

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

**In re: Review of Coal Costs for
Progress Energy Florida's
Crystal River Units 4 and 5
for 2006 and 2007**

DOCKET NO. 070703-EI

Submitted for filing: October 31, 2008

**REDACTED
TESTIMONY
OF
SASHA WEINTRAUB
ON BEHALF OF
PROGRESS ENERGY FLORIDA**

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R. Alexander Glenn
General Counsel
John T. Burnett
Associate General Counsel
Progress Energy Service Company, LLC
Post Office Box 14042
St. Petersburg, Florida 33733-4042
Telephone: 727-820-5184
Facsimile: 727-820-5249

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**IN RE: REVIEW OF COAL COSTS FOR PROGRESS ENERGY FLORIDA'S
CRYSTAL RIVER UNITS 4 AND 5 FOR 2006 AND 2007**

FPSC DOCKET NO. 070703-EI

DIRECT TESTIMONY OF

SASHA WEINTRAUB

I. INTRODUCTION AND QUALIFICATIONS

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Q. Please state your name and business address.

A. My name is Sasha A. J. Weintraub. My business address is 410 South Wilmington Street, Raleigh, North Carolina, 27601.

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

A. I am employed by Progress Energy Carolinas, Inc. ("PEC") as the Vice President of Fuels and Power Optimization in the Fuels and Power Optimization Department.

Q. What are your responsibilities in that position?

A. I am responsible for the procurement of coal for both PEC and Progress Energy Florida, Inc. ("PEF" or the "Company"). With respect to PEF, this means the four coal units located at the Crystal River Energy Complex commonly called Crystal River 1 ("CR1"), Crystal River 2 ("CR2"), Crystal River 4 ("CR4"), and Crystal River 5 ("CR5"). I am also responsible for the procurement and transportation of reagents (limestone, ammonia, and urea) for both PEC and PEF as well as commercial responsibility for the resulting coal combustion by-products. In addition

1 to this, I have responsibility for gas and oil procurement, power trading, and portfolio
2 management.

3
4 **Q. When did you assume the role of making coal procurement decisions for CR4
5 and CR5?**

6 **A.** I assumed responsibilities for coal procurement for the Crystal River coal plants in
7 mid-to-late 2005.

8
9 **II. PURPOSE AND SUMMARY OF DIRECT TESTIMONY**

10
11 **Q. What is the purpose of your testimony?**

12 **A.** The purpose of my testimony is to provide an overview of the coal procurement
13 decisions for Crystal River Units 4&5, in 2006 and 2007. I will explain the coal
14 procurement solicitations and spot markets purchases during this time period and
15 demonstrate that the Company's decisions with respect to the coal purchased for CR4
16 and CR5 were reasonable and prudent under the circumstances and existing market
17 conditions.

18 I will also explain the deliberate and detailed review undertaken by the
19 Company throughout 2006 and into 2007 to determine if switching the type of coal
20 burned at CR4 and CR5 from bituminous coals entirely to a blend of bituminous coals
21 and Powder River Basin ("PRB") coals was in the best economic interests of the
22 Company's ratepayers in the short and long term.

23
24 **Q. Are you sponsoring any exhibits with your testimony?**

1 A. Yes. I am sponsoring the following exhibits that I have prepared or that were
2 prepared under my supervision and control:

- 3 • Exhibit No. ____ (SAW-1), Coal Procurement Procedures;
- 4 • Exhibit No. ____ (SAW-2), the February 3, 2006 RFP for coals for Crystal River Units
5 4 and 5;
- 6 • Exhibit No. ____ (SAW-3), the bidder list of suppliers who responded to the February
7 3, 2006 RFP;
- 8 • Exhibit No. ____ (SAW-4), PEF's coal procurement plan for the February 3, 2006
9 RFP.

10
11 All of these exhibits are true and correct to the best of my knowledge.
12

13 **Q. Please summarize your testimony.**

14 A. From 2006 to 2007 (and thereafter), the Company has purchased and continues to
15 purchase the most economical coal available under market conditions for CR4 and
16 CR5. That is what we have done in 2006 and 2007 and that is what we continue to do
17 for CR4 and CR5.

18 For coal to be burned in 2006 and 2007, only one PRB supplier responded to
19 the coal RFP for CR4 and CR5, and that bid was not the most economical choice for
20 CR4 and CR5. Additionally, PEF's analysis shows that PRB coal blends would not
21 have been a cost-effective choice for PEF's customers during this time period.

22 During the 2006-07 time period, PEF did, however, purchase bituminous coal
23 with less than 10,000 BTU/lb heat content that was blended with higher quality coal
24 and delivered to CR4 and CR5 at pricing that was more favorable than blends using

1 bituminous and PRB coals. Stated simply, rather than blending CAPP coal with 20%
2 PRB coal as was suggested in Docket 060658, PEF was able to blend high quality
3 bituminous coal with lower quality bituminous coal and achieve total prices that were
4 more favorable than CAPP/PRB blends. This demonstrates PEF's commitment to act
5 with reasonable and prudent deliberation to come to the best and most cost-effective
6 decision for the Company's customers.

7
8 **III. COAL PROCUREMENT FOR CR4 AND CR5: 2006-2007**

9
10 **Q. What evaluation process did you employ in your coal procurement decisions?**

11 **A.** We generally followed the same coal procurement policies and practices for the
12 Crystal River coal plants as was described in Docket 060658. We first determined
13 what coal requirements existed for the next year burns and inventory levels for the
14 Crystal River coal plants and then we subtracted from those requirements the tons
15 currently under contract. That provided us with the tons needed at each set of coal
16 units for the next year.

17 After we had determined the open positions for purchase, we determined,
18 based on the tons required and market conditions at the time, whether to issue a
19 formal, competitive solicitation or pursue opportunities in the spot coal markets. We
20 elected to prepare a formal, competitive solicitation and sent out an RFP for coal
21 conforming in quality to the required coal specifications attached to the RFP for
22 various terms. The RFP was sent to all prospective bidders on our supplier bidders'
23 list. This list was comprised of suppliers that possessed the necessary financial,
24 technical, and business resources to supply coal consistent with the Company's

1 quality and quantity requirements. The response deadline was generally three to four
2 weeks. At that time, the bid proposals were reviewed for completeness, accuracy of
3 the data supplied, and conformity to the RFP requirements.

4 A similar but abbreviated process was used for spot coal purchases. On a
5 monthly basis, the Company would make known its interest in spot bid proposals
6 meeting the same required coal specifications used in the formal solicitations by, for
7 example, calling coal producers on its bidder list and coal brokers. The Company
8 also received unsolicited offers from coal producers and brokers. Such proposals
9 were also first reviewed for completeness, accuracy of the data supplied, and
10 conformity to the specifications. They were then compared to the market prices
11 through the use of various trade materials and broker sheets and, if the Company had
12 a need for the coal, the Company would accept the offer and purchase the coal off the
13 spot market.

14 Additionally, PEF's evaluations took into consideration the following factors:
15 (1) conformity to the technical and commercial aspects of the specifications (e.g. coal
16 specifications, delivery schedules, warranties, etc.); (2) coal quality and quantity
17 assurances (or guarantees) by the bidder; (3) unit prices and conditions of pricing; (4)
18 any exceptions to the specifications and resulting penalties; (5) perceived or
19 demonstrated supplier reliability and/or capability; (6) supplier operations and/or
20 shipping capabilities; (7) previous performance; and (8) any other considerations
21 applicable under the circumstances.

22 PEF's objective was to determine the coal supply that offered the best value to
23 the Company for the prices quoted in the bid proposals. In this sense, the Company

1 explicitly recognized that the lowest price may not necessarily reflect the best value
2 to the Company and its customers.

3 As part of this evaluation process, we employed a model that determined the
4 optimal economic distribution of coal to each plant given constraints in coal quality,
5 delivered price, burn requirements, inventory plan, unloading outages and constraints,
6 and other factors. Thereafter, an economic analysis summary was prepared including
7 a quality baseline that evaluated the coals submitted on the basis of the differential
8 between the bid quality and baseline specification for BTU, sulfur, ash, moisture, and
9 grind. As a result, we produced an evaluated delivered cost per mmbtu for each coal
10 in the formal RFP and selected the appropriate coals on the basis of this complete
11 evaluation.

12 PEF's goal is to compare coals submitted in an RFP or spot bid proposal with
13 each other on an "apples to apples" basis and rank them accordingly. PEF's coal
14 procurement policies and practices, employing a delivered cost and evaluated (or
15 busbar) cost analysis (called the "total cost" or "evaluated cost" in our spreadsheet
16 analysis of the bids), achieves this result. In fact, the model we currently use, called
17 VISTA, is the updated Windows version of the Electric Power Research Institute
18 ("EPRI") Coal Quality Impact Model ("CQIM") that was previously used by Progress
19 Fuels Corporation. A copy of the Company's coal procurement policy is Exhibit No.
20 ____ (SAW-1) to my testimony.

21
22 **Q How were coals burned at Crystal River 4 and 5 during 2006 and 2007**
23 **procured?**

1 A Some of the coals were procured under competitive bid processes which occurred in
2 2005 and earlier. Additionally, new coal purchases were procured through the
3 January 2006 solicitation or through spot purchases.

4

5 A. THE JANUARY 2006 SOLICITATION

6

7 Q. Did the Company initiate a formal RFP for coals for CR4 and CR5 in January
8 2006?

9 A. Yes, we did. We issued a RFP solicitation for coals meeting the coal quality
10 requirements for CR4 and CR5 with terms of one to three years. The RFP was sent to
11 over 100 potential coal suppliers on the Company's bidder list, including PRB coal
12 suppliers, and it was published in a number of well recognized coal publications in
13 the industry. Bid proposals were due on February 15, 2006. A copy of the January
14 2006 RFP for coals for CR4 and CR5 is Exhibit No. ____ (SAW-2) to my testimony.

15 The RFP sought both domestic and import coal proposals for delivery by
16 water barge or rail to Crystal River. Bidders were required to provide available
17 analyses on the coal offered in the bids with both "typical" and "guaranteed" values.
18 As the names imply, "typical" values were the quality of the coal expected on each
19 shipment, and "guaranteed" values were the minimum quality specifications for the
20 coal shipments below which PEF could reject the shipment. PEF expressly told
21 potential bidders in the RFPs that their proposals would be evaluated not only on a
22 delivered cost basis but also on a performance cost basis including, but not limited to,
23 coal and ash handling impacts, generating station operating costs, and environmental
24 compliance.

1 **Q. Did the RFP for CR4 and CR5 coals include specifications for both bituminous**
2 **and sub-bituminous coal?**

3 **A.** Yes, it did. The required coal specifications included as received guaranteed
4 specifications for both bituminous and sub-bituminous coals. These required coal
5 specifications were consistent with the quality specifications historically used at CR4
6 and CR5.

7

8 **Q. Did the RFP go to PRB suppliers?**

9 **A.** Yes, it did. There are a number of PRB suppliers on our bidders list who received the
10 RFP, including Arch Coal, Inc. and Kennecott Energy Company. The RFP or notice
11 of the RFP was also sent to a number of coal trade publications where it was
12 published. These publications are followed by coal suppliers and purchasers in the
13 industry.

14

15 **Q. What were your compliance coal goals for the January 2006 RFP?**

16 **A.** We were targeting 2 million tons for 2007 and just over ██████ tons for 2008 for
17 CR4 and CR5. Thereafter, we targeted ██████ for 2009. Our hedging targets
18 sought to have under contract ██████ to ██████ of the coal needs for the next year, ██████
19 to ██████ of the coal needs for the second year out, ██████ to ██████ of the coal needs for
20 the third year out, and a decreasing percentage beyond that time period.

21

22 **Q. What was the response to this RFP?**

23 **A.** Out of the over 100 potential suppliers the RFP was sent to, the Company received
24 bids from 22 suppliers with over 100 unique proposals. The Company received only

1 one proposal for PRB coals, however, and that was from the coal broker Louis
2 Dreyfus Energy Services L.P. (“LDES”). None of the major PRB coal suppliers who
3 received the RFP, such as Arch and Kennecott, responded with a bid proposal to the
4 RFP. A copy of the bidder list indicating those suppliers who responded with bids or
5 simply did not respond at all to the January 2006 RFP is Exhibit No. ____ (SAW-3) to
6 my testimony.

7
8 **Q. Was it unusual to receive so few PRB proposals?**

9 **A.** No. In response to PEF’s September 2005 RFP, no PRB producer provided a bid for
10 PRB coals. This is consistent with historical responses to prior RFPs.

11
12 **Q. What were the results of the evaluation of the January 2006 RFP?**

13 **A.** For 2007, we entered into six contracts for 1.9 million tons of compliance coal from
14 both domestic and import bituminous coal suppliers at an average of \$60.03/ton cost
15 (a range of \$48.15/ton to \$64.25/ton). Five of those suppliers also agreed to contracts
16 for over 1.5 million tons of coal in 2008 at an average of \$60.56/ton (a range of
17 \$48.40/ton to \$64.25/ton) and two of them further contracted for the delivery of over
18 500,000 tons in 2009 at an average of \$56.96/ton. As a result of this solicitation, the
19 Company met its objectives and guidelines for the RFP, provided CR4 and CR5 with
20 quality bituminous compliance coal, and purchased the most economical coal
21 available on the market. A copy of the Company’s coal procurement plan for the
22 January 2006 RFP is Exhibit No. ____ (SAW-4) to my testimony.

23

1 **Q. Was the sole PRB offer in response to the January 2006 RFP a better value than**
2 **the bituminous coals that the Company purchased as a result of the RFP?**

3 **A.** No, it was not. As explained in detail in Mr. Heller's testimony, blends of CAPP and
4 PRB coal would have been more expensive than the coal PEF actually purchased and
5 burned in 2006 and 2007.

6

7 **B. SPOT PURCHASES 2006-2007**

8

9 **Q. Did PEF make any spot purchases of coal for CR4 and CR5 in 2006 and 2007?**

10 **A.** Yes. It is typical in the industry to make spot purchases when economical to do so
11 and we participate in the spot coal market just like most other utilities do. We
12 routinely advise potential suppliers on our bidders list and with whom we have coal
13 contracts that we are interested in spot purchases and we make this known to potential
14 suppliers through the coal trade publications as well. Additionally, we have
15 historically been very active in the spot market and this is a fact well known in the
16 industry. As a result, we frequently receive offers for spot coal purchases on a
17 monthly basis. PEF made spot purchases of approximately 277,000 and 178,000 tons
18 in 2006 and 2007 respectively.

19

20 **Q. Did PEF make any spot purchases of coal for CR4 and CR5 that contained lower**
21 **than 10,000 BTU/lb heat content?**

22 **A.** Yes. PEF made one purchase of spot PRB coal from Peabody Coaltrade, LLC in
23 2006 of approximately 3,000 tons. PEF also made two purchases of spot bituminous

1 coal from Massey Utility Sales Co. in 2007 of approximately 60,000 tons that had
2 less than 10,000 BTU/lb heat content.

3

4 **Q. For the one purchase of spot coal from Peabody Coaltrade, LLC in 2006 that**
5 **had less than 10,000 BTU/lb heat content, how was the coal utilized?**

6 **A.** The coal from Peabody Coaltrade LLC was delivered by water via river barges to
7 International Marine Terminal (IMT) where it was blended with base coals of higher
8 BTU value. This yielded a blended coal that was used for PEF's PRB test burn
9 conducted in May 2006.

10

11 **Q. For the two purchases of spot coal from Massey Utility Sales Co. in 2007 that**
12 **had less than 10,000 BTU/lb heat content, how was the coal utilized?**

13 **A.** The coal from Massey Utility Sales Co. was delivered by water via river barges to
14 International Marine Terminal (IMT) where it was blended with base coals of higher
15 BTU value. This yielded a blended coal that met acceptable BTU values for Crystal
16 River Units 4 and 5 which was delivered to Crystal River Units 4 and 5 at an overall
17 lower fuel cost than PRB coal blends.

18

19 **Q. Have any PRB coal suppliers made spot purchase offers to you?**

20 **A.** No, other than the Peabody Coaltrade LLC purchase which was previously described.

21

22 **IV. THE EVALUATION OF PRB COALS FOR CR4 AND CR5**

23

1 **Q. What is the current status of the Company's evaluation of the use of PRB coals**
2 **at CR4 and CR5?**

3 **A.** The Company's continued evaluation of the use of PRB coals at CR4 and CR5 has
4 slowed due to changes in market conditions, operational factors associated with PRB
5 coal, and due to the potential for PEF to burn other types of coal at CR4 and CR5 in
6 the future. As I have explained, with respect to the January 2006 RFP, the PRB bids
7 PEF received were not price competitive. That has proved to be the case in a
8 subsequent RFP for coal for CR4 and CR5 as well. Currently, there is no economic
9 benefit to the Company or its customers to pursue PRB coals blends at CR4 and CR5,
10 even without addressing the handling and operational issues created by burning such
11 a blend at the site. As always, however, PEF will continue to monitor the market
12 and will continue to strive for the best and most cost-effective fuel options for CR4
13 and CR5 now and in the future.

14

15 **VI. CONCLUSION**

16

17 **Q. Does this conclude your testimony?**

18 **A.** Yes.

19

Document title

Inventory Plan Review/Development Process

Document number

ADM-FFDC-00001

Applies to: Fossil Fuels - Carolinas

Keywords: administration; coal supply chain management

Overview:

This document covers the activities necessary to ensure that:

- Coal Inventory Plans are created and approved by management personnel.
- Coal purchase needs are effectively communicated to Procurement personnel.
- Coal Inventory Plans are updated as necessary.

Responsibilities:

FGD Plant personnel:

- Ensure receiving coal shipment data entered into FMS is accurate and timely.

Technical Services Dept. personnel:

- Ensure necessary inventory adjustments (aerial survey adjustments) are communicated to RFD personnel.

RFD personnel:

- Ensure FMS inventory data is accurate and that FMS adjustments are made in a timely manner.
- Ensure Coal Inventory Plans are updated as necessary.

