

REDACTED

ORIGINAL

Confidential

Transportation Service Proposal
to
Progress Energy Florida
August 20, 2004

040817-EJ

[REDACTED] hereby submits the following Proposal to Progress Energy Florida ("Progress"), regarding [REDACTED] to provide incremental capacity for Progress. If Progress agrees with the terms of this Proposal, [REDACTED] and Progress will develop and execute formal agreements as may be required by both parties. All terms presented below are for discussion purposes only and do not constitute an offer or create any binding agreement. Any final agreement arising out of this proposal is subject to [REDACTED]. All terms of discussion shall be considered confidential between Progress and [REDACTED].

A. GAS TRANSPORTATION SERVICE

1. Type of Service: [REDACTED]

2. Firm Transportation Capacity - [REDACTED]

Maximum Daily Quantity [REDACTED]
Maximum Hourly Quantity [REDACTED]

b. Transportation Rate: [REDACTED]

c. Rate Cap: [REDACTED]

d. Supply Access Options: [REDACTED]

- CMP _____
- COM _____
- CTR _____
- ECR _____
- GCL _____
- OPC _____
- MMS _____
- RCA _____
- SCR _____
- SEC /
- OTH _____

DOCUMENT NUMBER - DATE

10539 SEP 30 2004

FPSC-COMMISSION CLERK

3. **Firm Transportation Capacity** - [REDACTED]

Maximum Daily Quantity [REDACTED]
Maximum Hourly Quantity [REDACTED]

b) **Transportation Rate:** [REDACTED]

c) **Supply Access Options:** [REDACTED]

4. **Multiple Delivery Points:** [REDACTED]

5. **Minimum Delivery Pressure** - [REDACTED]

6. **Term of Service for Transportation Capacity** [REDACTED]

7. **Delivery Station Facilities:** [REDACTED]

8. **Fuel:** [REDACTED]

B. PROPOSED ADDITIONAL PROVISIONS

1. **GRI Surcharge:** [REDACTED]

2. **Approvals:** [REDACTED]

[REDACTED]

3. **Proposal:** [REDACTED]

Progress / [REDACTED]
Meeting in Raleigh

Hines 4 Project
May 26, 2004

Attendees



^ Rob Caldwell

Progress



^ Pam Murphy

Progress



^ [Redacted]

[Redacted]



^ [Redacted]

[Redacted]



^ [Redacted]

[Redacted]



^ [Redacted]

[Redacted]



^ [Redacted]

[Redacted]



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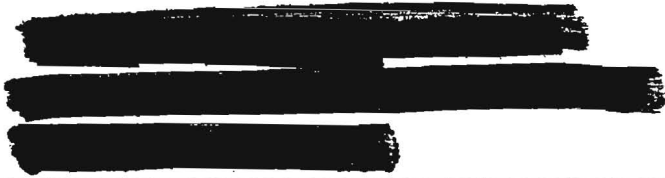


Agenda



- ⤴ Review commitment level and cost to-date
- ⤴ New [REDACTED] Proposal
- ⤴ Comparative Analysis
- ⤴ Timeline
- ⤴ Next Steps

Previous Proposal



		<u>Contract Quantities</u>		<u>Progress Cost</u>
	Days	Rates		
[Redacted]			[Redacted]	[Redacted]
Summer	[Redacted]	[Redacted]	[Redacted]	[Redacted]
Winter	[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]				[Redacted]
Summer	[Redacted]	[Redacted]	[Redacted]	[Redacted]
Winter	[Redacted]	[Redacted]	[Redacted]	[Redacted]
				[Redacted]
Total Cost				[Redacted]
Effective Unit Rate				[Redacted]

New Proposal

[REDACTED]



	<u>Contract Quantities</u>		<u>Progress Cost</u>		
	Days	Rates			
[REDACTED]					
Summer					
Winter					
[REDACTED]					
Summer					
Winter					
Total Cost					
Effective Unit Rate					

1/ [REDACTED]

[REDACTED] Advantages



- ^ [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

^ [REDACTED]

- ^ [REDACTED]
- [REDACTED]
- [REDACTED]

gress 5-26-04.ppt



Advantages



[Redacted text]



[Redacted text]



[Redacted text]

[Redacted text]

[Redacted text]



[Redacted text]

