

070001-EI

B. Fuel Oil

YTD No.6 Fuel Oil Hedge Performance as of 9-21-05		
Month	Volume (bbls)	Savings/(Cost) on Hedge
Jan-05	360,000	\$ (577,580)
Feb-05	300,000	\$ (34,200)
Mar-05	300,000	\$ 1,227,800
Apr-05	375,000	\$ 3,261,750
May-05	600,000	\$ 5,282,850
Jun-05	760,000	\$ 7,716,090
Jul-05	890,000	\$ 9,118,260
Aug-05	920,000	\$ 11,850,640
Sep-05	810,000	\$ 13,612,790 <i>*estimate</i>
Total	5,315,000	\$ 51,458,400

C. Purchased Power

2005 YTD Economy Energy Purchases Savings for PEF

Jan-05	397,317
Feb-05	35,941
Mar-05	443,023
Apr-05	355,114
May-05	1,595,651
Jun-05	5,239,925
Jul-05	10,359,548
Aug-05	16,982,525
YTD Total	35,409,044

38. With the most recent data available, what is PEF's mark-to-market position for its hedging positions to be offset during the remainder of 2005?

Response: The mark-to-market positions for natural gas and No. 6 fuel oil for the remainder of 2005 are in the tables below.

PEF Natural Gas Hedging Positions as of 9-21-05		
Month	Total Position (MMBtu)	Total Undiscounted Mark- to-Market Value
Oct-05	3,661,689	\$26,818,470
Nov-05	2,043,570	\$15,573,973
Dec-05	3,041,689	\$24,309,641
Total	8,746,948	\$66,702,084

PEF No.6 Fuel Oil Hedging Positions as of 9-21-05		
Month	Total Position (bbls)	Total Undiscounted Mark-to-Market Value
Oct-05	495,000	\$6,641,178
Nov-05	440,000	\$5,891,014
Dec-05	320,000	\$5,004,660
Total	1,255,000	\$17,536,852

MR 5/2/07 (entire DN)

DECLASSIFIED

39. With the most recent data available, what is PEF's mark-to-market position for its hedging positions to be offset during 2006?

Response: The mark-to-market positions for natural gas and No. 6 fuel oil for 2006 are in the tables below.

PEF Natural Gas Hedging Positions as of 9-21-05		
Month	Total Position (MMBtu)	Total Undiscounted Mark-to-Market Value
Jan-06	3,506,689	\$29,277,151
Feb-06	3,167,332	\$26,039,652
Mar-06	3,196,689	\$24,936,645
Apr-06	1,443,570	\$8,347,450
May-06	4,281,689	\$21,054,691
Jun-06	4,743,570	\$23,440,641
Jul-06	4,901,689	\$24,432,768
Aug-06	4,901,689	\$24,653,344
Sep-06	4,743,570	\$23,744,229
Oct-06	3,971,689	\$20,674,764
Nov-06	1,443,570	\$8,212,765
Dec-06	2,421,689	\$12,916,225
Total	42,723,435	\$247,730,325

PEF No.6 Fuel Oil Hedging Positions as of 9-21-05		
Month	Total Position (bbls)	Total Undiscounted Mark-to-Market Value
Jan-06	345,000	\$4,549,961
Feb-06	305,000	\$4,509,078
Mar-06	305,000	\$4,538,535
Apr-06	300,000	\$6,201,820
May-06	450,000	\$9,196,150
Jun-06	530,000	\$9,305,712
Jul-06	560,000	\$9,659,054
Aug-06	560,000	\$9,573,895
Sep-06	540,000	\$9,457,143
Oct-06	385,000	\$4,720,641
Nov-06	235,000	\$1,674,047
Dec-06	235,000	\$1,630,364
Total	4,750,000	\$75,016,399

40. If PEF forecasts that fuel prices will generally be rising during the forecast period, what type of hedging decisions does PEF generally make?

Response: See the response to No. 42 below.

41. If PEF forecasts that fuel prices will generally be falling during the forecast period, what type of hedging decisions does PEF generally make?

Response: See the response to No. 42 below.

42. If PEF forecasts that fuel prices will generally be stable during the forecast period, what type of hedging decisions does PEF generally make?

Response: PEF's hedging strategy for natural gas and No. 6 fuel oil is to "buy through 14 the curve" in a phased hedging approach in order to spread price risk over multiple trades 15 and time periods. For example, locking in prices over a period of time will aid in 16 mitigating the impact of price volatility for PEF's customers. PEF's strategy is to use 17 various approved physical and/or financial products to hedge our forward gas and oil 18 supply requirements in order to maintain a diverse portfolio of volumes and prices. By 19 layering in certain approved physical and/or financial products to hedge purchases over 20

DECLASSIFIED

various time periods, day-to-day exposure to price volatility will be smoothed out to avoid total price spikes that will most likely occur in the marketplace. As a result, spreading hedged purchases throughout the current plus four (4) year period should yield a varied portfolio mix that reflects the constantly changing market dynamics.

43. **What is the status of the International Marine Terminal (IMT) due to the effects from Hurricane Katrina?**

Response: IMT did not have any major structural damage to their unloading and conveyor systems. However, the terminal experienced flooding and a storm surge that sunk river barges and IMT's two tug boats. IMT is not currently able to unload from ship to ground storage because its electrical power was not restored until 9/17/05. Until IMT has fully tested its motors and conveyors, a process which has just begun, it will not know what items may need replacing. This process was interrupted by Hurricane Rita and a completion date is unknown at this time. Progress Fuels Corporation (PFC) does have a self unloading import vessel scheduled for direct discharge into Dixie Fuels Limited (DFL) gulf barges on 9/29/05. Because there is shoaling at the main ship dock due to Katrina, the transfer will occur at another portion of IMT's dock system.

44. **What actions has PEF taken to replace coal planned for shipment through IMT that was disrupted by Hurricane Katrina?**

Response: PFC has not replaced any coal as a result of Hurricane Katrina. PFC purchased two additional import coal vessels, diverted two vessels to Tampa and adjusted the delivery schedule for several other vessels. These delivery schedule changes were done because of PFC's inability to retrieve coal from its IMT inventories and to maintain deliveries to Crystal River.

The diversions to Tampa were expedited by the fact that under PFC's IMT contract, PEF was able to establish rates with the Kinder Morgan facility in Tampa. Coal was placed on the ground and will be re-loaded into DFL's gulf barges for delivery to Crystal River. MEMCO, PFC's river barge supplier, had approximately 45 barges which contained PFC's domestic coal headed for IMT. MEMCO sent these barges to its various fleeting areas well upriver to prevent them from being impacted by Hurricane Katrina.

45. **What is the expected schedule for IMT to return to the pre-Hurricane Katrina level of operation?**

Response: As explained in the response to No. 43 above, IMT has just begun to test its motors and conveyor, which was subsequently interrupted by Hurricane Rita. Once testing is complete, IMT may be able to begin transferring coal directly from ship to

DECLASSIFIED