	0.88%			
AHE-TOTAL PRIVATE	10%	13.04	13.0	13.1	13.1	13.2	13.2	13.3	13.3	13.4	13.4	13.4	13.5	13.24	12.77	3.68%			
PPI-#2 DIESEL FUEL	<u>20%</u>	39.7	37.0	42.6	53.1	53.0	53.8	60.8	65.6	67.5	65.9	71.5	74.9	57.1	47.2	<u>20.97%</u>			
	100%																		
TOTAL WEIGHTED AVERAGE PERCENT CHANGE																<u>5.46%</u>	\$23.93	\$25.24	\$1.31
Waterway User Tax																	0.23	0.23	-
Total Waterborne rate																	<u>\$24.16</u>	<u>\$25.47</u>	<u>\$1.31</u>
Offshore rate - 50.2%																	<u>\$12.01</u>	<u>\$12.67</u>	<u>\$0.66</u>

Note: 2000 Rate calculation is based on 1999 YTD Average Indices.  
 Indices are first published.

01-10-99  
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**ELECTRIC FUELS CORPORATION**  
**Average Indices - FPC Waterborne Rate**  
**1999 Rate**

**CONFIDENTIAL**

		<u>Jan-98</u>	<u>Feb-98</u>	<u>Mar-98</u>	<u>Apr-98</u>	<u>May-98</u>	<u>Jun-98</u>	<u>Jul-98</u>	<u>Aug-98</u>	<u>Sep-98</u>	<u>Oct-98</u>	<u>Nov-98</u>	<u>Dec-98</u>	<u>TOTAL</u> <u>AVG 98</u>	<u>TOTAL</u> <u>AVG 97</u>	<u>YTD</u> <u>AVG</u> <u>% CHG</u>	<u>WATER</u> <u>RATE</u> <u>1998</u>	<u>WATER</u> <u>RATE</u> <u>1999</u>	<u>Variance</u>	
FIXED	10%																			
CPI-U	20%	161.6	161.9	162.2	162.5	162.8	163.0	163.2	163.4	163.6	164.0	164.0	163.9	163.0	160.5	1.56%				
RCAF-U	20%			99.6			99.8			100.3			99.6	99.8	100.3	-0.50%				
PPI-ALL COMMODITIES	20%	125.5	125.1	124.5	124.7	124.9	124.8	124.8	124.2	123.9	124.0	123.5	122.7	124.4	127.6	-2.51%				
AHE-TOTAL PRIVATE	10%	12.51	12.60	12.63	12.67	12.73	12.74	12.79	12.86	12.86	12.88	12.93	12.98	12.77	12.3	4.16%				
PPI-#2 DIESEL FUEL	<u>20%</u>	54.2	51.3	47.6	49.9	50.4	45.0	44.1	44.1	48.3	46.9	45.9	38.9	47.2	64.4	<u>-26.71%</u>				
	100%													<b>TOTAL WEIGHTED AVERAGE PERCENT CHANGE</b>			<b>-5.22%</b>	<b>\$25.25</b>	<b>\$23.93</b>	<b>(\$1.32)</b>
														<b>Waterway User Tax</b>			<b>\$0.23</b>	<b>0.23</b>	<b>-</b>	
														<b>Total Waterborne rate</b>			<b>\$25.48</b>	<b>\$24.16</b>	<b>(\$1.32)</b>	
														<b>Offshore rate - 50.2%</b>			<b>\$12.68</b>	<b>\$12.01</b>	<b>(\$0.66)</b>	

*Note: 1999 Rate calculation is based on 1998 YTD Average Indices.  
 Indices are first published.*

10-11-10  
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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	
FIXED	10%																		
CPI-U	20%	154.4	154.9	155.7	156.3	156.6	156.7	157.0	157.3	157.8	158.3	158.6	158.6	156.9	152.4	2.95%			
RCAF-U	20%			106.3			107.4			109.2			111.6	108.6	107.4	1.12%			
<i>rebased</i> PPI-ALL COMMODITIES	20%	126.1	125.9	126.4	127.5	128.2	127.9	127.8	128.1	128.0	127.9	128.1	128.8	127.6	124.7	2.33%			
AHE-TOTAL PRIVATE	10%	11.66	11.65	11.68	11.72	11.75	11.82	11.80	11.87	11.92	11.91	11.99	12.05	11.82	11.45	3.23%			
PPI-#2 DIESEL FUEL	20%	62.2	59.1	62.5	75.5	73.9	65.0	67.0	69.6	73.6	80.3	77.0	76.8	70.2	57.0	23.16%			
	100%	TOTAL WEIGHTED AVERAGE PERCENT CHANGE														6.24%	\$23.87	\$25.36	
<i>Indices First Published</i> <i>RCAF rebased 4th Q 1997</i>																	Waterway User Tax	0.23	0.23
																	Total Waterborne rate	\$24.10	\$25.59
																	Offshore rate - 50.2%	\$11.98	\$12.73

