

BEFORE THE PUBLIC SERVICE COMMISSION

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

DOCKET NO. 070001-EI
ORDER NO. PSC-07-0405-CFO-EI
ISSUED: May 9, 2007

ORDER GRANTING CONFIDENTIAL CLASSIFICATION TO PORTIONS OF
PROGRESS ENERGY FLORIDA INC.'S 423 FORMS FOR SEPTEMBER, 2006
(DOCUMENT NO. 11050-06)

Pursuant to Rule 25-22.006, Florida Administrative Code, and Section 366.093, Florida Statutes, Progress Energy Florida, Inc. ("Progress") requests confidential classification of portions of its Form 423 Fuel Reports for September 2006. Form 423s are monthly reports required by the Commission and include the prices of oil and coal, transportation costs, and any discounts, other charges, and credits. The information is filed with the Commission as Document No. 11050-06. This request was filed in Docket No. 060001-EI.

Progress asserts that the information for which confidential classification is sought relates to sensitive pricing and contractual information for the purchase of fuel and transportation services. Progress maintains that the disclosure of this information to suppliers of such services "would impair the efforts of the public utility or its affiliates to contract for goods or services on favorable terms," under Section 366.093(3)(d), Florida Statutes. Progress therefore asserts that this information is proprietary, confidential business information, and as such, is entitled to protection from disclosure under Sections 366.093(1), and (3)(d), Florida Statutes. Progress affirms that this information has not been publicly disclosed.

Progress requests that this information be granted confidential classification for 24 months from the date of the issuance of this Order. Progress asserts that this time period is necessary to protect Progress and its ratepayers against the adverse effects on future negotiations that would result from disclosure of the information to potential fuel and transportation suppliers.

INFORMATION FOR WHICH CONFIDENTIAL CLASSIFICATION IS SOUGHT

Progress requests that the information contained in the following table be granted confidential classification:

TABLE 1: FORM 423-1A - MONTHLY REPORT OF COST AND QUALITY OF FUEL FOR ELECTRIC PLANTS ORIGIN, VOLUME, DELIVERED PRICE AND AS RECEIVED QUALITY

LINE(S)	COLUMN(S)
1-10	H - O, Q

Progress asserts that the information under Column H, "Invoice Price," identifies the basic component of the contract pricing mechanism. According to Progress, disclosure of the invoice price, particularly if in conjunction with information under other columns discussed

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below, would enable suppliers to determine the pricing mechanisms of their competitors. Progress asserts that the reasonably likely result would be greater price convergence in future bidding. According to Progress, disclosure would also result in a reduced ability on the part of a major purchaser such as Progress to bargain for price concessions. Progress explains that suppliers would be reluctant or unwilling to grant concessions that other potential purchasers would then expect.

Progress also maintains that disclosure of the "Invoice Amount," Column I, when divided by the "Volume" figure in Column G, would disclose the "Invoice Price" found in Column H. Progress asserts that disclosure of "Discount," Column J, with other information in Columns K, L, M, or N, could also disclose the "Invoice Price" shown in Column H by mathematical deduction. Progress also asserts that disclosure of discounts resulting from bargaining concessions would impair the ability of Progress to obtain such concessions in the future. Progress maintains that Column N is particularly sensitive because it is usually the same as, or only slightly different from, the "Invoice Price" in Column H.

Progress asserts that disclosure of "Transportation to Terminal Charges," Column O, in conjunction with the information under Column Q, would also disclose the "Effective Purchase Price" in Column N by subtracting it from the "Delivered Price" available in Column R.

Progress also requests confidential classification for portions of its Form 423-2 as illustrated in the table below:

TABLE 2: 423-2 - MONTHLY REPORT OF COST AND QUALITY OF COAL FOR ELECTRIC PLANTS ORIGIN, TONNAGE, DELIVERED PRICE AND AS RECEIVED QUALITY

PLANT NAME	LINE(S)	COLUMN(S)
MCDUFFIE COAL TERM.	1	G, H
TRANSF. FACILITY IMT	1-5	G, H
CRYSTAL RIVER 1 & 2	1-7	G, H
CRYSTAL RIVER 4 & 5	1-9	G, H

Progress affirms that the "Effective Purchase Price" is also found on Form 423-2A, Column L, and on Form 423-2B, in Column G. Progress maintains that in nearly every case, it is the same as the F.O.B. mine price found under Column F on Form 423-2A, which is the current contract price of coal purchased from each supplier by Progress Fuels Corporation ("PFC") for delivery to Progress. Progress asserts that disclosure of the information in Column G would also enable suppliers to determine the prices of their competitors, which would likely result in greater price convergence in future bidding. According to Progress, disclosure would also result in a reduced ability on the part of a major purchaser such as PFC to bargain for price concessions on behalf of Progress. Progress asserts that suppliers would be reluctant or unwilling to grant concessions that other potential purchasers would then expect. Additionally, Progress contends, that disclosure of the effective purchase price would disclose the total transportation cost reflected in Column H, by subtracting Column G from the F.O.B. plant price in Column I.