Process:

1. Fuel Delivery Section personnel run the Coal Inventory Risk Evaluator Model once per year. From the output of this model, Fuel Delivery Section personnel determine specific Average Annual Inventory Targets for each Plant which are approved by RFD management. Throughout the year, Plant coal inventory levels are monitored against these Targets. Fuel Delivery Section personnel also develop Risk Mitigation Strategies for each Plant, as needed, that address probability of coal inventory stockout, burn forecast accuracy risk, coal receipt performance risk, and Plant unloading outage risk. Model input data includes:
 - Beginning Monthly Inventory
 - Burn Forecast
 - Monthly End Inventory Projections
 - Historic Unplanned Unloading Outages

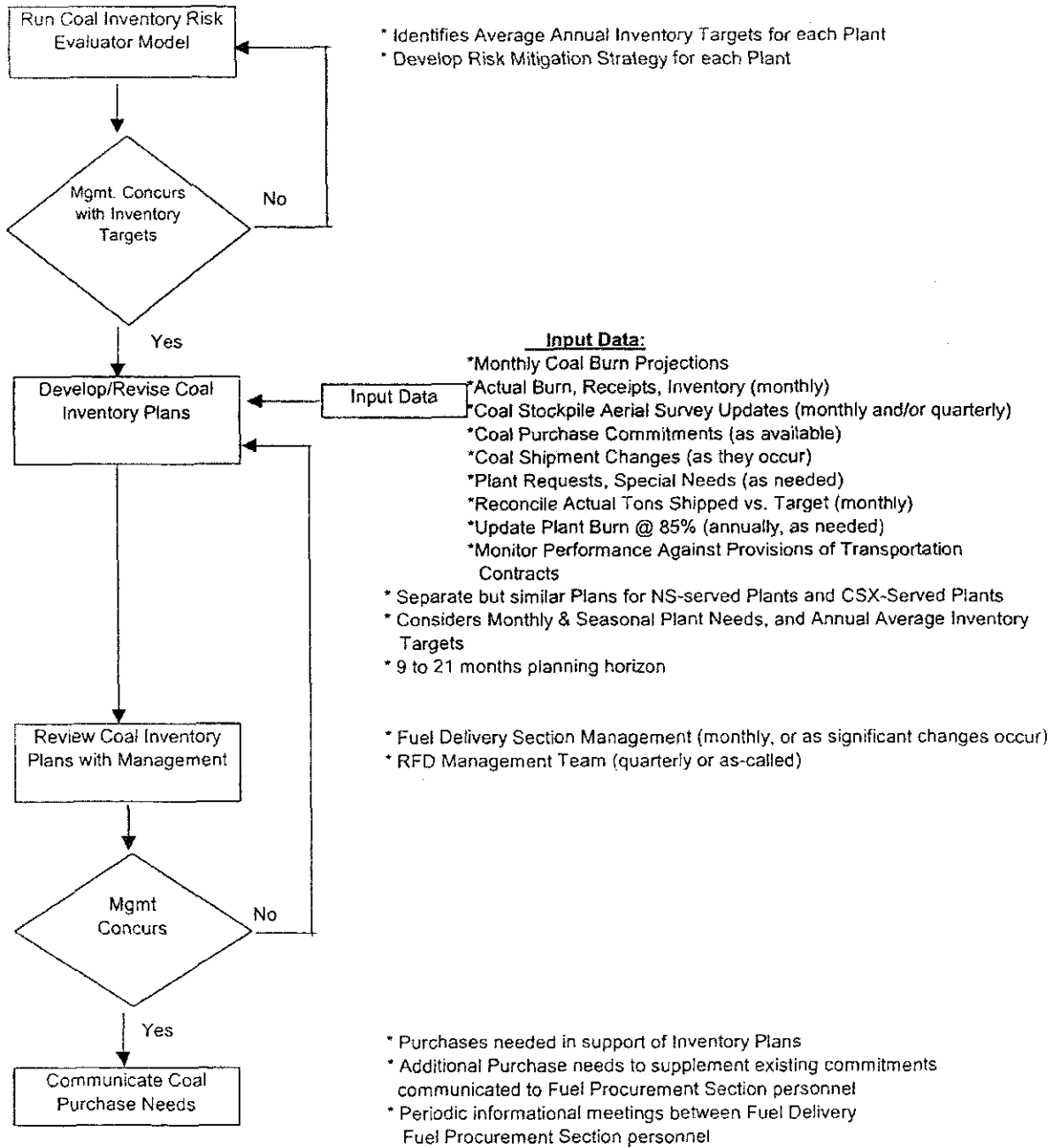
- Receiving Capacities
 - Actual Burns
 - Coal Ordered vs. Coal Receipts
2. Management personnel review the Inventory targets. If targets are approved, Coal Inventory Plans are developed. If the targets are not approved, then further evaluation of inventory levels is performed by Fuel Delivery Section personnel.
 3. The Coal Inventory Plans take into account the Monthly and Seasonal needs of each Plant in addition to the Annual Average Inventory Targets. Separate but similar Plans are developed for the NS and CSX served Plants and are for a nine (9) to twenty-one (21) month planning horizon. These Plans are maintained as Excel files on the RFD shared drive; Read Only access is granted to all except Fuel Delivery Section personnel responsible for maintaining and updating the plans and RFD-IT support personnel.
 4. In order to develop/revise the Coal Inventory Plans, RFD personnel utilize the following input data:

Input Data	Received From/Measures	Actions
Coal Burn Projections (monthly)	<ul style="list-style-type: none"> • GenTrader projections - from Portfolio Mgmt. (up to 12 month planning horizon) • Generation & Fuel Forecast projections - from SPOD (beyond 12 month planning horizon) 	<ul style="list-style-type: none"> • Review projections & clarify factors impacting burn
Actual Burn, Receipts, Inventory (monthly)	<ul style="list-style-type: none"> • Obtained from FMS after monthly close 	<ul style="list-style-type: none"> • Account for shipments loaded but not received as scheduled • Account for coal burn greater than (or less than) projected.
Coal Stockpile Aerial Survey Updates (monthly and/or quarterly)	<ul style="list-style-type: none"> • Received from Technical Services Dept. 	<ul style="list-style-type: none"> • Evaluate days supply adjustment to include within inventory plan for each plant stockpile
Coal Purchase Commitments (as available)	<ul style="list-style-type: none"> • Received from Fuel Procurement Section • New purchase agreements • Changes to existing purchase agreements 	<ul style="list-style-type: none"> • Incorporate new purchases into Inventory Plan, and revise (as appropriate) any recommendations for additional coal purchase.

Coal Shipment Changes (as they occur)	<ul style="list-style-type: none"> Cancelled or deferred shipments Destination changes 	<ul style="list-style-type: none"> Monitor Shipment loadings Communicate with Suppliers, transportation providers, Plants Document shipment changes to suppliers, transportation providers, Plants via email
Plant Requests, Special Needs (as needed)	<ul style="list-style-type: none"> Specific shipment requirements Special coal needs Planned Unloading outages 	<ul style="list-style-type: none"> Communicate with Plant personnel, Suppliers, transportation providers Document via email
Reconcile Actual Tons Shipped vs. Target (monthly)	<ul style="list-style-type: none"> By supply contract/agreement 	<ul style="list-style-type: none"> Revise, as needed, the plan for future shipments under the Supply agreement Plan for make-up shipments
Update Plant Burn @ 85% (annually, as needed)	<ul style="list-style-type: none"> Received from RCO/Portfolio Mgmt. # of tons burned @ 85% capacity 	<ul style="list-style-type: none"> Update data used to calculate days supply
Transportation Contract Provisions	<ul style="list-style-type: none"> Transportation Suppliers 	<ul style="list-style-type: none"> Monitor performance against provisions

- After the month closes, FMS produces a Monthly Coal Inventory Report that provides the month-end inventory levels at each Plant. This report is used to:
 - Reformulate the desired coal receipts for subsequent months to support the needed inventory levels
 - Identify additional coal purchase needs in the months following the month just closed
 When Fuel Delivery Section personnel review the report, consideration is given to seasonal needs and annual inventory targets.
- Management personnel review the Coal Inventory Plans (Fuel Delivery Section Mgmt. – monthly, or as significant changes to the Inventory Plan occur; RFD Mgmt. Team – quarterly Strategy Management Review or as-called). If the Plans are approved, Fuel Delivery Section personnel communicate coal purchase needs to Fuel Procurement Section personnel. If not approved, the Coal Inventory Plans are revised to include new or modified assumptions, factors or alternatives identified during the management review. Additionally, update meetings are scheduled monthly for exchanging information between Fuel Delivery Section and Fuel Procurement Section personnel so that participants in procurement/delivery/inventory activities can share current observations relative to these activities.

Inventory Plan Review/Development Process Flow



Document title

Replenishment Process

Document number

ADM-FFDC-00003

Applies to: Fossil Fuels - Carolinas

Keywords: administration; coal supply chain management

Overview:

This document covers the activities necessary to ensure that:

- Inventory levels are monitored to determine how much and when coal purchases are to be made.
- Monthly coal shipments are scheduled to Plants to support burn requirements and inventory.
- Coal Inventory Plans are updated as necessary.

Responsibilities:

FGD Plant personnel:

- Ensure receiving coal shipment data entered into FMS is accurate and timely.

Technical Services Dept. personnel:

- Ensure necessary inventory (aerial survey) adjustments are communicated to RFD personnel.

RFD personnel:

- Ensure Coal Inventory Plans and Shipment Schedules are monitored effectively.
- Ensure FMS inventory data remains accurate and that FMS adjustments are made in a timely manner.
- Ensure Coal Inventory Plans are updated as necessary.

Process:

1. Fuel Delivery Section personnel monitor the Coal Inventory Plans on a weekly basis and the Coal Shipment Schedules on a daily basis.

AUTHORIZED COPY

2. Based on this monitoring, Coal Inventory Plans are revised as needed. In order to revise the Coal Inventory Plans, Fuel Delivery Section personnel utilize the following input data:

Input Data	Received From/Measures	Actions
Coal Burn Projections (monthly)	<ul style="list-style-type: none"> • GenTrader projections - from Portfolio Mgmt. (up to 12 month planning horizon) • G&FF projections – from SPOD (beyond 12 month planning horizon) 	<ul style="list-style-type: none"> • Review projections & clarify factors impacting burn
Actual Burn, Receipts, Inventory (monthly)	<ul style="list-style-type: none"> • Obtained from FMS after monthly close 	<ul style="list-style-type: none"> • Account for shipments loaded but not received as scheduled
Coal Stockpile Aerial Survey Updates (quarterly)	<ul style="list-style-type: none"> • Received from Technical Services Dept. 	<ul style="list-style-type: none"> • Evaluate days supply adjustment to include within inventory plan for each plant stockpile
Coal Purchase Commitments (as available)	<ul style="list-style-type: none"> • Received from Fuel Procurement Section • New purchase agreements • Changes to existing purchase agreements 	
Coal Shipment Changes (as they occur)	<ul style="list-style-type: none"> • Cancelled or deferred shipments • Destination changes 	<ul style="list-style-type: none"> • Monitor Shipment schedules • Have conversations with Suppliers, transportation providers, Plants • Document shipment changes to suppliers, transportation providers, Plants via email
Plant Requests, Special Needs (as needed)	<ul style="list-style-type: none"> • Specific shipment requirements • Special coal needs • Unloading outages 	<ul style="list-style-type: none"> • Have conversations with Plant personnel, Suppliers, transportation providers • Document via email
Transportation Contract Provisions	<ul style="list-style-type: none"> • Transportation Suppliers 	<ul style="list-style-type: none"> • Monitor performance against provisions

Docket No. 070703
 Progress Energy Florida
 Exhibit No. _____ (SAW-1)
 Page 6 of 35

3. RFD Management personnel meet with Fuel Delivery Section personnel and review the Coal Inventory Plans, including recommendations for future coal purchases. Plans are first reviewed by Fuel Delivery Section Manager for approval and possible scheduling of additional reviews with RFD management team.

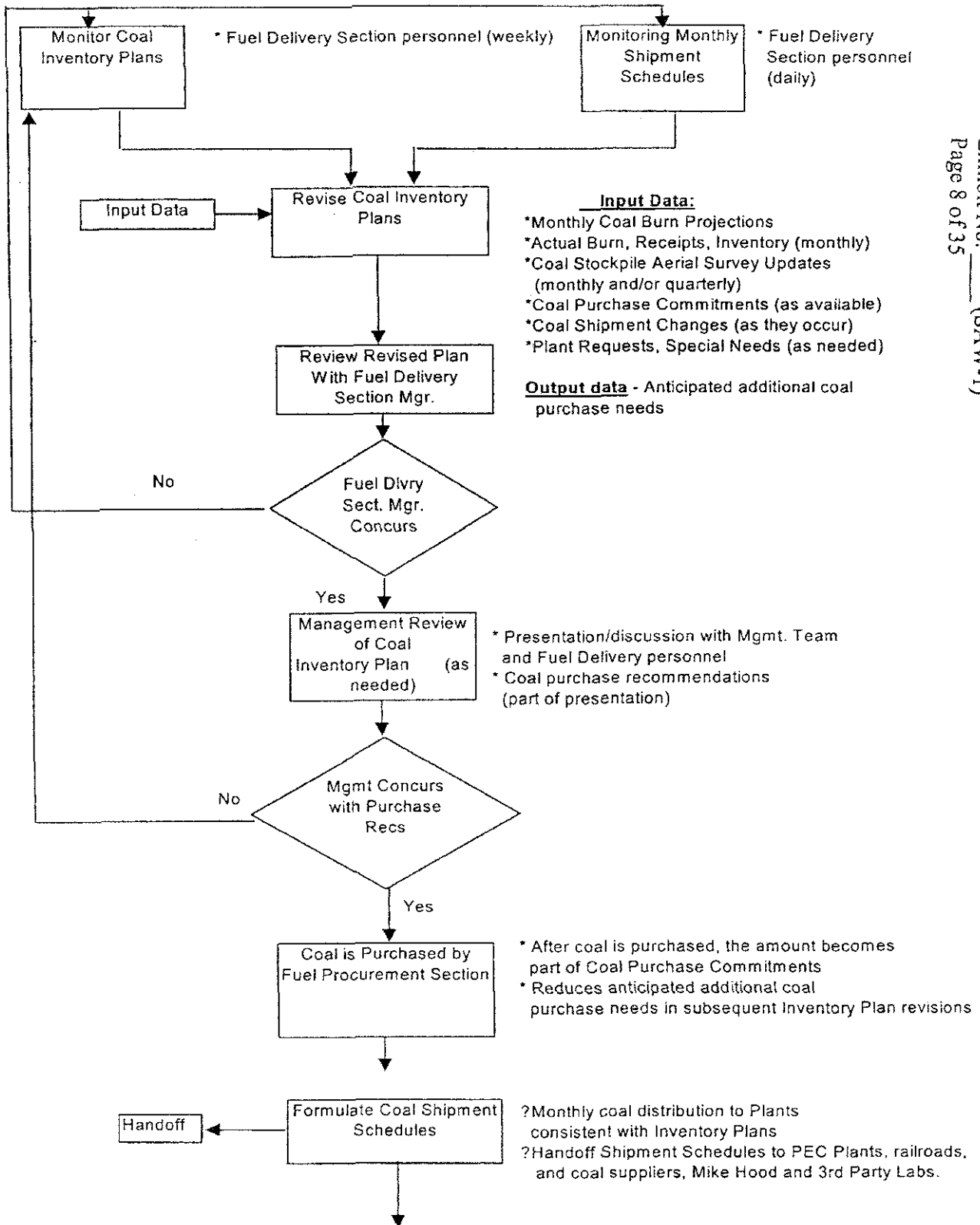
4. Depending on quantity of coal required to replenish inventory:
- A. For incremental spot coal purchases needed for inventory stability (short term fluctuations in inventory level), the Fuel Delivery Section Manager may authorize communication of coal purchase needs to the Fuel Procurement Section Manager.
 - B. Purchase needs that exceed those required for short term inventory stability are reviewed during the quarterly Strategy Management Review meeting involving the RFD Management team and selected RFD personnel.

AUTHORIZED COPY

5. If inventory is to be replenished, coal purchase needs are communicated to Fuel Procurement Section personnel. If the inventory is not to be replenished, the Coal Inventory Plans are continually monitored.
6. Update meetings are scheduled monthly for exchanging information between Fuel Delivery Section and Fuel Procurement Section personnel so that participants in procurement/delivery/inventory activities can share current observations relative to these activities.
7. Fuel Delivery Section personnel develop a monthly Coal Shipment Schedule for each Plant. These schedules ensure that monthly coal distribution to the Plants is consistent with the Inventory Plans. The development of Shipment Schedules requires extensive verbal and email communications between Fuel Delivery Section personnel, coal suppliers and transportation providers. Upon completion by the first day of the month, the Shipment Schedule for the month is made available in electronic form to PEC Plants; schedule information is also provided to coal suppliers and transportation providers by the first day of the month.
8. Suppliers load coal shipments destined for the appropriate Plants, per the Coal Shipment Schedule. Shipment weights are determined by use of scales that have been certified by state Weights and Measures authorities as being appropriate for commercial use.
9. Plant personnel unload coal shipments to the appropriate stockpile. Cars are verified against the Waybill.
10. PEC Plant personnel receive shipment into FMS, and the coal shipped becomes part of the Plant Inventory.

Docket No. 070703
Progress Energy Florida
Exhibit No. _____ (SAW-1)
Page 7 of 35

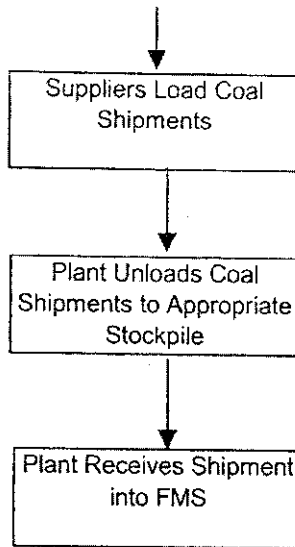
Replenishment Process



Locker NO. 0/0/05
 Progress Energy Florida
 Exhibit No. _____ (SAW-1)
 Page 8 of 35

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Docket No. 070703
Progress Energy Florida
Exhibit No. ____ (SAW-1)
Page 9 of 35



* Becomes part of Booked Inventory
* Receipt of Coal Shipments (ADM-POGC-00004)

Managing Inventory Process

Docket No. 070703
Progress Energy Florida
Exhibit No. ____ (SAW-1)
Page 10 of 35

Document number

ADM-POGC-00003

Applies to: Fossil Fuels – Carolinas; Fossil Generation Department - Carolinas

Keywords: administration; coal supply chain management

Overview:

This document covers the activities necessary to ensure that:

- Coal Inventory Plans are created and approved by management personnel.
- Coal purchase needs are effectively communicated to Procurement personnel.
- Coal Shipment Schedules are developed, monitored, and maintained by RFD personnel.
- Plants receive coal shipments into FMS.
- Fuel stock inventory is maintained within FMS.
- Inventory adjustments are made as necessary (Aerial Surveys, Waybills, miscellaneous documentation).
- Coal Inventory Plans are updated as necessary.
- Month End actual data related to inventory is incorporated into inventory plans

Responsibilities:

FGD Plant personnel:

- Ensure receiving coal shipment data entered into FMS is accurate and timely.

Technical Services Dept. personnel:

- Ensure necessary inventory adjustments (aerial survey adjustments) are communicated in a timely manner to FFD personnel.

RFD personnel:

- Ensure FMS inventory data is accurate and that FMS adjustments are made in a timely manner.
- Develop, monitor and maintain Coal Shipment Schedules.
- Update Coal Inventory Plans as necessary.
- Ensure Month End activities are conducted accurately in relation to inventory.

Process:

1. Fuel Delivery Section personnel run the Coal Inventory Risk Evaluator Model once per year. From the output of this model, Fuel Delivery Section personnel determine specific Average Annual Inventory Targets. Throughout the year, Plant coal inventory levels are monitored against these Targets. Fuel Delivery Section personnel also develop Risk Mitigation Strategies for each Plant, as needed, that address probability of coal inventory stockout, burn forecast accuracy risk, coal receipt performance risk, and Plant unloading outage risk.
2. Management personnel review the Inventory Targets. If targets are approved, Coal Inventory Plans are developed. If the targets are not approved, then further evaluation of inventory levels is performed by Fuel Delivery Section personnel using the Coal Inventory Risk Evaluator Model.
3. The Coal Inventory Plans take into account the Monthly and Seasonal needs of each Plant in addition to the Annual Average Inventory Targets. These Plans are maintained as Excel files on the RFD shared drive; Read Only access is granted to all except Fuel Delivery Section personnel responsible for maintaining and updating the plans and RFD-IT support personnel.
4. Management personnel review the Coal Inventory Plans (Fuel Delivery Section Mgmt. – monthly, or as significant changes to the Inventory Plan occur; RFD Mgmt. Team – quarterly Strategy Management Review or as-called). If the Plans are approved, Fuel Delivery Section personnel communicate coal purchase needs to Fuel Procurement Section personnel. If not approved, the Coal Inventory Plans are revised to include new or modified assumptions, factors or alternatives identified during the management review. Additionally, update meetings are scheduled monthly for exchanging information between Fuel Delivery Section and Fuel Procurement Section personnel so that participants in procurement/delivery/inventory activities can share current observations relative to these activities.
5. Fuel Delivery Section personnel develop a monthly Coal Shipment Schedule for each Plant. These schedules ensure that monthly coal distribution to the Plants is consistent with the Inventory Plans. The development of Shipment Schedules requires extensive verbal and email communications between Fuel Delivery Section personnel, coal suppliers and transportation providers. Upon completion by the first day of the month, the Shipment Schedule for the month is made available in electronic form to PEC Plants; schedule information is also provided to coal suppliers and transportation providers by the first day of the month.
6. Fuel Delivery Section personnel monitor the monthly coal shipments against the Coal Shipment Schedule. Inventory levels are monitored throughout the month. If conditions warrant (i.e. lower inventory level at a Plant) changes and adjustments to a shipment schedule are made to meet the Supplier, Plant, and Railroad needs. These changes are documented and communicated verbally and/or by email to appropriate personnel (Plant Fuel Handling personnel, Fuel Procurement Section, Fuel Administration Section, coal supplier, transportation provider).