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

CONFIDENTIAL

Attachment H

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Component	Reference	% Change Annualized							
		1993	1994	1995	Actual 1996	1997	1998	1999	2000
FIXED									
CPI-U	Bureau of Labor Statistics CPI-Table 1	2.99%	2.56%	2.83%	2.95%	2.29%	1.56%	2.21%	
RCAF-U	Association of American Railroads forecast (AAR) ICC approved (ICC)	2.62%	2.46%	2.97%	1.12%	1.93%	-0.50%	1.40%	
PPI-All Commodities	Bureau of Labor Statistics PPI-Table 8	1.54%	1.26%	3.57%	2.33%	0.00%	-2.51%	0.88%	
AHE-Total Private	Bureau of Labor Statistics Employment & Earnings Avg Hourly Earnings, Table 7	2.36%	2.58%	2.97%	3.23%	3.72%	4.16%	3.68%	
PPI-#2 Diesel Fuel	Bureau of Labor Statistics PPI-Table 8, 0573-03	-1.62%	-7.72%	1.42%	23.16%	-8.26%	-26.71%	20.97%	
	TOTAL WEIGHTED % CHAN	1.34%	-0.03%	2.46%	8.24%	-0.44%	-5.27%	5.46%	5.46%

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

10-5  
 10-2  
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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. According to the Utility, the FPSC Staff, Florida Industrial Power Users Group and the Office of Public Counsel had agreed to use the preliminary numbers.

**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. Since the preliminary index amounts are no longer available, we were not able to independently verify the accuracy of the annual changes.

We did recalculate the 1993 through 2002 benchmark prices using the same preliminary data that the Utility used and determined that the Utility's mathematical calculations were correct.

We also recalculated the annual changes to the bench mark price using the published final index numbers and compared the ending benchmark price to the price the Utility used for 2002. The only exception was 2002, for which only preliminary index numbers were available at the time. The effect of using final instead of preliminary index numbers for 1993 through 2002 yielded a higher benchmark price than the Utility's price. This difference multiplied by the tons of waterborne coal received by Progress Energy Fuels in 2002 yields an underpayment difference of \$5,591,708.

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

*JK*  
3/17/03

Dkt020001-EI

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

10-5A Basic Benchmark per-ton price:

P<sup>2</sup> 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:

- 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

UP  
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P<sup>2</sup>

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

Escalator Percentages:

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 4<sup>th</sup> 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.
4. According to Utility, the preliminary numbers were those which were used to calculate the escalators of the benchmark price.

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P<sup>3</sup>  
P<sup>1</sup>

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Auditor Comments:

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.  
DKT 02000187 - FAC  
Waterborne Fuel Transportation  
Year Ended 12/31/02

JEL 02/21/03

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1 Purpose: Respond to item 17 on the audit service request.  
 2 Determine that FPC's total waterborne costs  
 3 for coal transportation are based on the  
 4 2002 benchmark. Verify the benchmark  
 5 was correctly calculated.

7 Work Performed:  
 8 1. Requested access to documents which  
 9 support the calculation of the benchmark.  
 10  
 11 2. Provide total 2002 waterborne transportation cost

14 Audit Comments:

16 10-5 1. FPC provided three items in response.  
 17 One was attachment A which was  
 18 classified Confidential. Next was attachment  
 19 B, a non-confidential of the components  
 20 of the benchmark. The third was a post-it  
 21 note with the 2002 waterborne costs  
 22 stated thereon.

24 2. I read attachment A and returned it to FPC  
 25 without comment. It seemed reasonable on  
 26 its face. I made no copies thereof or  
 27 notes therefrom. (Confidential document).

29 10-5 3. Attachment B was retained in the del/rec file

31 10-5 4. Cost is stated below

34 Conclusion:  
 35 This analysis  
 36 will be per-  
 37 formed in  
 38 DKT 030001-87,  
 39 AUS control no.  
 40 03-045-2-1.

\$ 55,688,517.57 2002  
 COGS WATER

42 Source:  
 43 As referenced. PBC - Donna Davis, EFC

Florida Power Corp  
DKT 020001 E-FB

JFA 3/14

Use of BLS Rates in Waterborne Transportation  
Year Ended 12/31/02

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:**

The calculation of the benchmark price escalation each year actually uses the "first published" factor, which is considered the preliminary (rather than advance or final) factor. Historically, the "first published" factor has been used in most contracts that carry escalations. This methodology was verbally agreed upon by FIGPU, OPC and Staff in 1993 and subsequently at annual meetings in Tallahassee between the parties.

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:**

1. Use of the preliminary rates were verbally agreed upon by participants. (In 1993).

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

3. Amplifying statement by Marcia Olivier from Donna Davis at Progress Energy Fuels is that the BLS statistics are overwritten by subsequent changes. "Preliminary" numbers are no longer visible. (4/2/03: I noticed the same thing when visiting websites). Preliminary numbers could not be found.