Advantages



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[REDACTED] Advantages

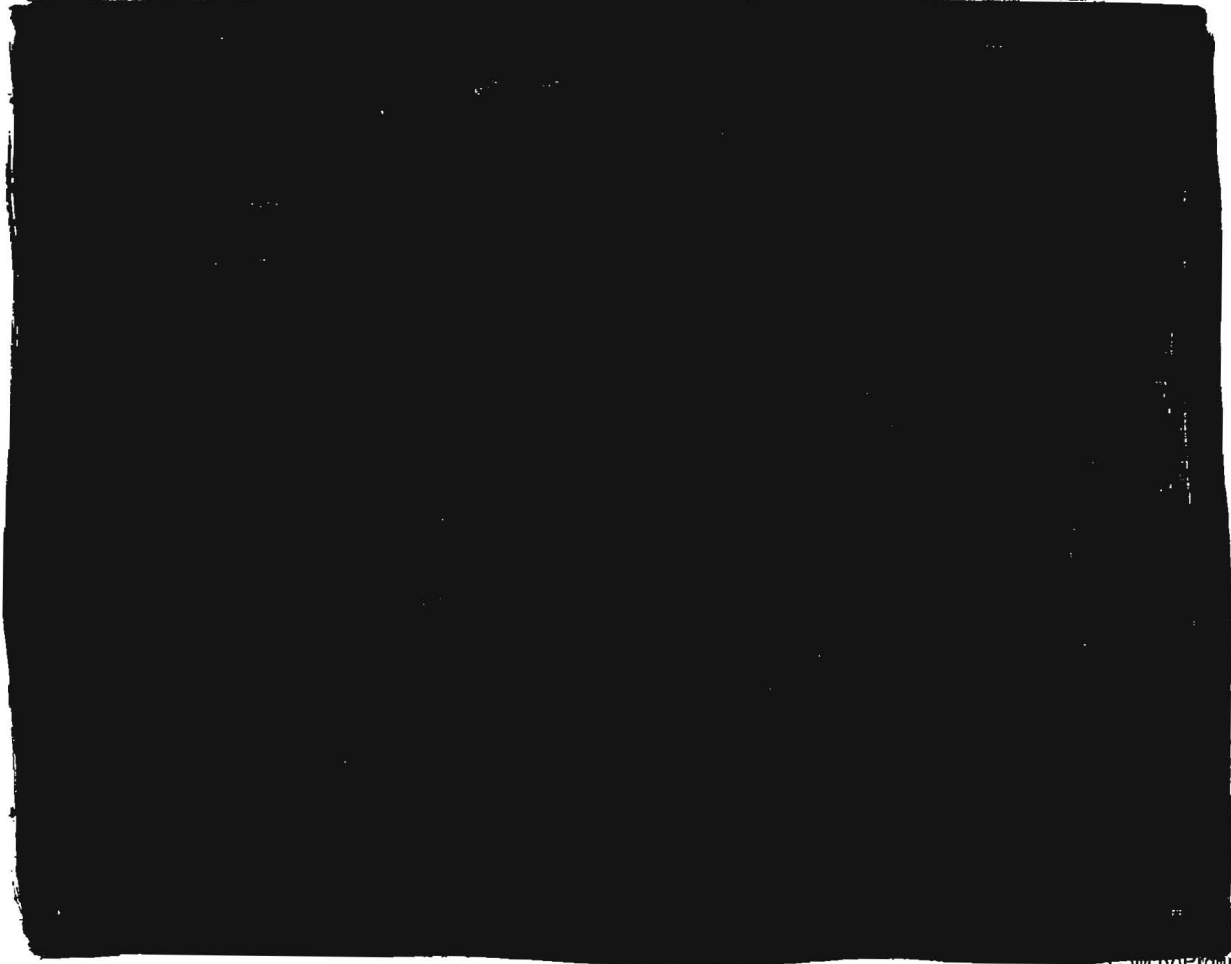


- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

Eastern Gulf Pipeline Infrastructure



- [REDACTED]
- [REDACTED]
- [REDACTED]



Next Steps



↗ Progress response

↗ [Redacted]

↗ [Redacted]

↗ [Redacted]

↗ [Redacted]

↗ [Redacted]

↗ [Redacted]

Future Dependence on Eastern Gulf



Pipeline	Eastern Gulf Sourced Firm Capacity	Total FT Capacity	% of Total
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

[REDACTED]



[REDACTED]

[REDACTED]

[REDACTED]