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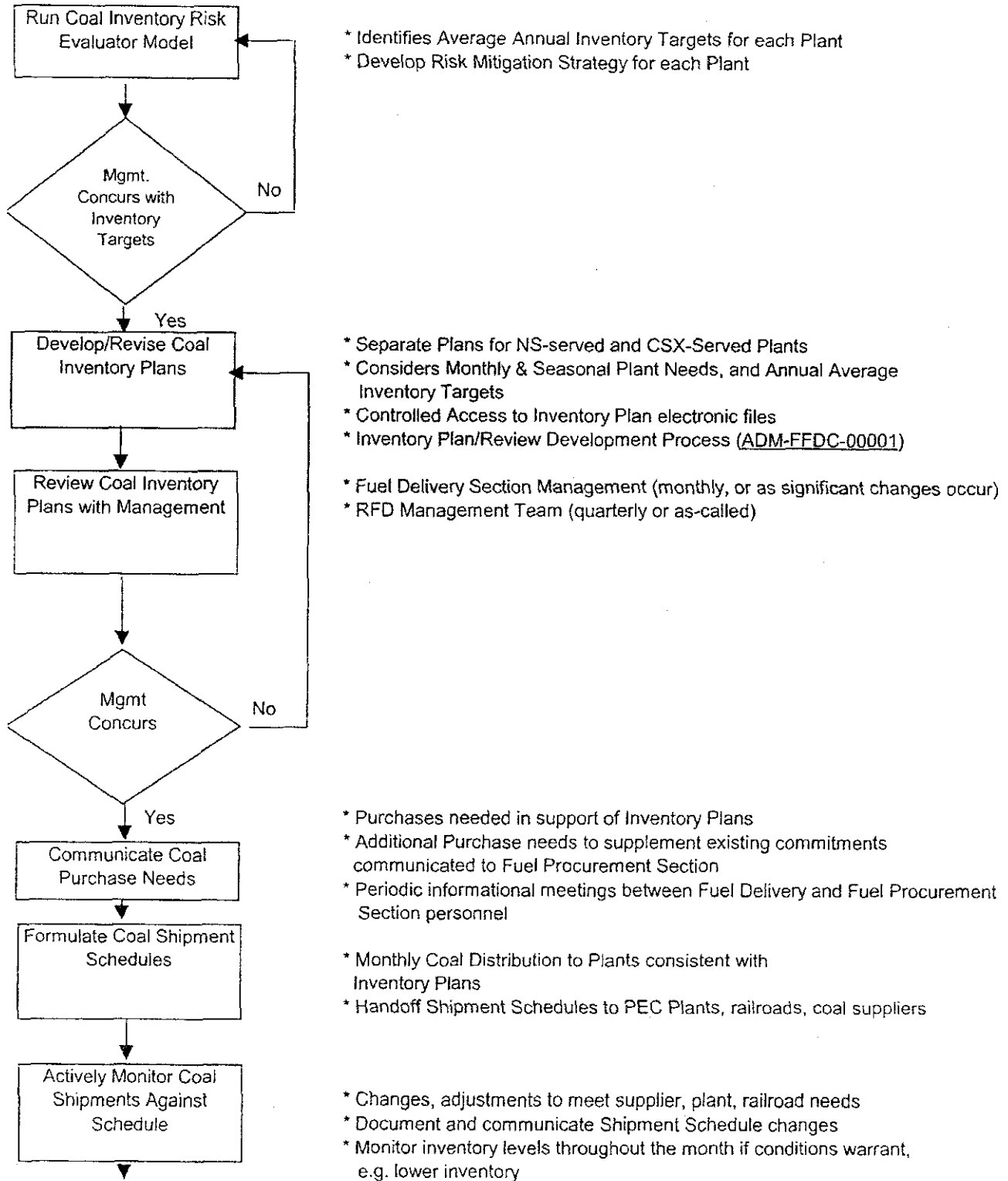
7. Suppliers load coal shipments destined for the appropriate Plants as rail equipment is provided per the Coal Shipment Schedule. Shipment weight is determined by certified scales at origin, or by the hauling railroad, or by a draft survey of ocean vessels. The entity performing the weighing function provides a copy of the scale certification test report to the Fuel Delivery Section. The coal supplier takes action to initiate a freight waybill upon loading of the shipment. The hauling railroad takes the information provided by the coal supplier to prepare the freight waybill; this waybill ultimately provides the weight of the coal delivered in the shipment. The Progress Fuels field representative may observe the loading of the shipment on behalf of PEC; during this visit to the coal supplier loadout facility, the field representative routinely inspects weighing devices and may request that origin scales demonstrate proper operation prior to loading of the shipment. The Progress Fuels field representative prepares a field report for each shipment loading observed. The Progress Fuels field representative may observe scale certification tests on behalf of PEC.
8. A representative sample is obtained from the coal being loaded at origin and/or from the coal being unloaded at destination. Each coal supply agreement defines which sample will be analyzed to determine the quality of record for the coal loaded in the shipment. The analysis of record provides the basis for determining the quality of coal to be received into inventory. Origin quality analysis results are provided to Plant Fuel Handling personnel prior to unloading of the shipment in order to confirm the quality of coal being received. The Progress Fuels field representative may observe the loading of the shipment on behalf of PEC; during this visit to the coal supplier loadout facility, the field representative routinely inspects the sampling process/device and may make recommendations to correct any deficiencies prior to loading of the shipment. The Progress Fuels field representative prepares a field report for each shipment loading observed.
9. Upon delivery of a coal shipment, PEC Plant Fuel Handling personnel verify the identity of the cars against the freight waybill. Plant Fuel Handling personnel unloads the coal shipment.
10. Straggler cars, i.e. railcars separated from the original train in which they were loaded, may arrive at the Plant at any time, individually or as part of another shipment. These railcars may become separated from the original shipment due to a mechanical defect that required their removal from service ("bad ordered") or because they were loaded in excess of load limits imposed by the hauling railroad ("overloaded"). Overload cars are reduced in weight by removal of excess coal under the supervision of the hauling railroad and re-weighed and re-billed with the revised weight.
11. PEC Plant Fuel Handling personnel receive shipments into FMS, and the coal becomes part of booked inventory for the Plant.
12. On a daily basis, Plant personnel record the coal burn quantity into FMS.
13. At the end of each month following the month-end FMS closing process, Fuel Delivery Section personnel incorporate actual Month-End Inventory into the Inventory Plan. (Actual burn quantity, receipts, and inventory are incorporated into the Inventory Plan).
14. RFD personnel reconcile the inventory accounts monthly: A/P Freight (#2322101), A/P Coal (#2321901), and Fuel Stock Asset Account (#1511010).

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15. Fuel Delivery Section personnel update the Inventory Plan, as appropriate, based on the impact of actual performance for the month just ended on future months, including an accounting of missed and cancelled shipments, and any revised burn projections that may be available.

Docket No. 070703
Progress Energy Florida
Exhibit No. _____ (SAW-1)
Page 13 of 35

Managing Inventory Process



- * Identifies Average Annual Inventory Targets for each Plant
- * Develop Risk Mitigation Strategy for each Plant

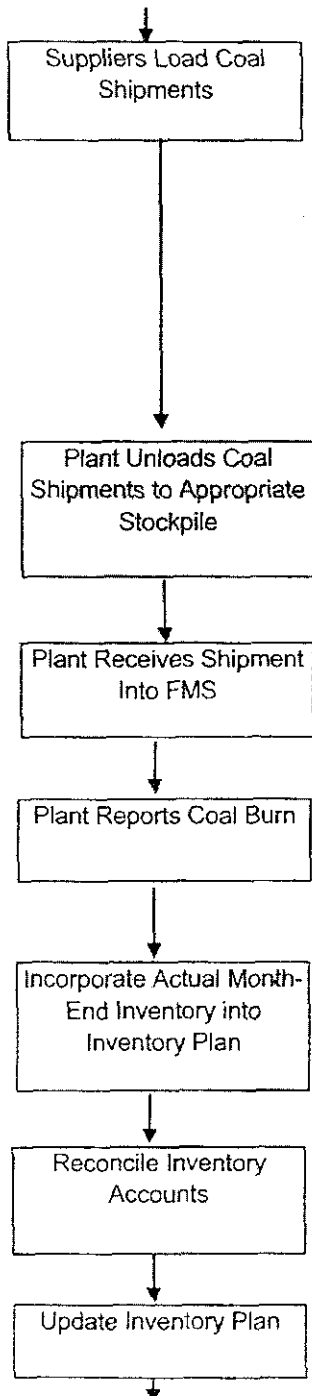
- * Separate Plans for NS-served and CSX-Served Plants
- * Considers Monthly & Seasonal Plant Needs, and Annual Average Inventory Targets
- * Controlled Access to Inventory Plan electronic files
- * Inventory Plan/Review Development Process (ADM-FFDC-00001)

- * Fuel Delivery Section Management (monthly, or as significant changes occur)
- * RFD Management Team (quarterly or as-called)

- * Purchases needed in support of Inventory Plans
- * Additional Purchase needs to supplement existing commitments communicated to Fuel Procurement Section
- * Periodic informational meetings between Fuel Delivery and Fuel Procurement Section personnel

- * Monthly Coal Distribution to Plants consistent with Inventory Plans
- * Handoff Shipment Schedules to PEC Plants, railroads, coal suppliers

- * Changes, adjustments to meet supplier, plant, railroad needs
- * Document and communicate Shipment Schedule changes
- * Monitor inventory levels throughout the month if conditions warrant, e.g. lower inventory



- * Shipment weight determined by certified scales at origin or by railroad, or by draft survey
- * Coal Sampling and Weighing Process (MCP-FFDX-00003)
- * Waybill prepared by railroad & provided to Plant & FMS
- * Shipment Sampled, Quality Analyzed
 - * At Origin by supplier
 - * At Destination by Plant
 - * Analysis of record designated within coal purchase agreement
- * Analysis reviewed to confirm appropriate quality

- * Cars Verified against Waybill upon arrival at Plant
- * Bad Ordered cars straggle to destination separate from remainder of train
- * Overloaded cars removed from train & re-waybilled with revised (lightened) wt.
- * Inventory is stored in properly secured and environmentally conditioned locations where access is restricted to authorized personnel

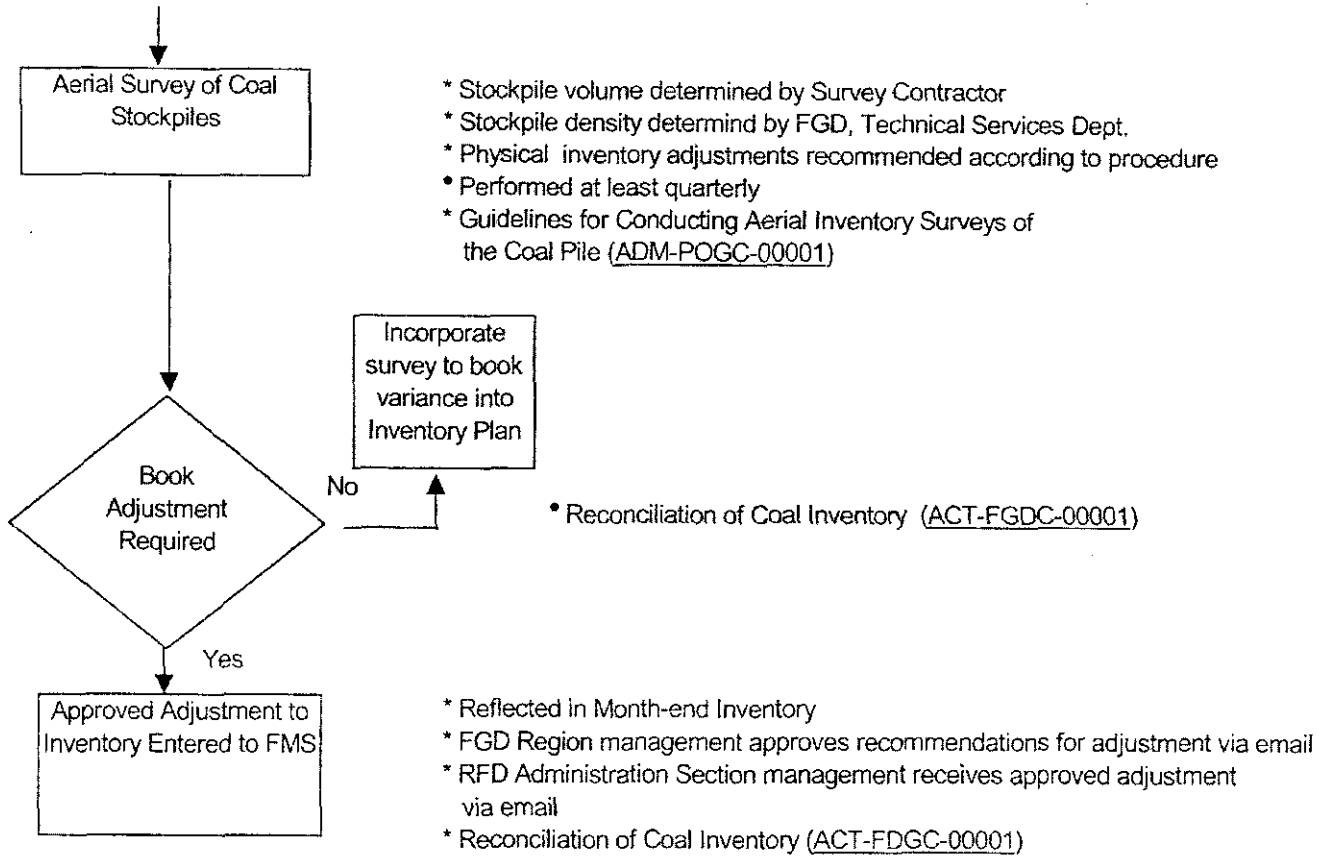
- * Becomes part of booked Inventory
- * FMS restricts to authorized personnel the ability to input, change, or cancel goods received transactions

- * Plant reports daily through FMS
- * Coal Scale Operation and Maintenance (MNT-FGDC-00016)
- * Guidelines for Determination of Monthly Coal Burn (ADM-POGC-00002)
- * Material Testing of Non-Certified Plant Coal Scales (MNT-FGDC-00017)

- * Incorporate actual burn, receipts, inventory in Inventory Plan

- * A/P Freight Account (#2322101)
- * A/P Coal Account (#2321901)
- * Fuel Stock Asset Account (#1511010)

- * Evaluate impact of actual performance on future months
- * Account for missed & cancelled shipments
- * Include revised burn projections



Document title

Coal Procurement Procedure

Docket No. 070703
Progress Energy Florida
Exhibit No. _____ (SAW-1)
Page 17 of 35

Document number

MCP-FFDC-00002

Applies to: Fossil Fuels – Carolinas

Keywords: material control/procurement; coal supply chain management; fuel production

- I. **SUBJECT:** Coal Procurement Procedure
- II. **APPLICABILITY:** Procurement & Risk Management Section; Fossil Fuel Procurement Team
- III. **PURPOSE:** To define the coal purchasing process
- IV. **GENERAL INFORMATION:**

As a result of the Replenishment Process (ADM-FFDC-00003) there may be a necessity to purchase coal as communicated to the Fuel Procurement Section by Fuel Delivery personnel. If this fuel requirement is communicated, the Fuel Procurement Section meets to determine the most appropriate form of a coal purchase solicitation to implement, (RFP or a phone solicitation), timing and review the complete procurement process.

An RFP would be utilized when:

- 1. the need for additional coal is at least 12 months in length;
- 2. delivery requirements are not immediate;
- 3. supply is perceived as being scarce and canvassing a wider spectrum of the industry as necessary;
- 4. Right-to-match (RTM) or Right-of-First-Refusal (RFR) clauses in contracts require rigorous documentation of an arms-length competitive bid process for options offered for RTM or RFR, e.g., solicitation letter;
- 5. a specific quality of coal is needed, e.g., high grind, requiring a broad search of the coal industry, possibly extending beyond the Central Appalachian Coal District;
- 6. multiple coal qualities, e.g., compliance, non-compliance, are required; and
- 7. multiple coal sources and/or regions, e.g., NS origin, CSX origin, import are involved.

A phone solicitation may be utilized when:

- 1. the need for additional coal is short-term (less than 1 year);
- 2. the requirement volume of additional coal is small;
- 3. delivery is required within six months;
- 4. time is of the essence;
- 5. immediate responses from suppliers is required;
- 6. PEC would not want to publicize to the entire industry (coal and/or electric) inventory level indications;
- 7. verbal communication with suppliers could yield market intelligence.

V. RFP Process

A procurement analyst prepares a solicitation letter containing desired contract term, volume, description of coal products, applicable adjustments to price based on quality deviations, bidding requirements and guidelines and proposal submission deadline. The solicitation letter, a confirmation letter form, PEC's set of standardized General Terms & Conditions (GTC), and a bid quote form are e-mailed to each supplier on the bidders list.

All vendors responding to the RFP are required to submit proposals to the Fossil Fuels Department Administrative Assistant, who creates a receipt log in which is recorded the vendor company name and the date received. Proposals received in response to the RFP are confidential and the Administrative Assistant maintains the submitted proposals and the receipt log in a secure location. No other employee has access to the proposals or log, nor is information regarding the bids communicated to any employee prior to the submission process deadline.

Once the deadline has expired, the Administrative Assistant and a procurement analyst work together to verify that all logged bids are accounted for and that all bids have been logged. The bids and the log are then turned over to the procurement analyst. The bids are examined at a meeting with at least one additional procurement employee present. The procurement employees attending the bid meeting will review, initial, and date each bid received. During the review process, any factor contained within a bid which would eliminate it from being evaluated or warrants additional discussion would be noted on the document and discussed during the meeting. A coal whose grind is below the minimum acceptable at any of PEC's plants would be such a factor which would disqualify a bid from being considered. A coal being loaded at a single car loadout (vs. a 4-hour batch weigh) would warrant discussion.

The procurement analyst creates a procurement binder for the RFP process in which is kept the solicitation letter, confirmation letter form, GTC, bid quote form, bid receipt log, submitted bids, coal market intelligence and price information from coal industry publications, minutes from Fossil Fuel Procurement Team meetings, bid analyses, and if any, bids that arrived after the deadline and are not being considered for evaluation.

Any bid arriving late is turned over to the procurement manager by the Administrative Assistant. The procurement manager makes the decision whether a late bid is to be considered for evaluation and potential purchase along with all other bids tendered within the submission time period. The procurement manager notes on all late bids either "Accepted Past Deadline" or "Received Past Deadline/Not Accepted", initials and dates the documents, and turns over the late bids to the procurement analyst performing the economic evaluation. For late bids which have been accepted, the procurement analyst proceeds by updating the receipt log, revising the economic evaluation, and including the accepted late bids in the procurement binder along with all other bids being evaluated. Late bids which are not accepted are also included in the procurement binder, but distinguished from the accepted bids by a file folder section tab.

The procurement analyst begins by transferring each bid into the economic evaluation software. Applicable freight rates and forecasted SO₂ emission allowance prices over the procurement horizon, are included in order to evaluate all bids on an equal basis. Bids are categorized and segregated based on procurement requirements, e.g., CSX, high grind, NS compliance/non-compliance and input. Within each category the bids are then ranked based on the SO₂-adjusted delivered cost (\$/mmbtu). The procurement analyst prepares a report of the ranked bids within each procurement category, distributes the report to the Fuel Procurement Section and schedules a meeting to discuss the results. For economic ranking purposes, import coal may be categorized within each quality parameter, i.e., NS compliance.

Factors, in addition to SO₂-adjusted delivered \$/mmbtu, for bids with the most favorable rankings, are discussed in the Fuel Procurement Section meeting. Such factors include, but are not limited to: plant issues surrounding the previous use of the offered coal, the financial health of the vendor, historic vendor performance reliability, percentage of coal currently under contract with the vendor over the procurement term, whether the vendor is also the producer of the coal to be supplied, any previous quality related issues, e.g., SO₂ hot spots in trains, and percentage of coal to be delivered over the procurement term originating from the same production source. The level of concern or potential negative impact of one or more of these factors associated with a particular bid may outweigh the \$/mmbtu delivered cost, resulting in shifting its rank or possibly making a recommendation of "No Interest" for that particular bid.