PBC

40-4

Florida Power Corp.  
Dkt 02-0001E7 - FAC Feb 03/12/03  
Base Price and Escalators for Waterborne Transportation - Coal  
Year Ended 12/31/02

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

Issued: 9/13/93

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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. 46P2

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 indexes in actual use are:

Index	Weight
Fixed Component	10%
Consumer Price Index - Urban	20%
Rail Adjustment Factor	20%
Producer Price Index - All	20%
Average Hourly Earnings	10%
Producer Price Index - #2 Diesel	20%
Total	100%

Source: FPSC

CONFIDENTIAL

46-3

Florida Power Corp.

Dkt 020003 E3 - FAC

481 03/17/03

Recalculation of Benchmark Price Using Escalation Factors  
Year Ended 12/31/02

0.00

		Jan 1, 1993	23.302*
		1993 Factor	1.0134 =
		12/31/93	23.3082*
			↳ To 46 p1
1	Purpose: Verify the accuracy of escalation of prices from the benchmark.	01/01/94	23.3082*
2		1994 Net Factor	0.9997 =
3		12/31/94	23.30120754*
4			↳ To 46 p1
5		01/01/95	23.30120754*
6	Work Performed: Started with original benchmark price Escalated by year using the escalator by year.	1995 Net Factor	1.0246 =
7		12/31/95	23.874417245484*
8			↳ To 46 p1
9		01/01/96	23.874417245484*
10		1996 Net Factor	1.0624 =
11	Conclusion: The mathematics of FPC calculations can be satisfactorily replicated using manual escalators.	12/31/96	25.364180881602*
12			↳ To 46 p1
13		01/01/97	25.364180881602*
14		1997 Net Factor	0.9956 =
15		12/31/97	25.252578435722*
16		↳ To 46 p1	
17		01/01/98	25.252578435722*
18		1998 Net Factor	0.9478 =
19		12/31/98	23.934393888767*
20			↳ To 46 p1
21			23.934393888767*
22			105.46 =
23			2,524.1211795093*
24			↳ To 46 p1
25			2,524.1211795093*
26			105.46 =
27			23.934393888766*
28			↳ To 46 p1
29		01/01/99	23.934393888766*
30		1999 Net Factor	1.0546 =
31		12/31/99	25.241211795092*
32			↳ To 46 p1
33		01/01/00	25.241211795092*
34		2000 Net Factor	1.1578 =
35		12/31/00	29.224275016357*
36			↳ To 46 p1
37		01/01/01	29.224275016357*
38		2001 Net Factor	0.9952 =
39		12/31/01	29.083998496278*
40			↳ To 46 p1
41		01/01/02	29.083998496278*
42		2002 Net Factor	0.9895 =
43		12/31/02	28.778616512067*
			↳ To 46 p1

CONFIDENTIAL

Source: As referenced.

46-2  
1282

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 Stambaugh

Confidential

Purpose: Recalculate the annual percentage changes, based on the change by year in each index. Use "final" numbers as supplied by the US Bureau of Labor Statistics.

Component	Index (01/01/93) Base Year	Next Yr/Prev Yr Percentage Change By year	Index Base Year 1993	Next Yr/Prev Yr Percentage Change By year	Index 1994	Next Yr/Prev Yr Percentage Change By year	Index 1995	Next Yr/Prev Yr Percentage Change By year	Index 1996	Next Yr/Prev Yr Percentage Change By year	Index 1997	Next Yr/Prev Yr Percentage Change By year	Index 1998	Next Yr/Prev Yr Percentage Change By year	Index 1999	Next Yr/Prev Yr Percentage Change By year	Index 2000	Next Yr/Prev Yr Percentage Change By year	Index 2001	Next Yr/Prev Yr Percentage Change By year	Index 2002
Fixed	0.000	0.00%	0.000	0.00%	0.000	0.00%	0.000	0.00%	0.000	0.00%	0.000	0.00%	0.000	0.00%	0.000	0.00%	-0.000	0.00%	0.000	0.00%	0.000
Consumer Price Index-U	46-9 141.900	2.75%	145.800	2.67%	149.700	2.54%	153.500	3.32%	158.600	1.70%	161.300	1.61%	163.900	2.68%	168.300	3.39%	174.000	1.55%	176.700	2.38%	180.900
Full Cost Adjust. Factor-Unadj	46-10 0.817	2.57%	0.838	1.91%	0.854	3.16%	0.881	1.36%	0.893	1.01%	0.902	0.11%	0.903	1.00%	0.912	4.93%	0.957	1.67%	0.973	2.77%	1.000
Producer Price Index-All	46-11 117.600	0.85%	118.600	2.78%	121.900	3.12%	125.700	2.70%	129.100	-1.78%	126.800	-3.15%	122.800	4.07%	127.800	6.57%	136.200	-5.95%	128.100	3.83%	133.000
Average Hourly Earnings	46-12 13.500	0.81%	13.610	2.50%	13.950	2.65%	14.320	2.16%	14.630	3.55%	15.150	2.44%	15.520	2.90%	15.970	3.51%	16.530	4.42%	17.260	1.27%	17.480
#2 Diesel Fuel	46-13 60.900	-15.93%	51.200	5.86%	54.200	11.07%	60.200	26.25%	76.000	-22.50%	58.900	-33.79%	39.000	86.41%	72.700	39.75%	101.600	-44.69%	56.200	54.63%	86.900