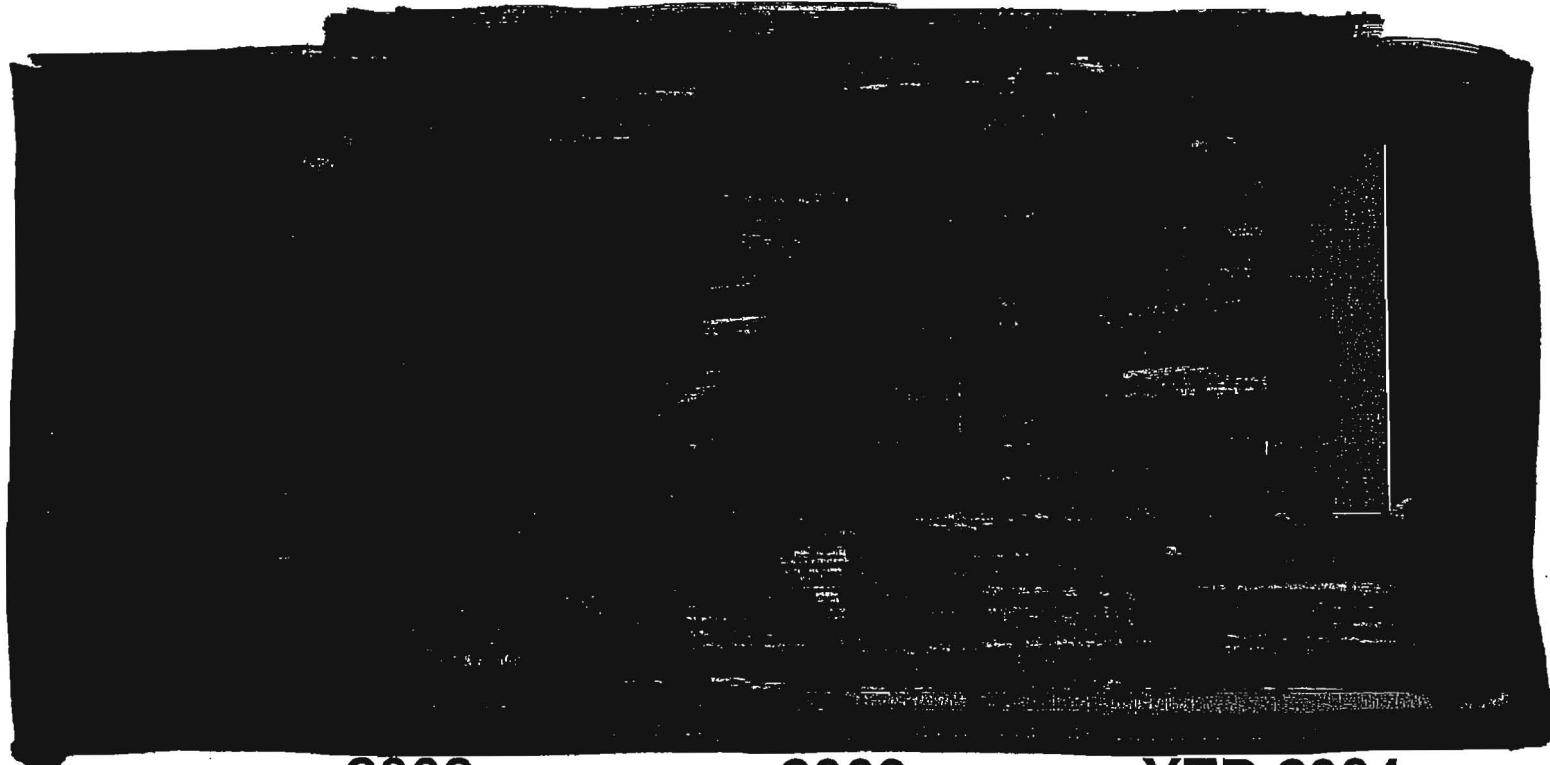
[REDACTED]

[REDACTED]
%



[REDACTED]

Historical Basis Trends



2002

2003

YTD 2004

[Redacted]

[Redacted]

[Redacted]

Timeline



- ▶ [Redacted]
- ▶ [Redacted]
- ▶ [Redacted]
- ▶ [Redacted]
- ▶ [Redacted]
- ▶ [Redacted]

Subject to Management Approval

TERM SHEET

1. New service agreements:
Option 1 Seasonal Rate

Rates

- Option 2 Flat Rate

Rates

- Option 3

Rates

- 2.

3. [REDACTED]
4. [REDACTED]
5. [REDACTED]
6. [REDACTED]
7. [REDACTED]

THIS DOCUMENT IS A PROPOSAL SUBMITTED FOR DISCUSSION PURPOSES ONLY AND IS NOT A BINDING OBLIGATION OF EITHER PARTY. ANY AGREEMENT REACHED WILL NOT BE BINDING UNLESS AND UNTIL THE PARTIES EXECUTE MUTUALLY AGREEABLE DEFINITIVE AGREEMENTS.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for Determination)
of Need of Hines Unit 4 Power Plant in) Docket No.: 040817-EI
Polk County by Progress Energy Florida,)
Inc.) Submitted for Filing: September 28, 2004

**PROGRESS ENERGY FLORIDA, INC.'S OBJECTIONS AND RESPONSES
TO STAFF'S FIRST SET OF INTERROGATORIES (NOS. 1-30)**

Pursuant to Fla. Admin. Code R. 28-106.206, and Rule 1.340, Fla. R. Civ. P., Progress Energy Florida, Inc. ("PEF") objects and responds to the Staff of the Florida Public Service Commission's First Set of Interrogatories (Nos. 1-30) and states as follows:

GENERAL OBJECTIONS

PEF intends to respond fully to Staff's Interrogatories whenever possible but, as noted in its General Objections filed with the Commission on September 20, 2004, PEF must object to any interrogatory that calls for information protected by the attorney-client privilege, the work product doctrine, the accountant-client privilege, the trade secret privilege, or any other applicable privilege or protection afforded by law. Also, in certain circumstances, PEF may determine upon investigation and analysis that information responsive to certain interrogatories is confidential and proprietary and should be produced only under an appropriate confidentiality agreement, protective order, or the procedures otherwise provided by law or in the Order Establishing Procedure. Accordingly, PEF will make every effort to respond but PEF cannot waive but must insist upon appropriate protection of confidential information under the Florida Rules of Civil Procedure and other applicable statutes, rules and legal principles.

PEF incorporates by reference the foregoing general objections and its General Objections filed with the Commission on September 20, 2004 into each of its specific objections set forth below as though pleaded therein.