The procurement analyst schedules a meeting of the Fossil Fuels Procurement Team (FFPT), comprised of the Fossil Fuels Department Head (when available), department section managers, inventory/transportation analysts, and procurement section members. The FFPT will discuss the findings of the Fuel Procurement Section with regard to the bids, considering \$/mmbtu delivered cost and all other factors pertinent to particular bids.

The results coming out of the FFPT meeting will be a categorization of each bid into one of three groups; (1) bids of interest, (2) bids of interest with certain modifications or clarifications, and (3) bids of little or no interest.

After discussion of the bids, the FFPT may conclude an RFP executed later in the year could result in more advantageous prices due to market perceptions and thus recommend making no purchases from this RFP. In this case all bids would result as being categorized in the third group.

If the case should arise in which a sufficient volume of coal was not bid, the FFPT will recommend additional actions in addition to moving forward with certain bids received. Those actions might include one or more of the following: a decision to solicit again at a later point in time; where possible, shift dual service coal plants from NS to CSX or visa versa; when possible, shift compliance coal to non-compliance plants; and where possible, shift import coal to plants with the greatest inventory needs.

With the department head in attendance at the FFPT meeting, the findings of the meeting will be acted upon immediately.

The procurement manager will assign section analysts to specific bids. The procurement analysts will then communicate our interest with each vendor.

For situations in which the department head was not able to attend the FFPT meeting, procurement section members will contact the vendors of interest, including those whose bids may require modification or clarification. The procurement analyst will express both verbally and through e-mail PEC's interest in their bid subject to management approval and successful negotiations of terms and conditions. This action is taken so that vendors whose bids contain expiration dates will be made aware of an interest for potential purchase. A procurement analyst prepares minutes of the FFPT meeting which will be provided to the department head, including the grouping of the bids into categories of interest as well as any other recommended actions. When available the department head will meet with, at a minimum, the procurement manager, though preferably with the FFPT, at which meeting the individual bids and other recommended actions will be discussed. Given the concurrence of the department head to an individual bid, the procurement analyst assigned to that specific bid will contact the vendor communicating that management approval has been received to move forward on their bid. If, however, the department head does not concur with the findings of the FFPT pertaining to an individual bid, the procurement analyst will contact the vendor so that the vendor will not feel obligated to hold the bid open for PEC. Department head concurrence to implementing other actions will be undertaken immediately.

For bids in which no modifications to what has been proposed by the vendor are necessary, the procurement analyst communicates with the vendor, both verbally and through e-mail, of continued interest in their bid subject to successful negotiations of terms and conditions. The GTC along with a bid confirmation are e-mailed to the vendor for review.

Some bids of interest may require clarification as to information supplied by the vendor in the submitted proposal. If, for example, a bid states its mine source(s) as "NS Thacker/Kenova", clarification might be needed as to which specific mines will coal be supplied. If all clarifications are satisfactorily addressed, the procurement analyst will communicate with the vendor, both verbally and through e-mail, of continued interest in their bid subject to successful negotiations of terms and conditions. The GTC along with a bid confirmation are e-mailed to the vendor for review. The clarification process, however, may produce unacceptable explanations. If such is the case, the procurement analyst will then communicate to the vendor that due to the clarifications, the bid is no longer attractive to PEC. If the procurement analyst is unsure of the acceptability or lack thereof related to the clarifications, the procurement analyst will discuss the bid with the procurement manager, and then take the appropriate communication actions.

PEC may be interested in a specific bid only if certain modifications can be made. For example, a vendor's proposal may have been written for an agreement with a 3-year term, but PEC is willing to accept only a 1-year term. The procurement analyst will discuss the modifications with the vendor. If the modifications are successfully dealt with, the procurement analyst will communicate with the vendor, both verbally and through e-mail, of continued interest in their bid subject to successful negotiations of terms and conditions. The GTC along with a modified bid confirmation are e-mailed to the vendor for review. If the vendor is not open to the necessary modifications, the procurement analyst will then communicate to the vendor that their proposal as originally bid is no longer attractive to PEC. Approaching the vendor with modifications to their bid may result in a counter proposal from the vendor. The procurement analyst should consult with the procurement manager regarding the counter proposal, and then take the appropriate communications actions.

Upon reviewing PEC's set of General Terms & Conditions (GTC), the vendor may express an interest in negotiating some of the provisions within the GTC. The procurement analyst will request an extension of the bid expiration date to accommodate negotiations. The procurement analyst will set up a meeting(s) with the vendor to begin the negotiations. The meeting(s) is preferably conducted in person, but the negotiations may be conducted through an exchange of e-mails (or faxes) or by phone followed up by e-mail (or faxes). The procurement analyst should consult the procurement manager for guidance on any point being negotiated that has become onerous. The Legal Department and Enterprise Risk Management will provide guidance regarding non-commercial terms & conditions. Once negotiations have been completed the procurement analyst will produce the draft confirmation and general terms & conditions (agreement) containing any modifications as a result of the negotiations. A Contract Review and Exception Form (Exhibit 2) will be completed and signed by the procurement analyst noting all deviations from PEC's set of GTC.

For vendors communicating that they have no proposed changes to PEC's set of GTC, the procurement analyst will complete and sign the Contract Review and Exception Form noting there are no changes from the GTC.

Except for spot purchases less than six months, the Contract Review and Exception Form will be attached to the Confirmation and GTC (modified or not) and routed to Legal for review and comment, and when applicable is also routed to Credit, and Accounting. Once all reviews and comments are complete, the Contract Review and Exception Form along with the Confirmation and GTC are routed to the contract signatory for review and for Review Form signature, noting any comments made by Legal, Credit, and/or Accounting. The identification of the contract signatory is based upon corporate approval levels outlined below

Position Level	Term (years)	Total Nominal Value
Section Manager	3 year	Up to \$25 million
Department Head	-	Up to \$200 million
President/CEO Group President	-	Up to \$500 million
Internal Board/Chair	-	Unlimited

Please refer to Exhibit 1, "Recent updates to Delegation of Authority" from the Audit Services Department.

The contract signatory weighs all review comments, balancing risks with business needs and comes to a decision whether the contract as attached should be executed, sent back for further negotiations with the vendor, or the contract should not be executed.

In preparation for contract execution, the procurement analyst prints a sufficient number of agreements so that PEC and each seller associated with the vendor (if the agreement names multiple sellers) will each receive an original with all signatures. The procurement analyst initials each page of each original in a non-black ink to assure no unapproved modifications will be made. All originals are then sent to the vendor for signature. Upon receipt of signed originals from the vendor, the contract signatory signs and dates all originals. Once executed, the procurement analyst sends the original contract to Contracts Administration for electronic filing. All remaining originals are sent to the vendor.

The procurement analyst saves the finalized electronic copy in the section's common directory, updates and distributes the Contract Summary report to the department, and completes a "Deal Ticket" which is then provided to Fuel Administration for entry into FMS.

VI. Phone Solicitation Process

The Fuel Procurement Section meets to discuss the procurement objectives and identify producers of coal from the bidders list which provide the type and quality of coal required for the solicitation. The reliability of these coal producers are then discussed. Based on these criteria, a list of coal producers from the bidders list who can best meet the requirements of the solicitation is generated.

The procurement manager assigns section analysts to specific producers. The procurement analysts then make contact with producers inquiring whether coal of the type and quality needed is available for delivery in the specified time period. The preferred contact with each provider would include two section members, if available. For producers who can not currently meet PEC's needs, the procurement analyst will ask the producers to keep them informed of changes in that status. If the producer is able to meet the requirements of the solicitation, the analyst will then negotiate a price contingent upon management approval and complete a "Deal Ticket" to document the potential transaction. All conversations with the producers, whether coal is currently available or not, will be recorded in note form by the analyst and saved in the section's common directory. Any market intelligence offered by the producer will also be noted.

Upon completion of phone contact with all producers selected for solicitation, the Fuel Procurement Section will meet to discuss the results. If requirements for coal remain, the Fuel Procurement Section will consider whether to make contact with additional coal producers who in the past have not been considered among the most reliable suppliers or to make contact with OTC marketers.

Utilizing the same information gathering, negotiation, and documentation procedure as used with coal producers, additional coal producers and/or OTC marketers are contacted. The Fuel Procurement Section meets once again to discuss the results.

A procurement analyst creates a procurement binder for the phone solicitation process in which is kept the list of coal producers and/or OTC marketers contacted along with whether each party contacted made an offer, coal market intelligence and price information from coal industry publications, minutes from Fossil Fuel Procurement Team meetings, and offer analyses.

The procurement analyst aggregates all offers received into the economic evaluation software. Applicable freight rates and forecasted SO₂ emission allowance prices over the procurement horizon, are included in order to evaluate all bids on an equal basis. If more than one coal type and/or coal quality are being requested, the procurement analyst will segregate the offers accordingly. Within each category, the offers are then ranked based on the SO₂-adjusted delivered cost (\$/mmbtu). The procurement analyst prepares a report of the ranked offers within each procurement category, distributes the report to the Fuel Procurement Section and schedules a meeting to discuss the results. For economic ranking purposes, import coal may be categorized within each quality parameter, i.e., NS compliance.

Factors, in addition to SO₂-adjusted delivered \$/mmbtu, for the offers are discussed in the Fuel Procurement Section meeting. Such factors include, but are not limited to: plant issues surrounding the previous use of the coal offered, the financial health of the vendor, historic vendor performance reliability, percentage of coal currently under contract with the vendor over the procurement term, whether the vendor is also the producer of the coal to be supplied, any previous quality related issues, e.g., SO₂ hot spots in trains, and percentage of coal to be delivered over the procurement term originating from the same production source. The level of concern or potential negative impact of one or more of these factors associated with a particular offer may outweigh the \$/mmbtu delivered cost, resulting in shifting its rank.

The procurement analyst schedules a meeting of the Fossil Fuels Procurement Team (FFPT), comprised of the Fossil Fuels Department Head (when available), department section managers, inventory/transportation analysts, and procurement section members. The FFPT will discuss the findings of the Fuel Procurement Section with regard to the offers received, considering \$/mmbtu delivered cost and all other factors pertinent to particular offers.

The results coming out of the FFPT meeting will be a categorization of each offer into one of two groups; (1) offers of interest and (2) offers of little or no interest.

If, however, the case should arise in which a sufficient volume of coal was not offered, the FFPT will recommend additional actions in addition to moving forward with certain offers. Those actions might include one or more of the following: a decision to solicit again at a later point in time; where possible, shift dual service coal from NS to CSX plants or visa versa; when possible, shift compliance coal to non-compliance plants; and where possible, shift import coal to plants with the greatest inventory needs.

With the department head in attendance at the FFPT meeting, the findings of the meeting will be acted upon immediately.

The procurement manager will assign section analysts to specific offers. The procurement analysts will then communicate our interest with each vendor.

For situations in which the department head was not able to attend the FFPT meeting, procurement section members will contact the vendors of interest. The procurement analyst will express both verbally and through e-mail that PEC has an interest in their offer subject to management approval and successful negotiations of terms and conditions. A procurement analyst prepares the minutes of the FFPT meeting which will be provided to the department head, including the grouping of the offers into categories of interest as well as any other recommended actions. When available the department head will meet with, at a minimum, the procurement manager, though preferably with the FFPT, at which meeting the individual offers and other recommended actions will be discussed. Given the concurrence of the department head to an individual offer, the procurement analyst assigned to that specific offer will contact the vendor communicating management approval and will e-mail either a Letter Agreement, for a one train transaction, or GTC along with an offer confirmation for the vendor's review. If, however, the department head does not concur with the findings of the FFPT pertaining to an individual offer, the procurement analyst will contact the vendor so that the vendor will not feel obligated to hold the offer open for PEC. The "Deal Ticket" is then noted "Phone Solicitation/Not Purchased" and the reason for the decision.

Upon reviewing PEC's set of General Terms & Conditions (GTC), the vendor may express an interest in negotiating some of the provisions within the GTC. The procurement analyst will request an extension of the offer expiration date to accommodate negotiations. The procurement analyst will set up a meeting(s) with the vendor to begin the negotiations. The meeting(s) is preferably conducted in person, but the negotiations may be conducted through an exchange of e-mails (or faxes) or by phone followed up by e-mail (or faxes). The procurement analyst should consult the procurement manager for guidance on any point being negotiated that has become onerous. The Legal Department and Enterprise Risk Management will provide guidance regarding non-commercial terms & conditions. Once negotiations have been completed the procurement analyst will produce the draft confirmation and general terms & conditions (agreement) containing any modifications as a result of the negotiations. A Contract Review and Exception Form will be completed and signed by the procurement analyst noting all deviations from PEC's set of GTC.

For vendors communicating that they have no proposed changes to PEC's set of GTC, the procurement analyst will complete and sign the Contract Review and Exception Form noting there are no changes from the GTC.

Except for spot purchases less than six months, the Contract Review and Exception Form will be attached to the Confirmation and GTC (modified or not) and routed to Legal for review and comment, and when applicable is also routed to Credit, and Accounting (if applicable) for review and comment. Once all reviews and comments are complete, the Contract Review and Exception Form along with the Confirmation and GTC are routed to the contract signatory for review and for Review Form signature, noting any comments made by Legal, Credit, and/or Accounting. The identification of the contract signatory is based upon corporate approval levels outlined below

Position Level	Term (years)	Total Nominal Value
Section Manager	3 year	Up to \$25 million
Department Head	-	Up to \$200 million
President/CEO Group President	-	Up to \$500 million
Internal Board/Chair	-	Unlimited

Please refer to Exhibit 1, "Recent updates to Delegation of Authority" from the Audit Services Department.

The contract signatory weighs all review comments, balancing risks with business needs and comes to a decision whether the contract as attached should be executed, sent back for further negotiations with the vendor, or the contract should not be executed.

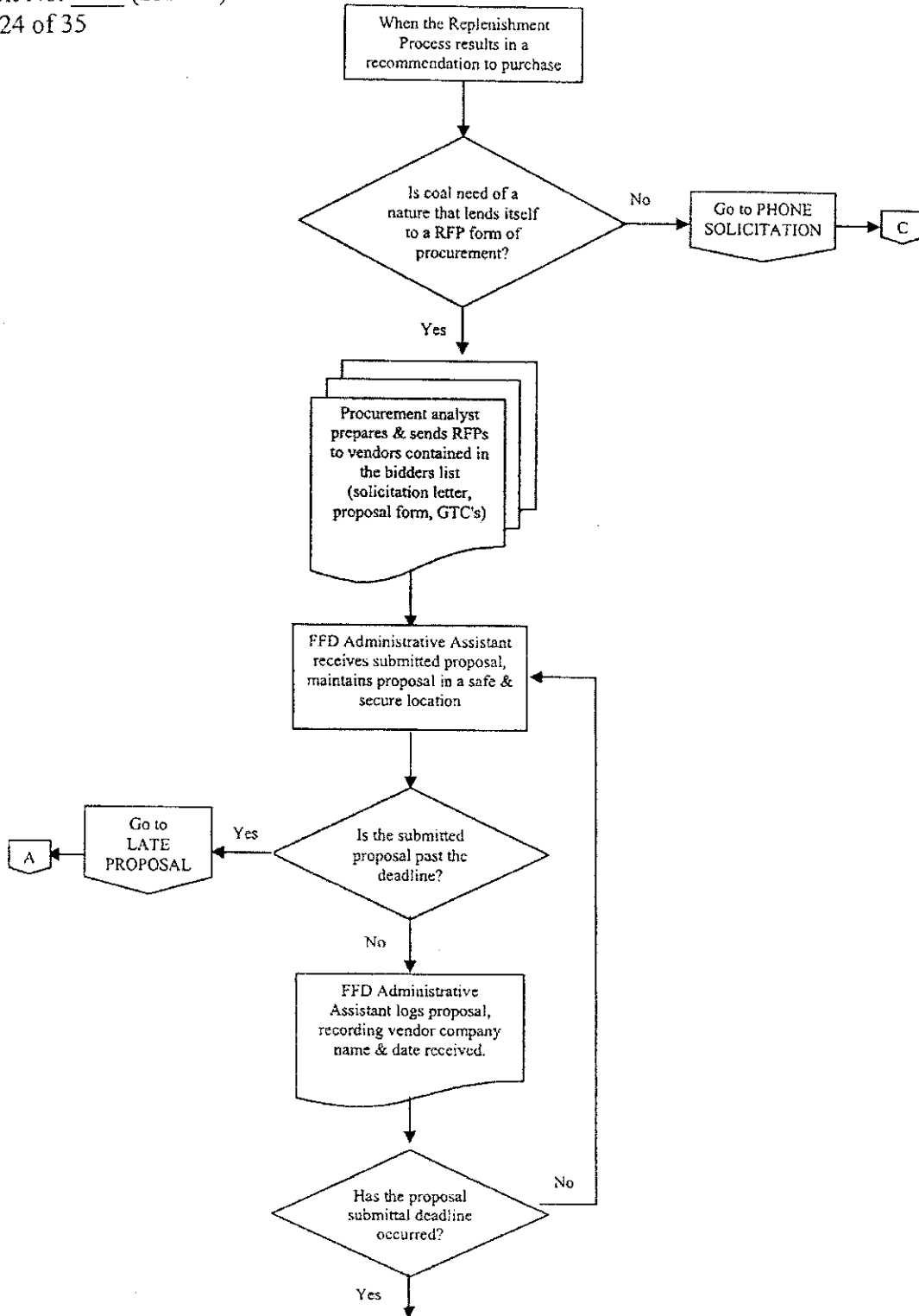
In preparation for contract execution, the procurement analyst prints a sufficient number of agreements so that PEC and each seller associated with the vendor (if the agreement names multiple sellers) will each receive an original with all signatures. The procurement analyst initials each page of each original in a non-black ink to assure no unapproved modifications will be made. All originals are then sent to the vendor for signature. Upon receipt of signed originals from the vendor, the contract signatory signs and dates all originals. Once executed, the procurement analyst sends the original contract to Contracts Administration for electronic filing. All remaining originals are sent to the vendor.