Progress contends that the information in Column H is entitled to confidential classification because disclosure of the total transportation cost, when subtracted from the F.O.B. plant price in Column I, would also disclose the effective purchase price in Column G.

In addition, Progress asserts that the information contained in its Form 423-2A as illustrated in the table below is entitled to confidential classification:

TABLE 3: 423-2A - MONTHLY REPORT OF COST AND QUALITY OF COAL FOR ELECTRIC PLANTS ORIGIN, TONNAGE, DELIVERED PRICE AND AS RECEIVED QUALITY

PLANT NAME	LINE(S)	COLUMN(S)
MCDUFFIE COAL TERM.	1	F, H, J-L
TRANSF. FACILITY IMT	1-5	F, H, J-L
CRYSTAL RIVER 1 & 2	1-7	F, H, J-L
CRYSTAL RIVER 4 & 5	1-9	F, H, J-L

Progress asserts that the “F.O.B. Mine Price” in Column F is the current contract price of coal purchased from each supplier by PFC for delivery to Progress. The Original Invoice Price in Column H is the same as the Mine Price in Column F, except in rare instances when the supplier is willing and able to disclose its short haul and loading costs (Column G), if any, included in the contract price of coal. The Base Price found in Column J is likewise the same as the Original Invoice Price in Column H, since retroactive price adjustments from Column I are normally received well after the reporting month and are included on Form 423-2C at that time. Quality Adjustments found in Column K are normally received well after the reporting month and are therefore included on Form 423-2C at that time. These adjustments are based on variations in coal quality characteristics between contract specifications and actual deliveries. Disclosure of this information would allow the FOB mine price to be calculated using the associated tonnage and available contract BTU specifications. The Effective Purchase Price found in Column L is the same as the Base Price in Column J, since quality adjustments are normally not reported in Column K.

Progress maintains that disclosure of the above information would enable suppliers to determine the prices of their competitors, which would likely result in greater price convergence in future bidding. Progress asserts that disclosure would also likely result in a reduced ability on the part of a major purchaser such as PFC to bargain for price concessions on behalf of Progress. Progress claims that this is because suppliers would be reluctant or unwilling to grant concessions that other potential purchasers would then expect.

Progress also requests confidential classification for the information contained in its Form 423-2B as illustrated in the table below:

TABLE 4: FORM 423-2B - MONTHLY REPORT OF COST AND QUALITY OF COAL FOR ELECTRIC PLANTS ORIGIN, TONNAGE, DELIVERED PRICE AND AS RECEIVED QUALITY

PLANT NAME	LINE(S)	COLUMN(S)
MCDUFFIE COAL TERM.	1	G, L, P
TRANSF. FACILITY IMT	1-5	G, L, P
	1, 4-5	K
CRYSTAL RIVER 1 & 2	1-7	G, I, J, P
CRYSTAL RIVER 4 & 5	1-9	G, P
	1-7	I, J
	8-9	M, N

Progress maintains that the information contained in Column G of Form 423-2B is the same as that described above for Form 423-2, and is entitled to confidential classification for the same reasons as given under Form 423-2. Progress asserts that the information in Column I, "Rail Rate," is a function of PFC's contract rate with the railroad and the distance between each coal supplier and Crystal River. Because these distances are readily available, Progress asserts that disclosure of the rail rate would effectively disclose the contract rate. Progress asserts that this would impair the ability of a high volume user such as PFC to obtain rate concessions because railroads would be reluctant to grant concessions that other rail users would then expect.

Similarly, Progress asserts that Column J, "Other Rail Charges," consists of PFC's railcar ownership cost. Progress maintains that this cost reflects internal trade secret information which is not available to any party with whom PFC contracts. Progress maintains that if this information is disclosed to the railroad, their existing knowledge of PFC's rail rates would allow them to determine PFC's total rail cost and be better able to evaluate PFC's opportunity to economically use other competing transportation alternatives.

Progress also claims that the figures under River Barge Rate are a portion of the total cost reported in the Transportation Charges under Column P on Form 423-2B. In the case of waterborne deliveries to the Crystal River Plants, the figures represent PFC's current river barge transportation rate. Disclosure of these transportation rates would enable coal suppliers to bid a FOB mine price calculated to produce a delivered plant price at or marginally below PFC's current delivered price, which is available on Form 423-2, Column I. Without this opportunity to calculate a perceived maximum acceptable price, suppliers would be more likely to bid their best price.

It is Progress' contention that the figures under Transloading Rate found in Column L are a portion of the total cost reported in the Transportation Charges under Column P on Form 423-2B. In the case of waterborne deliveries to the Crystal River Plants, the figures represent PFC's current transloading rate. Disclosure of these transportation rates would enable coal suppliers to bid a FOB mine price calculated to produce a delivered plant price at or marginally below PFC's current delivered price, which is available on Form 423-2, Column I. Without this opportunity to calculate a perceived maximum acceptable price, suppliers would be more likely to bid their best price.

