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: March 9, 2009

PROGRESS ENERGY FLORIDA'S
NOTICE OF FILING REPLACEMENT EXHIBIT NO. __ (SAW-4)
<u>TO SASHA WEINTRAUB'S TESTIMONY</u>

Progress Energy Florida, Inc., ("PEF" or "Company"), hereby gives notice of service that PEF is replacing Exhibit No. __ (SAW-4) attached to Sasha Weintraub's testimony filed on August 1, 2008. PEF was recently notified by Staff that this exhibit was illegible. PEF is replacing the original exhibit with a cleaner copy for legibility purposes only.

Respectfully submitted,

John T. Burnett
Associate General Counsel
PROGRESS ENERGY SERVICE COMPANY, LLC
Post Office Box 14042
St. Petersburg, FL 33733-4042
Telephone: (727) 820-5587
Facsimile: (727) 820-5519

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of Progress Energy Florida, Inc.'s Notice of Filing Replacement Exhibit No. __ (SAW-4) to Sasha Weintraub's testimony in Docket No. 070703-EI has been furnished by regular U.S. Mail to the following this 9th day of March, 2009.

Attorney

Keino Young, Esq.
Lisa Bennett, Esq.
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

J. R. Kelly, Esq.
Joseph A. McGlothlin, Esq.
Office of Public Counsel
111 W. Madison St., Room 812
Tallahassee, FL 32399

Docket No. 070703
Progress Energy Florida
Exhibit No. ____ (SAW-4)
Page 1 of 6

Progress Energy Florida, Inc.
Regulated Fuels Department

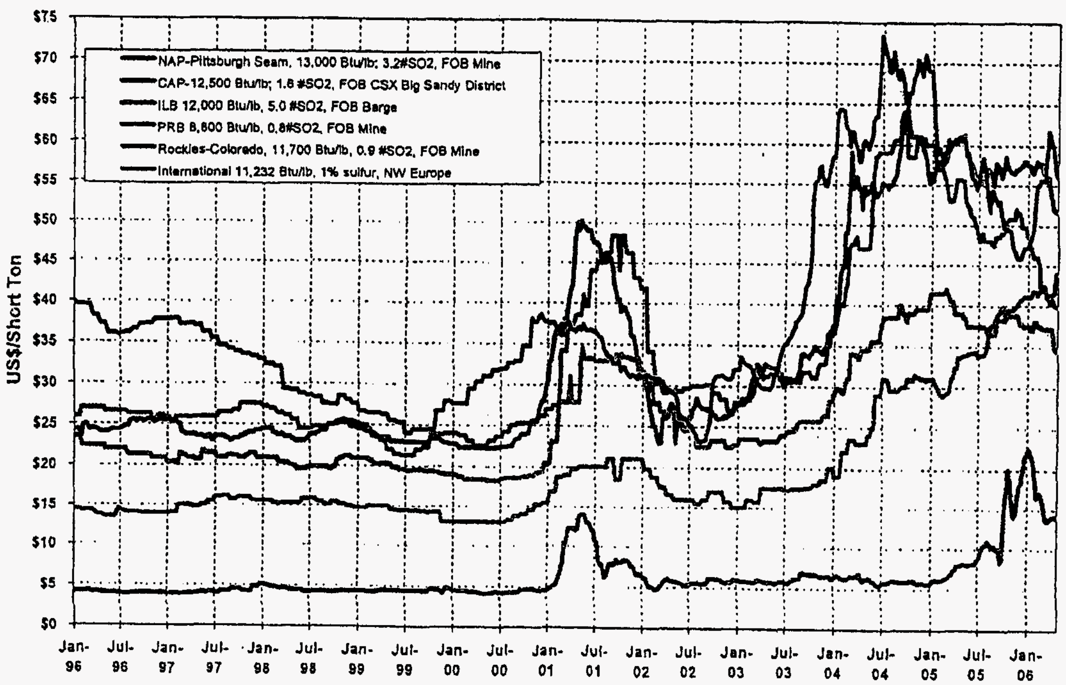
Coal Procurement Plan for February 2006 RFP

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

PEF-FUEL-004626

Progress Energy
People. Performance. Excellence.