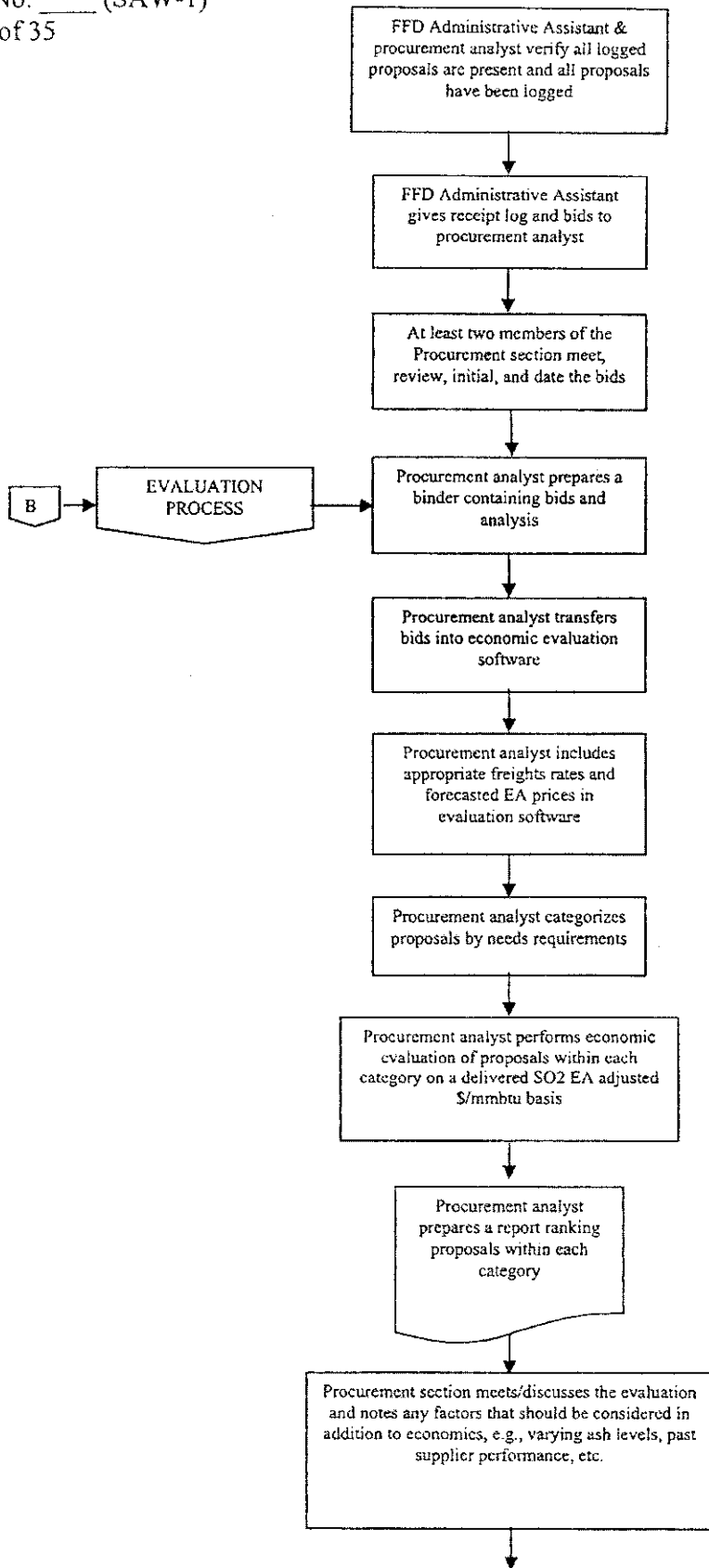
For each solicitation resulting in an award of more than \$100,000, the procurement analyst will record on the purchase recommendation language that indicates the following:

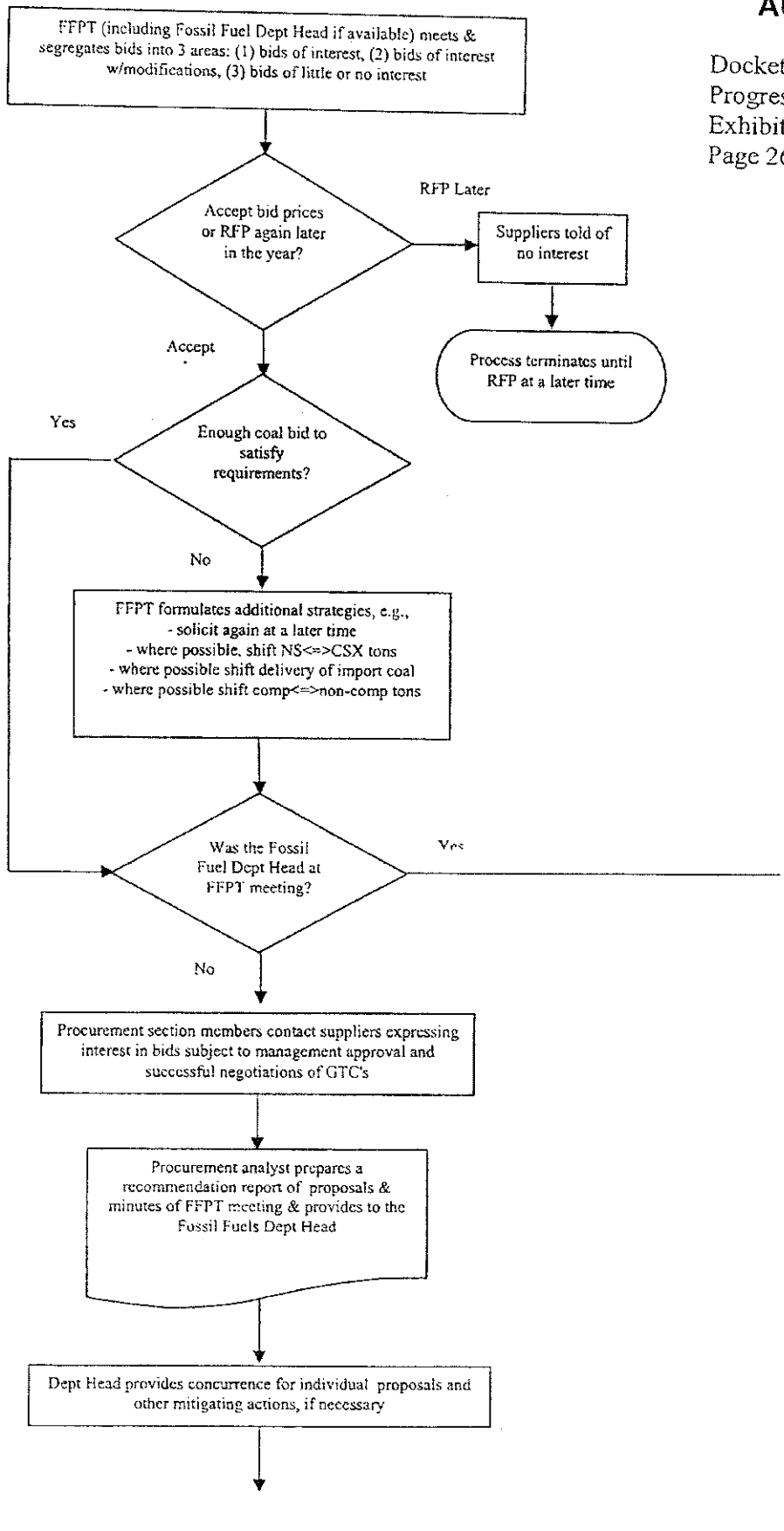
- A. Whether small business concerns were solicited and, if not, why not;
- B. Whether veteran-owned small business concerns were solicited and, if not why not;
- C. Whether service-disabled veteran-owned small business concerns were solicited and, if not why not;
- D. Whether HUBZone small business concerns were solicited and, if not why not;
- E. Whether small disadvantaged business concerns were solicited and, if not why not;
- F. Whether women-owned small business concerns were solicited and, if not why not;
- G. If applicable, the reason award was not made to a small business concern."

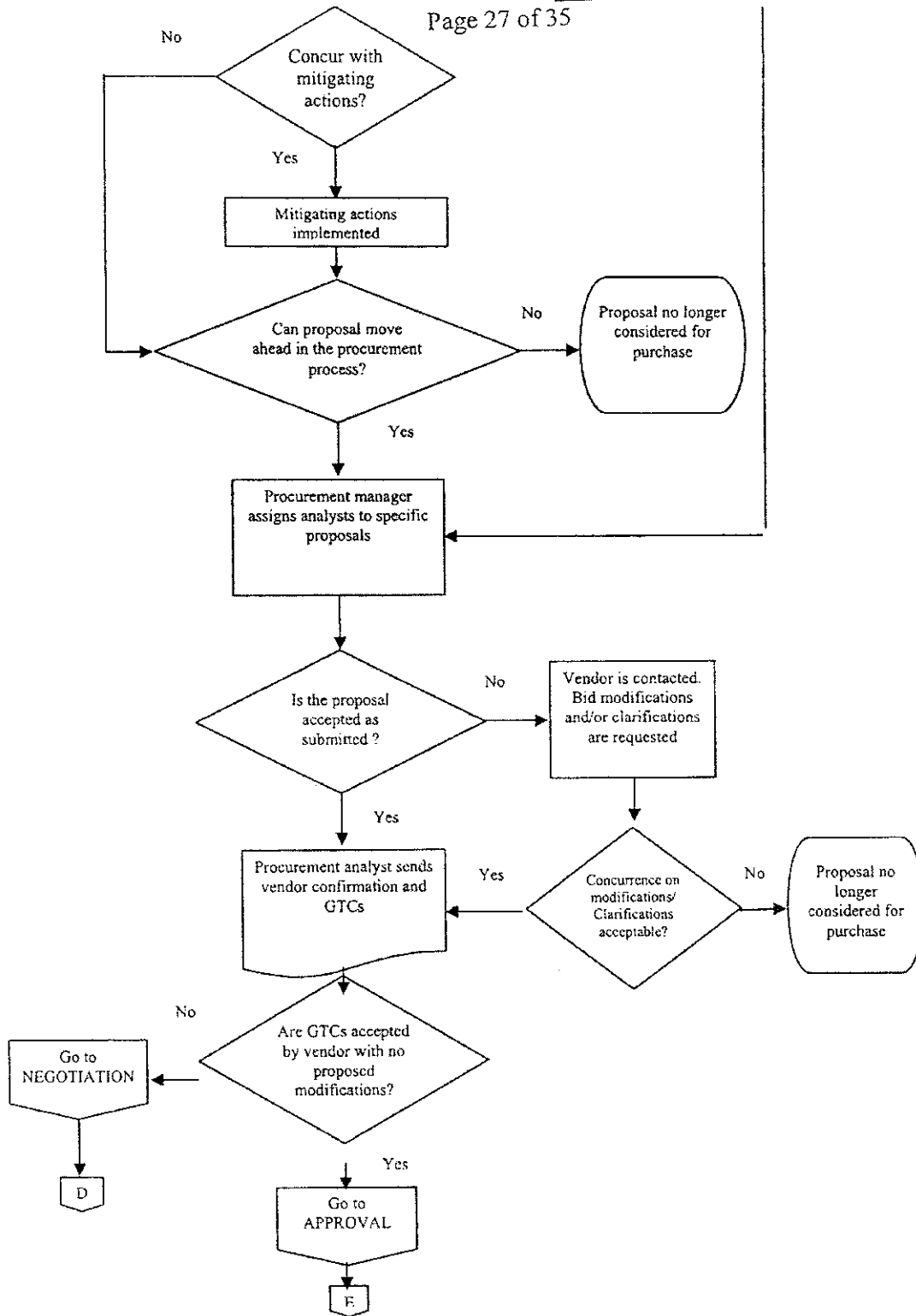
Coal will not be loaded for PEC plants until a Confirmation Letter and/or Contract is signed by both PEC and the counterparty.

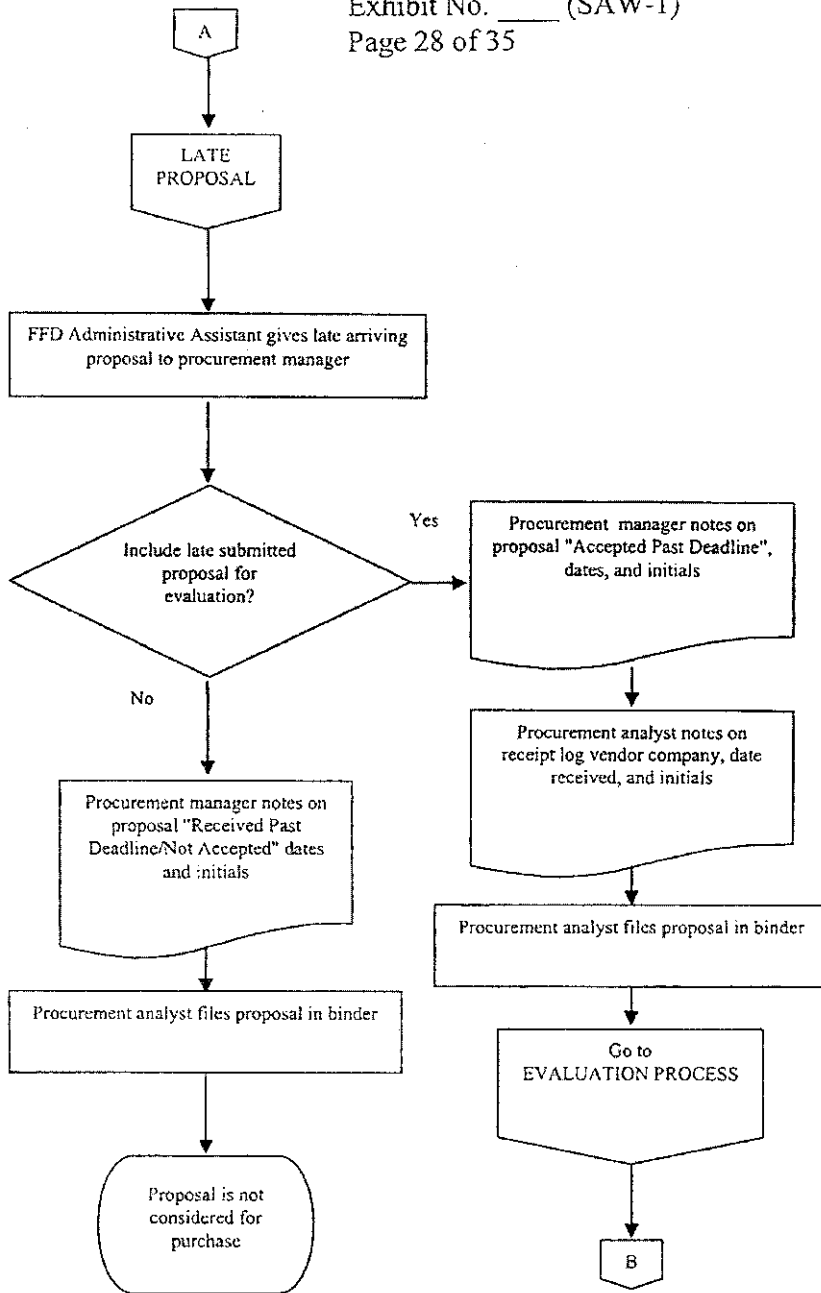
The procurement analyst saves the finalized electronic copy in the section's common directory, updates and distributes the Contract Summary report to the department, and completes a "Deal Ticket" which is then provided to Fuel Administration for entry into FMS.

