

State of Florida



ORIGINAL

Public Service Commission

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-M-E-M-O-R-A-N-D-U-M- COMMISSION CLERK

DATE: October 11, 2004
TO: Kay B. Flynn, Chief of Records, Division of the Commission Clerk & Administrative Services
FROM: Adrienne E. Vining, Senior Attorney, Office of the General Counsel
RE: Docket No. 040001-EI - Fuel and Purchased Power Cost Recovery Clause with Generating Performance Incentive Factor

Please find attached for filing in the above-referenced docket an original and seven copies of the following:

- 1. Direct Testimony of Joseph W. Rohrbacher, on behalf of Commission Staff (Redacted Version)

Also attached for filing in the above-referenced docket is the confidential version of the Direct Testimony of Joseph W. Rohrbacher. The confidential information in these documents is highlighted and should be protected from disclosure because it was granted confidential classification by the Commission in Order Nos. PSC-03-1184-CFO-EI, issued October 21, 2003, and PSC-04-0857-CFO-EI, issued September 1, 2004.

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FPSC-COMMISSION CLERK

ORIGINAL

MEMORANDUM

OCTOBER 11, 2004

TO: DIVISION OF THE COMMISSION CLERK AND ADMINISTRATIVE SERVICES

FROM: OFFICE OF THE GENERAL COUNSEL (Vining) *AEV*

RE: DOCKET NO. 040001-EI - FUEL AND PURCHASED POWER COST RECOVERY CLAUSE WITH GENERATING PERFORMANCE INCENTIVE FACTOR.

Attached is the DIRECT TESTIMONY OF JOSEPH W. ROHRBACHER, on behalf of Commission Staff to be filed in the above-referenced docket.

AEV/jb
I:040001/040001cos.testimony.doc

DOCUMENT NUMBER-DATE

10967 OCT 11 04

FPSC-COMMISSION CLERK

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Fuel and purchased power cost recovery
clause with generating performance incentive
factor.

DOCKET NO. 040001-EI

DATED: OCTOBER 11, 2004

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the DIRECT TESTIMONY OF JOSEPH W. ROHRBACHER on behalf of the Florida Public Service Commission Staff has been furnished to the following, this 11th day of October, 2004:

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CERTIFICATE OF SERVICE
DOCKET NO. 040001-EI
PAGE 2

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DOCKET NO. 040001-EI: Fuel and purchased power cost recovery clause and generating performance incentive factor.

WITNESS: **Direct Testimony Of Joseph W. Rohrbacher**,
Appearing On Behalf Of Commission Staff

DATE FILED: October 11, 2004

DOCUMENT NUMBER-DATE
10967 OCT 11 04
FPSC-COMMISSION CLERK

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DIRECT TESTIMONY OF JOSEPH W. ROHRBACHER

Q. Please state your name and business address.

A. My name is Joseph W. Rohrbacher and my business address is 4950 West Kennedy Blvd., Suite 310, Tampa, Florida, 33609.

Q. By whom are you presently employed and in what capacity?

A. I am employed by the Florida Public Service Commission as a Regulatory Analyst Supervisor in the Division of Regulatory Compliance and Consumer Assistance.

Q. How long have you been employed by the Commission?

A. I have been employed by the Florida Public Service Commission since January 1992.

Q. Briefly review your educational and professional background.

A. In 1967, I received a B.B.A. Degree in Accounting from Pace University. I also received an M.B.A. from Long Island University in 1972. I worked for approximately 14 years in various controller positions for two companies in New York before joining the Commission staff. I was hired by the Commission in 1992 as a Regulatory Analyst I.

Q. Please describe your current responsibilities.

A. Currently, I am a Regulatory Analyst Supervisor with the responsibilities of administering the Tampa District office, reviewing work load, and allocating resources to complete field work and issue audit reports

1 when due. I also supervise, plan, and conduct utility audits of manual and
2 automated accounting systems for historical and forecasted financial
3 statements and exhibits.

4

5 Q. Have you presented testimony before this Commission or any other
6 regulatory agency?

7 A. Yes. I filed testimony in the fuel and purchased power cost recovery
8 clause proceedings in Docket No. 030001-EI.

9

10 Q. What is the purpose of your testimony today?

11 A. The purpose of my testimony is to provide information regarding:

- 12 • the incremental security costs of Tampa Electric Company (TECO) that
13 the Tampa district office audited over the past two years, and
- 14 • the waterborne transportation costs of Progress Energy Florida
15 (Progress) that the Tampa district office audited over the past two
16 years.

17

18

TECO SECURITY COSTS

19 Q. Please provide some background regarding your audit of TECO's
20 incremental security costs.

21 A. By Order No. PSC-01-2516-FOF-EI, issued December 26, 2001, in Docket No.
22 010001-EI, and Order No. PSC-02-1761-FOF-EI, issued December 13, 2002, in
23 Docket No. 020001-EI, the Commission authorized recovery through the capacity
24 cost recovery clause of certain incremental power plant security expenses
25 incurred as a result of measures taken in response to the terrorist attacks of

1 September 11, 2001. As a result of these orders, we began to include security
2 costs in our audits of the capacity cost recovery clause. The Commission's
3 Tampa district office has audited actual costs for TECO as part of the audits
4 in Docket Nos. 030001-EI (Audit Control No. 03-036-2-1) and 040001-EI (Audit
5 Control No. 04-022-2-1). In addition, in the year 2003, we audited TECO's
6 historical level of security costs.

7

8 Q. Why did you audit the historical level of security costs?

9 A. The orders authorized recovery for incremental security costs.
10 Incremental is defined as the amount or degree by which something changes.
11 After the orders were issued, the Commission's auditors and analysts discussed
12 how to measure incremental costs. We were concerned that new security
13 measures might mitigate or replace previous security measures. For instance,
14 a company might hire security guards to staff a guard house at each entrance
15 to a plant site. This expense is new, but it might also replace some previous
16 costs for in house personnel to man the entrance gates. Therefore, we decided
17 that we should review the level of security expenses before the new costs were
18 incurred. The previous level of expenses would provide a base line to
19 evaluate the new costs for reasonableness. Therefore, in 2003, we completed
20 an audit of the historical level of security costs. This audit was filed in
21 Docket No. 030001-EI (Audit Control No. 02-340-2-1).