Progress maintains that Column P, "Transportation Charges," is the same as the information under Column H of Form 423-2, Table 2. According to Progress, in the case of rail

deliveries to the Crystal River Plants, these figures represent PFC’s current rail transportation rate. In the case of waterborne deliveries to the Crystal River plants, the figures found in Columns K, L, M, N, O, and P represent PFC’s current Gulf barge transportation rate. In the case of water deliveries to IMT, the figures represent PFC’s current river transportation rate. The charges listed in Columns K, L, M, N, O, and P are all water related transportation charges the disclosure of which would lead suppliers to bid their best price without an opportunity to calculate a perceived maximum acceptable price.

In addition, Progress requests confidential classification for the information contained in its Form 423-2C as illustrated in the table below:

TABLE 5: FORM 423-2C - MONTHLY REPORT OF COST AND QUALITY OF COAL FOR ELECTRIC PLANTS ORIGIN, TONNAGE, DELIVERED PRICE AND AS RECEIVED QUALITY

PLANT NAME	LINE(S)	COLUMN(S)
TRANSF. FACILITY IMT	1-3, 8-9	J, K
MCDUFFIE COAL TERM.	N/A	J, K
CRYSTAL RIVER 1 & 2	1-4, 6	J, K
CRYSTAL RIVER 4 & 5	1	J, K

Progress maintains that the type of information contained under Column J and Column K relates to the particular column on Form 423-2, 2A, or 2B, to which the adjustment applies (identified in Column I). The column justifications above also apply to the quality adjustments for those columns reported on Form 423-2C. In particular, “Retroactive Price Increases” and “Quality Adjustments” apply to the majority of the quality adjustments on Form 423-2C.

DECLASSIFICATION

Progress seeks protection from disclosure of the confidential business information identified in the tables above for 24 months from the date of the issuance of this Order. Progress asserts that this is the minimum time necessary to ensure that subsequent disclosure will not allow suppliers to determine accurate estimates of the then-current contract price.

Pursuant to Section 366.093(4), Florida Statutes, confidential protection may only be granted for a period of 18 months unless the entity requesting confidential classification shows good cause why the period should be extended. As justification for an extension of the statutory period, Progress asserts that the majority of its contracts contain annual price adjustment provisions. According to Progress, if suppliers were to obtain confidential contract information for a prior reporting month at any time during the same 12-month adjustment period, current pricing information would be disclosed. In addition, Progress maintains that if the previously reported information would be only one adjustment removed from the current price, suppliers knowledgeable in the recent escalation experience of their market could, according to Progress, readily calculate a reasonably precise estimate of the current price.

Progress contends that in order to guard against this competitive disadvantage, confidential information requires protection from disclosure for the initial 12-month period in which it could remain current, and for the following 12-month period in which it can be easily converted into essentially current information.

Progress maintains that an 18-month confidentiality period would effectively waste the protection given in the first six months of the second 12-month pricing period by allowing disclosure of the same vintage information in the last six months of the pricing period. The information disclosed in the six months following the expiration of the 18-month confidentiality period would be equally as detrimental to Progress' interests and to its ratepayers, in terms of revealing the current price, as the information protected from disclosure during the preceding six months. To make the protection meaningful, Progress asserts that it should be extended six months beyond the end of the 18-month confidentiality period permitted by statute. Progress maintains that doing so would mean that the information would be an additional 12 months and one price adjustment further removed from the current price at the time of disclosure.

CONCLUSION

Upon review, the information described above is "information concerning bids or other contractual data, the disclosure of which would impair the efforts of the public utility or its affiliates to contract for goods or services on favorable terms," under Section 366.093(3)(d), Florida Statutes. This information reveals invoice prices, transportation charges, and coal prices. The public disclosure of any of this information could reduce Progress' competitiveness in the marketplace. In turn, this could result in higher prices for transportation and coal. Therefore, this information is entitled to confidential classification.

Pursuant to Section 366.093(4), Florida Statutes, Progress has provided adequate justification for extending the confidentiality period an extra six months. Good cause having been shown, the information described above for which confidential classification is requested shall be granted confidential classification for a period of 24 months from the date of the issuance of this Order.


Based on the foregoing, it is

ORDERED by Commissioner Matthew M. Carter II, as Prehearing Officer, that the request by Progress Energy Florida, Inc. for confidential classification of portions of Document No. 11050-06, is granted. It is further

ORDERED that the information described within the body of this Order and contained in Document No. 11050-06, shall be granted confidential classification for a period of 24 months from the date of the issuance of this Order. It is further

ORDERED that this Order will be the only notification by the Commission to the parties concerning the expiration of the confidentiality time period.

By ORDER of Commissioner Matthew M. Carter II, as Prehearing Officer, this 9th
day of May, 2007.



MATTHEW M. CARTER II
Commissioner and Prehearing Officer

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LCB/pz

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: (1) reconsideration within 10 days pursuant to Rule 25-22.0376, Florida Administrative Code; or (2) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. A motion for reconsideration shall be filed with the Office of Commission Clerk, in the form prescribed by Rule 25-22.060, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.