INTERROGATORIES

1. What cost of capital did Progress Energy Florida assume in the determination of the total cost of its self-build option (Hines Unit 4)? For purposes of this response, please identify the relative mix of equity and debt and the respective cost rates.

Response:

Capital Component	Ratio	Rate
Debt	48%	6.5%
Equity	52%	12.0%

2. Please explain in detail why the cost of capital identified in response to the above interrogatory is appropriate for purposes of determining the total cost of Hines Unit 4.

Response:

The cost of capital shown in response to Interrogatory 1 is appropriate because it represents the marginal cost of funding for PEF. The 8.16% weighted average cost of capital (WACC) is supported by the utility's target mix of debt and equity funding and the long-term incremental costs of capital for Progress Energy Florida. The 12% equity cost of capital is equivalent to the allowed equity return stated by the FPSC in PEF's most recent rate case. The 6.5% cost of debt funding represents PEF's incremental borrowing rate in the debt capital markets. The rate is supported by current market rates, pricing, yields and credit spreads.

3. What AFUDC rate did Progress Energy Florida use in its Hines Unit 4 need determination study? For purposes of this response, please show the calculation of the AFUDC rate.

Response:

The AFUDC rate used in the need determination study was the same as the incremental after-tax weighted cost of capital, 8.16%. With a composite tax rate of 38.58%, the AFUDC rate is calculated as:

$$0.48 * 0.065 * (1-0.3858) + 0.52 * 0.12 = 0.0816 = 8.16\%$$

4. What is Progress Energy Florida's actual relative mix of equity and debt as of December 31, 2003? For purposes of this response, the sum should total 100% as assumed in PEF's need determination study assumptions.

Response:

The actual mix of debt and equity as of 12/31/2003 was:

Capital Component	Ratio
Debt	51.54%
Preferred Stock	0.74%
Equity	47.72%

5. On page 2 of its need determination study, PEF states that it “purchases over 1,300 MW of capacity from 20 qualifying facilities and two investor-owned utilities.” Please identify which, if any, of these power purchases are “above market.”

Response:

The price for any purchase depends on the term of the agreement, the type of capacity purchased, and the purchaser’s proposed utilization of the resource. The determination of the price in comparison to “market” depends upon the type of product (i.e. peaking, intermediate, base, full requirements, firm, non-firm, etc.) and the proposed time frame since markets change with capacity availability and fuel prices. Therefore, it is not possible to answer this question without a specific definition of what “market” would provide the basis of comparison for the specified contracts.

6. What is Progress Energy Florida’s current corporate credit rating as assigned by Standard & Poor’s Rating Service, Moody’s Investor Service, and Fitch Ratings, respectively? For purposes of this response, please indicate when each rating was established.

Response:

		S&P	Moody’s	Fitch
Progress Energy Florida				
	Outlook	Stable	Negative	Stable
	Corporate Credit Rating/Issuer Rating	BBB 8/29/2003	A2 11/22/2000	NA 2/14/2003
	Commercial Paper	A-2	P-1	F2
	Senior Secured Debt	BBB	A1	A-
	Senior Unsecured Debt	BBB	A2	BBB+
	Preferred Stock	BB+	Baa1	BBB

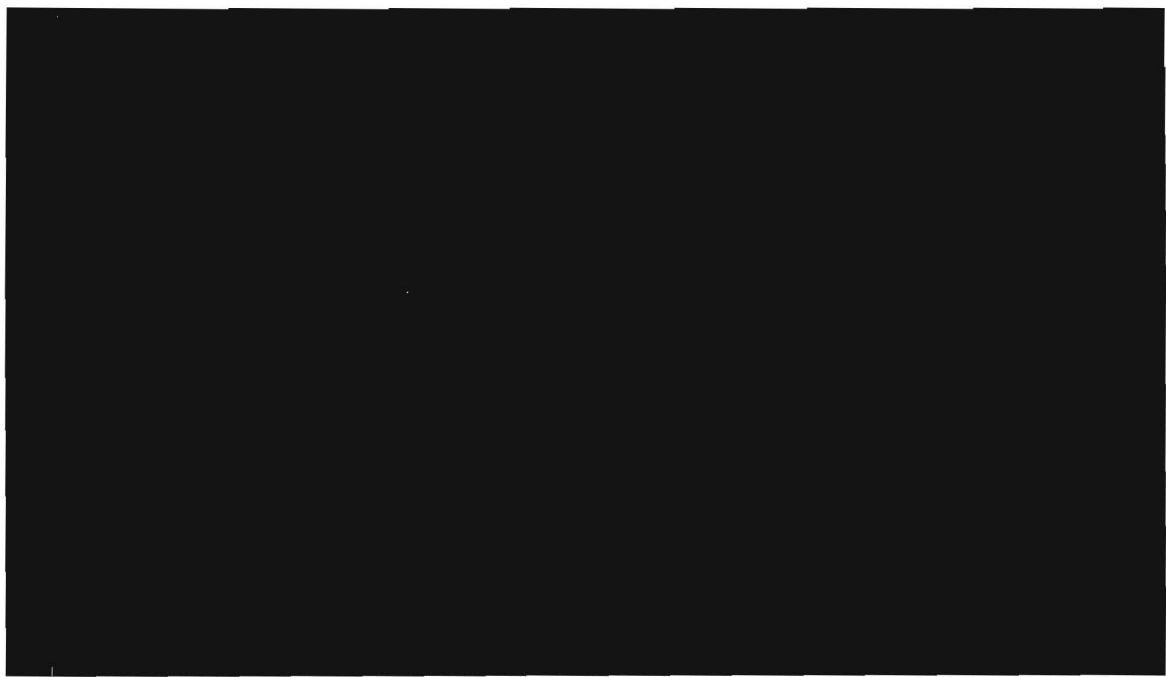
7. On pages 74-75 of its need determination study, PEF discusses its calculation of “the annual additional equity cost of imputed debt on a revenue requirement basis.” Please provide a schedule that shows the equity adjustment PEF added to each proposal. For purposes of this response, please identify all assumptions and show all calculations.