22

23 Q. Can you summarize the security costs for TECO that were reviewed in the
24 audits?

25 A. In each of the audits, we requested that TECO provide a schedule of

1 actual security costs by month. I have attached to my testimony a chart that
2 summarizes the schedules provided by the utility. The summary schedule is
3 Exhibit JWR-1. I have also attached as Exhibit JWR-2, a copy of each of the
4 schedules provided by TECO.

5

6 Q. It appears that the 2003 security costs are lower than the security
7 costs for 2002 and 2001. Is this correct?

8 A. Yes. In our audit of 2003 costs, we asked the company about the
9 decrease in costs. Our request was directed at specific accounts. We asked
10 "Why is the 2003 combined balance in accounts 921.12 and 921.97 for Security
11 costs lower than in 2001?" Carlos Aldazabal, Manager Financial Reporting,
12 provided a written response to our audit inquiry:

13 Incremental security requirements have been scaled back since the
14 developments of 9/11. A reason for the decreased O&M security
15 spending can be attributed to the increased capital spending done
16 to install fencing and monitors at different locations.
17 Additionally, measures have been adopted such as restricting gate
18 access at certain locations or limiting entry to only one specific
19 gate. These measures along with a continuous effort to make sure
20 the existing security policies are enforced have dramatically
21 reduced increased security spending.

22

23 Q. Have you reviewed the testimony filed by Denise Jordan on August 10,
24 2004?

25 A. Yes. I also looked at her Exhibit JDJ-2 that provides a calculation of

1 2004 Incremental Security O&M Expense. I found it interesting that the
2 projected 2004 expenses are lower than the 2001, 2002, and 2003 expenses.
3 Despite this fact, TECO's requested incremental security expenses of \$523,873
4 are higher than the previous years. In our last two audits, we audited the
5 actual incremental security costs as reported by TECO:

6	2001	\$400,651
7	2002	\$393,948
8	2003	\$214,722

9

10 Q. Did you question anything else in that same exhibit?

11 A. Yes. The calculation is based on a 2000 base expense of \$1,927,720.
12 This total expense is significantly lower than the total security expense
13 provided, in the audit of base year costs (Docket No. 030001-EI, Audit Control
14 No. 02-340-2-1), The number provided was \$2,731,230. I believe that if this
15 amount is used, the calculation performed by Ms. Jordan to remove O&M cost
16 savings is not necessary. When I recalculate the schedule on JDJ-2 using the
17 number provided in the audit, the incremental security costs would be
18 \$184,834. I believe that this amount is reasonable based on the following
19 facts presented above:

- 20 1) TECO's statement that incremental security costs are decreasing;
- 21 2) General ledger costs for 2003 are lower than 2000; and
- 22 3) New incremental costs may decrease historic costs by substituting a new
23 method of security.

24

25

1 PROGRESS WATERBORNE TRANSPORTATION COSTS

2 Q. What is the scope of your testimony regarding the Progress waterborne
3 transportation costs?

4 A. My testimony is limited to the contracts that I reviewed in the
5 waterborne transportation audits in Docket Nos. 030001-EI (Audit Control No.
6 03-045-2-2) and 031057-EI (Audit Control No. 04-028-2-1.) I have attached a
7 copy of these audit reports as Exhibits JWR-3 (030001-EI audit report) and
8 JWR-4 (031057-EI audit report).

9
10 Q. What did you find in your audits?

11 A. The audit report in Docket No. 030001-EI reviewed coal contracts for
12 2002. The audit report in Docket No. 031057-EI reviewed coal contracts for
13 2003. In both audit reports, Audit Disclosure No. 2 states that the contracts
14 I reviewed were all F.O.B. (free on board) Dock (or Barge). This means that
15 the cost of the coal under those contracts includes all the transportation
16 costs from the mine to the dock and all the handling costs to load the coal on
17 the barge. I have attached as Exhibit JWR-5 certain audit work papers
18 regarding my review of the coal contracts. The first two pages are my
19 Document Requests seeking access to the coal contracts. I reviewed the
20 contracts provided and the last four pages of the exhibit are my notes from my
21 review. These notes indicate the coal was purchased F.O.B. Barge.

22
23 Q. Why is this important?

24 A. Order No. PSC-04-0713-AS-EI, issued July 20, 2004, in Docket No. 031057-
25 EI approved a stipulation and settlement regarding waterborne coal

1 transportation services. The settlement addressed costs beginning in 2004.
2 There are two issues in this current hearing regarding costs for periods prior
3 to the settlement. The terms of the coal contracts that I reviewed are
4 important to the determination of allowable upriver terminalling and foreign
5 gulf terminalling costs to be recovered through the fuel clause for 2002 and
6 2003.

7 Q. Does this conclude your testimony?

8 A. Yes.

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DOCKET NO. 040001-EI: Fuel and purchased power cost recovery clause and generating performance incentive factor.

WITNESS: **Direct Testimony Of Joseph W. Rohrbacher**,
Appearing On Behalf Of Staff

EXHIBIT: JWR-1 - Summary of TECO Security Costs for 2000-2003

Docket No. 040001-EI
 Exhibit JWR-1 (Page 1 of 1)
 Summary of TECO Security Costs

Account No.	2000	2001	2002	2003
506-49	\$ 300,641.00	\$ 385,291.00	\$ 267,213.00	\$ 342,365.22
506-59	210,942.00	288,618.00	191,175.00	260,777.55
506-68	3,523.00	93,163.00	111,564.00	119,417.52
511-49	8,333.00	3,340.00		
511-59		693.00		
511-68		366.00		
512-41	373.00	2,013.00		
512-42		151.00		
512-43		89.00		
512-49		1,216.00		
512-51			137.00	
512-53		52.00		
512-55		461.00	424.00	
512-56		125.00		
513-41		21,029.00	14,433.00	3,143.79
513-50	9,608.00	15,762.00		
513-56			87.00	
514-59	4,901.00	2,981.00		
549-28	59,115.00	55,755.00	61,085.00	69,193.50
549-70	136,289.00	189,849.00	127,781.00	167,090.14
552-70		151.00		
553-21		1,449.00		
587-05			(662.00)	
588-01			1.00	
592-00			600.00	
593-01			2,112.00	
903-00	2,257.00			
912-12		(149.00)		411.42
920-01	408,506.00	440,986.00	515,238.00	516,013.38
920-12			1,020.00	
920-93		54.00		
920-97		108.00	2,084.00	
921-01	45,968.00	37,429.00	29,494.00	39,437.30
921-02			540.00	
921-07		48.00		
921-09	510.00			104.00
921-12	400,903.00	726,266.00	1,025,822.00	657,180.19
921-84	6.00			
921-87	50.00			5,806.10
921-92		1,990.00		
921-93	53.00	15.00		
921-97	1,117,941.00	1,232,738.00	1,266,802.00	1,099,912.37
932-03			28.00	
932-04	2,030.00	1,248.00	1,284.00	
932-05		315.00	1,379.00	617.07
932-12	13,935.00	4,187.00		
932-13	5,346.00	865.00	(8.00)	
Total	\$2,731,230.00	\$3,508,654.00	\$3,619,633.00	\$3,281,469.55

DOCKET NO. 040001-EI: Fuel and purchased power cost recovery clause and generating performance incentive factor.

