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February 9, 2007

Ms. Blanca S. Bayo, Director
Commission Clerk and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Betty Easley Conference Center, Room 110
Tallahassee, Florida 32399-0850

HAND DELIVERY

RECEIVED FPSC
07 FEB -9 PM 2:59
COMMISSION
CLERK

Re: Docket No. 060793-EI

Dear Ms. Bayo:

Enclosed for filing in the above referenced docket on behalf of Progress Energy Florida, Inc. ("PEF") are the original and fifteen copies of Second Request for Confidential Classification. The information which is considered "CONFIDENTIAL" is enclosed in an envelope marked CONFIDENTIAL.

If you have any questions, please do not hesitate to contact me. Thank you for your assistance with this filing.

Sincerely,

Kenneth A. Hoffman

- CMP _____
- COM _____
- CTR _____
- ECR L KAH/rl
- GCL L Enclosures
- OPC _____ cc: Lisa C. Bennett, Esq.
progressenergy/sesh/bayo.feb0907tr
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FPSC-BUREAU OF RECORDS

DOCUMENT NUMBER-DATE

01371 FEB-9 6

FPSC-COMMISSION CLERK

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Progress Energy Florida, Inc.'s)
Petition for Approval of Southeast Supply)
Header long-term fuel transportation)
contracts.)

Docket No. 060793-EI
Filed: February 9, 2007

**PROGRESS ENERGY FLORIDA, INC.'S
SECOND REQUEST FOR CONFIDENTIAL CLASSIFICATION**

Pursuant to Section 366.093, Florida Statutes, and Rule 25-22.006, Florida Administrative Code, Progress Energy Florida, Inc. ("PEF" or the "Company"), requests confidential classification of certain information provided in PEF's Responses to Staff's First Data Request. In support of its Request, PEF states as follows:

1. On December 12, 2006, PEF filed a Petition with the Commission seeking approval of the terms and conditions of certain natural gas transportation contracts with Southeast Supply Header, LLC ("SESH") and a determination that the costs associated with such contracts are recoverable through the fuel clause subject to annual review by the Commission to ensure that the costs are being managed in a reasonable and prudent manner. PEF also filed testimony and exhibits supporting its Petition.

2. On January 9, 2007, Staff served its First Data Request on PEF. On January 19, 2007, PEF filed its Responses to Staff's First Data Request.

3. PEF considers certain information and documents provided in response to Staff's First Data Request to be competitively sensitive, proprietary and confidential business information. Accordingly, PEF filed a notice of intent to seek confidential classification of that information on January 19, 2007, contemporaneous with the filing of its Responses to Staff's First Data Request. Pursuant to Rule 25-22.006(3)(a), PEF has 21 days from the date of that notice of intent, i.e., until

DOCUMENT NUMBER-DAY

01371 FEB-9 8

FPSC-COMMISSION OF PUBLIC UTILITIES

February 9, 2007, to file a formal request for confidential classification with respect to the confidential information contained in PEF's Responses to Staff's First Data Request. This Request is intended to request confidential classification of the confidential portions of PEF's Responses to Staff's First Data Request consistent with Rule 25-22.006(3)(a).

4 The following exhibits are included with and made a part of this Request:

a. Confidential Exhibit A consists of a copy of the portions of PEF's Responses to Staff's First Data Request with all information that PEF asserts to be entitled to confidential treatment highlighted in yellow. Confidential Exhibit A is submitted separately in a sealed folder marked "CONFIDENTIAL."

b. Exhibit B consists of an edited version of Confidential Exhibit A on which all information in PEF's Responses to Staff's First Data Request that PEF asserts is entitled to confidential treatment has been redacted.

c. Exhibit C is a table containing the justification for confidential classification for the information highlighted in yellow in Confidential Exhibit A provided by PEF in response to Staff's First Data Request. Exhibit C itemizes the information for which confidential treatment is sought by reference to PEF's response to a specific numbered Staff Data Request (or by reference to a specific exhibit to PEF's response) and the page of PEF's response to Staff's First Data Request. Exhibit C also provides the specific statutory basis or bases for the claim of confidentiality and reference to the Affidavit of PEF witness Kent Fonvielle in support of the requested confidential classification.

d. Exhibit D is the Affidavit of Kent Fonvielle.