Response:

The schedule showing the fixed costs and the calculation of the equity adjustment for each proposal is given below. The formulas used are displayed in the schedule.

In developing the schedule, an error in the calculation of the equity adjustment in the original (filed) analysis of Proposal B was discovered. The schedule below provides the correct calculation of the equity adjustment for Proposal B, which is approximately \$1 million less than what is in the filed analysis.





8. On page 8, lines 3 through 5, of Pamela Murphy's direct testimony, it states that the relatively short transportation distances for natural gas to Florida should result in lower transportation costs for gas sold for consumption in the state. Please provide a comparison of transportation rates of Florida Gas Transmission and Gulfstream Natural Gas System with transportation rates of other pipelines to support this assumption.

Response:

What was meant by the statement referenced above is nothing more than the common sense notion that sources of supply in the Gulf of Mexico and in or through the Bahamas, whether domestic or new liquefied natural gas terminals, are proximate geographically to Florida and, thus, can be expected to be aggressively marketed to gas consumers in the state. A comparison of FGT and Gulfstream transportation rates to various gas consumers in Florida and transportation rates to gas consumers elsewhere cannot be provided on a comparable basis because of the numerous and varying factors involved.

9. On page 8, lines 18 through 22, of Pamela Murphy's direct testimony, it states that the Cypress Project will transport liquefied natural gas from Elba Island to an interconnection with FGT in north Florida. Has Southern Natural Gas Company submitted a filing to the Federal Energy Regulatory Commission seeking approval of the Cypress Project? If not, when will the filing be submitted?

Response:

No. It is our understanding from Southern Natural Gas Company that they intend on filing their FERC application for the Cypress Project around [REDACTED].

10. Based on the filing date identified in response to the above interrogatory, please provide a reasonable estimate as to when FERC would render a decision on the Cypress Project filing.

Response:

It is our understanding that FERC should be able to render a Preliminary Determination approximately 8 months after filing and a final FERC Certificate approximately 11 months after filing.

11. Please provide the time frame, in months, typically required to build and obtain the necessary assets to provide LNG.

Response:

It is our understanding that the typical timeframe to build a “grass-roots” or “greenfield” re-gasification LNG import terminal and pipeline is approximately 36 months.

12. Based on the time frames identified in response to the above three interrogatories, would the Cypress project be completed in sufficient time to provide the capacity necessary to transport fuel supplies to Hines Unit 4?

Response:

Yes, we believe that the Cypress project should be completed in sufficient time to transport fuel supplies to Hines Unit 4. The time frames identified in response to Interrogatory 11 are “typical” time frames for a greenfield project, as requested, and do not apply to the Cypress project.

13. On page 9, lines 1 through 2, of Pamela Murphy's direct testimony, it states that PEF has been approached by three independent companies to bring LNG into South Florida from terminals located in The Bahamas. Are any LNG terminals currently under construction in The Bahamas?

Response:

PEF is not aware of any LNG terminals currently under construction in the Bahamas.

14. With respect to each of the Bahamian terminals referenced in Pamela Murphy's testimony, has the Bahamian government granted approval for those terminals to be built? If not, when will the Bahamian government make a decision on whether to grant approval to each proposed terminal?

Response:

PEF is not aware of any approval of LNG terminals in the Bahamas by the Bahamian government. PEF does not know when the Bahamian government will grant approval to each proposed terminal.

15. Based on the time frame identified in response to the above interrogatory, would any of the Bahamian projects be completed in sufficient time to provide the capacity necessary to transport fuel supplies to Hines Unit 4 in December 2007?

Response:

Based on PEF's response to Interrogatory 14, PEF does not know the commencement dates of the Bahamian projects. Because PEF does not know with certainty when such projects will commence, PEF cannot say whether the Bahamian projects could be completed in time to transport fuel to Hines Unit 4 in December 2007.

16. At Page 9, lines 7 through 8, of her direct testimony, Ms. Murphy discusses three independent companies that have approached PEF regarding firm gas transportation capacity for Hines 4. With respect to Sailfish, Repsol Comercializadora de Gas S.A., and Tractebel Calypso LNG Marketing LLC, have any of these companies secured firm pipeline capacity to transport LNG from the proposed terminals located in the Bahamas via signed contracts? If so, how much capacity have these companies contracted for? If not, when does PEF anticipate that these independent companies will contract for firm transportation capacity with the pipeline operators? Please state the basis for your response.