*WITNESS: Direct Testimony Of Joseph W. Rohrbacher,
Appearing On Behalf Of Staff*

EXHIBIT: JWR-2 - Schedules of Monthly TECO Security Costs for 2000-2003

JWR 3/1
3/03

TAMPA ELECTRIC COMPANY
SCHEDULE OF SECURITY COSTS BY ACCOUNT
FOR THE MONTHS JANUARY - DECEMBER 2000
DOCKET #030001-EI

			1	2	3	4	5	6	7	8	9	10	11	12
2000	506	49	(10,704)	9,563	45,945	10,400	11,477	58,314	11,153	13,060	38,457	38,456	12,397	62,093
2000	506	59	(15,645)	7,501	24,526	8,972	10,434	49,166	9,751	11,334	9,366	40,642	-	54,895
2000	506	68	-	-	818	-	-	-	-	1,819	886	-	-	-
2000	511	49	358	489	458	354	384	451	744	525	967	188	1,030	2,385
2000	513	41	373	-	-	-	-	-	-	-	-	-	-	-
2000	513	50	-	-	-	-	-	9,606	-	-	-	-	-	-
2000	514	59	358	489	343	425	236	271	822	423	1,127	(57)	210	254
2000	549	28	4,382	1,887	5,889	2,101	-	14,044	2,220	2,406	3,148	4,868	4,788	13,384
2000	549	70	(1,152)	6,210	17,231	6,296	5,617	30,911	802	6,042	19,591	11,290	6,306	27,143
2000	903	00	-	2,257	-	-	-	-	-	-	-	-	-	-
2000	920	01	34,474	33,348	34,315	31,745	33,443	34,751	33,307	32,706	35,513	37,189	33,992	33,723
2000	921	01	4,229	3,216	5,302	4,318	4,053	7,417	3,565	2,349	2,757	2,787	3,252	2,723
2000	921	09	510	-	-	-	-	-	-	-	-	-	-	-
2000	921	12	11,749	26,788	34,738	15,325	19,661	45,911	52,588	17,672	26,080	34,266	14,675	101,470
2000	921	84	-	-	-	-	-	-	-	-	-	6	-	-
2000	921	87	-	-	-	-	-	-	-	-	-	-	-	50
2000	921	93	-	6	-	6	12	6	-	6	11	-	-	6
2000	921	97	1,530	53,196	111,667	46,108	43,085	214,827	36,117	59,968	107,352	168,063	45,678	230,327
2000	932	04	-	1,485	-	-	-	105	-	210	-	-	110	110
2000	932	12	743	2,138	5,431	(1,966)	4,511	318	97	588	(23)	477	681	960
2000	932	13	-	-	-	-	-	-	-	-	2,553	2,614	-	179
			31,206	148,587	286,666	124,070	132,918	486,105	151,173	149,166	247,774	340,799	123,128	529,715
													Grand Total	2,731,306

8/28
04/03

TAMPA ELECTRIC COMPANY
SECURITY COSTS, BY ACCOUNT - PER GENERAL LEDGER
CALENDAR YEAR 2001

DOCKET #030001-EI

	1	2	3	4	5	6	7	8	9	10	11	12
2001 506 49	(5,104)	11,702	59,229	11,977	25,143	15,259	76,655	23,258	24,053	11,796	45,305	86,018
2001 506 59	42	10,718	28,081	8,434	19,257	8,576	34,752	18,845	17,217	8,968	33,958	99,770
2001 506 68	-	-	1,330	537	-	824	15,460	9,448	9,216	4,878	17,655	33,815
2001 511 49	836	524	35	-	432	802	73	(11)	207	601	41	-
2001 511 59	-	-	-	98	117	129	74	219	45	11	-	-
2001 511 68	-	-	136	149	79	2	-	-	-	-	-	-
2001 512 41	-	-	795	1,109	109	-	-	-	-	-	-	-
2001 512 42	-	-	194	(43)	-	-	-	-	-	-	-	-
2001 512 43	-	-	-	81	8	-	-	-	-	-	-	-
2001 512 49	-	-	-	-	154	5	-	1,057	-	-	-	-
2001 512 53	-	-	-	-	-	-	59	(7)	-	-	-	-
2001 512 55	-	-	465	(104)	-	-	-	125	(25)	-	-	-
2001 512 58	-	-	-	-	-	-	-	-	-	117	8	-
2001 513 41	-	-	1,607	1,808	7,132	-	9,544	938	-	-	-	-
2001 513 50	-	-	-	-	6,170	-	9,592	-	-	-	-	-
2001 514 59	390	498	554	227	252	343	(11)	291	83	331	23	-
2001 549 28	(2,807)	5,390	9,875	2,582	6,414	-	6,876	3,733	3,484	1,795	7,945	10,468
2001 549 70	(4,228)	11,226	24,185	7,101	12,609	5,858	24,043	13,175	11,846	6,224	15,263	62,547
2001 552 70	-	-	194	(43)	-	-	-	-	-	-	-	-
2001 553 21	-	-	1,449	-	-	-	-	-	-	-	-	-
2001 912 12	-	-	-	-	-	(149)	-	-	-	-	-	-
2001 920 01	34,661	29,584	33,846	39,124	36,390	37,594	40,085	40,359	38,327	35,432	37,693	37,891
2001 920 93	-	-	-	-	-	-	62	(8)	-	-	-	-
2001 920 97	-	-	-	38	4	-	-	82	(16)	-	-	-
2001 921 01	4,142	2,800	3,550	2,430	2,069	3,169	2,068	2,392	3,593	3,807	4,068	3,341
2001 921 07	-	-	-	-	48	-	-	-	-	-	-	-
2001 921 12	20,488	31,534	63,248	25,706	69,024	(17,037)	54,874	30,090	44,330	40,043	269,587	94,379
2001 921 92	1,990	0	0	0	0	0	0	0	0	0	0	0
2001 921 93	-	-	-	-	-	17	(2)	-	-	-	-	-
2001 921 97	3,009	69,348	191,551	53,664	129,766	12,530	164,206	110,686	89,322	53,204	158,026	197,426
2001 932 04	-	110	79	503	261	108	(3)	-	109	50	31	-
2001 932 05	-	-	-	-	-	-	-	-	-	32	31	252
2001 932 12	(74)	1,800	(596)	42	1,804	-	-	9	1,104	53	-	245
2001 932 13	-	25	294	(4)	62	2	-	127	254	-	20	85
53,346	175,061	420,104	155,420	317,309	67,970	438,284	254,814	243,158	167,352	589,665	626,249	