5. Section 366.093(1), Florida Statutes, provides that “any records received by the Commission which are shown and found by the commission to be proprietary confidential business information shall be kept confidential and shall be exempt from [the Public Records Act].” §366.093(1), Fla. Stat. Proprietary confidential business information means information that is (i) intended to be and is treated as private confidential information by the Company, (ii) because disclosure of the information would cause harm, either to the Company’s ratepayers or the Company’s business operation, and (iii) the information has not been voluntarily disclosed to the public. §366.093(3), Fla. Stat. Specifically, “information. . .the disclosure of which would impair the efforts of the public utility or its affiliates to contract for goods or services on favorable terms” is defined as proprietary confidential business information. §366.093(3)(d), Fla. Stat. Additionally, subsection 366.093(3)(e) defines “information relating to competitive interests, the disclosure of which would impair the competitive business of the provider of the information,” as proprietary confidential business information.

6. PEF seeks confidential protection for the information highlighted in Confidential Exhibit A for the reasons set forth in this Request and the Affidavit of Mr. Fonvielle. The highlighted information is proprietary confidential business information within the meaning of Section 366.093(3). The information is intended to be, and has been, treated by PEF as confidential.

7. In PEF’s First Request for Confidential Classification filed on January 2, 2007, PEF requested confidential classification of portions of the SESH Pipeline Contracts that are the subject of PEF’s Petition and attached as Exhibit KF-1 to the Prefiled Direct Testimony of Mr. Fonvielle.¹

¹The “SESH Pipeline Contracts” in Exhibit KF-1 consist of the Precedent Agreement, the two Negotiated Rates Agreements for Natural Gas Transportation Service, and the two Service Agreements entered into between PEF and SESH.

PEF also requested confidential classification of Exhibit KF-2 to Mr. Fonvielle's Prefiled Direct Testimony which is a table of information containing estimated total annual costs for natural gas transportation under SESH Pipeline Project. PEF's First Request for Confidential Classification was granted by Order No. PSC-07-0102-CFO-EI issued February 6, 2007.

8. The information that is the subject of this Second Request for Confidential Classification is similar to the information that is the subject of the First Request. The information for which PEF seeks confidential classification hereunder generally involves or relates to the confidential rates, terms and condition of the SESH Pipeline Contracts, alternatives considered and rejected by PEF in deciding to enter into the SESH Pipeline Contracts, detailed information concerning PEF's existing and future sources, amounts and costs of natural gas supply, and the total estimated annual costs for service under said Contracts assuming various percentage levels of utilization. A summary of the information provided by PEF that is the subject of this Second Request for Confidential Classification is set forth below:

Response to Staff Data Request No.	Subject
2D	Analysis of the Variable Costs set forth in Exhibit KF-2.
4	Existing LNG contracts with BG/percentage of PEF's Overall Supply Portfolio.
5	PEF's plans for transporting additional gas on pipelines in Florida including additional firm pipeline capacity for the years 2008-2012.

Response to Staff Data Request No.	Subject
6A	Details regarding gas supply agreements PEF has executed that are contingent on approval of the SESH Pipeline Contracts, including savings from the SESH Pipeline Contracts, and portion of the total pipeline costs offset by such savings during the period of the SESH Contracts.
9	The percentage contribution from each supply region for PEF's projected gas usage from 2007-2012.
10A	PEF's intentions regarding the full use of the available capacity under the SESH Pipeline Contracts.
10B	Details regarding whether PEF will have excess capacity, initially or at various times, under the SESH Pipeline Contracts.
11	Risks to PEF if FPSC postpones decision on PEF's Petition past March 13, 2007.
12	Analysis and evaluation of alternatives to SESH Pipeline Project, discussion of business drivers, costs and non-costs factors, whether SESH was lowest cost alternative and criteria used in selecting SESH Pipeline and rejecting other alternatives.
Confidential Exhibit C	Business Analysis Package.
Confidential Exhibit D	Estimated total annual pipeline costs at 80% utilization.
Confidential Exhibit E	Estimated total annual pipeline costs at 90% utilization.