Response:

It is our understanding from these three companies that all the capacity in their pipeline from their Bahamas-based LNG Terminal to FGT's system will be owned by each respective company. With regard to capacity on FGT, it is our understanding that none of these companies have contracted for firm capacity to date. We anticipate that these companies will not contract for firm transportation capacity until they have a firm gas supply demand contract with a customer.

17. Has PEF engaged in discussions concerning firm gas transportation capacity for Hines 4 with companies other than those identified in response to the above interrogatory? If so, provide the names of the other companies.

Response:

PEF has reached an agreement with Staff that PEF does not have to provide a response to Interrogatory 17 at this time.

18. On page 9, lines 9 through 13, of Ms. Murphy's direct testimony, it states that PEF is confident that it will be able to obtain a contract for all of its gas transportation service requirements for Hines 4. Does PEF anticipate that it will contract with a single supplier, or multiple suppliers, for the total pipeline capacity required?

Response:

PEF anticipates contracting with multiple suppliers for pipeline capacity requirements.

19. Please explain the basis for PEF's belief that it will be able to obtain a contract for its pipeline capacity requirements within the time frame necessary to begin operation of Hines 4 in December 2007.

Response:

PEF believes that it can obtain contracts for its pipeline capacity requirements within the time frame necessary to begin operation of Hines 4 in December 2007 because PEF has received credible proposals from several pipeline sources.

20. In Order Number PSC-04-0609-FOF-EI, regarding the need determination for Florida Power & Light Company's Turkey Point Unit 5, FPL agreed to provide annual reports on the budgeted and actual cost compared to the estimated in-service cost for Turkey Point Unit 5 in the following categories: Major Equipment/EPC; Permitting; Transmission Interconnection and Integration; FGT infrastructure Upgrades; Operations and Start-Up; Project Management; Owners Cost; and AFUDC. Would PEF be willing to provide the same information on an annual basis for Hines 4? If not, why not?

Response:

The Bid Rule does not require that a utility annually report budgeted and actual costs associated with a proposed power plant. However, PEF will provide information in the categories noted above for Hines Power Block 4, if requested, upon the understanding that some costs may be higher than estimated and other costs may be lower, but that providing this information on an annual basis will allow Commission Staff to monitor PEF's progress towards achieving its estimated total cost for Hines 4.

21. At page 16, lines 12 through 22, of his direct testimony, Dan Roeder discusses the revised cost and operating characteristics of Hines 4 that was provided to bidders on January 13, 2004. Please provide additional detail on how these revised cost and operating characteristics differed from the information provided in PEF's most recent Ten-Year Site Plan and from the information provided in PEF's request for proposals. What were the primary reasons for the change in the cost and operating characteristics of Hines 4?

Response:

The information provided in the RFP Solicitation Document (and subsequent revisions prior to the bid submission date) represented preliminary cost and operating characteristics. The revised cost and operating characteristics provided to bidders on January 13, 2004 were developed from information provided to the RFP Evaluation Team on December 16, 2003 by the Hines 4 self-build team and are consistent with the information provided in PEF's most recent Ten-Year Site Plan (TYSP). The primary reason for the changes is the revised cost and operating parameters are based on information from vendors; whereas, the RFP costs and operating parameters were planning estimates, as explained in the Solicitation Document.

Compared to the TYSP, the winter and summer capacities are the same in both documents and the planned and forced outage factors are also the same in both documents. The O&M costs provided in the TYSP are in 2004 dollars and, when escalated at 2.5% per year, are the same as provided bidders in 2007 dollars. The direct construction cost provided in the TYSP, when multiplied by 517 MW, is \$221.5 million, as provided to bidders. The heat rate data provided to bidders are expected heat rates at minimum and maximum load for the summer and winter seasons; whereas, the average heat rate provided in the TYSP is the projected annual average heat rate based on the simulated operation of Hines 4 as part of the PEF system.

The table below compares the information provided to bidders in the RFP Solicitation Document (and subsequent revisions prior to the bid submission date) to the information related to Hines 4 provided to bidders on January 13, 2004.

Item	RFP Solicitation Document	January 13, 2004 Document
Winter capacity (MW)	565	517
Summer capacity (MW)	494	461
Estimated total direct cost (\$ Millions)	249.9	221.5
Estimated annualized revenue requirements (\$ Millions, 2008\$)	39.9	35.3
Estimated annual value of deferral (\$/kW-yr., 2008\$)	58.09	56.40
Estimated annual fixed O&M (\$/kW-yr., 2007\$)	1.18	1.29
Estimated variable O&M (\$/MWh, 2007\$)	0.26	0.28
Estimated major maintenance costs (\$/MWh, 2007\$)	2.72	2.71
Estimated delivered fuel cost (\$/mmBtu, 2007\$)	4.03	4.69
Estimated fuel fixed transportation (\$/mmBtu)	0.55	0.76
Planned outage rate	5.8%	6%

Minimum load (MW, winter)	147	210
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In addition to the changes above, the Seasonal Capacity States and Net Heat Rates were revised to reflect different capacity states and also to take into account the expected impact of degradation on the heat rate of the unit, as shown in the tables below.