Grand Total 3,508,733

43 items

2-1/e-01

SOURCE: Security-Hedgen Audit

W/P 433

TAMPA ELECTRIC COMPANY
 SECURITY COSTS, BY ACCOUNT PER GENERAL LEDGER
 CALENDAR YEAR 2002

DOCKET #030001-EM

			1	2	3	4	5	6	7	8	9	10	11	12
2002	508	49	(73,604)	50,036	37,944	14,364	45,313	24,668	29,548	37,441	(11,813)	15,547	38,411	59,358
2002	506	59	(56,370)	16,981	24,863	8,915	49,251	20,752	22,225	31,433	(21,916)	29,354	19,026	46,661
2002	506	68	(15,742)	14,362	14,263	6,911	13,985	9,657	9,661	14,192	9,827	9,779	9,977	14,692
2002	512	51	-	165	(28)	-	-	-	196	(28)	-	636	1,548	1,623
2002	512	55	-	-	1,550	204	(55)	-	-	-	-	-	107	-
2002	513	41	-	-	-	1,901	6,468	707	-	110	(23)	3,966	3,776	9,873
2002	513	56	-	-	-	-	-	-	4,035	6,099	3,959	12,115	12,208	19,039
2002	549	28	(1,760)	8,305	7,512	2,439	7,816	5,065	11,884	19,055	12,216	-	-	-
2002	549	70	(27,856)	18,376	18,428	7,359	12,662	12,295	-	-	-	-	-	-
2002	549	70	(662)	-	-	-	-	-	-	-	-	-	-	-
2002	587	05	-	-	1	-	-	600	-	-	-	-	-	-
2002	588	01	-	-	-	-	-	-	-	-	-	-	-	-
2002	592	00	-	-	-	-	-	-	-	-	-	-	-	-
2002	592	00	528	528	528	528	528	528	35,035	32,830	34,003	33,831	33,522	70,329
2002	593	01	50,098	39,745	47,903	44,848	47,518	45,576	-	-	-	103	84	(3)
2002	920	01	-	-	381	648	(9)	-	(55)	-	-	-	-	-
2002	920	12	-	-	29	380	591	827	-	-	1,000	2,201	2,690	1,001
2002	920	97	-	128	29	380	591	827	-	-	-	-	-	-
2002	920	97	2,432	4,019	3,232	3,904	4,368	1,533	2,378	736	-	-	-	-
2002	921	01	-	-	-	-	-	-	-	-	-	-	-	-
2002	921	02	540	-	-	-	-	-	-	-	-	-	-	-
2002	921	02	40,660	251,853	263,395	20,124	107,058	46,825	41,466	66,585	52,227	44,416	33,820	57,393
2002	921	12	(49,222)	144,593	152,392	45,899	151,238	105,374	101,995	164,847	90,036	92,039	78,067	189,544
2002	921	97	-	-	-	28	-	-	-	-	-	-	-	-
2002	921	97	-	-	-	-	321	-	-	-	100	-	-	360
2002	932	03	-	963	-	-	-	-	-	-	-	-	-	-
2002	932	04	-	126	294	-	-	-	-	-	-	-	-	-
2002	932	05	499	-	-	-	-	-	-	-	-	-	-	-
2002	932	13	(8)	-	-	-	-	-	-	-	-	-	-	-
			(130,466)	550,182	572,690	158,456	446,530	273,885	258,375	373,308	169,625	243,997	233,247	469,882
												Grand Total	3,619,711	

10-3/1-2

W/P 43-3/

SOURCE: Security - Hidden Audit

TAMPA ELECTRIC COMPANY
SECURITY COSTS, BY ACCOUNT - PER GENERAL LEDGER
12 MONTHS ENDED 12/31/2003

2/17
JWR
1/9

DKTW 040001-ET

gl yr	desc	amt	gl mn	1	2	3	4	5	6	7	8	9	10	11	12	
2003	506	48		(8,778.18)	26,677.83	25,412.81	38,243.03	25,148.64	30,878.25	40,328.68	17,102.77	38,758.65	40,970.17	13,690.96	53,733.62	
2003	506	58		2,040.15	33,153.96	9,922.91	30,164.04	20,801.11	20,577.81	33,754.57	20,417.48	20,739.92	30,434.95	10,147.87	28,622.98	
2003	506	68		(3,278.92)	10,051.58	9,894.78	16,356.40	9,498.49	9,657.21	15,152.63	9,608.61	9,676.98	15,309.16	4,909.47	14,579.25	
2003	513	41		3,143.79	7,880.82	2,203.44	7,506.88	7,234.40	5,544.70	8,067.06	5,086.02	5,419.18	7,706.58	2,586.20	8,149.72	
2003	549	28		2,034.73	13,286.88	12,098.24	20,868.38	12,454.45	12,688.72	16,776.47	11,652.87	11,587.30	31,024.92	6,655.01	18,241.99	
2003	549	70		(409.90)	21.68	36.70	48.36	62.26	48.89	48.89	48.89	48.89	34.25	42,255.44	42,816.94	
2003	912	12		43,201.84	38,985.82	42,274.08	34,585.48	50,375.52	44,441.12	46,187.24	48,157.02	44,747.61	40,404.07	11,511.39	5,216.30	
2003	920	1		1,782.97	2,582.34	3,486.94	1,393.84	1,094.93	1,345.70	2,480.14	3,384.87	3,774.05	1,414.03	70,616.62	19,344.61	
2003	921	9		38,699.59	35,481.48	28,906.03	104,417.38	78,081.35	64,447.25	58,713.86	35,528.23	39,482.53	5,806.10	131,567.45	44,958.20	
2003	921	12		2,302.27	129,055.45	58,717.23	127,239.60	83,285.32	88,218.14	137,786.63	87,958.53	80,657.46	131,567.45	44,958.20	130,170.09	
2003	921	87		480.00	30.07							107.00				
2003	921	97														
2003	932	5														
				78,960.34	256,948.45	190,953.14	380,852.23	288,016.47	277,947.39	359,275.98	238,942.97	261,003.67	369,484.38	158,459.34	384,635.19	3,281,489.55

43-3
4

WIP 43-3

SOURCE: PBC

DOCKET NO. 040001-EI: Fuel and purchased power cost recovery clause and generating performance incentive factor.