9. Section 366.093(3), Florida Statutes, provides that proprietary confidential business information includes, but is not limited to “[i]nformation 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” (subsection d); and “[i]nformation relating to competitive interests, the disclosure of which would impair the competitive business of the provider of the information” (subsection e). The information in Confidential Exhibit A for which confidential classification is sought, like the similar information for which confidential classification was recently granted, constitutes proprietary confidential business information under Section 366.093(3).

PEF’s Response to Staff Data Request No. 2D and Confidential Exhibits D and E

10. The information provided by PEF in response to Staff Data Request No. 2D and in Confidential Exhibits D and E is the same type of confidential cost information provided in Exhibit KF-2 to Mr. Fonvielle’s Prefiled Direct Testimony for which confidential classification has been granted. Public disclosure of PEF’s projected costs under different utilization scenarios and related analyses of such projected costs would harm PEF in the market place for procurement of natural gas supplies and transportation and would compromise PEF’s ability to obtain competitive fuel supply and transportation options that benefit both PEF and its ratepayers. *See* Affidavit of Kent Fonvielle, at ¶¶5 and 8.

PEF’s Responses to Staff Data Request Nos. 4, 5, 6A, 9, 10A, 10B and 11

11. The rationale and support for confidential classification of the information provided in the above numbered data request responses is similar to the rationale offered by PEF and approved by the Commission for granting confidential classification to specific quantity, pricing and other contractual terms of the SESH Pipeline Contracts. PEF negotiates with potential fuel suppliers and transportation companies to obtain competitive contracts for fuel options that provide economic value to PEF and its customers. In order to obtain such contracts, however, PEF must be able to assure fuel suppliers and transportation companies that sensitive business information, such as the

quantity and pricing terms of their contracts, will be kept confidential. PEF has kept confidential and has not publicly disclosed confidential contract terms such as quantity and pricing. Absent such measures, suppliers and transportation companies would run the risk that sensitive business information that they provided in their contracts with PEF would be made available to the public and, as a result, end up in possession of potential competitors. Faced with that risk, persons or companies who otherwise would contract with PEF might decide not to do so if PEF did not keep those terms of their contracts confidential. Without PEF's measures to maintain the confidentiality of sensitive terms in contracts between PEF and fuel suppliers and transportation contractors, the Company's efforts to obtain competitive fuel supply and transportation contracts would be undermined. Additionally, the disclosure of quantity and pricing information in PEF's fuel supply and transportation contracts would adversely impact PEF's competitive business interests. If such information was disclosed to PEF's competitors or potential fuel suppliers and fuel transportation companies, PEF's efforts to obtain competitive fuel supply and transportation options that provide economic value to both PEF and its ratepayers would be compromised.

12. SESH transports natural gas in a highly competitive environment. The terms at which SESH transports natural gas are specifically negotiated for each transaction and depend on the competitive circumstances faced by SESH and its customer. If details related to price, quantity, and other competitively sensitive contractual terms such as events of default, remedies, force majeure, and credit support were disclosed to SESH's competitors or customers, SESH would be placed at a disadvantage in future negotiations, which would have an adverse effect on SESH.

13. Thus, the information provided by PEF at issue, to-wit: existing contracts; information concerning sources and percentages of PEF's fuel supply portfolio; PEF's strategic

plans for utilization of the SESH Pipeline, plans for use of other natural gas pipelines, and details regarding other gas supply agreements that are contingent on approval of the SESH Pipeline Contracts; the percentage contribution of a particular geographic region to PEF's projected gas usage; and the risks to PEF under the SESH Pipeline Contracts if the Commission postpones a decision on PEF's Petition past March 13, 2007, are all the type of contractual or competitively sensitive information for which confidential classification must be maintained to avoid compromising PEF's ability to maximize negotiations and contractual terms concerning fuel supply and transportation options. *See* Affidavit of Kent Fonvielle, at ¶¶6, 7 and 8.

