



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

February 12, 2004

VIA OVERNIGHT DELIVERY

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

Re: Docket No. 031057-EI

Dear Ms. Bayó:

The direct testimony of Javier Portuondo filed February 11, 2004 omitted his exhibit. Accordingly, I have enclosed for filing in the subject docket an original and fifteen copies of Exhibit JP-1 to Mr. Portuondo's testimony.

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,

A handwritten signature in black ink that reads "James A. McGee".

James A. McGee

JAM/scc
Enclosures

cc: Parties of record

PROGRESS ENERGY FLORIDA

DOCKET NO. 031057-EI

CERTIFICATE OF SERVICE

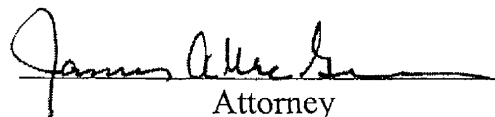
I HEREBY CERTIFY that a true copy of Exhibit JP-1 to the direct testimony of Javier Portuondo has been furnished to the following individuals by overnight delivery this 12th day of February, 2004.

Wm. Cochran Keating, IV, Esquire
Office of the General Counsel
Economic Regulation Section
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Vicki Gordon Kaufman, Esquire
117 S. Gadsden Street
Tallahassee, FL 32301

Robert Vandiver, Esquire
Office of the Public Counsel
c/o The Florida Legislature
111 West Madison St., Room 812
Tallahassee, FL 32399-1400

Michael B. Twomey
P. O. Box 5256
Tallahassee, FL 32314-5256


Attorney

Docket No. 030001-EI

**Proposed Stipulation on Pending Progress Energy Issues
Regarding Waterborne Coal Transportation Services**

1. As of January 1, 2005, Progress Energy's current market price proxy for waterborne coal transportation services (WCTS) provided by Progress Fuels Corporation (PFC) will be eliminated and replaced by contracts or market price proxies for each component of WCTS that have been entered into or established in accordance with the provisions of this stipulation in conjunction with the expiration of PFC's existing WCTS contracts. During the period between January 1, 2005, and the expiration of PFC's existing contract for trans-Gulf WCTS on March 31, 2005, the trans-Gulf component of the current market price proxy will remain in effect. The trans-Gulf component for the period January 1, 2005 through March 31, 2005 will be equal to 26% of the 2005 market price (per ton) proxy. No regulatory action taken will be effective regarding the current market price proxy as it applies to 2004 and before or for the trans-Gulf component prior to March 31, 2005.

2. (a) Prior to the expiration of any WCTS contract or market price proxy, PFC will conduct a competitive bidding process for the component of WCTS provided under the expiring contract or market proxy. The competitive bidding process will be open to all qualified bidders, including affiliates of Progress Energy. PFC will maintain sufficient documentation to allow the Commission to fairly evaluate the bidding process, including the Request For Proposals (RFP) instrument, the criteria for selection, the solicitation schedule, the evaluation and screening process, and the selection decision. Progress Energy will make this documentation available to Staff no later than 45 days after the execution of any WCTS contract resulting from the bidding process. Unless good cause is shown to do otherwise, PFC shall allow at least 120 days between the time a contract is signed and the time service under the contract begins. In the event this schedule does not allow sufficient time for Staff review and Commission consideration of the competitive bidding process and the resulting WCTS contract at the November fuel hearing prior to the expiration date of the existing contract or market proxy, Progress Energy may charge the costs incurred under the new contract to fuel expense as of the contract's effective date, subject to true-up based on a subsequent Commission decision.

(b) In addition to the provisions of Paragraph 2(a) above, Progress Energy and PFC will meet with Staff and the affected parties to discuss the content of any competitive bidding proposal and RFP procedure for cross-Gulf WCTS at least 30 days prior to issuing the proposal and will give due consideration to the input of the meeting participants.

3. (a) The results of the competitive bidding process conducted in accordance with Paragraph 2 will be presented to the Commission for review and approval, denial, or modification in whole or in part. In the event the Commission determines the results of the competitive bidding process will not be implemented, Progress Energy will petition the Commission for approval of a market price proxy for the component of WCTS addressed by the unsuccessful bidding process. The market price proxy should be based on the following guidelines unless good cause is shown for variation:
 1. A base price developed from the most recent actual direct and indirect costs and appropriate pro-forma adjustments;
 2. Annual price escalators that reflect the costs of the waterborne coal industry, with weightings for each escalator that approximate the proportion of the costs reflected in the escalator to total costs for the WCTS component; and
 3. A maximum term of five years before subsequent review by the Commission.
- (b) Progress Energy will file its petition no later than 45 days after the conclusion of the unsuccessful bidding process. In the event this schedule does not allow sufficient time for Staff review and Commission consideration of the petition at the November fuel hearing prior to the expiration date of the existing contract or market proxy that the proposed market price proxy is intended to replace, Progress Energy may charge the costs determined in accordance with the proposed market proxy to fuel expense as of such expiration date, subject to true-up based on a subsequent Commission decision.
4. A WCTS contract or market price proxy that the Commission has approved will be deemed reasonable for cost recovery purposes. Fuel costs charged to Progress Energy pursuant to such a contract or market price proxy will be subject to Commission review for reasonableness and prudence. In addition, Progress Energy will be allowed to recover costs charged by PFC for its General and Administrative (G&A) expenses directly assignable to providing WCTS, less any G&A expenses included in a market price proxy established pursuant to Paragraph 3 above, and its itemized non-contractual miscellaneous charges imposed directly upon PFC in conjunction with providing WCTS (e.g., port, harbor, and line handling fees, customs and marine survey charges, etc.), provided that such miscellaneous charges shall not exceed a total of \$0.25 per ton.