RFP Solicitation Document

Capacity States and heat rates (based on HHV of fuel)

Seasonal Capacity States and Net Heat Rates			
Capacity State (MW)		Primary Fuel (Btu/kWh)	
Winter	Summer	Winter	Summer
147	123	7731	8344
565	494	6720	6775

All values based on “new and clean” conditions

January 13, 2004 Document

Capacity States and heat rates (based on HHV of fuel)

Seasonal Capacity States and Net Heat Rates					
Capacity State (MW)		Primary Fuel (Btu/kWh)		Secondary Fuel (Btu/kWh)	
Winter	Summer	Winter	Summer	Winter	Summer
210	184	7710	7863	8206	8287
517	461	7062	7079	7802	7753

All values include impact of estimated degradation.

22. At page 15, lines 8 through 12 of his direct testimony, Samuel Waters states that PEF's resource plan calls for the addition of three simple-cycle combustion turbines in December 2006. When would construction have to begin on these combustion turbines for the CT's to be placed in-service by December 2006?

Response:

To meet an in-service date of December, 2006, construction on the three combustion turbines referenced in Mr. Waters' testimony would have to begin by September 1, 2005. However, please see PEF's response to Interrogatory 23 below. PEF does not plan to build these units now that PEF has a tolling agreement with Shady Hills Power Company, LLC.

23. Please provide a status update on PEF's negotiations to purchase power instead of building the planned December 2006 CT's, as discussed on page 15, lines 10 through 12 of Samuel Waters' direct testimony.

Response:

A tolling agreement between Progress Energy Florida (PEF) and Shady Hills Power Company, LLC, was completed on August 6, 2004. The agreement provides for the sale of 517 MW of demonstrated capacity to PEF for the term April 1, 2007 through April 30, 2014. This agreement effectively defers the need for the additional capacity to be provided by the 3 combustion turbines referenced in Mr. Waters' testimony. PEF is continuing negotiations to obtain capacity to bridge the winter of 2006/07.

24. Does the projected \$221.5 million construction cost for Hines 4 include any natural gas infrastructure upgrades at the Hines site? Please describe any needed natural gas infrastructure upgrades at the site and provide the cost of these upgrades. If no such upgrades are required, please discuss why the existing gas infrastructure is adequate to meet the needs of the proposed plant.

Response:

Yes, the construction cost for Hines 4 does include money for natural gas infrastructure upgrades at the Hines site for the metering and regulating station. The construction cost estimate for Hines 4 included \$2 million for the natural gas infrastructure upgrade.

25. Alfred McNeill's direct testimony addresses the need for a 230 kV transmission line addition from the Hines site to West Lake Wales. Please describe the permitting process and expected timeframe for permitting this transmission addition.

Response:

The Hines-West Lake Wales 230kV transmission line will be permitted as an associated linear facility in connection with the development of the Hines 4 project. Therefore, the information and permitting related to the transmission line is included within the Supplemental Site Certification Application (SSCA) for the Hines 4 project that was filed with the Florida Department of Environmental Protection on August 5, 2004, and will be processed under the Florida Power Plant Siting Act accordingly. The current SSCA schedule is provided in response to Interrogatory No. 29 below.

26. At page 4, beginning on line 22, of his testimony, John Robinson addresses the favorable equipment terms available to PEF for Hines 4. Would these favorable equipment terms be available to PEF for the purchase of the three simple-cycle combustion turbines planned for an in-service date of December 2006?

Response:

PEF does not know if similar equipment terms would be available because PEF does not plan to build these units now that PEF has a tolling agreement with Shady Hills Power Company, LLC. Please see PEF's response to Interrogatory 23 above.

27. Considering the increase in natural gas capacity required to fuel Hines 4, will there be any off-site natural gas mainline improvements needed to supply the facility? If so, please describe the needed upgrades and the cost responsibility for these upgrades.

Response:

It is our understanding that Gulfstream would not require any mainline improvements to supply Hines 4. If PEF elects the Cypress Project option, Southern would need to extend its pipeline system to interconnect with FGT and Southern would provide the capital funding associated with extending its pipeline system. Southern would recover these capital costs through its reservation charge it would bill to PEF and others who contract to use the pipeline. FGT would require mainline improvements for the Cypress Project and FGT would provide the necessary capital to fund these mainline improvements. Like Southern, FGT would recover the capital costs associated with the mainline improvements through its reservation charge that it would bill to PEF and others who contract to use the pipeline.

28. When does PEF anticipate signing firm contracts to provide natural gas and natural gas transportation for Hines 4?

Response:

As of the date of this response, PEF is still in negotiations with various interstate pipelines and suppliers of natural gas and cannot state with certainty the date contract negotiations will be complete.

29. Please provide a schedule for the supplemental site application process for Hines 4 at the Department of Environmental Protection, including the planned site certification hearing date.

Response:

What follows is a copy of the current schedule for the processing of the Hines 4 Supplemental Site Certification Application.