PEF's Response to Staff Data Request No. 12 and Confidential Exhibit C

14. PEF's response to Staff Data Request No. 12 and the Business Analysis Package attached as Confidential Exhibit C present competitive and strategically sensitive information which would impair and be detrimental to PEF and PEF's ratepayers if subjected to public disclosure. The information provided by PEF includes a discussion of the various options and alternatives to the SESH Pipeline Project, the various benefits, costs and disadvantages considered by PEF in connection with each option and alternative, the criteria developed and utilized by PEF to evaluate alternatives, and the assumptions developed and utilized by PEF to evaluate the alternatives, including the projected costs and reliability of the SESH Pipeline Project and the various alternatives. As with the other confidential information described above, PEF consistently maintains and seeks the permission of the Commission to continue to maintain confidential treatment of this competitively and strategically sensitive information. The public disclosure of this information would clearly harm PEF's ability to negotiate optimal fuel supply and transportation agreements in the future. *See* Affidavit of Kent Fonvielle, at ¶9.

Protection of Confidential Information

15. Upon receipt of confidential information from fuel suppliers and transportation companies, strict procedures are established and followed to maintain the confidentiality of the terms of the documents, including restricting access to those persons who need the contract information to assist the Company, and restricting the number of, and access to, the contract information and contracts. At no time has the Company publicly disclosed the information in Confidential Exhibit A for which confidential classification is sought. The Company has treated and continues to treat the contractual terms at issue as confidential. *See* Affidavit of Kent Fonvielle, at ¶11.

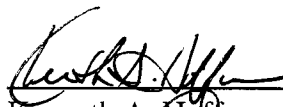
16. Pursuant to Section 366.093, the information highlighted in Confidential Exhibit A is entitled to confidential treatment and is exempt from the disclosure provisions of the public records law. Thus, once the Commission determines that the information in question is proprietary confidential business information, the Commission is not required to engage in any further analysis or review, such as weighing the harm of disclosure against the public interest in access to the information.

17. As previously stated, the statutory bases for PEF's assertion of confidentiality with regard to each of the above identified responses to the Staff's First Data Request and the attached confidential exhibits are set forth in Exhibit C under the column titled "Florida Statute 366.093(3) subsection." The letters in that column refer to the subsection(s) that provide justification for PEF's request. Further support for PEF's request for confidential classification of the referenced information is provided through the Affidavit of Mr. Fonvielle that is included as Exhibit D to this Request.

18. Upon a finding by the Commission that the information highlighted in Confidential Exhibit A, and referenced in Exhibit C, is proprietary confidential business information, the information should not be declassified for a period of at least eighteen (18) months and should be returned to PEF as soon as the information is no longer necessary for the Commission to conduct its business. See §366.093(4).

WHEREFORE, for the foregoing reasons, Progress Energy Florida, Inc. respectfully requests confidential classification of the confidential portions of PEF's Responses to Staff's First Data Request as set forth in Exhibit C.

Respectfully submitted this 9th day of February, 2007.



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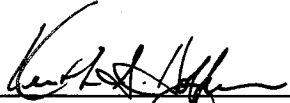
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Counsel for Progress Energy Florida, Inc.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing was furnished by United States Mail to the following on this 9th day of February, 2007:

Lisa Bennett, Esquire
Florida Public Service Commission
Office of the General Counsel
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850



Kenneth A. Hoffman, Esq.

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CONFIDENTIAL EXHIBIT A

RUTLEDGE, ECENIA, PURNELL & HOFFMAN

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January 19, 2007

Lisa C. Bennett, Esq.
Florida Public Service Commission
Office of General Counsel
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Docket No. 060793-EI - Petition for approval of long-term fuel transportation contracts with Duke Energy Southeast Supply Header, LLC and CenterPoint Energy Southeastern Pipelines Holding, L.L.C. ("SESH Pipeline Contracts"), by Progress Energy Florida, Inc.