Component	(Jan 1, 1993) Base Year	Percentage Change By year	(CY 1993) Base Year	Percentage Change By year	(CY 1994) Escalated Year	Percentage Change By year	(CY 1995) Escalated Year	Percentage Change By year	(CY 1996) Escalated Year	Percentage Change By year	(CY 1997) Escalated Year	Percentage Change By year	(CY 1998) Escalated Year	Percentage Change By year	(CY 1999) Escalated Year	Percentage Change By year	(CY 2000) Escalated Year	Percentage Change By year	(CY 2001) Escalated Year	Percentage Change By year	(CY 2002) Escalated Year
Fixed	\$2.30	0.00%	\$2.30	0.00%	\$2.30	0.00%	\$2.30	0.00%	\$2.30	0.00%	\$2.30	0.00%	\$2.30	0.00%	\$2.30	0.00%	\$2.30	0.00%	\$2.30	0.00%	\$2.30
Consumer Price Index-U	\$4.60	2.75%	\$4.73	2.67%	\$4.85	2.54%	\$4.98	3.32%	\$5.14	1.70%	\$5.23	1.61%	\$5.31	2.68%	\$5.46	3.39%	\$5.64	1.55%	\$5.73	2.38%	\$5.86
Full Cost Adjust. Factor-Unadj	\$4.60	2.57%	\$4.72	1.91%	\$4.81	3.16%	\$4.96	1.36%	\$5.03	1.01%	\$5.08	0.11%	\$5.08	1.00%	\$5.13	4.93%	\$5.39	1.67%	\$5.48	2.77%	\$5.63
Producer Price Index-All	\$4.60	0.85%	\$4.64	2.78%	\$4.77	3.12%	\$4.92	2.70%	\$5.05	-1.78%	\$4.96	-3.15%	\$4.80	4.07%	\$5.00	6.57%	\$5.33	-5.95%	\$5.01	3.83%	\$5.20
Average Hourly Earnings	\$2.30	0.81%	\$2.32	2.50%	\$2.38	2.65%	\$2.44	2.16%	\$2.49	3.55%	\$2.58	2.44%	\$2.64	2.90%	\$2.72	3.51%	\$2.82	4.42%	\$2.94	1.27%	\$2.98
#2 Diesel Fuel	\$4.60	-15.93%	\$3.87	5.86%	\$4.09	11.07%	\$4.55	26.25%	\$5.74	-22.50%	\$4.45	-33.79%	\$2.95	86.41%	\$5.49	39.75%	\$7.67	-44.69%	\$4.24	54.63%	\$6.56
Total of Basic Components per audit	\$23.00		\$22.57		\$23.20		\$24.14		\$25.75		\$24.60		\$23.09		\$26.10		\$29.15		\$25.70		\$28.54
Total of Basic Components per FPC	\$23.00		\$23.31		\$23.30		\$23.87		\$25.36		\$25.25		\$23.93		\$29.24		\$29.22		\$29.08		\$28.77
Difference of FPC number over audit number	(\$0.00)		\$0.74		\$0.10		(\$0.27)		(\$0.39)		\$0.65		\$0.84		(\$0.86)		\$0.07		\$1.38		\$0.23

Component	Escalated Year	Percentage Change	Escalated Year																		
Benchmark price as recalculated by auditor	\$23.00	-1.871%	\$22.67	2.894%	\$23.22	4.743%	\$24.21	6.942%	\$25.89	-3.959%	\$24.86	-6.800%	\$23.17	19.122%	\$27.60	11.279%	\$30.72	-9.042%	\$27.94	12.849%	\$31.53
Benchmark price as recalculated by Utility	\$23.00		\$23.31		\$23.30		\$23.87		\$25.36		\$25.25		\$23.93		\$29.24		\$29.22		\$29.08		\$28.77
Accounted Difference	\$0.00		(\$0.74)		(\$0.08)		\$0.34		\$0.53		(\$0.39)		(\$0.76)		\$2.36		\$1.50		(\$1.14)		\$2.76
Final purchases received by EFC in 2002:			2,025,981																		
Difference in transport cost per ton:			\$2.76																		
Difference in total transport costs:			\$5,591,708																		