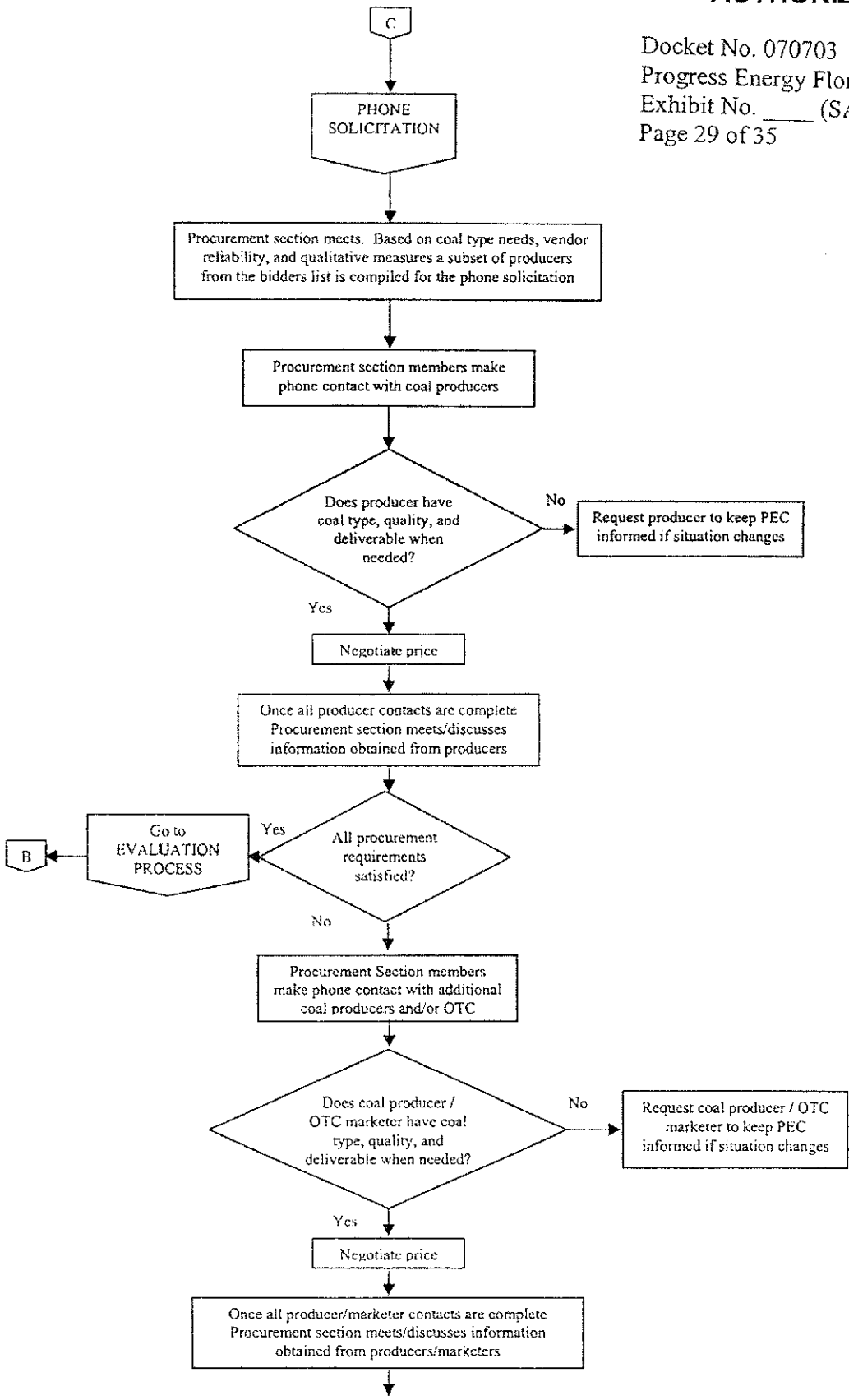


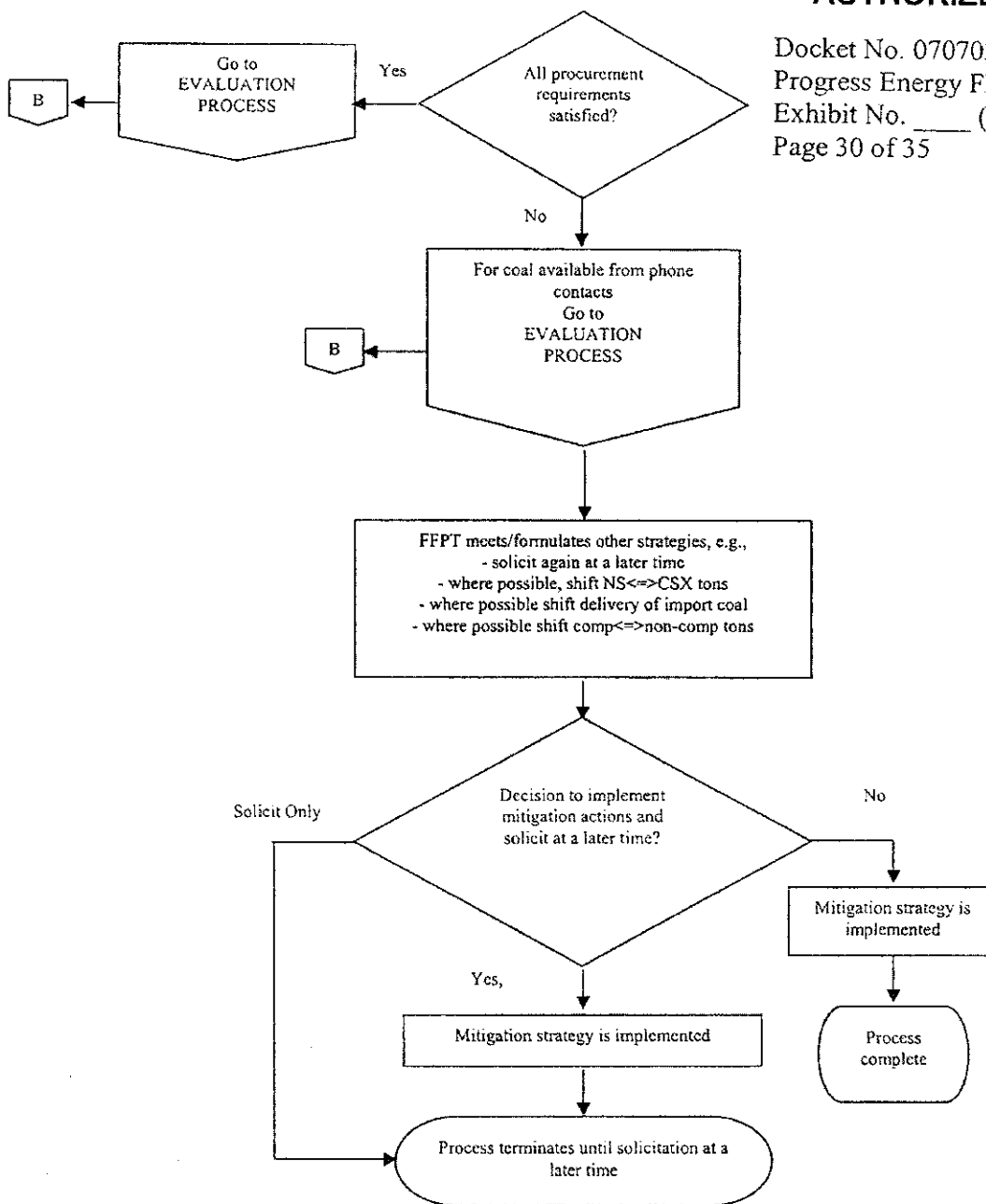


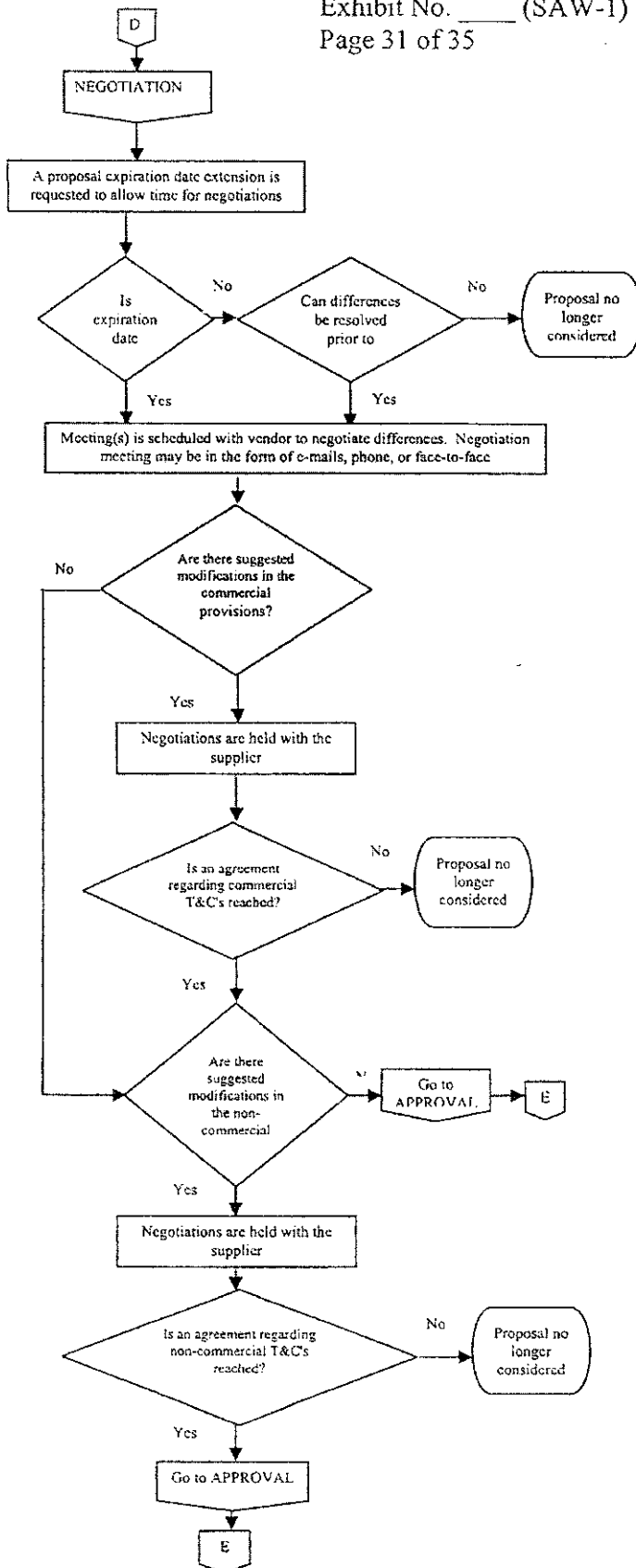


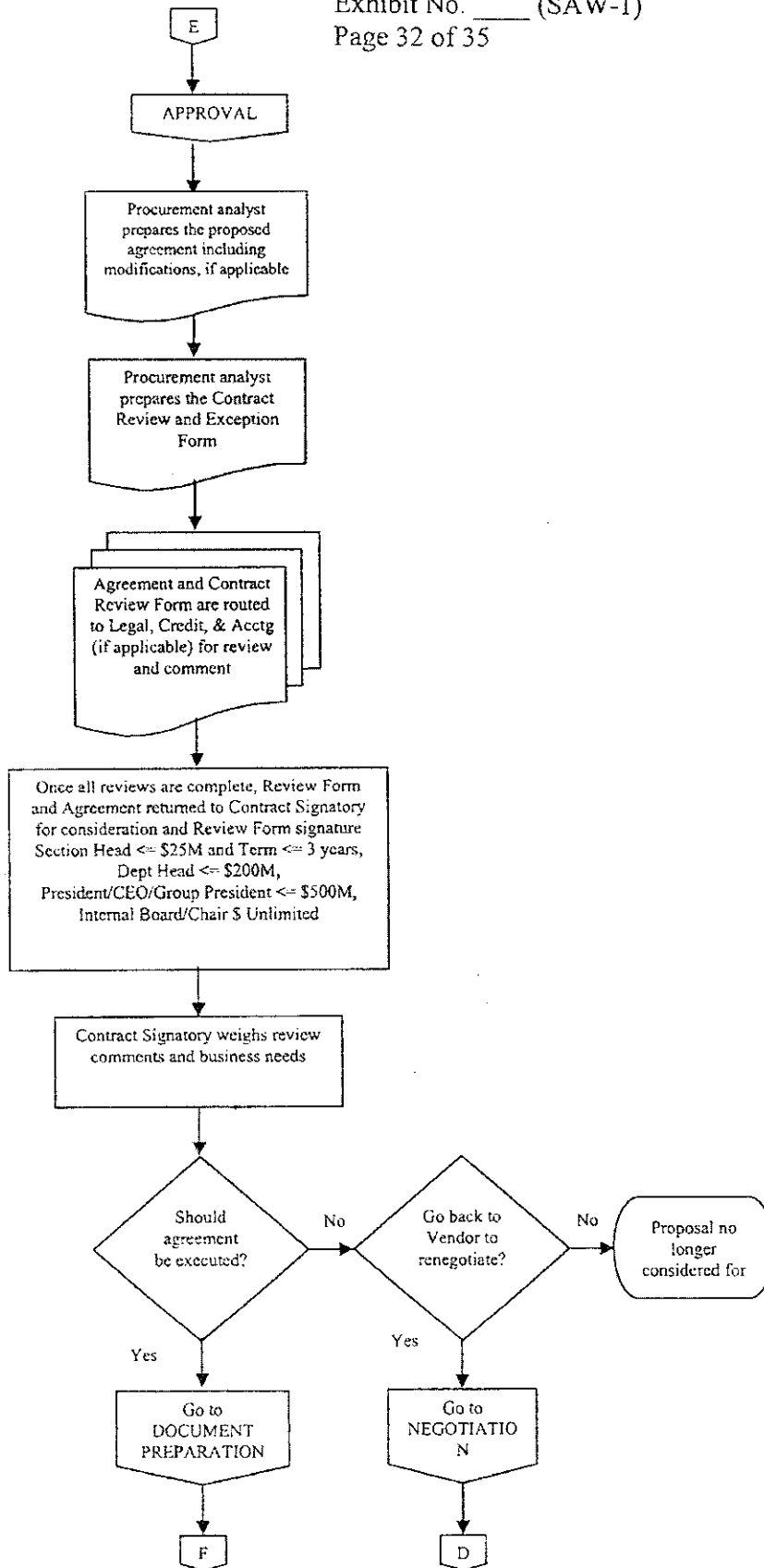


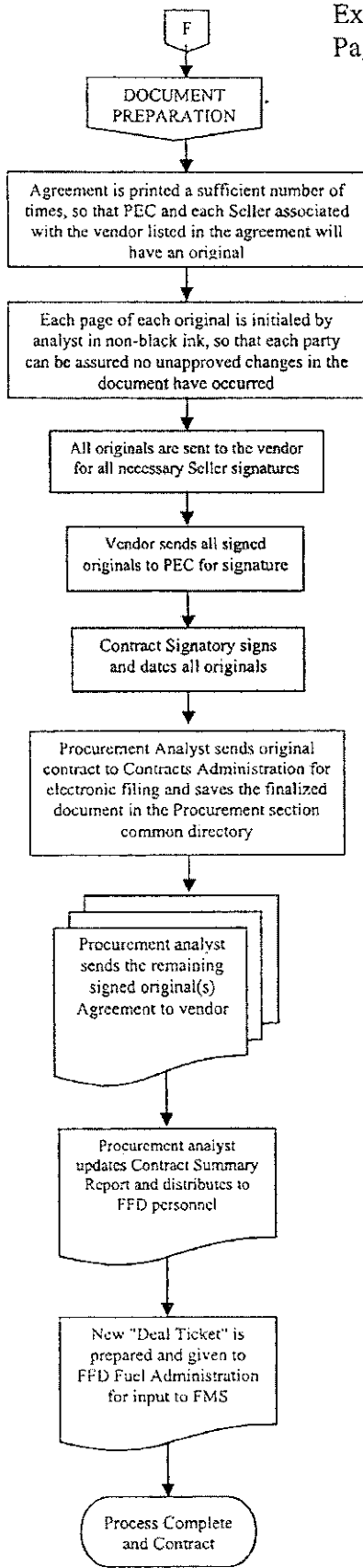












Recent Updates to the Authority

The following delegation of authority is being implemented for Commodity Origination Deals and Fuel/Energy/Transportation Procurement:

Position Level	Commodity Origination Deals ^{Note 4}			Fuel / Energy Purchases and Transportation ^{Note 6}	
	Capital Outside Forecast ^{Note 2}	Term (Years)	Total Nominal Value	Term (Years)	Total Nominal Value
Internal Board / Chair ^{Note 1}	^{Note 3}		Unlimited		Unlimited
President / CEO / Group President	\$10 million	10	\$250 million	-	\$500 million
Department Head	\$1 million	6	\$100 million	-	\$200 million
Section Head / Director				3	\$25 million

elements of term

again

- Transaction approval derives from the Internal or subsidiary board. The Progress Energy Carolina's Chair (who currently is also the PGN CEO) will approve contracts / deals on its behalf.
- For non-regulated subsidiaries, Capital Outside Forecast is defined as that amount outside the approved capital budget. For regulated commodity transactions, capital to support the 5 year forecast and/or 10 year resource plans will be reviewed with Finance Committee and Board in September and December per slide
- Transactions that exceed the strategic investment guidelines (\$20 million) or the capital budgeting guidelines must be reviewed with the PGN Finance Committee.
- Commodity / Origination Deals address structured deals (Buy or Sell) with terms greater than 1 year involving energy, gas, oil, coal, and plant tolling purchases. Commodity transactions less than 1 year are considered trading activities governed by Enterprise Risk Management guidelines
- Fuel / Energy Purchases and Transportation addresses procurement of fuel for plants including coal, natural gas and fuel oil; and any related activities such as transmission, transportation, and storage. Also addresses Power Purchase arrangements greater than 1 year.

EXHIBIT 1

Docket No. 070703
 Progress Energy Florida
 Exhibit No. _____ (SAW-1)
 Page 34 of 35

AUTHORIZED COPY



Above levels in effect immediately
 D. LAMM R. PHILLIPS 9.30.04 B. Knight



Exhibit 2

Contract Review and Exception Form

Docket No. 070703
Progress Energy Florida
Exhibit No. ____ (SAW-1)
Page 35 of 35

Date:

Entity:
Counterparty:
Type of Contract:

Exceptions to standard form/noteworthy provisions:

- 1.
- 2.
- 3.

Contract Administrator

Reviewed by: _____
Comments:

Legal (____ please review non-standard terms referenced above)

Reviewed by: _____
Comments:

Credit (____ please review non-standard terms referenced above)

Reviewed by: _____
Comments:

Accounting (____ please review non-standard terms referenced above)

Reviewed by: _____
Comments:

Contract Signatory: _____



February 3, 2006

Dear Prospective Bidder:

REQUEST FOR PROPOSALS FOR COAL SUPPLY

Bid Deadline: (02/15/2006)

Time: 12:00 (noon) EDT

Progress Energy Florida ("PEF") is soliciting your proposal for coal deliveries to Progress Energy Florida Inc.'s *Crystal River Units Nos. 4 and 5 ("Crystal River")*, beginning in January of 2007. Offers may be submitted for terms of one (1) to three (3) years. PEF prefers a quote for a minimum of 150,000 tons annually to be delivered in generally ratable monthly amounts; however quotes for lesser quantities will be considered. The quality of all coal should conform to the "Required Coal Specifications" listed on the attached Coal Producers' Solicitation Form. All guaranteed values are expected to be met on a per shipment basis.

For domestic coal PEF will consider barge loading origins for the quoted product.

- (i) For barge deliveries all prices should be quoted FOB the barge. The Bidder should indicate any loading dock preferences.

In the case of (i), the quoted price should be inclusive of all taxes, fees and all other charges to mine, produce, load and deliver the coal to PEF at the applicable delivery point.

For import coal all prices should be quoted as a delivered price to a New Orleans, Louisiana or Mobile, Alabama area import terminal in self-discharged vessels (belted-type vessels are preferred), with the supplier retaining title and risk of loss to the coal until the coal crosses the ship's rail as it is being unloaded at the applicable delivery point. The quoted price shall be inclusive of all taxes, fees, insurance, freight and other charges to mine, produce, load and deliver the coal to PEF at the applicable delivery point.

PEF prefers a price quote which is effective as of January 1, 2007 and is fixed for a minimum of twelve (12) months thereafter. For proposals of duration longer than twelve (12) months, PEF will consider both fixed price quotes and proposals containing price adjustment mechanisms. For proposals for duration of three (3) years, PFC will also consider quotes containing a price reopener.

Although not necessarily dispositive, PEF strongly prefers to utilize the PEF Coal Purchase Confirmation together with the General Terms and Conditions which are attached thereto and incorporation therein by reference (collectively the "PEF GTC") in the event it chooses, in its sole discretion to award any contract(s). PEF will make copy of the PEF GTC available for review to those Bidders, if any, making the "short list".



Your proposals are due by 11:00 a.m. Eastern Daylight Time (EDT) February 15, 2006. Proposals should be sent back on the attached Coal Producers' Solicitation Form. For multiple proposals, a separate form is required for each proposal. Please include all available analysis for the coal (i.e., proximate, ultimate, sulfur forms, mineral analysis of ash, ash fusion temperatures, trace element). If you desire to show a typical value, please ensure that you also include your guaranteed values in order for your proposal to be considered. If your proposal includes a blended product from various seams, please provide the quality data for the blended product as well as for each individual seam from which you would expect to ship coal should you be awarded a contract.

Electronic submissions are preferred but hardcopy submissions will be accepted provided that they are sealed. The proposals should be marked "Progress Energy Florida Coal Proposal – Term Contract Compliance Coal Quotation" in the subject line (or on the face of the envelope if submitted by hard copy) and returned to:

Annette Britton (annette.britton@pgnmail.com)
c/o Progress Energy Carolinas, Inc.
Regulated Fuels Department
410 S. Wilmington St.
Mail Code: PEB 10
Raleigh, NC 27601

Proposals submitted to any other person or address will not be considered. Proposals should be valid, binding and irrevocable for thirty (30) Business Days (as defined below) from February 15, 2006. For the purposes of this Request for Proposals, a "Business Day" shall mean any day on which the Federal Reserve member banks of New York, New York are open for business, except for Saturdays, Sundays, or Holidays.

We encourage offers that provide added value to Progress Energy Florida including (i) annual tonnage flexibility (expressed as a percentage); (ii) unilateral extension option(s) for PEF; (iii) innovative pricing proposals; or (iv) potential partnering and/or strategic opportunities. Proposals will be evaluated not only on a delivered cost basis but also on a performance cost basis including, but not limited to, coal and ash handling impacts, generating station operating costs and environmental compliance.

Progress Energy Florida hereby reserves the right to waive informal technicalities and/or irregularities, to reject any and all proposals for any reason, and/or to accept or reject any proposal or proposals, as determined to be in the best interests of Progress Energy Florida in its sole and absolute judgment. In addition, Progress Energy Florida reserves the right to make inspection(s) of the mine(s), loading points and/or operations involved, and to further negotiate the terms and conditions of Bidder's proposal(s) or to award or not award the contract(s) and/or purchase order(s) on the basis of the proposal(s) as submitted, without further discussions, negotiations and/or explanations.



This constitutes a Request for Proposals only. In no event shall PEF be deemed to have accepted any offer by any Bidder unless and until a written acceptance of such offer (which acceptance may be evidenced by a written agreement to purchase such coal) is executed by a duly authorized representative of PEF.

If you have any questions, please contact Barbara Coppola (919) 546-6002 or Eddie Vinson at (919) 546-3622.

Attachments



PROGRESS
Energy
Florida

COAL PRODUCERS' SOLICITATION FORM
CRYSTAL RIVER 4 & 5
PAGE 1 OF 3

Docket No. 070703
Progress Energy Florida
Exhibit No. ____ (SAW-2)
Page 4 of 6

PRODUCER NAME:		
STREET ADDRESS:		
CONTACT:		TELEPHONE NO.:
MINE(S):	BOM DISTRICT:	COUNTY: STATE:
ORIGIN RAILROAD(S)/DISTRICT: EK ____ CV ____ Big Sandy ____ Other ____		R/R TIPPLE DESIGNATION/NUMBER:
TYPE OF LOADING FACILITY: UNIT TRAIN: _____ SINGLE CAR: _____ TRAINLOAD: _____		
MAXIMUM LOADING CAPACITY: _____ TONS _____ HOURS _____ TRACK CAPACITY		
WATER DELIVERY CAPABILITY: ____ YES ____ NO		IMPORT COAL: LOAD PORT _____
SHIP THROUGH: _____ DOCK		LOAD RATE: _____
TOTAL PRODUCTION CAPACITY PER MONTH: _____ TONS		
PRODUCTION PER MONTH—MEETING OUR COAL SPECIFICATIONS: _____ TONS		
TYPE OF MINE: ____ % DEEP ____ % STRIP ____ % AUGER		
SEAMS:		BLEND RATIOS:
COAL PREPARATION: _____ RAW _____ WASHED _____ COMBINATION		
TYPE OF COAL WASHER, IF WASHED:		
TYPE OF COAL SAMPLING:		
TYPE OF LABOR CONTRACT(S):		DATE FOR RENEGOTIATION:
TYPE OF COAL WEIGHING:		SCALE CERTIFIED? ____ YES ____ NO
PERIOD	TONNAGE	BASE PRICE PER TON FOB MINE
IF THIS COAL IS OFFERED BY A COMPANY OR INDIVIDUAL WHICH IS NOT THE PRODUCER PLEASE INDICATE SO BY MAKING AN "X" IN THIS SPOT.		
PRODUCER'S COMMENTS:		
CREDIT REFERENCES (Minimum two):		
INDUSTRY REFERENCES (Minimum four):		
SIGNATURE:		TITLE: DATE:
MAIL THIS FORM AND ANY ADDITIONAL INFORMATION TO: Ms. Annette Britton annette.britton@pef.com c/o Progress Energy Carolina, Inc. Regulated Fuels Department 410 S. Wilmington Street Mail Code PEB-10 Raleigh, NC 27607		



CURRENT QUANTITY

DESCRIPTION	OFFERED COAL SPECIFICATIONS		REQUIRED COAL SPECIFICATIONS	
	"AS RECEIVED" AVERAGE OR TYPICAL	"AS RECEIVED" GUARANTEED	BITUMINOUS "AS RECEIVED" GUARANTEED	SUB-BITUMINOUS "AS RECEIVED" GUARANTEED
MOISTURE (TOTAL) %			8.0% MAX.	30.0% MAX.
SURFACE MOISTURE %			5.0% MAX.	5.0% MAX.
ASH %			10.0% MAX. ²	7.8% MAX. ²
SULFUR DIOXIDE (LB/METU)			1.2 LB/MAX. ¹	1.2 LB/MAX. ¹
BTU/LB			12,300 MIN.	8,200/LB MIN.
ASH SOFTENING DEGREES FAHRENHEIT H=W (R)			2,500 MIN.	2,200 MIN.
VOLATILE %			31.0% MIN. ¹	31.0% MIN. ¹
GRINDABILITY, HARDGROVE			42 MIN. ³	65 MIN. ³
SIZE			2" X 0"	2" X 0"
FINES (-1/4" X 0")			45% MAX. ⁵	30% MAX. ²
PYRITIC SULFUR			0.2% MAX. ¹	0.2% MAX. ¹
FIXED CARBON %			-----	-----
HYDROGEN %			-----	-----
NITROGEN %			-----	-----
CHLORINE %			-----	-----
OXYGEN %			-----	-----

¹Must be met on an individual shipment basis.