WITNESS: **Direct Testimony Of Joseph W. Rohrbacher**,
Appearing On Behalf Of Staff

EXHIBIT: JWR-3 - Progress Energy Florida, Inc.
Waterborne Transportation Cost Audit Report for 2002



FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF AUDITING AND SAFETY
BUREAU OF AUDITING*

TAMPA DISTRICT OFFICE

**PROGRESS ENERGY FLORIDA
(FORMERLY FLORIDA POWER CORPORATION)**

WATERBORNE TRANSPORTATION AUDIT

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2002

DOCKET NO. 030001-EI

AUDIT CONTROL NO. 03-045-2-1


Joseph W. Rohrbacher, Audit Manager



James A. McPherson, Tampa District Supervisor

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**DIVISION OF AUDITING AND SAFETY
AUDITOR'S REPORT**

MAY 5, 2003

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described later in this report to determine the difference between the 2002 benchmark price paid by Progress Energy Florida (PEF) for waterborne coal transportation service and the actual cost of providing the service by Progress Fuels Corporation (PFC) for the historical twelve month period ended December 31, 2002. The attached schedules were prepared by the auditor as part of our work in Docket No. 030001-EI. There is confidential information associated with this audit.

This is an internal accounting report prepared after performing a limited scope audit. Accordingly, this report should not be relied upon for any purpose except to assist the Commission staff in the performance of their duties. Substantial additional work would have to be performed to satisfy generally accepted auditing standards and produce audited financial statements for public use.

SUMMARY OF SIGNIFICANT FINDINGS

Progress Energy Florida purchases coal and other related fuels for the production of electricity from Progress Fuels Corporation, an affiliate company under Progress Energy, Inc. Progress Fuels Corporation, in turn, purchases some of the coal and transportation services from other affiliate companies.

SUMMARY OF SIGNIFICANT PROCEDURES

Our audit was performed by examining, on a test basis, certain transactions and account balances which we believe are sufficient to base our opinion. Our examination did not entail a complete review of all financial transactions of the company. Our more important audit procedures are summarized below. The following definitions apply when used in this report:

Compiled - The exhibit amounts were reconciled with the general ledger, and accounts were scanned for error or inconsistency.

Verify - The item was tested for accuracy, and substantiating documentation was examined.

Work Performed: Determined the relationship of the companies involved in procuring fuel for Progress Energy Florida's Crystal River power plant. Read contracts for fuel purchases and waterborne transportation services and verified invoice prices to contract amounts. Tested randomly selected items for same. Reconciled coal purchases by Progress Energy Florida (PEF) to coal sales of Progress Fuels Corporation (PFC). Verified that the pricing for the waterborne transportation services provided by PFC to PEF was in compliance with the market pricing mechanism authorized by Commission Order No. PSC-93-1331-FOF-EI. Calculated the average waterborne transportation costs for PFC and PEF. Read PFC coal pricing procedures to PEF. Scheduled responses to Request For Proposal for bids on coal purchases by PFC. Verified that General and Administrative expenses included in the price computation of PFC for procuring and transporting fuel to PEF's Crystal River plant were consistent with the agreements. Tested randomly selected G&A expenses to verify same.

DISCLOSURES

Disclosure No. 1

Subject: Affiliate Companies

Progress Energy Florida (PEF) purchases coal and other related fuels for the production of electricity from Progress Fuels Corporation (PFC), an affiliate company under Progress Energy, Inc.

Progress Fuels Corporation purchases the coal and other related fuels from various suppliers. In 2002 the bulk of these purchases were from Black Hawk Synfuel LLC, Marmet Synfuel LLC, and New River Synfuel LLC. All of these companies are affiliates under Progress Energy, Inc.

The fuel is trucked from the mines to an upriver terminal by Kanawha River Terminals, Inc. (KRT), for transloading to river barges which will transport the fuel down river to the New Orleans, Louisiana area. From here the coal will be shipped across the Gulf of Mexico to PEF's Crystal River complex by Dixie Fuels Limited.

KRT and Dixie Fuels are also affiliates of PEF under Progress Energy, Inc.

Disclosure No. 2

Subject: Coal Purchases

Statement of Fact:

Progress Fuels Corporation (PFC) purchases its coal from various suppliers and through its affiliates acting as agents. The per ton coal prices reviewed ranged from \$ [REDACTED] per ton from Pen Coal Corporation, a non-affiliated entity, under a contract originating in 1998 to \$ [REDACTED] per ton from Black Hawk Synfuel, an affiliated company, under a 2001 contract. The coal specifications in both contracts were similar.

In May 2001 PFC issued a Request For Proposal for bids on 2002 coal purchases. Progress Fuels Corporation has contracts with its suppliers, setting the prices and terms of delivery. The prices under the contracts reviewed varied but all were FOB dock..

The waterborne coal purchased by PEF is blended with different per ton costs at the terminals upriver or in New Orleans, Louisiana prior to loading and shipment on barges to Crystal River. PFC accrues the coal inventory and computes an average cost per ton, including transportation costs, when billing PEF.

Auditor Opinion:

The cost to PFC is at the contracted price. In reviewing the invoices for PFC from its suppliers, the auditor noted that prior to delivery to PEF a portion of the invoice cost is charged to "non-regulated" operations with the remainder charged to PEF. The utility spokesperson stated this non regulated portion was for the trucking of the coal from the mine to the KRT dock. This adjustment recognizes that the proxy price for transportation, in accordance with Order No. PSC-93-1331-FOF-EI, includes the cost from the mine to the generating plant .