Component	Weights	Factors By year	(CY 1993) Base Year	Factors By year	(CY 1994) Escalated Year	Factors By year	(CY 1995) Escalated Year	Factors By year	(CY 1996) Escalated Year	Factors By year	(CY 1997) Escalated Year	Factors By year	(CY 1998) Escalated Year	Factors By year	(CY 1999) Escalated Year	Factors By year	(CY 2000) Escalated Year	Factors By year	(CY 2001) Escalated Year	Factors By year	(CY 2002) Escalated Year
Fixed	10.00%	0.00%	0.00000%	0.00%	0.00000%	0.00%	0.00000%	0.00%	0.00000%	0.00%	0.00000%	0.00%	0.00000%	0.00%	0.00000%	0.00%	0.00000%	0.00%	0.00000%	0.00%	0.00000%
Consumer Price Index-U	20.00%	2.75%	0.55000%	2.67%	0.53400%	2.54%	0.50800%	3.32%	0.66400%	1.70%	0.34000%	1.61%	0.32200%	2.68%	0.53600%	3.39%	0.67800%	1.55%	0.31000%	2.38%	0.47600%
Full Cost Adjust. Factor-Unadjusted	20.00%	2.57%	0.51400%	1.91%	0.38200%	3.16%	0.63200%	1.36%	0.27200%	1.01%	0.20200%	0.11%	0.02200%	1.00%	0.20000%	4.93%	0.98600%	1.67%	0.33400%	2.77%	0.55400%
Producer Price Index-All Commodities	20.00%	0.85%	0.17000%	2.78%	0.55600%	3.12%	0.62400%	2.70%	0.54000%	-1.78%	-0.35600%	-3.15%	-0.63000%	4.07%	0.81400%	6.57%	1.31400%	-5.95%	-1.19000%	3.83%	0.76600%
Average Hourly Earnings Index	10.00%	0.81%	0.08100%	2.50%	0.25000%	2.65%	0.26500%	2.16%	0.21600%	3.55%	0.35500%	2.44%	0.24400%	2.90%	0.29000%	3.51%	0.35100%	4.42%	0.44200%	1.27%	0.12700%
Price Index-#2 Diesel Fuel	20.00%	-15.93%	-0.18600%	5.86%	1.17200%	11.07%	2.21400%	26.25%	5.25000%	-22.50%	-4.50000%	-33.79%	-6.75800%	86.41%	17.28200%	39.75%	7.95000%	-44.69%	-8.93800%	54.63%	10.92600%
Escalation of Weighted Factors	100.00%	-1.87100%	2.89400%	4.74300%	6.94200%	-3.95900%	-6.80000%	19.12200%	11.27900%	-9.04200%	12.84900%										

Notes: The earliest factor for Average Hourly Earnings which could be obtained from BLS who Java browser was end of January, 1993. One month difference between 12/31/92 and 01/31/03. All factors are Final numbers except for those at end of 2002.

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.

Source: US Bureau of Labor Statistics and Association of American Railroads on the Internet.

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 Stambaugh *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%	0.00	0.0000%	0.00	0.0000%	0.00	0.0000%	0.00	0.0000%	0.00	0.0000%	0.00	0.0000%	0.00	0.0000%	0.00
Consumer Price Index-U	0.00	ERR	0.00	ERR	0.00	ERR	152.40	2.9528%	156.90	2.2945%	160.50	1.5576%	163.00	2.2086%	166.60	3.3613%	172.20	2.8455%	177.10	1.5810%	179.90
Rail Cost Adjust. Factor	0.00	ERR	0.00	ERR	0.00	ERR	107.40	-8.3799%	98.40	1.9309%	100.30	-0.4985%	99.80	1.4028%	101.20	4.9407%	106.20	-8.5687%	97.10	0.7209%	97.80
Producer Price Index-All	0.00	ERR	0.00	ERR	0.00	ERR	124.70	2.3256%	127.60	0.0000%	127.60	-2.5078%	124.40	0.8842%	125.50	5.6574%	132.60	1.1312%	134.10	-2.1626%	131.20
Average Hourly Earnings	0.00	ERR	0.00	ERR	0.00	ERR	11.45	3.2314%	11.82	3.7225%	12.26	4.1599%	12.77	3.6805%	13.24	3.7764%	13.74	4.2213%	14.32	3.3520%	14.80
12 Diesel Fuel	0.00	ERR	0.00	ERR	0.00	ERR	57.00	23.1579%	70.20	-8.2621%	64.40	-26.7081%	47.20	20.9746%	57.10	63.0473%	93.10	-9.8818%	83.90	-7.0322%	78.00

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

FPC says 14,814.3 = 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 -0.57% (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	\$28.23	\$27.91
Effect of WaterWay Use tax	\$0.05	\$0.19	\$0.23	\$0.23	\$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	\$28.46	\$28.14
Total of Basic Components	\$23.00	\$23.31	\$23.32	\$23.90	\$25.28	\$25.16	\$23.92	\$24.99	\$28.49	\$28.23	\$27.91
Effect of Offshore Component	50.20%	50.20%	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	\$14.17	\$14.01
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	\$14.60	\$14.44
Accounted Difference	<i>467</i> (\$0.00)	\$0.00	\$0.01	\$0.02	(\$0.04)	(\$0.05)	(\$0.00)	(\$0.13)	(\$0.37)	(\$0.43)	(\$0.43)

Auditors Notes:  
 The indexes by year which are compared to each other for percentage change, are based on averages throughout the months of each year.  
 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.