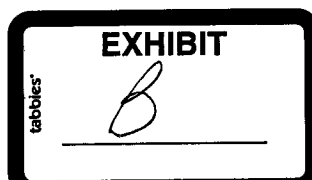
Dear Ms. Bennett:

By this letter, Progress Energy Florida, Inc. ("PEF") hereby provides its Responses to the Commission Staff's First Data Request:

1. Why does PEF seek approval of its long-term fuel supply and transportation contracts with the Southeast Supply Header, LLC (SESH), as opposed to only seeking Commission approval of the SESH project's costs as prudent and reasonable for fuel clause cost recovery purposes? In responding to this question, please include responses to the following questions:

A.) If the Commission only approves PEF's SESH project for cost recovery purposes and does not approve the long-term fuel supply and transportation contracts, will PEF continue with the SESH project? Please explain.

PEF's Response: PEF will have to seriously weigh the risks associated with going forward with this project in the absence of Florida Public Service Commission ("PSC" or "Commission") approval. Simply finding that the costs are of a nature recoverable through the fuel clause and not addressing the prudence of entering into a long-term contract for which all terms are known now could expose the Company to significant financial risk. PEF has filed the final versions of the SESH contracts with final terms and conditions set forth therein and all material facts regarding these long-term contracts that are known at this time have been presented to the Commission. As the Commission knows, these types of costs were already found to be of a nature recoverable through the fuel clause for FPL in Docket No.



Lisa C. Bennett, Esq.

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060001-EI. There is past PSC precedent and policy with regard to seeking pre-approval of the terms and conditions of long-term fuel related contracts. Further, everything the Commission needs to make a decision on this matter is currently available. It is important to note that PEF is not requesting the Commission to approve anything with regard to the future management of these contracts. Rather, PEF is only requesting the Commission find that entering into these contracts was a prudent decision based on the facts known at the time the contracts were executed.

B.) Why would Commission approval of the long-term fuel supply and transportation contracts be in the public interest?

PEF's Response: Approval of the long-term contracts is in the best interest of the public for several reasons. Absent these contracts, by 2009, approximately 78% of PEF's transportation capacity will be sourced from the off-shore Mobile Bay area. The SESH contracts will cut our projected reliance on off-shore Gulf of Mexico production in 2009 by half. This is important due to the fact that demand for gas is projected to increase significantly in the future, while production from the Mobile Bay area is decreasing. With this in mind, it is prudent for PEF to seek out and have available alternate production supply. In addition, the production in the off-shore Mobile Bay area is highly susceptible to prolonged shut downs during extreme weather events. This was illustrated in the 2005 storm season and is discussed in some depth in the report titled "Impact of the 2005 Hurricanes on the Natural Gas Industry in the Gulf of Mexico Region" produced by the DOE, a copy of which is provided herewith as **Exhibit A**. The Southeast Supply Header will provide access to on-shore natural gas supply basins. It is important to understand that the transportation from Mobile Bay into the State of Florida has been very reliable during extreme weather events, it is primarily the production that has been significantly impacted. This new source would offset the risk associated with natural gas supply interruptions from extreme weather events. Another benefit to the public interest is the potential for downward pressure on gas prices in the Mobile Bay area. PEF believes that adding access to extra supply will place downward pressure on the price for natural gas coming out of the Mobile Bay area. One of the fundamental rules of economics is that with all else being equal, an increase in supply will decrease the market clearing price for a product.

C.) Please cite all relevant examples that PEF believes serves as precedent for the Commission approving fuel transportation contracts (as opposed to Commission approval of cost recovery only).