**PROGRESS ENERGY FLORIDA, HINES ENERGY CENTER
POWER BLOCK 4
POWER PLANT SITING APPLICATION NO. PA 92-33SA3
DOAH CASE NO. 04-2817EPP, OGC CASE NO. 04-1449**

**PROPOSED SCHEDULE FOR
REVIEW OF SITE CERTIFICATION**

August 5, 2004	Progress Energy files Site Certification Application (SCA) with DEP Siting Coordination Office (SCO).
August 12, 2004	SCO requests DOAH to appoint Administrative Law Judge (ALJ) and files List of Affected Agencies.
August 16, 2004	SCO determines that SCA is complete.
August 27, 2004	Progress Energy completes distribution of SCA to affected agencies.
September 3, 2004	Progress Energy publishes newspaper notice of filing SCA.
September 10, 2004	DEP publishes notice of filing of SCA.
September 14, 2004	DEP and other agencies submit sufficiency questions to SCO.
September 24, 2004	SCO issues written determination as to whether SCA is sufficient. (Schedule assumes SCA is insufficient, if at all, only once.)
October 1, 2004	DEP and Progress Energy file Response to Initial Order and Schedule
October 11, 2004	DEP and other agencies issue preliminary statements of issues.
October 22, 2004	Progress Energy files responses to DEP's sufficiency determination.

November 22, 2004	DEP issues determination that Progress Energy's sufficiency responses render the SCA sufficient.
December 23, 2004	Deadline for statutory agency parties to file notice of intent to be a party.
January 7, 2005	DEP and other reviewing agencies submit reports to SCO.
February 6, 2005	Deadline for DEP and Progress Energy to separately publish notice of the certification hearing.
February 16, 2005	SCO issues DEP's report (Staff Analysis).
February 21, 2005	Deadline to submit motions to intervene.
March 23, 2005	Certification hearing before ALJ.
April 18, 2005	ALJ to issue Recommended Orders on Certification.
June 17, 2005	Deadline for hearing before Siting Board on certification.

30. On August 23, 2004, Progress Energy filed a rate schedule with FERC providing for cost-based power sales to Reedy Creek Improvement District. Please provide additional information on this sale, including the proposed term and capacity. How will the proposed power sale to Reedy Creek Improvement District impact PEF's reserve margins during each year of the sale? Will the proposed Hines 4 generating unit provide capacity and energy to support this sale? Please discuss the regulatory treatment of the revenues and costs associated with the sale to Reedy Creek.

Response:

Progress Energy Florida and Reedy Creek Improvement District (RCID) signed the agreement in early May, 2004. The term of the agreement is five years, beginning January 2006, upon the expiration of a similar purchase Reedy Creek currently has with Orlando Utilities Commission. The monthly capacity amounts are shown in the table below.

Monthly Capacity Amounts
(MW)

	2006	2007	2008	2009	2010
January	46	66	69	70	71
February	51	74	74	75	76
March	61	117	117	118	119
April	64	88	88	89	90
May	73	95	95	96	97
June	79	101	101	101	102
July	94	117	117	118	119
August	94	117	117	118	119
September	72	94	94	94	95
October	66	89	90	91	92
November	58	81	82	83	84

The transaction with Reedy Creek Improvement District was not included in the Company's Hines 4 Need Determination Study. The additional load associated with the RCID transaction decreases the Company's planning reserve margin shown in the Need Determination Study by approximately one percentage point in the winter and approximately 1.5 percentage points in the summer. The Company will continue to satisfy its minimum 20% reserve margin criterion. Each of the Company's firm resources, including Hines 4, will supply capacity to support the Reedy Creek transaction. Energy will come from those resources operating when Reedy Creek calls for energy under the agreement.

Since this sale is both long term (greater than 1 year) and firm, it would be treated as a "separated" wholesale sale and the revenues and related costs would be appropriately assigned to the wholesale jurisdiction. The assignment of costs would be consistent with the method used in PEF's last base rate proceeding.

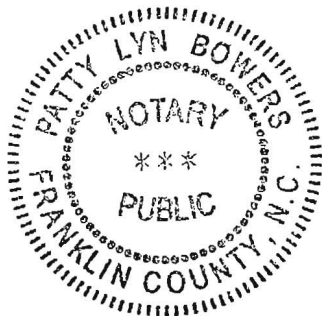
AFFIDAVIT

STATE OF North Carolina

COUNTY OF Franklin

I hereby certify that on this 24th day of September, 2004, before me, an officer duly authorized in the State and County aforesaid to take acknowledgments, personally appeared SAMUEL S. WATERS, who is personally known to me, and he/she acknowledged before me that he/she provided the answers to interrogatory number(s) 1-30 from Staff's First Set of Interrogatories (Nos. 1-30) to Progress Energy Florida, Inc., in Docket No. 040817-EI, and that the responses are true and correct based on his/her personal knowledge.

In Witness Whereof, I have hereunto set my hand and seal in the State and County aforesaid as of this 24th day of September, 2004.



My Commission Expires 11-21-2005

Patty Lyn Bowers
Notary Public

My Commission Expires:
November 21, 2005