Disclosure No. 3

Subject: Waterborne Transportation Cost

Statement of Fact:

Commission Order No. PSC-93-1331-FOF-EI authorized a market pricing mechanism for water borne transportation services provided by Electric Fuels Corporation (now called Progress Fuels Corporation) to Florida Power Corporation (now Progress Energy Florida). The base price of \$23.00 per ton was effective January 1, 1993 adjusted January 1 of each year, thereafter, using a composite index approved by the Commission. Based on the escalation, the rate charged by PFC to PEF for 2002 was \$ [REDACTED] per ton. PFC estimates that \$ [REDACTED] of this amount relates to transportation from the mine to the Gulf terminal and \$ [REDACTED] is for transportation across the Gulf to Crystal River.

The market price for PFC's deliveries cover the transportation components from the coal mine to the Crystal River plant site. This includes short-haul rail/truck transportation from the mine to the up-river dock, up-river barge transloading, river barge transportation, Gulf barge transloading, Gulf barge transportation and transportation to the Crystal River plant, as well as other charges, such as port fees and assist tug.

Auditor Opinion:

We determined the average cost of waterborne transportation for Progress Fuels Corporation for 2002 was \$ [REDACTED] based on company records.

The companies providing transportation from the mines to the up-river dock and transloading to river barges and Gulf barge transportation to Crystal River is provided by Kanawha River Terminals, Inc. and Dixie Fuels Limited, both affiliated companies. Since the contracts were not put out for bid, we are unable to determine if the costs reflect a true market price.

Market proxy charged to PEF
Average direct cost for PFC
Gross Profit

\$ [REDACTED]
|
\$ [REDACTED]

DOCKET NO. 040001-EI: Fuel and purchased power cost recovery clause and generating performance incentive factor.

WITNESS: **Direct Testimony Of Joseph W. Rohrbacher**,
Appearing On Behalf Of Staff

EXHIBIT: JWR-4 - Progress Energy Florida, Inc.
Waterborne Transportation Cost Audit Report for 2003



FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF AUDITING AND SAFETY
BUREAU OF AUDITING*

TAMPA DISTRICT OFFICE


PROGRESS ENERGY FLORIDA

WATERBORNE TRANSPORTATION AUDIT

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2003

DOCKET NO. 031057-EI

AUDIT CONTROL NO. 04-028-2-1


Thomas E. Stambaugh
Thomas Stambaugh, Audit Staff



Joseph W. Rohrbacher, Tampa District Supervisor

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**DIVISION OF AUDITING AND SAFETY
AUDITOR'S REPORT**

MARCH 22, 2004

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described later in this report to determine the difference between the 2003 benchmark price paid by Progress Energy Florida (PEF) for waterborne coal transportation service and the actual cost of providing the service by Progress Fuels Corporation (PFC) for the historical twelve month period ended December 31, 2003. The attached schedules were prepared by the auditor as part of our work in Docket 031057-EI. There is confidential information associated with this audit.

This is an internal accounting report prepared after performing a limited scope audit. Accordingly, this report should not be relied upon for any purpose except to assist the Commission staff in the performance of their duties. Substantial additional work would have to be performed to satisfy generally accepted auditing standards and produce audited financial statements for public use.

SUMMARY OF SIGNIFICANT FINDINGS

Progress Energy Florida purchases coal and other related fuels for the production of electricity from Progress Fuels Corporation, an affiliate company under Progress Energy, Inc. Progress Fuels Corporation, in turn, purchases some of the coal and transportation services from other affiliate companies.

SUMMARY OF SIGNIFICANT PROCEDURES

Our audit was performed by examining, on a test basis, certain transactions and account balances which we believe are sufficient to base our opinion. Our examination did not entail a complete review of all financial transactions of the company. Our more important audit procedures are summarized below. The following definitions apply when used in this report.

Compiled - The exhibit amounts were reconciled with the general ledger. Accounts were scanned for error or inconsistency.

Verify - The item was tested for accuracy and substantiating documentation was examined.

Scanned - The documents or accounts were read quickly looking for obvious errors.

Work Performed: Determined the relationship of the companies involved in procuring fuel for Progress Energy Florida's Crystal River power plant. Read contracts for fuel purchases and waterborne transportation services. Tested selected invoices to verify that invoice prices met contract terms. Reconciled coal purchases by Progress Energy Florida (PEF) to coal sales of Progress Fuels Corporation (PFC). Verified that the pricing for the waterborne transportation services provided by PFC to PEF was in compliance with the market pricing mechanism authorized by Commission Order No. PSC-93-1331-FOF-EI. Calculated the average waterborne transportation costs for PFC and PEF. Read the coal pricing procedures used by PFC in the sale of coal to PEF. Verified that General and Administrative (G&A) expenses included in the price computation of PFC for procuring and transporting fuel to PEF's Crystal River plant were consistent with the agreements. Tested selected G&A expenses to verify same.

Disclosure No. 1

Subject: Waterborne Transportation Cost

Statement of Fact: Commission Order No. PSC-93-1331-FOF-EI authorized a market pricing mechanism for waterborne transportation services provided by Electric Fuels Corporation (now called Progress Fuels Corporation) to Florida Power Corporation (now Progress Energy Florida). The base price of [REDACTED] per ton became effective on January 1, 1993. The price per ton was adjusted on January 1 of each year thereafter using a composite index approved by the Commission. Based on the escalation, the rate charged by PFC to PEF for 2003 was [REDACTED] per ton. PFC estimates that [REDACTED] of this amount relates to transportation from the mine to the Gulf terminal and [REDACTED] is for transportation across the Gulf to Crystal River.

The market price for PFC's deliveries cover the transportation components from the coal mine to the Crystal River plant site. This includes short-haul rail/truck transportation from the mine to the up-river dock, up-river barge transloading, river barge transportation, Gulf barge transloading, Gulf barge transportation and transportation to the Crystal River plant, as well as other charges, such as port fees and assist tug.

The short-haul rail/truck transportation amount from the mine to the up-river dock is based on letter agreements between Kanawha River Terminals, Inc. and PFC, affiliated companies.

Auditor Opinion: We determined the average cost of waterborne transportation for Progress Fuels Corporation for 2003 was \$16.52 per ton based on company records.