²Adjustable in direct proportion to Btu.

³Adjustable in inverse proportion to Btu.

⁴Economic analyses will be based on these values.

⁵Preferred value, coals not meeting this specification will be considered.

MINERAL ANALYSIS %WEIGHT			TRACE ELEMENTS PPM IN COAL		
DESCRIPTION	AVERAGE	STD. DEV.	DESCRIPTION	AVERAGE	STD. DEV.
P ₂ O ₅			Antimony		
SiO ₂			Arsenic		
Fe ₂ O ₃			Beryllium		
Al ₂ O ₃			Cadmium		
TiO ₂			Chromium		
CaO			Cobalt		
MgO			Fluorine		
SO ₃			Lead		
K ₂ O			Lithium		
Na ₂ O			Manganese		
Undetermined			Mercury		
Base/Acid Ratio			Nickel		
Maximum Base/Acid Ratio			Selenium		



PROJECTED QUALITY

*NOTE: ADD SHEETS IF MORE THAN ONE SEAM

DESCRIPTION	OFFERED COAL SPECIFICATIONS		REQUIRED COAL SPECIFICATIONS	
	"AS RECEIVED" AVERAGE OR TYPICAL	"AS RECEIVED" GUARANTEED	BITUMINOUS "AS RECEIVED" GUARANTEED	SUB-BITUMINOUS "AS RECEIVED" GUARANTEED
MOISTURE (TOTAL) %			8.0% MAX.	30.0% MAX.
SURFACE MOISTURE %			5.0% MAX.	5.0% MAX.
ASH %			10.0% MAX. ²	7.8% MAX. ²
SULFUR DIOXIDE (LB/MBTU)			1.2 LB/MAX. ¹	1.2 LB/MAX. ¹
BTU/LB			12,300 MIN.	8,200/LB MIN.
ASH SOFTENING DEGREES FAHRENHEIT H-W (R)			2,500 MIN.	2,200 MIN.
VOLATILE %			31.0% MIN. ¹	31.0% MIN. ¹
GRINDABILITY, HARDGROVE			42 MIN. ³	65 MIN. ³
SIZE			2" X 0"	2" X 0"
FINES (-1/4" X 0")			45% MAX. ⁵	30% MAX. ⁵
PYRITIC SULFUR			0.2% MAX. ¹	0.2% MAX. ¹
FIXED CARBON %			-----	-----
HYDROGEN %			-----	-----
NITROGEN %			-----	-----
CHLORINE %			-----	-----
OXYGEN %			-----	-----

¹Must be met on an individual shipment basis.
²Adjustable in direct proportion to Btu.
³Adjustable in inverse proportion to Btu.

⁴Economic analyses will be based on these values.
⁵Preferred value, coals not meeting this specification will be considered.

MINERAL ANALYSIS %WEIGHT			TRACE ELEMENTS PPM IN COAL		
DESCRIPTION	AVERAGE	STD. DEV.	DESCRIPTION	AVERAGE	STD. DEV.
P ₂ O ₅			Antimony		
SiO ₂			Arsenic		
Fer ₂ O ₃			Beryllium		
Al ₂ O ₃			Cadmium		
TiO ₂			Chromium		
CaO			Cobalt		
MgO			Fluorine		
SO ₃			Lead		
K ₂ O			Lithium		
Na ₂ O			Manganese		
Undetermined			Mercury		
Base/Acid Ratio			Nickel		
Maximum Base/Acid Ratio			Selenium		

Company Name	Contact Name	Company Address	Contact Email	Phone Number	Response	Reason	Comments
Adaro Envt Americas	Frederick J. Merrill	1401 Mariana Avenue West Suite 910 Bradenton, FL 34205	fm@adob.com	P: 941.747.2630 F: 941.747.8081	Yes / URS 02-13-06; 2:30 p.m.	PPCFE	02
AER Coal Sales Company	Timothy Monson	150a Old Bridge Court Lexington, KY 40513	monson@asqhibb.com	P: 059.224.2368	Yes / email 02-13-06; 11:00 a.m. / Modified 02-14-06; 2:32 p.m.	PPCFE2006-01	Eric
Alliance Coal Sales Corp	Tim J. Whelan	1211 Mariana Avenue Coral Gables, FL 33134	tm.whelan@aerco.com	P: 305.448.6164 F: 305.448.6894	No		
Alpha Coal Sales Co., LLC	L. Ellis Ousebury	6201 Fairview Road Suite 200 Charlotte, NC 28210	lousebury@alphacoil.com	P: 704.643.5013 F: 704.643.5015 C: 704.905.1544	Yes / email 02-15-06; 10:13 a.m.	PPCFE02006-11	
Alpha Coal Sales Co., LLC	Rick Meade	One Energy Place Suite 1000 Latrobe, PA 15650	rmeade@alphaoil.com	P: 276.679.7041 F: 276.628.9025 C: 423.534.4924	No		
AMCI Export Corp	Eroie L. Thrasher	One Energy Place Suite 2000 Latrobe, PA 15650	erl@amciexport.com	P: 724.537.2444 F: 724.537.2382 C: 412.427.2640	No		
AMVEST Coal Sales, Inc.	James F. McSherry	PO Box 5347 Charlottesville, VA 22905-5347	mcsherry@mail.amvestcorp.com	P: 434.972.7770 F: 434.295.7741	No		
Apex Coal Sales	David E. Long	Six Mountain Meadows Chapmanville, WV 25509	apexcoalsales@charter.net	P: 304.752.2365 F: 304.752.5769 C: 304.687.2365	No		
Appalachian Fuels, LLC	John C. Smith	1500 North Big Run Road Ashland, KY 41102	JSmith@AppalachianFuels.com	P: 606.928.0495 F: 606.928.4048	No		
Arch Coal Sales	Mark Canon	1 City Place, Suite 300 St. Louis, MO 63141	mcannon@archcoal.com	P: 314.994.2803 F: 314.984.3718 C: 314.376.5914	No		
BHP Billiton Energy Coal	Victor V.I. Valenzuela	Vespucio Sur 100, Piso 7 Las Condes Santiago, Chile South America	Victor.V.Valenzuela@BHPBilliton.com	P: 011.56.2.330.5981 F: 011.56.2.330.5418	No		
Black Gold, LLC	Dan Hendrickson	410 Winterham Drive Abingdon, VA 24211	danhendrickson@comcast.net	P: 276.623.8338 F: 276.619.2499	No		
Central Appalachian Mining	Mike Golf	116 Main Street PO Box 1198 Pikeville, KY 41502	mgolf@centralappminn.com	P: 606.432.3900, ext 306 606.432.0031			
Central Coal Co	Shirley Sentors Clark Wisman	148 Bristol East Road Bristol, VA 24202	Ssentors@centralcoal.com cwisman@centralcoal.com	P: 276.669.8509 F: 276.669.3543	Yes / email 02-13-06; 3:34 p.m. Yes / email 02-15-06; 11:00 a.m.	PPCFE2006-03 PPCFE2006-17	
Cline Group, The	Michael F. Moran	21129 Golf Estates Drive Laytonsville, MD 20882	mmoran@cline.com	P: 704.502.7472	No		
Clonch, Richard (no co name given)	Richard Clonch	2720 Willow Oak Circle Charlottesville, VA 22901-9526	rclonch@hotmail.com	P: 240.667.2542 F: 240.663.6770	No		
CMC - Coal Marketing Co	Andrew (Andy) W. Cox	2720 Willow Oak Circle Charlottesville, VA 22901-9526	andy.cox@cmc-coal.com	P: 434.984.2625 F: 434.984.2624 C: 434.409.5208	Yes / email 02-15-06; 11:00 a.m.	PPCFE2006-10	
Coal Energy Resources Inc.	Greg Jordan	PO Box 2043 Abingdon, VA 24210	gregjordan@comcast.net	P: 540.676.3101 F: 540.676.3068	No		
Coal Marketing Co Ltd.	Francisco J. Garcia	Carrera 54 472-80, P.20 Barranquilla, Colombia South America	carjordan@aol.com Francisco.garcia@cmc-coal.co	P: 011.57.5.350.2123 F: 011.57.5.350.2475	No		
Coal Report Newsletter	Will Fitzgerald		wfitzgerald@aol.com	P: 865.694.0403 F: 865.693.0432	No		
Coal Sourcing and Sales, Inc.	Sam Brovman	Drawer 1876 Lewisburg, WV 24901	ssbrovman@charcoalincpl.com	P: 304.645.5850 F: 304.645.5009	No		
Commonwealth Coal Sales, L.C.	Robert H. Scott	5413 Patterson Avenue Suite 205 Richmond, VA 23226	robtscoth@commonwealthcoal.com	P: 804.282.9826 F: 804.282.9836	No		
Compass Coal Services, LLC	William E. Massoy, Jr.	808 Morefield Park Drive Suite 206 Richmond, VA 23236	wmassoy@compassenergy.net	P: 804.320.6800 F: 804.320.1673 C: 804.218.0060	No		
CONSOL Energy Inc.	Dennis P. Duffly	3330 Cumberland Boulevard Suite 440 Atlanta, GA 30339	dennis.duffly@consolenergy.com	P: 770.951.2625 F: 770.951.0601	No		
CONSOL Energy Inc.	Barbara Moore	3330 Cumberland Boulevard Suite 440 Atlanta, GA 30339	barbaramoore@consolenergy.com	P: 770.951.2625 F: 770.951.0601	No		
Constellation	Robert Nelson	750 East Pratt Street Baltimore, MD 21202	robert.nelson@constellation.com	P: 713.628.7248 F: 713.544.6052 C: 713.206.6141	Yes / email 02-15-06; 11:50 a.m.	PPCFE2006-21	
Corona Resources	John Selbel	176 Barnwood Drive Edgewood, KY 41017	coronaresources@aol.com	P: 859.426.1375 F: 859.426.7295	No	PPCFE2006-07-1	Eric

Docket No. 070703
 Progress Energy Florida
 Exhibit No. (SAW-3)
 Page 1 of 4

Company Name	Contact Name	Company Address	Contact Address	Phone Numbers	Response	Date
DTE Inc.	D. Tate Rich	Cavaler Building, Suite 404 95 White Bridge Road Nashville, TN 37205	dte@dtetel.net	P: 615.352.5484	Unable to deliver message / email	
Dominion Energy	Douglas C. Young	PO Box 25593 Richmond, VA 23200	douglas_young@dom.com	P: 804.787.5778 F: 804.787.6482	No	
Drummond Coal Sales, Inc.	Rick Cole	300 Arboretum Place Suite 140 Richmond, VA 23230	rickcole@drummondco.com	P: 804.323.3004 F: 804.323.3227 C: 804.239.8350	No	
Drummond Coal Sales, Inc.	Dennis J. Steul	1000 Urban Center Drive Suite 300 Vestavia Hills, AL 35242	djsteul@drummondco.com	P: 205.945.6411 F: 205.945.6440 C: 205.803.8705	Yes / email 02-15-08, 10:49 a.m.	PFCFEB2006-14
DTE Coal Services, Inc. DTE Energy	George Rumsey Rolando Sanz-Guerrero	425 South Main Street Suite 201 Ann Arbor, MI 48104	rumseyg@dteenergy.com rsanzguerrero@dteenergy.com	P: 734.913.5877 F: 734.994.5849	Unable to deliver message / email	
East River Coal Co	Ronald L. Whalen	PO Box 1451 Bluefield, WV 24701	rcwc@earthnet.net	P: 304.327.2598 F: 304.325.3708	No	
Emerald International Corp	Chris Hastings		chastings@emeraldcoal.com	P: 859.525.2522 F: 859.525.4052 C: 304.382.3435	No	
Emerald International Corp	Steven E. Weber	6895 Burlington Pike Florence, KY 41042	steve.weber@emeraldcoal.com	P: 859.525.2522 F: 859.525.4052	Yes / email 02-15-08, 10:17 a.m.	PFCFEB2006-13
Energy Argus	Jack Wells Abby Caplan	1012 14th Street, N.W. Suite 1509 Washington, DC 20005	jackwells@energyargus.com abbycaplan@energyargus.com	P: 202.775.0240 F: 202.872.8045	No	
Energy Consulting, Inc.	Robert Lewis	7212 Kingston Pike Knoxville, TN 37918	rlw@ecinc.com	P: 865.584.9200 F: 865.588.2888	No	
Energy Publishing, LLC	Jim Thompson	PO Box 52210 Knoxville, TN 37950	jthompson_ep@nss.net	P: 865.588.0645 F: 865.650.6101	No	
Evolution Markets LLC	Thomas Hienstra	10 Bank Street White Plains, NY 10606-1933	thienstra@evolutionmarkets.com	P: 914.323.0200 F: 914.328.3701 C: 770.377.0968	No	
First American Coal Foundation Coal GA Options, LLC	Charles R. Reaser Patrick Runey Michael Orienza	390 5th Avenue New York, NY 10018	creaser1@aol.com pruney@foundationcoal.com m Orienza@gaoptions.com	P: 212.947.1284 F: 212.947.3339	No No No	
Garland Coal Co	Dick Pitkay	300 Forest Park Boulevard PO Box 10288 Knoxville, TN 37939-0288	dickpitkay@gar.com	P: 865.588.9711 F: 865.588.7130	No	
Glenore Ltd.	John McConaghy	Three Stamford Plaza 301 Tresser Boulevard Stamford, CT 06901-3244	John.McConaghy@glenore.us.com	P: 203.328.4958 F: 203.979.2630	Yes / email 02-15-08, 11:54 a.m.	PFCFEB2006-22
Guasara Coal International n.v.	Hernando Torrealba	137 - 143 Hammersmith Road London W14 0GL United Kingdom	hertorrealba@cabozulia.com.mx htoro@GCI-UK.NET	P: 44.207.471.3806 F: 44.207.471.3809	No	
Infinity Coal Sales	Joaquin Soto Thomas A. McQuade	3315 Springbank Lane Suite 106 Charlotte, NC 28226	tom.mcquade@infinitycoal.net jsoto@GCI-UK.NET	P: 704.542.4100, ext 11 F: 704.542.4107 C: 704.904.4611	No	
Integrity Coal Sales, Inc.	Kevin McEvoy	490 Wheeler Road, Suite 105M Hauppauge, NY 11788	kevmc@integritycoal.net	P: 631.582.6340 F: 631.582.6364	No	
Inter-American Coal, Inc.	Marcel L. J. van den Berg	5016 Dorsey Hall Drive Suite 202 Ellicott City, MD 21042	mwendervern@interamcoal.com	P: 410.730.6800 F: 410.997.6842 C: 443.756.3133	Yes / Email 02-15-08, 9:15 a.m.	PFCFEB2006-09
(ICG) International Coal Group, Inc.	Bud Runyon	2000 Ashland Drive Ashland, KY 41102	brunyon@intlcoal.com	P: 806.920.7420 F: 806.920.7788 C: 806.922.8599	Yes / Email 02-15-08, 10:02 a.m.	PFCFEB2006-10
James River Coal Sales, Inc.	Mark Dooley	501 East Byrd Street Suite 1800 Richmond, VA 23219-4080	markdooley@jamesrivercoal.net	P: 804.700.3003 F: 804.648.9310	Yes / UPS 02-14-08, 2:03 p.m.	PFCFEB2006-04
Jim Walter Resoures, Inc.	Rodney L. Camp	PO Box 133 Bircelwood, AL 35444	rcamp@jwmine.com	P: 205.554.6230 F: 205.554.6181	No	
K&P Mining	Mike Perill		kp4589@verizon.net	P: 304.872.4586 C: 304.546.0718	NO BID / 02-15-08, 5:33 p.m.	PFCFEB2006-24
Kennecott Energy Co	J. Michael E. Kelley	565 South Gillette Avenue Gatete, WY 82718	mike_kelley@kennecottenergy.com	P: 307.686.6121 F: 307.687.6009 C: 303.886.5502	No	
Kentucky Cumberland Coal Co	Mary Lou Risley James R. "Kenny" Gillum	PO Box 151 403 North Tennessee Ave Suite 1 LaFollette, TN 37765	MaryLou.Risley@kennecottenergy.com phd@rccl@bellsouth.net	P: 423.562.4760 F: 423.566.5646	No	
Keystone Industries	Mike Galens		mike.keystone@tsc.com	P: 239.333.3316 C: 239.822.8401	No	

Docket No. 070703
 Progress Energy Florida
 Exhibit No. _____ (SAW-3)
 Page 2 of 4

