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but PFC also uses the evaluated cost to provide a complete picture of the bids submitted. The delivered cash price incorporates the commodity cost ($/ton) offered by the bidder, as well as PFC's cost for transporting the coal to the Crystal River Plant. The evaluated cost uses all of the factors of the cash cost plus a value above the plant specifications for ash ($.30/1.0% above 10%), BTU ($.10/100 BTU above or below 12000), sulfur (based upon current SO2 allowance prices), which is below the 1.20# SO2 maximum allowed, moisture ($.10/1.0% above 8%), and volatile ($1.00 below 31%). Because coals have different heat input values, the delivered costs are converted to dollars per mmBtu so the offers can be evaluated on an equal basis.

The April 2004 solicitation resulted in the purchase of 4.3 million tons of coal for both Crystal River Units 1 & 2 and 4 & 5. The resulting contracts were for two years (2005 and 2006). PFC awarded three contracts for Crystal River Units 1 & 2 at delivered cash costs ranging from $2.586/mmBtu to $2.608/mmBtu and commodity costs ranging from $44/ton to $47/ton. PFC also awarded three contracts for Units 4 & 5 at delivered cash costs ranging from $2.672/mmBtu to $2.735/mmBtu and commodity costs ranging from $45/ton to $51.80/ton. In all cases, PFC purchased the lowest price products based upon the tonnage needed.

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Q. What were the results of PFC's evaluation of the bids received in response to your informal solicitation in August-September 2004?

A. Exhibit No. __ (AWP-1) is my recommendation to management. It presents the results of PFC's evaluation of the initial three bids received from PFC/M&T, CMC and Guasare in response to the informal solicitation. When contacted for the informal September 24th solicitation, Drummond had no coal available. The delivered "cash cost" for the PFC/M&T and CMC bids were $3.153/mmBtu and $3.176/mmBtu, respectively. The delivered "cash cost" of the Guasare bid was approximately 17.5 cents/mmBtu higher than either the PFC/M&T or CMC bids. After I submitted my recommendation, PFC received a fourth bid from Glencore, but it also was rejected because the delivered "cash cost" was almost more than 30 cents/mmBtu higher than the PFC/M&T and CMC bids.

Q. How did the PFC/M&T and CMC bids compare to available market indicators.

A. As I noted previously, PFC also compared the delivered cash costs for PFC/M&T at $3.153/mmBtu and CMC at $3.176/mmBtu to the delivered cash cost that was calculated using current market commodity prices reported by United Power and Henwood. The delivered costs of the PFC/M&T and CMC bids were within a reasonable range of market as indicated by United Power and Henwood. The average delivered cost of the two indicators were $3.141/mmBtu. The commodity prices for the PFC/M&T

and CMC bids ($62/ton and $63.39/ton respectively) were also within a reasonable range of market prices reported by United Power and Henwood, which ranged from $60.43/ton to $62.96/ton. This demonstrates that the August-September 2004 solicitation resulted in valid market prices.

Q. Does this conclude your testimony?

A. Yes

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From: Pitcher, Al (PFC)
Sent: Wednesday, September 15, 2004 12:37 PM
To: Byone, Steve (Energy); Fox II, David M (Energy)
Cc: Crake, Kyle (Energy)
Subject: FW: Spot Barge Purchases 2005-2006
Importance: High

Below is an email sent to Kyle last evening. He and I have discussed and are ready to act pending discussion with you. Kyle is out of the office today and requested that I contact you. Please review and call is necessary. Kyle will contact Tom regarding this matter. Time is of the essence because there is an expiration of these offers.

A. W. Pitcher
Vice President-Coal Procurement
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One Progess Plaza, BT10C
St. Petersburg, FL 33701
Phone No. 727-824-6692
Fax No. 727-824-6601
E-mail al.pitcher@progressfuels.com

-----Original Message-----
From: Pitcher, Al (PFC)
Sent: Tuesday, September 14, 2004 6:49 PM
To: Crake, Kyle (Energy)
Subject: Spot Barge Purchases 2005-2006

The current coal market, both rail and barge, continues to be very strong because of lack of supply due to the trucking issues in both Kentucky and West Virginia and various environmental issues regarding permitting. There is no indication that any material decline in pricing will occur until late in 2005 or early 2006. In addition to the strong pricing, multiple utilities (TVA, South Carolina Gas & Electric, South Carolina Public Service, and Constellation) are currently in the market for large tonnage. Basically, many potential customers are chasing very few tons. TVA is seeking both rail and barge coal and this email concerns our Delta barge coal requirements for 2005 and 2006.

Based upon the above facts, it is my opinion that issuing an RFP for Delta barge coal, at this time to chase a very limited supply, is unwise. I have been calling various suppliers to determine availability for next year and I have found very few tons available and most of the companies want two year agreements (2005-2006). PFC's 2005 and 2006 open position for Delta barge delivered coal is approximately 600,000 tons and 550,000 tons respectively. These amounts are different than previously discussed because we have shifted the entire Massey Delta contract to rail delivery, because this is the most economical move for this coal, and our estimated beginning 2005 inventory at IMT will be higher due to delayed deliveries resulting from a very active hurricane season. Previous projections had Massey Delta contract split 50% rail and 50% water to balance logistics.

Based upon our 2005 and 2006 requirements, I recommend purchasing the following:

Progress Fuels Corporation-Marketing & Trading (M&T)	Up to 40,000 tons per month at a delivered price of 3.153 $/mmbtu; The term would be 1/1/2005-12/31/2006
CMC/Coal Marketing Company Ltd. (Colombian)	Up to 25,000 tons per month at a delivered price of 3.176 $/mmbtu; The term would be 1/12005-12/31/2006

See the attached evaluations. Three bids were considered and only one other bid was near competitive. The Guasare bid was approximately 17.5 cents/mmbtu higher, on a delivered basis, than the either the M&T or the Colombian bid.

Please note the CMC offer expires on Friday September 17. No time was given. Therefore, I am assuming the close of business.