WORKPAPER SHEET  
 WP-19

467

**CONFIDENTIAL**

Company: Florida Power Corporation  
 Subject: Analysis of the Escalation of the Costs of Waterborne Coal Transportation  
 Period: Year Ended 12/31/02

Filename: Waterborne Coal Transportation  
 Range: A37..Y115  
 Auditor: Tom Stambaugh *TS* 04/02/03

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.

Verification of Calculation of Basic Components of Benchmark Price and Escalation:

Escalation of Total Benchmark Price by Total Change

Benchmark price as recalculated by auditor	\$23.00	1.342%	\$23.31	-0.030%	\$23.30	2.455%	\$23.87	6.235%	\$25.36	-0.436%	\$25.25	-5.216%	\$23.93	5.460%	\$25.24	15.780%	\$29.22	-0.476%	\$29.09	-1.045%	\$28.78
Benchmark price as recalculated by Utility	\$23.00	1.340%	\$23.31	-0.030%	\$23.30	2.460%	\$23.87	6.240%	\$25.36	-0.440%	\$25.25	-5.220%	\$23.93	5.460%	\$25.24	15.780%	\$29.22	-0.480%	\$29.08	-1.050%	\$28.78
Unaccounted Difference	\$0.00		\$0.00		\$0.00		(\$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)		(CY 1994)		(CY 1995)		(CY 1996)		(CY 1997)		(CY 1998)		(CY 1999)		(CY 2000)		(CY 2001)		(CY 2002)		
		Factors By year	Base Year	Factors By year	Escalated Year																	
Fixed		10.00%	0.00%	0.00000%	0.00%	0.00000%	0.00%	0.00000%	0.00%	0.00000%	0.00%	0.00000%	0.00%	0.00000%	0.00%	0.00000%	0.00%	0.00000%	0.00%	0.00000%	0.00%	0.00000%
Consumer Price Index-IJ	18.5	20.00%	2.99%	0.59800%	2.56%	0.51200%	2.93%	0.59600%	2.95%	0.59000%	2.29%	0.45800%	1.56%	0.31200%	2.21%	0.44200%	3.36%	0.67200%	2.85%	0.57000%	1.64%	0.32800%
Rail Cost Adjustment Factor-Unadjusted	B	20.00%	2.62%	0.52400%	2.46%	0.49200%	2.97%	0.59400%	1.12%	0.22400%	1.93%	0.38600%	-0.50%	-0.10000%	1.40%	0.28000%	4.94%	0.98800%	1.41%	0.28200%	0.72%	0.14400%
Producer Price Index-All Commodities		20.00%	1.54%	0.30800%	1.26%	0.25200%	3.57%	0.71400%	2.33%	0.46600%	0.00%	0.00000%	-2.51%	-0.50200%	0.88%	0.17600%	5.66%	1.13200%	1.13%	0.22600%	-2.16%	-0.43200%
Average Hourly Earnings Index		10.00%	2.36%	0.23600%	2.58%	0.25800%	2.97%	0.29700%	3.23%	0.32300%	3.72%	0.37200%	4.16%	0.41600%	3.68%	0.36800%	3.78%	0.37800%	4.22%	0.42200%	3.21%	0.32100%
Producer Price Index-#2 Diesel Fuel		20.00%	-1.62%	-0.32400%	-7.72%	-1.54400%	1.42%	0.28400%	23.16%	4.63200%	-8.26%	-1.65200%	-26.71%	-5.34200%	20.97%	4.19400%	63.05%	12.61000%	-9.88%	-1.97600%	-7.03%	-1.40600%
Calculation of Weighted Factors	100.00%		1.34200%		-0.03000%		2.45500%		6.23500%		-0.43600%		-5.21600%		5.46000%		15.78000%		-0.47600%		-1.04500%	
Calculations by Utility			1.34000%		-0.03000%		2.46000%		6.24000%		-0.44000%		-5.22000%		5.46000%		15.78000%		-0.48000%		-1.05000%	
Unaccounted Difference			0.00200%		-0.00000%		-0.00500%		-0.00500%		0.00400%		0.00400%		0.00000%		0.00000%		0.00400%		0.00500%	

Conclusion: The Utility has apparently used the weighted average of the 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

*Feb*  
*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*  
*10-5B p 2* 2. By agreement with Staff, Public Counsel and the Florida Industrial Power Users Group, the Utility takes preliminary index numbers at January 30<sup>th</sup> of each year for each of these indexes. It uses these numbers to determine the percentage change in each index.

*46-7* 3. The Utility then determines a weighted percentage change. It determines this change by multiplying the percentage change to each index by its appropriate weight. The weighted percentage change is then applied to the previous year per-ton cost to arrive at the present year per-ton cost, escalated according to the weighted average percentage change.