2003 market proxy charged to PEF	[REDACTED]
Average direct cost for PFC	<u>16.52</u>
Gross Profit	[REDACTED]

Disclosure No. 2

Subject: Coal Purchases

Statement of Fact: Progress Fuels Corporation (PFC) purchases coal from various suppliers and through its affiliates acting as agents. The per ton prices reviewed ranged from [REDACTED] per ton for coal from Alliance Coal Sales Corp. (MC Mining), a non-affiliated entity, to [REDACTED] per ton for synfuel from Riverside Synfuel LLC, an affiliated company. The specifications in both contracts were similar.

Progress Fuels Corporation has contracts with its suppliers, setting the prices and terms of delivery. The contracts reviewed for waterborne transported fuel were FOB dock.

The waterborne coal purchased by Progress Energy Florida is blended with different per ton costs at the terminals upriver or in New Orleans, Louisiana prior to loading and shipment on barges to Crystal River. PFC accrues the coal inventory and computes an average cost per ton, including transportation costs, when billing PEF.

Progress Fuels Corporation bills Progress Energy Florida the same per ton price for waterborne and rail shipped coal. According to the Coal Supply and Delivery Agreement between PFC and PEF, this price represents PFC's estimated cost per ton of coal delivered to Crystal River. The estimate is determined monthly and includes overhead charges.

Auditor Opinion: The average delivered price, including transportation, to PEF in 2003 was \$58.06 per ton for coal and \$70.10 per ton for synfuel.

DOCKET NO. 040001-EI: Fuel and purchased power cost recovery clause and generating performance incentive factor.

WITNESS: **Direct Testimony Of Joseph W. Rohrbacher**,
Appearing On Behalf Of Staff

EXHIBIT: JWR-5 - Progress Energy Florida, Inc.
Waterborne Transportation Cost Audit workpapers for 2002
and 2003

FLORIDA PUBLIC SERVICE COMMISSION AUDIT DOCUMENT/RECORD REQUEST NOTICE OF INTENT

TO: Javier Portuondo
UTILITY: Progress Energy Florida
FROM: J. W. Kohrbacher
(AUDIT MANAGER)

(AUDITOR PREPARING REQUEST)
DATE OF REQUEST: 3/24/03

REQUEST NUMBER: 2
AUDIT PURPOSE: Transportation Audit

REQUEST THE FOLLOWING ITEM(S) BE PROVIDED BY: 3/26/03
REFERENCE RULE 25-22.006, F.A.C., THIS REQUEST IS MADE:
INCIDENT TO AN INQUIRY
X OUTSIDE OF AN INQUIRY

ITEM DESCRIPTION:

Please provide (should include but not limited to) information on the following:

- 1) List and access to invoices paid by Progress Fuels Corp. (PFC) for its regulated activities during 2002.
- 2) List and access to invoices paid by Progress Energy Florida (PEF) to PFC during 2002.
- 3) Access to contracts between PCF and its coal and transportation suppliers (for PEF transactions).

Return Company

The following was previously requested on 03/19

- 4) Reconciliation:
 - 423's to sch A-5 for PEF - Attached ①
 - Tonnage shipped by PFC to tonnage received by PEF - Attached ①?
 - Amounts paid by PEF to PFC - Attached ②
- 5) Expenses for PFC shown as direct (transportation components) and indirect

Additional information may be requested at a later date.

TO: AUDIT MANAGER _____

DATE: 3/26/03

THE REQUESTED RECORD OR DOCUMENTATION:

- (1) HAS BEEN PROVIDED TODAY
- (2) CANNOT BE PROVIDED BY THE REQUESTED DATE BUT WILL BE MADE AVAILABLE BY _____
- (3) AND IN MY OPINION, ITEM(S) ^{A-3} ~~is~~ ^{no} IS(ARE) PROPRIETARY AND CONFIDENTIAL BUSINESS INFORMATION AS DEFINED IN 364.183, 366.093, OR 367.156, F.S. TO MAINTAIN CONTINUED CONFIDENTIAL HANDLING OF THIS MATERIAL, THE UTILITY OR OTHER PERSON MUST, WITHIN 21 DAYS AFTER THE AUDIT EXIT CONFERENCE, FILE A REQUEST FOR CONFIDENTIAL CLASSIFICATION WITH THE DIVISION OF RECORDS AND REPORTING. REFER TO RULE 25-22.006, F.A.C.
- (4) THE ITEM WILL NOT BE PROVIDED. (SEE ATTACHED MEMORANDUM)

Marcia Chou (Lead Bus Fin Analyst)
(SIGNATURE AND TITLE OF RESPONDENT)

Distribution: Original: Utility (for completion and return to Auditor)
Copy: Audit File and FPSC Analyst
PSC/AUS-6 (Rev.2/95)

10-
1083

FLORIDA PUBLIC SERVICE COMMISSION AUDIT DOCUMENT/RECORD REQUEST NOTICE OF INTENT

TO: Javier Portuondo
UTILITY: Progress Energy Florida
FROM: J. W. Rohrbacher
(AUDIT MANAGER)

(AUDITOR PREPARING REQUEST)
DATE OF REQUEST: 2/02/04

REQUEST NUMBER: 1
AUDIT PURPOSE: Transportation Audit

REQUEST THE FOLLOWING ITEM(S) BE PROVIDED BY: 2/06/04
REFERENCE RULE 25-22.006, F.A.C., THIS REQUEST IS MADE:
INCIDENT TO AN INQUIRY
X OUTSIDE OF AN INQUIRY

ITEM DESCRIPTION: Please provide (should include but not limited to) information on the following:

- ① Books and records for Progress Fuels Corp. (PFC) and Progress Energy Florida (PEF)
- ② Contracts between PFC and its coal and transportation suppliers
- ③ Invoices between PFC and its coal and transportation suppliers for 2003
- ④ X Invoices paid by PEF to PFC during 2003
- ⑤ PFC's regulated balance sheets, income statements, journal entries and other supporting workpapers for 2003.

*All returned to
Company*

Additional information may be requested at a later date.