Company Name	Contact Name	Company Address	Contact Email	Phone Numbers	Bid Status	Response Time	Expiration Date
Koch LLC	John D. Bach	20 East Greenway Plaza Houston, TX 77046-2002	john_bach@koch.com	P: 713.544.5148 F: 713.544.8052 C: 832.485.7854	Yes / email	02-15-06, 11:12 a.m.	PFCFE, 19
Knott Floyd Land Co., Inc.	Earl Knop	PO Box 2766 Pikeville, KY 41502	eknop@kfland.net	P: 608.874.9003 F: 608.874.1261	No		
L & K Coal Company	Joe Czul	86 MacCorkle Avenue, S.W. PO Box 18370 South Charleston, WV 25303-8370	jczul@landk.com	P: 304.746.4011 F: 304.746.4470 C: 304.552.5421	No		
Lake Shore International, Ltd.	Mary Eileen O'Keefe	1362 North State Parkway Chicago, IL 60610	mryeileenokeefe@aol.com	P: 312.482.9701 F: 312.482.9703	No		
Lakeway Fuel Corp.	Paul Gruer	One King James South Suite 118 24700 Center Ridge Road Cleveland, OH 44145	lakeshoreconfid@aol.com lakeway1@aol.net	P: 440.835.2890 F: 440.835.3027	No		
Landmark Mining Co., Inc.	Chris Ratliff	150 Main Street Shebena, KY 41562	ratliffcw@landm.com	P: 608.639.4346 F: 608.639.8348	No		
Logan and Kanawha Coal Co., Inc.	Steve Melton	65 MacCorkle Avenue, S.W. PO Box 18370 South Charleston, WV 25303	smelton@landk.com	P: 304.746.4014 F: 304.746.4470	Yes / email	02-15-06, 8:33 a.m.	PFCFEB2006-08
Louis Droyfus Energy Services	Alper T. Anli		anliA@louisdroyfus.com	P: 203.761.8420 F: 203.761.8424	Yes / email	02-14-06, 4:42 p.m.	PFCFEB2006-05
Louis Droyfus Trading, Ltd	Ruksana Moreea-Taha	Queensbury House 3 Old Burlington Street London W1S 3LD UK	ruksana.moreea-taha@louisdroyfus.co.uk	P: 44.207.586.13.08 C: 44.77.38.311.464	No		
Madison Coal, LLC	Shannon Keeran	PO Box 1493 Ashland, KY 41105-1493	shannon@madisoncoal.com	P: 608.326.1072 F: 608.326.1073 C: 608.465.8279	No		
Massey Coal Sales Co., Inc.	John R. Parker	Four North Fourth Street Richmond, VA 23219	John.Parker@masseyenergyus.com	P: 804.782.1876 F: 804.788.1811	No		
McCloskey Coal Report	Jacqueline ("Jackie") Cantillo	Carretera 81 B 126-08 Bogota, Colombia South America	jcantillo@ccr.com.co	P: 011.57.1.271.5743 C: 011.57.310.8711203	No		
McWane Coal Sales, Inc.	James L. Hansen	1927 First Avenue North Suite 900 Birmingham, AL 35203	jhansen@mcwanepipe.com	P: 205.241.4313	No		
Mir Trade	Elena McCloskey		elena.mccloskey@merlin.nl.com		No		
National Coal Corp	Joey Davis	8915 George Williams Road Knoxville, TN 37923	jdavis@nationalcoal.com	P: 865.690.6900 F: 865.691.9882 C: 865.604.7604	NO BID / 02-15-06, 8:28 a.m.		PFCFEB2006-23
National Coal Corp	Kan Hodak	8915 George Williams Road Knoxville, TN 37923	khodak@nationalcoal.com	P: 865.690.6900 F: 865.691.9882 C: 865.606.9218	No		
Oak Hill Coal Corp.	John A. Collins	PO Box 447 West Liberty, KY 41472	ajcollins@ohcs.net	P: 606.780.0824 F: 606.780.0749	Unable to deliver message / email		
Oxbow Carbon & Minerals LLC	Alicia Levitt	600 Grant Street Suite 450 Denver, CO 80203	Alicia.Levitt@oxbow.com	P: 303.328.2843 F: 303.328.2850	Yes / email	02/14/06, 5:17 p.m.	PFCFEB2006-06
Oxbow Carbon & Minerals LLC	Jay Bruton, Fred Cushman, VP Coal Mkt Devel	7901 South Park Plaza Suite 202 Littleton, CO 80120	jay.bruton@oxbow.com	P: 303.328.2638	No		
Peabody Coalsales Company	Barbara Busby	701 Market Street St. Louis, MO 63101-1826	bbusby@PeabodyEnergy.com	P: 314.342.7898 F: 314.342.7529	Yes / email	02-15-06, 11:23 a.m.	PFCFEB2006-20
Peabody Coalsales Company	William Grebenc Raphael Pierco	701 Market Street St. Louis, MO 63101-1826	Wgrebenc@PeabodyEnergy.com	P: 314.342.7610	Yes / email	02-15-06, 10:14 a.m.	PFCFEB2006-12
Pevler Coal Sales Co.	J. Mark Campbell	PO Box 3388 Charleston, WV 25333	mc2@pevlerresources.com	P: 304.345.1276 F: 304.345.1278	Unable to deliver message / email		
Pickands Mather Coal Co		9717 Chillicothe Road Kirtland, OH 44094	carolita.johns@pmcsc.com	P: 440.256.5254	No		
Pincell & Associates	Nancy James	2008 Albemarle Hixson, TN 37343	nancy.james@pincell.com	P: 423.842.1386	No		
Platts Coal Outlook	Steve Thomas	2912 Sanders Lane Knoxville, TN 37918	stthomas@platts.com	P: 865.281.0360 F: 865.281.0081	No		
Progress Fuels Corp.	Dayton E. Eisel III	410 South Wilmington Street TPP9 Raleigh, NC 27601	Dayton.Eisel@progress.com	P: 919.546.3434	No		
Providence Energy Corp PS Energy Group, Inc.	Bryan Stickney	2987 Clairmont Road Suite 450 Atlanta, GA 30329	bryan.stickney@psenergy.com	P: 404.321.5711 F: 404.321.3938	NO BID / 02-06-06, 5:13 p.m.		PFCFEB2006-25
Rapoca Energy Co.	Ken Stacy	2700 Lee Highway Bristol, VA 24202	rapoca1@naxs.com	P: 276.669.3400	No		
Red River Coal Co., Inc.	Jen LaForce	PO Box 668 Norton, VA 24273	sales@redrivercoal.com		No		

Docket No. 070703
 Progress Energy Florida
 Exhibit No. _____ (SAW-3)
 Page 3 of 4

Contract Name	Contract Name	Company Address	E-Mail Address	Phone Numbers	Response Yes or No / received via	Expiration Date
RVA	James Collins	Wendell Hill Business Park Wendell Way Swanton SN5 6P3	jacollins@rva.com	P: 44 (4) 1793 89 3469	No	
Stimson Coal Co., Inc.	Jerry Cooksey	549 Londonderry Road Cumberland Gap, TN 37724	stimsoncoal@netcommander.com	P: 423.869.4755	No	
Smoky Mountain Coal Corp.	John McDonnell	9725 Coghill Road, Suite 203 Knoxville, TN 37932	johnmcc@smc.com	P: 865.966.8222, ext 2003 F: 865.777.3633	No	
Solar Sources	Jim "Deuce" Patterson Fred A. Bowman	6755 South Gray Road PO Box 47088 Indianapolis, IN 46247-7068	jp2@smcoal@ids.net fredb@solarsources.com	P: 317.788.0084 F: 317.787.0592	No	
Southeast Fuels, Inc.	Ralph Shelton	PO Box 4061 Greensboro, NC 27404	rshelton@southeastfuels.com	P: 336.854.1106 F: 336.547.8720	No	
Southern Appalachian Coal Sales, Inc.	Ken Daniels	8950B Executive Park Drive Suite 100 Knoxville, TN 37923-4616	kdaniels@southernapp.com	P: 865.470.8595 F: 865.470.8644	No	
SSM Petcoke LLC	Alvaro Martinez	10500 Little Patuxent Parkway Suite 510 9891 Brokenland Parkway Columbia, MD 21044	Alvaro.Martinez@ssmcoal.com	P: 410.910.0754 F: 410.910.0630	Yes / email 02-15-08, 10:58 a.m.	PFCFEB2008-16
Stafford Energy, Inc.	John Stafford	1301 Greenup Avenue Ashland, KY 41101-7526	dstafford@stafford.com	P: 606.324.2625 F: 606.326.9142	No	
TECO Coal Corp.	Edward L. Billips	200 Alison Boulevard Corbin, KY 40701	billings@tecsouth.net	P: 606.437.5910 F: 606.437.5912 C: 606.454.2186	Yes / email 02-15-08, 10:55 a.m.	PFCFEB2008-15
Thoroughbred Coal Co.	Steve Isaacs	PO Box 11188 Lexington, KY 40574	stisaacs@thoroughbredcoal.com	P: 606.324.2625 F: 606.326.9142	No	
Trail Energy, Inc.	Bill Andrews	PO Box 220 Greentack, TN 37742	andrews@adelphi.net	P: 865.856.2859 F: 865.983.5319	No	
Transcor Corp	Steve Riedeman		riedeman@transcorcorp.com		No	
TransGlobal Ventures Corp	Frank M. Kolojeski	12000 Lincoln Drive West Suite 108 Mantoloking, NJ 08053	frank@tgv.com	P: 856.396.0800 F: 856.396.0815	No	
Trinity Coal Marketing LLC	George A. McClellan	1051 Mam Street, Suite 100 Milton, WV 25541	gmccl@trinitycoal.com	P: 804.364.5663 F: 804.304.3367 C: 713.304.7306	Yes / email 02-14-08, 0:21 p.m.	PFCFEB2008-07
Trinity Coal Marketing LLC	Dan Edwards	14257 Poplar Meadow Lane Barboursville, VA 22923	d.edwards@directv.com	P: 540.842.5548 F: 540.832.3658 C: 540.842.5548	No	
UBS Energy, LLC	Douglas D. Jacques	677 Washington Boulevard 6th Floor Stamford, CT 06901	Douglas.Jacques@ubs.com	P: 203.719.4770 F: 203.719.1028 C: 203.918.2219	No	
U.S. Steel Mining Co., LLC	J. P. Martha	600 Grant Street, Suite 1680 Pittsburgh, PA 15219-2749	jmartha@ussc.com	P: 412.433.1121 F: 412.433.9839	No	
United Power, Inc.	Dan Vaughn	5601 Ledgestone Drive Evansville, IN 47711	dvaughn@upcoal.com	P: 812.473.5810 F: 812.473.5813	No	
Venro Petroleum Corp.	Frank Hurtado	45 Rockefeller Plaza, Suite 1600 630 Fifth Avenue New York, NY 10111	frankhurtado@venro.com	P: 212.969.1722 F: 212.969.1720	No	
Woodruff Coal Co.	Garry Keen	PO Box 16751 Bristol, VA 24209	garrykeen@yahoo.com	P: 276.699.6518	No	

Progress Energy Florida, Inc.
Regulated Fuels Department

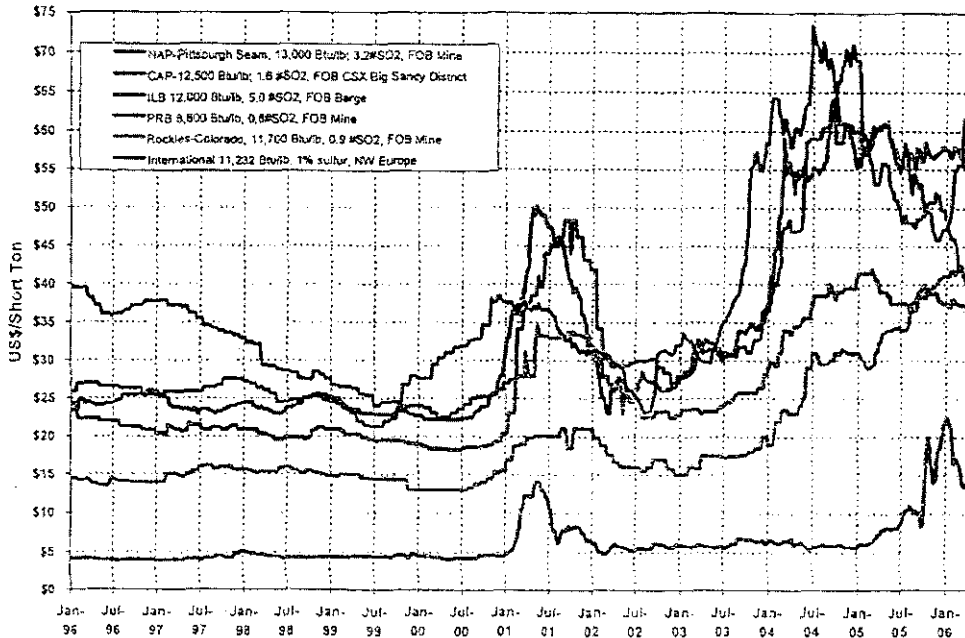
Coal Procurement Plan for February 2006 RFP

March 15, 2006
(Revised: 6/27/06)

INTRODUCTION

A. Historical Coal Prices

Coal prices were historically stable during the period 1980 through 2000. In 2001 an abnormal price spike was attributed to high energy demand and resulting coal burn caused by the California electricity crisis, high prices for alternative fuels, such as natural gas, low hydroelectric prices due to drought in the Pacific Northwest, the hard winter of 2000-2001 and low inventory stockpiles. These situations all occurred during a time when supply was constrained due to years of under-investment in the industry. Prices for coal are less transparent than prices for many other commodities such as natural gas and oil. This relative lack of transparency is due to a number of factors, including a limited futures market (coal futures are traded on only one commodity exchange, the NYMEX) and compared to crude oil and natural gas, relatively low liquidity and dollar volume. In 2004, the market was again disrupted due to shortage of coal in the International market, resulting in high demand and prices for Central Appalachia (CAPP) region coal.



Source: www.eia.gov

B. Historical Coal Production (Supply)

Coal productivity in the U.S. has gone through distinct stages. Prior to 1974, the industry saw steady growth as new equipment and technologies were developed to improve processes and increase productivity. The 1970s brought us the energy crisis and new surface mining laws that dampened production. However, from the early 1980s through the 1990s, coal mine productivity increased steadily as new innovations were developed and increasing demand for coal evolved. Production began to decline again in late 1999-2000 and is slowly starting to increase again, although not to the production levels seen in the late 1990s. Production in 1998 in the CAPP region was approximately 279 million tons and in 2005 it was approximately 235 million tons. In the Eastern U.S., production increased nearly 4% in Northern Appalachia (NAPP) from 2004 to 2005, versus 1% in CAPP, and 2% in the Illinois Basin.

There are three primary factors that are likely to reduce the productivity of CAPP surface mines in the future: higher stripping ratios, the inability to increase equipment size much further and slow lead time to obtain Individual 404 valley-fill permits. Although most surface mine trends point toward lower future productivities, some new highwall-miners have been active in CAPP, and they are usually highly productive machines. As coal prices rose recently, one of the barriers to bringing on new production was the long lead times to obtain permits. However, it is relatively easy for producers to notify state permit offices and add a highwall-miner to a strip job. This trend will most likely continue.

C. Current Market Drivers

We have seen a sustained level of coal price increases in all U.S. coal regions since 2003. This price increase is especially prevalent in the East, where supply is most constrained.

- Reserve depletion in Central Appalachia
- Shortage of coal in the international market
- High oil and natural gas prices
- Continued consolidation of coal producing companies, both in the U.S. and overseas
- Increasing number of publicly traded coal producers with responsibility to shareholders to increase profits
- Out of 203 GW of generation in the East, 45 GW is already scrubbed. Significant scrubbing will start to come on line in 2007 with the total in 2010 expected to be at least 59 GW.
- Fuel switching by scrubbed units could be significant for Northeast, Midwest and Ohio River utilities which could result in the free-up of CAPP supply. Less fuel switching is anticipated for Southeast utilities due to transportation logistics challenges for coal movements from NAPP and Illinois Basin to Southeastern utilities.

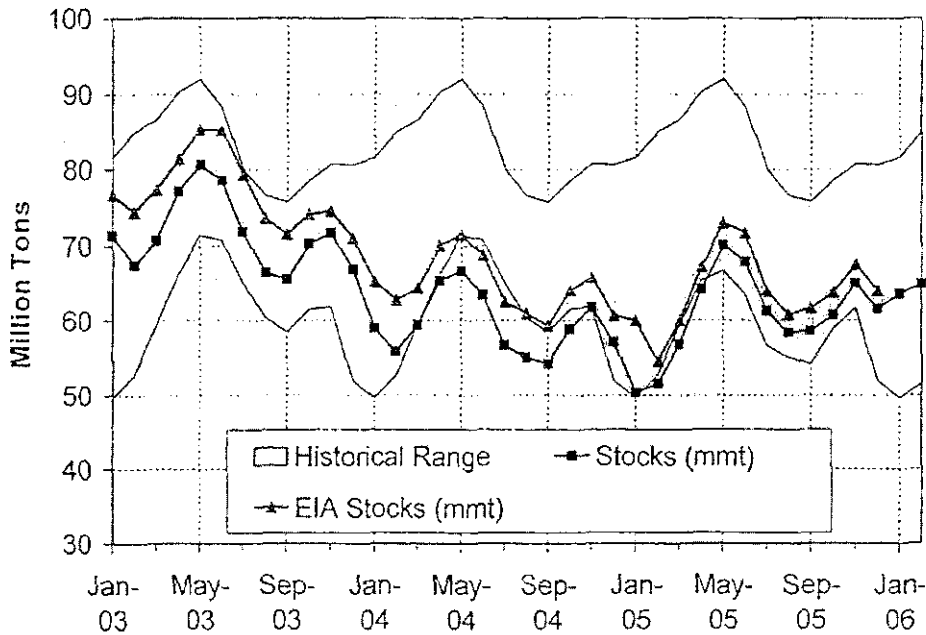
In addition, Eastern utilities experienced poor service from the railroads beginning in 2004 due to traffic growth, resource and power capacity constraints, and increased demand for exports. Increases in the price of diesel fuel, maintenance, and operating costs have led to price increases across all rail systems in order to maintain the railroad's cost of capital. Railroads have also used increased prices in recent months, especially for movements from regions other than CAPP. These increases are due to anticipated new traffic volumes (e.g., NAPP coal moves by NS into the Southeastern U.S.) that they do not currently have the assets to provide these services.

Stockpile changes can have a significant impact on short term demand and market prices. The decline of Eastern utility stockpiles in late 2004 and early 2005 created additional demand for the remainder of 2005 and first quarter 2006. Stock growth in 2006 could support a weakening market in 2007.

Docket No. 070703
 Progress Energy Florida
 Exhibit No. ____ (SAW-4)
 Page 3 of 6

Eastern Utility Stockpile Levels

Year End	MM Tons	Change	Days
2000	51.2	(26.4)	33.9
2001	80.2	29.0	54.4
2002	77.2	(3.0)	51.9
2003	66.9	(10.3)	43.8
2004	57.3	(9.6)	37.4
2005	61.5	4.2	38.9



Source: Energy Ventures Analysis, Inc., data as of February 2006

CONFIDENTIAL

Docket No. 070703
Progress Energy Florida
Exhibit No. ____ (SAW-4)
Page 4 of 6

PEF COAL PROCUREMENT

The outcomes of this Request for Proposal will support the Regulated Fuels Department 2006 Business Plan' strategy for environmental compliance. This strategy's key initiative is to purchase coal for delivery in years 2007-2009. Coal suppliers from a number of regions, domestically and offshore, will receive a copy of the request.

Targets for procurement from this RFP are as follows:

February 2006 PEF RFP Volume Targets

Year	2007	2008	2009	2010	2011
Total Volume Requirement with Hedge (K tons)	2,100				
Breakdown by Quality/Plant					
Crystal River 4 & 5	2,500				
Total by Plant					

RFP RESPONSE SUMMARY

Twenty two suppliers responded to the RFP with approximately over one hundred unique responses.

RFP Analysis Assumptions and Methodologies

Transportation Assumptions

[Redacted content]

[Redacted content]

[Redacted content]

[Redacted content]

[Redacted content]

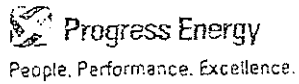
[Redacted content]

[Redacted content]

[Redacted content]

[Redacted content]

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- Targets do not include contractual obligations that might extend beyond the contract term (e.g., make-up tons beyond contract term).

Results and Recommendations

Compliance Coal Strategy

- Procure approximately 500,000 tons of domestic river coal for transport to International Marine Terminal for diversification and blending.
- Procure 2.0 million tons of coal to replace expiring contracts and maximize the economics of waterborne coal deliveries. The September 2005 RFP did not result in many offers and suppliers were willing to "sit-on" compliance coal through the last half of 2005 in order to extract anticipated higher FOB mine prices.

NON-COMPLIANCE COAL STRATEGY

Currently we have a small open position for units 1 & 2 therefore we will recommend the purchase of one train per month in 2007 and two trains per month for years 2008 and 2009.

RISK ASSESSMENT AND CHALLENGES

- Continue to closely monitor and evaluate the transportation challenges.

STRATEGY SUMMARY

In order to ensure a diversified portfolio at PEF and to meet the physical hedging guidelines for 2007, the following tables document the recommended and approved purchases from this RFP, as well as the current position.

Coal Purchased from February 05 RFP		Quality		2006		2007		2008		2009	
Counterparty	SO2	BTU	Tons	(\$/ton)	Tons	(\$/ton)	Tons	(\$/ton)	Tons	(\$/ton)	
[REDACTED]	1.20	12,300			300,000	\$ 64.25	[REDACTED]				
[REDACTED]	1.20	11,300			462,000	\$ 55.25	[REDACTED]				
[REDACTED]	1.20	11,300			500,000	\$ 60.80	[REDACTED]				
[REDACTED]	1.20	12,400	240,000	\$ 63.25	240,000	\$ 63.00	[REDACTED]				
[REDACTED]	1.90	12,300			120,000	\$ 48.15	[REDACTED]				
[REDACTED]	1.20	12,200			300,000	\$ 64.25	[REDACTED]				
			240,000	63.25	1,922,000	59.03	[REDACTED]				

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Progress Energy Florida - Coal Position Report

For Business Concluded EOD: 6/26/2006

	2005	2007	2008	2009	2010	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]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

[REDACTED]

[REDACTED]