*46*  
*46-3*  
*46-3*  
*1 p 2* 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.

*46-4* 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 p 2*  
*46-2*  
*1 of 2* 6. No formalized documentation existed to verify that the Utility was supposed to use the Preliminary numbers each year as a means of determining the change in the benchmark price. Audit field staff undertook to use the numbers by year which were available on the various websites and data bases. Use of the Final numbers as they are presented on the various websites yielded an underpayment difference of \$5,591,708.

*46-3* Conclusion: The Utility method of calculation conforms to the FPSC Order. Use of Final instead of Preliminary numbers from the Bureau of Labor Statistics and the Assn of American Railroads yielded an underpayment difference of \$5,591,708.  
*46-2 p 1*

**SPECIFIED  
CONFIDENTIAL**

SOURCE: As referenced

W/P 46 Lead

Florida Power Corp  
DK-1 020001E1-FAK  
FPC Internal Audit Workpaper - FPC Equity % of Total Assets  
Year Ended 12/31/02

FOR NOVEMBER 2000

	9	10	11	12	13
NET LONG TERM ASSETS (NTLA)	1583322.94 + M	25590003.28 + F	41423326.22		
EQUITY	1423326.22 + M	22826440.7 + F	41423326.22 * M		
NTLA			41423326.22 *		
EQUITY			41423326.22 =		
NTLA			0.551052802 *		
PSC STIPULATED EQUITY			0.55		
DIFFERENCE			0.001052802 *		
IMMATRIAL			1/30/15-4p1	11/20/02	
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 55.11%. 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%.					
CONCLUSION: CAPITAL STRUCTURE APPEARS PROPER.					

Audit Comments:

1. Per internal auditors, FPC re-adjusts equity to be 55% per FPSC Order PSC-92-0347-FOF-EI. Further FPSC Order PSC-92-0176-FOF-EI, p1, 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.

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	36,637,717 <del>7</del>	0	36,637,717
Accumulated Depr and Amort	(21,861,307) <del>7</del>	0	(21,861,307)
Net Plant In Service	14,776,410	0	14,776,410
Lease Receivable - Locomotive Investment			
Current	1,689,690 <del>7</del>	0	1,689,690
Long-Term	24,192,035 <del>7</del>	0	24,192,035
Total Locomotive	25,881,725	0	25,881,725
Total Plant and Investment	40,658,135	0	40,658,135
Working Capital	(A) (4,039,024)	(B) 14,917,516	(C) 10,878,492
Total Average Rate Base	36,619,111	14,917,516	51,536,627 <i>To 45</i>

Detail of Working Capital

<u>Current Assets:</u>	Thirteen Month Avgs Per Books	FPSC Adjustments	Total Average Rate Base
Cash	54,275 <del>7</del>	(54,275) (A)	0
Accts Recv	22,879,920 <del>7</del>	0 (B)	22,879,920
Current Lease Recv	1,689,690 <del>7</del>	(1,689,690) (C)	0
InterCo Accts Recv	394,514 <del>7</del>	(394,514) (D)	0
InterCo Advances Recv	123,945 <del>7</del>	(123,945) (E)	0
InterCo Other REcv	0	0	0
Inventory	22,647,289 <del>7</del>	0	22,647,289
Prepays	18,247 <del>7</del>	0	18,247
	47,807,880	(2,262,424)	45,545,456
Deferred Charges	13,591 <del>7</del>	(13,591) (F)	0
	47,821,471	(2,276,015)	45,545,456
<u>Current Liabilities:</u>			
InterCo Accts Payable	13,987,238 <del>7</del>	(394,514) (D)	13,592,724
Accts Pay	18,325,592 <del>7</del>	0	18,325,592
Advances from Progress	11,465,684 <del>7</del>	(11,465,684) (G)	0
Curr Portion LTD	5,333,333 <del>7</del>	(5,333,333) (H)	0
Accrued Interest	228,254 <del>7</del>	0	228,254
Accrued Liabilities	75,997 <del>7</del>	0	75,997
FASB 106	712,920 <del>7</del>	0	712,920
InterCo Other Payable	0	0 (B)	0
Income Taxes Payable	1,731,476 <del>7</del>	0	1,731,476
	51,860,494	(17,193,531)	34,666,963
Net Working Capital	(A) (4,039,023)	(B) 14,917,516	(C) 10,878,493

- (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 -

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 2/25/03*

**Purpose:** Audit the schedule which compares the revenue EFC would be allowed to earn using the regulatory "short-cut" method of calculation compared to actual revenue earned.

Based on thirteen-month averages calculated in the general ledger.