DOCUMENT NUMBER-DATE
02161 MAR 12 09
FPSC-COMMISSION CLERK

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.

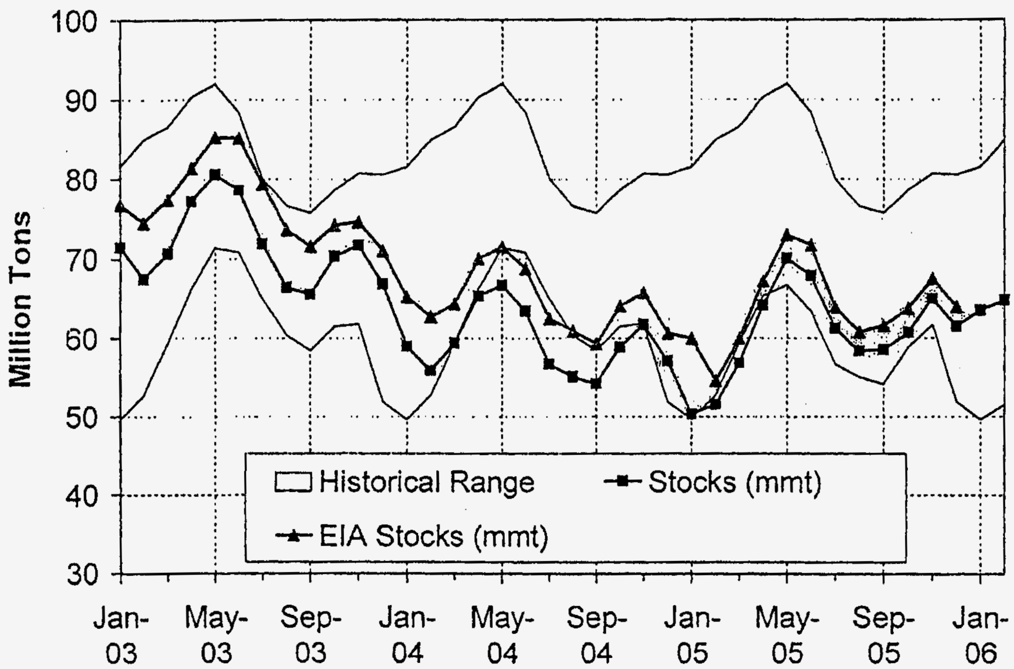
In addition, Eastern utilities experienced poor service from the railroads beginning in 2004 due to traffic growth, resource and power capacity constraints, and increased demand for exports. Increases in the price of diesel fuel, maintenance, and operating costs have led to price increases across all 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*

PEF COAL PROCUREMENT S

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	[redacted]			
Breakdown by Quality/Plant	2007	[redacted]			
[redacted]	120	[redacted]			
Crystal River 4 & 5	2,000	[redacted]			
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]

[redacted]

[redacted]

[redacted]

Progress Energy
People. Performance. Excellence.

CONFIDENTIAL

10. 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

1. Procure approximately 500,000 tons of domestic river coal for transport to International Marine Terminal for diversification and blending.
2. 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 OTHER

1. 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 '06 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]	1.20	12,400	240,000	$ 63.25	240,000	$ 63.00			[redacted]	
[redacted]	1.90	12,300			120,000	$ 48.15				
[redacted]	1.20	12,200			300,000	$ 64.25				
			240,000	63.25	1,922,000	$60.03	[redacted]		[redacted]	

PEF-FUEL-004630

Progress Energy
People. Performance. Excellence.

CONFIDENTIAL

Progress Energy Florida - Coal Position Report

For Business Concluded EOD: 6/26/2006

	2006	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]

PEF-FUEL-004631