ORIGINAL

Progress Energy

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PROGRESS ENERGY SERVICE COMPANY, LLC

October 21, 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. 030866-EQ

Dear Ms. Bayó:

Based on discussions with Staff, Progress Energy Florida has agreed to the following revisions to its initial filing on August 27, 2003, which are denoted in bold:

Petition, page 2 - Revised unit size and in-service date.

Standard Offer Contract, Sheet 9.602 - Changed "First" to "Fixed" in title.

Standard Offer Contract, Sheet 9.607 - Changed "twelve (12) months" to "thirty six (36) months" in first line, and revised second paragraph of Section C regarding the monthly interconnection charge for variable O&M expenses.

Accordingly, please find enclosed for filing in the subject docket an original and fifteen copies of the above-referenced revisions.

Please acknowledge your receipt of the above filing on the enclosed copy of this letter and return to the undersigned. Thank you for your assistance in this matter.

Very truly yours,

James A. McGee

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Enclosures

cc: Ms. Jeanette Sickle

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3. The Standard Offer Contract and accompanying Rate Schedule COG-2, with one exception, are consistent with Commission Rule 25-17.0832(4)-(6), F.A.C., governing standard offer contracts and tariffs. The exception concerns the requirement in Rule 25-17.0832(4)(e)5, F.A.C., that a standard offer contract's open solicitation period must end prior to the issuance of a Request for Proposals ("RFP") pursuant to Rule 25-22.082, F.A.C. (the "Bid Rule"). Accordingly, Progress Energy has filed a petition for a waiver of this requirement in conjunction with the filing of this petition. As is more fully explained in the rule waiver petition, the avoided unit on which the proposed standard offer contract is based is Progress Energy's next planned capacity addition subject to the Bid Rule, Hines 4, a **540** MW combined cycle unit with a scheduled in-service date of December **31,** 2007. The requested waiver of Rule 25-17.0832(4)(e)5 is intended to allow the standard offer's open solicitation period and the Bid Rule's RFP process for Hines 4 to take place concurrently. This will avoid the substantial time period that would be added to Hines 4's critical path schedule if the issuance of its RFP were to be delayed until after the standard offer has been approved and the open solicitation period has expired.

4. Consistent with the Company's two previous standard offer contracts based on Hines 2 and 3, the standard offer contract subject to this petition includes a two-week open solicitation period, a 20 MW subscription limit, and a five-year term. The relatively few changes from the most recent standard offer are shown in underline and strike-through format in Exhibit B hereto. The attached Exhibit C contains the economic and financial assumptions for the cost parameters and the K

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Option B - **Fixed** Value of Deferral Payments - Early Capacity

Payment schedules under this option are based upon the early capital cost component of the value of a year-by-year deferral of PEF's Avoided Unit. The term "early" with respect to Option B means that these payments can start as early as four years prior to the anticipated in-service date of PEF's Avoided Unit; provided, however, that under no circumstances may payments begin before this QF is delivering firm capacity and energy to PEF pursuant to the terms of the Standard Offer Contract. When this option is selected, the capacity payments shall be made monthly commencing no earlier than the Capacity Delivery Date of the QF and calculated as shown on Schedule 1. Capacity Payments under Option B do not result in a prepayment or create a future benefit.

The QF shall select the month and year in which the deliveries of firm capacity and energy to PEF are to commence and capacity payments are to start. PEF will provide the QF with a schedule of capacity payment rates based on the month and year in which the deliveries of firm capacity and energy are to commence and the term of the Standard Offer Contract. The exemplary payment schedule following Option D is based on a contract term that begins on December 1, 2003.

Option C - Fixed Value of Deferral Payment - Levelized Capacity

Payment schedules under this option are based upon the levelized capital cost component of the value of a year-by-year deferral of PEF's Avoided Unit. The capital portion of capacity payments under this option shall consist of equal monthly payments over the term of the Standard Offer Contract, calculated as shown on Schedule 1. The fixed operation and maintenance portion of capacity payments shall be equal to the value of the year-by-year deferral of fixed operation and maintenance expense associated with PEF's Avoided Unit. These calculations are shown in Schedule 1. The payment schedule for this option follows Option D. Capacity Payments under Option C do not result in a prepayment or create a future benefit.

Option D - Fixed Value of Deferral Payment - Early Levelized Capacity

Payment schedules under this option are based upon the early levelized capital cost component of the value of a year-by-year deferral of PEF's Avoided Unit. The capital portion of capacity payments under this option shall consist of equal monthly payments over the term of the Standard Offer Contract, calculated as shown on Schedule 1. The fixed operation and maintenance expense shall be calculated as shown in Schedule 1. At the option of the QF, payments for early levelized capacity shall commence at any time after the specified early capacity date and before the anticipated in-service date of PEF's Avoided Unit, provided that the QF is delivering firm capacity and energy to PEF pursuant to the terms of the Standard Offer Contract. The term "early" with respect to Option D means that capacity payments may begin earlier than the anticipated in-service date of PEF's avoided unit. Capacity payments under Option D do not result in a prepayment or create a future benefit.

monthly installment payments over a period no longer than **thirty six (36)** months toward the full cost of interconnection. In the latter case, PEF shall assess interest at a rate equal to the thirty(30) day highest grade commercial paper rate as published in the Wall Street Journal on the first business day of each month. Such interest shall be compounded monthly.

C. Interconnection Charge for Variable Utility Expenses

The QF shall be billed monthly for the variable utility expenses associated with the operation, maintenance and repair of the interconnection facilities. These include (a) PEF's inspections of the interconnection facilities and (b) maintenance of any equipment beyond that which would be required to provide normal electric service to the QF if no sales to PEF were involved.

The QF may pay a monthly charge equal to a percentage of the installed cost of the interconnection facilities. This monthly rate is stated in the Agreement for the Purchase of As-Available Energy and/or Parallel Operation With a Qualifying Facility as filed with the Florida Public Service Commission and may be amended periodically. The current rate is 0.5% per month of the installed cost of the interconnection facilities.

D. Interconnection Charge for QF Locating North of Central Florida Substation

For a QF with a Facility located north of the latitude of PEF's Central Florida Substation, PEF shall perform a study, at QF's expense, to determine the extent to which the amount of power PEF can import over the Florida-Southern Interface is diminished by the location of the Facility north of the Central Florida Substation. QF shall reimburse PEF for the costs of acquiring import capability to replace that amount of capability lost as a result of the location of the Facility.

TERMS OF SERVICE

A. It shall be the QF's responsibility to inform PEF of any change in its electric generation capability.

B. Any electric service delivered by PEF to a QF located in PEF's service area shall be subject to the following terms and conditions:

(1) A QF shall be metered separately and billed under the applicable retail rate schedule(s), whose terms and conditions shall pertain.

(2) A security deposit will be required in accordance with FPSC Rules 25-17.082(5) and 25-6.097, F.A.C., and the following:

(i) In the first year of operation, the security deposit should be based upon the singular month in which the QF's projected purchases from PEF exceed, by the greatest amount, PEF's estimated purchases from the QF. The security deposit should be equal to twice the amount of the difference estimated for that month. The deposit is required upon interconnection.