EFCs Capital Structure	(1) Actual per Books	(2) FPSC Adjustments	(3) Adjusted Total	(4) Ratio	(5) Allocated to Rate Base	(6) Cost Rate	(7) [(4) X (6)] Weighted Cost of Capital
Common Equity	\$21,488,275	\$0	\$21,488,275	41.5515%	\$21,414,222	12.00%	4.9861753%
Long Term Debt	\$8,000,000	\$5,319,742	\$13,319,742	25.7561%	\$13,273,839	6.21%	1.5994555%
Short Term Debt-Adv from Progress	\$11,465,684	\$0	\$11,465,684	22.1710%	\$11,426,171	4.86%	1.0775092%
Investment Tax Credit	\$522,853	(\$522,853)	\$0	0.0000%	\$0	0.00%	0.0000000%
Post 1970-Equity	\$0	\$322,776	\$322,776	0.6241%	\$321,664	12.00%	0.0748975%
-Debt	\$0	\$200,077	\$200,077	0.3869%	\$199,387	6.21%	0.0240256%
Deferred Income Taxes	\$4,918,294	\$0	\$4,918,294	9.5104%	\$4,901,344	0.00%	0.0000000%
<b>Total</b>	<b>\$46,395,106</b>	<b>\$5,319,742</b>	<b>\$51,714,848</b>	<b>100.0000%</b>	<b>\$51,536,627</b>		<b>7.7620631%</b>

**Substance of FPSC Adjustment:**  
 1. Current portion of long-term debt  
 2. EFC unamort debt placement fees

Net Total

5,333,333  
(13,591)

5,319,742

**Revenue Requirements:**

	Per Internal Audit		Per FPSC Audit
Rate Base	51,536,627.00	0.00	51,536,627.00
Overall Rate of Return	7.7600000%		7.7620631%
After Tax Operating Income	3,999,242.26	1,063.24	4,000,305.50
Tax (Current, Deferred, ITC)	1,430,130.00	0	1,430,130.00
Depreciation	1,804,726.00	0	1,804,726.00
General & Administrative	2,163,083.00	0	2,163,083.00
Operating Expenses	294,838,561.00	0	294,838,561.00
Revenue Requirements	304,235,742.26	1,063.24	304,236,805.50
Current Revenues	304,083,325.00	0.00	304,083,325.00
Difference	152,417.26	1,063.24	153,480.50
			0.050473% of current revenues
<b>Proof of Revenues:</b>			
Revenue Requirement	304,235,742	1,063	304,236,805
Expenses			
Operating Expenses	294,838,561	0	294,838,561
Genl & Admin	2,163,083	0	2,163,083
Depreciation	1,804,726	0	1,804,726
Expense Sub-Total	298,806,370	0	298,806,370
Book Income Before Taxes	5,429,372	1,063	5,430,435
Tax Adjustments			
Interest Expense Allowed	1,391,489	510	1,391,999
Taxable Income	4,037,883	553	4,038,436
Tax Rate	36.0000%		36.0000%
Current and Deferred Taxes	1,453,638	199	1,453,837
Flow Through	(23,508)	0	(23,508)
Taxes Allowed	1,430,130	199	1,430,329
Requested Return	3,999,242	1,064	4,000,306
Rate Base	51,536,627	0	51,536,627
Rate of Return	7.7599995%		7.7620641%

**Net Rate Base per EFC:**

Per FPSC Audit	
Total	51,714,848
Cash Removed	(54,275)
PCH Invest (Loan)	(123,945)
Rounding	(1)
<b>Net Rate Base</b>	<b>51,536,627</b>

**Wtd Cost of Debt**

Long Term Debt	1.5994555%
Short Term Debt	1.0775092%
ITC Debt Portion	0.0240256%
<b>Total Wtd Debt</b>	<b>2.7009903%</b>
Interest Expense (Rate Base X Wtd Debt)	1,391,999
Interest Expense per EFC	1,391,489
Difference	510
Percent Difference:	0.0367%

**Proof of 55% Equity to Debt Ratio:**

	Per Books	Per Percents
Common Equity	21,488,275	52.47%
Long Term Debt	8,000,000	18.53%
Short Term Debt	11,465,684	28.00%
<b>Total</b>	<b>40,953,959</b>	<b>100.00%</b>
	Per FPSC	Per Percents
Common Equity	21,488,275	46.44%
Long Term Debt	13,319,742	28.78%
Short Term Debt	11,465,684	24.78%
<b>Total</b>	<b>46,273,701</b>	<b>100.00%</b>
	Alloc to Rate Base	Per Percents
Common Equity	21,414,222	46.44%
Long Term Debt	13,273,839	28.78%
Short Term Debt	11,426,171	24.78%
<b>Total</b>	<b>46,114,231</b>	<b>100.00%</b>

**Audit Comment:**

1. The act of extending the decimal fractions to seven decimal places reveals immaterial rounding differences.  
 2. Common equity Per Books, Per FPSC and Allocated to Rate Base are close to, but do not equal precisely, 55%.  
 3. According to FPSC Order PSC-92-1776-FOF-EI, 55% was a "reasonable" percentage, not a fixed amount.  
**Conclusion: Immaterially Different-Accept Progress Energy Audit Services Results.**