2/12/04 - ④ Above - Invoices are in Raleigh. Due to volume (~200 pages) these invoices will be pt in overnight mail tonight. PEF Reg Svcs will get them ~ 10:30 am on 2/13/04 for distribution to FPSC auditors. KW for LCross

TO: AUDIT MANAGER _____ **DATE:** _____

THE REQUESTED RECORD OR DOCUMENTATION:

- (1) HAS BEEN PROVIDED TODAY
- (2) CANNOT BE PROVIDED BY THE REQUESTED DATE BUT WILL BE MADE AVAILABLE BY 2/12/04
- (3) AND IN MY OPINION, ITEM(S) _____ IS(ARE) PROPRIETARY AND CONFIDENTIAL BUSINESS INFORMATION AS DEFINED IN 364.183, 366.093, OR 367.156, F.S. TO MAINTAIN CONTINUED CONFIDENTIAL HANDLING OF THIS MATERIAL, THE UTILITY OR OTHER PERSON MUST, WITHIN 21 DAYS AFTER THE AUDIT EXIT CONFERENCE, FILE A REQUEST FOR CONFIDENTIAL CLASSIFICATION WITH THE DIVISION OF RECORDS AND REPORTING. REFER TO RULE 25-22.006, F.A.C.
- (4) THE ITEM WILL NOT BE PROVIDED. (SEE ATTACHED MEMORANDUM)

Joni G. Cross

(SIGNATURE AND TITLE OF RESPONDENT)

Distribution: Original: Utility (for completion and return to Auditor)
Copy: Audit File and FPSC Analyst
PSC/AUS-6 (Rev. 2/95)

**PROGRESS ENERGY FLORIDA
WATERBORNE TRANSPORTATION AUDIT
COAL CONTRACTS (WATERBORNE TRANSPORTATION)
12 MONTHS ENDED 12/31/03**

Aug 3/15
Feb 3/26

**EXHIBIT JWR-5
Page 5 of 6
Redacted**

**Progress Fuels Coal Agreements
(Waterborne Transportation)**

Drummond Coal sales, Inc.

Letter dated June 13, 2003 for purchase of one (1) ocean barge of approximately 17,000 tons of coal. **Price is** [REDACTED] **Coal Terminal.** Guarantee of 11,700 Btu/LB, premium/penalty computed at the rate of [REDACTED] per 100 Btu.

Emerald International Corporation

Letter dated February 28, 2003 for purchase of 35,000 tons of coal, to be delivered during late February to early April. [REDACTED] **Terminals (IMT) 55-57 AHP.** Coal will be shipped from Emerald stockpiles at IMT. Guarantee of 13,000 Btu/LB, premium/penalty computed at the rate of [REDACTED].

Letter dated March 26, 2003 for purchase of one barge (approximately 1,500 tons) of coal. **Price is** [REDACTED]. Guarantee of 11,720 Btu/LB, premium/penalty computed at the rate of [REDACTED].

Letter dated April 2, 2003 for purchase of 140,000 tons of coal, to be delivered during April to December 31, 2003. **Price is** [REDACTED] **International Marine Terminals (IMT) 55-57 AHP.** Coal will be shipped from Emerald stockpiles at IMT. Guarantee of 12,800 Btu/LB, premium/penalty computed at the rate of [REDACTED].

Letter dated April 2, 2003 for purchase of 80,000 tons of coal, to be delivered during April to December 31, 2003. [REDACTED] **55-57 AHP.** Coal will be shipped from Emerald stockpiles at IMT. Guarantee of 12,100 Btu/LB, premium/penalty computed at the rate of [REDACTED].

Guasare Coal International, n.v.

Term - January 2002 through December 31, 2002, extended to June 2003. Monthly letters to November 2003 for additional purchases.

Koch Carbon LLC

Term - July 1, 2003 to December 31, 2003 for 120,000 tons at [REDACTED]. **FOB Big sandy Freight District, KY.** Guarantee of 12,800 Btu/LB.

SOURCE: Reading Contracts

W/P 42-7

PROGRESS ENERGY FLORIDA
WATERBORNE TRANSPORTATION AUDIT
COAL CONTRACTS (WATERBORNE TRANSPORTATION)
12 MONTHS ENDED 12/31/03

JWR 3/15
Feb 3/25

EXHIBIT JWR-5
Page 6 of 6
Redacted

Kanawha River Terminals, Inc. – Affiliate of PFC

Letter dated November 24, 2003 for purchase of 20,000 tons of "compliance" coal for delivery during the period November 1, through december 31, 2003. [REDACTED], Marmet Pool, Kanawha River and includes [REDACTED] for trucking and transloading costs. Guarantee of 12,000 Btu/LB, premium/penalty computed at the rate of [REDACTED].

Letter dated November 25, 2003 for purchase of 10,000 tons of "compliance" coal for delivery during the period November 1, through December 31, 2003. [REDACTED] barge, Marmet Pool, Kanawha River and includes [REDACTED] costs. Guarantee of 12,200 Btu/LB, premium/penalty computed at the rate of [REDACTED].

Letter dated January 9, 2003 for purchase of 40,000 tons of "compliance" spot coal for delivery during the period November 1, through April of 2003. [REDACTED] Marmet terminals. Guarantee of 12,500 Btu/LB, premium/penalty computed at the rate of [REDACTED] 100 Btu.

Black Hawk Synfuel LLC as Agent for New River Synfuel LLC

Letter dated January 10, 2003 for purchase up to 950,000 tons of crushed run of mine coal (CROM) synfuel for delivery during the period May 1, 2002 through October 31, 2003. [REDACTED] f.o.b. barge, KRT's Marmet or Quincy Dock. Guarantee of 12,500 Btu/LB.

Marmet Synfuel LLC as Agent for Calla Synfuel LLC

Letter dated January 10, 2003 for purchase up to 950,000 tons of CROM synfuel for delivery during the period May 1, 2002 through October 31, 2003. [REDACTED] barge, KRT's Marmet or Quincy Dock. Guarantee of 12,500 Btu/LB.

Letter dated March 15, 2002, and January 7, 2003 for purchase of 33,000 tons of 1.2 LB "compliance" synfuel per month for delivery during the period May 1, 2002 through December 31, 2003. Price is [REDACTED] Marmet or Quincy Terminals on the Kanawha River. Guarantee of 13,200 Btu/LB, premium/penalty computed at the rate of [REDACTED].
By letter dated Febuary 27, 2003 PFC desired to have approximately 30.0 percent of the 33,000 tons per month of synfuel be shipped as CROM.

Riverside Synfuel LLC, as Agent for RC Sybfuel LLC

Approximately six barges or 10,000 tons of 1.2 lb "compliance" synfuel during February – March 2003. [REDACTED] f.o.b. barge, Ceredo Terminal. Guarantee of 12,500 Btu/Lb, premium/penalty computed at the rate of [REDACTED].

From 424
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208:

11	SOURCE: Reading Contracts	WTR 424
41		

INTEGRITY BUSINESS FORMS, INC. (847) 696-2626 FAX (847) 699-4608