PEF's Response: In Docket No. 041414-EI, PEF filed a petition with the Commission requesting approval of the terms and conditions of the contracts with BG LNG Services, LLC, Southern Natural Gas Company and Florida Gas Transmission (the "Cypress Project") for long-term natural gas supply and transportation. The Commission approved the long term fuel supply and transportation contracts comprising the Cypress Project in Order No. PSC-05-0721-FOF-EI issued July 5, 2005. This is a particularly relevant example in that it had to do with contracts that were the best and most prudent alternative not based solely on price, but only after non-price factors were considered.

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D.) If the Commission is being asked to approve a contract, shouldn't the Commission be involved in the contract negotiations between PEF and the contracting party?

PEF's Response: It is PEF's position that contract negotiations are a utility management function. The role of the Commission is to review and determine the prudence of such actions and the resulting contracts based on the facts known at the time the contracts are signed. If the Commission were involved in the negotiation process, it would hamper the ability of the Commission to serve in an objective, unbiased capacity in reviewing and determining the prudence of the contracts after the fact.

E.) If the answer to the above is yes, would this open the door to PEF inviting the Commission into other contractual negotiations and management decisions?

PEF's Response: N/A

F.) If Commission found portions of the language within the contract objectionable, would PEF amend the contract to include the Commission's concerns?

PEF's Response: The contracts represent a lengthy process of evaluation and negotiation between PEF and the counterparty. If the Commission found certain language objectionable, PEF would first try to explain why the language is in place and try to alleviate the Commission's concerns. If the Commission still had problems with the language, PEF would look into any feasible options to address the Commission's concerns including possible language modification. That being said, it is important to understand that these contracts represent extended negotiations that are difficult to modify where both sides have had to compromise on various, interrelated provisions. A unilateral modification imposed by the Commission could impact the negotiated balance of considerations each party provides and receives under these negotiated agreements.

2. Please refer to Exhibit KF-2. Also refer to witness Fonvielle's testimony, page 9, lines 15 through 23 and continuing on to page 10, lines 1 through 7, and to page 7 of witness Portuondo's testimony:

A.) Other than the cost estimates represented on this schedule, are there any other costs associated with PEF's SESH project that are proposed to be charged to the fuel cost recovery clause? Please explain.

PEF's Response: Please refer to SESH's Pro Forma Tariff (hereinafter referred to as the "Tariff"), attached hereto as **Exhibit B**. PEF anticipates recovery of the variable usage rates referenced in Rate Schedule FTS Section 3.2(c) and further defined in Sections 8 and 22 of the Tariff (Original Sheet Nos. 9, 71, 92, 93, 94 and 95). In addition to normally recurring pipeline fixed and variable charges, PEF would be subject to non-recurring charges such as the penalty charges defined in Sections 13.8 and 23.4

Lisa C. Bennett, Esq.
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of the Tariff (Original Sheet Nos. 83 and 97), and other charges specifically approved by FERC in the future.

B.) On page 9 of witness Fonvielle's testimony, lines 17 through 19, he states the following: "PEF's participation in the SESH Pipeline Project will result in, but not be limited to, two types of invoiced costs to be passed through the fuel clause: (1) fixed demand costs and, (2) variable commodity costs." Why would PEF not limit the costs proposed to be passed through the fuel cost recovery clause to these two components?

PEF's Response: As stated in Section 3.2 of the proposed Rate Schedule FTS (see Sheet No. 9 of the Tariff attached hereto as **Exhibit B**), there are other applicable charges and surcharges that are contemplated but not currently known at this time referenced in Sections 8 and 22 of the proposed Tariff General Terms and Conditions.

C.) What other known costs or potential costs does witness Fonvielle propose for recovery through the fuel cost recovery clause?

PEF's Response: None known or currently unknown that have not been addressed in PEF's responses to the above referenced Requests Nos. 2(A) and 2(B).

D.) Please provide an analysis of the variable costs on KF-2 showing the rates and calculation of the variable costs and stating all assumptions.

PEF's Response: The variable costs shown on Exhibit KF-2 are comprised of the following three components:

[REDACTED]

Lisa C. Bennett, Esq.

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Key assumptions used in PEF's model are shown on Appendix A, page 16 of the Business Analysis Package attached as **Confidential Exhibit C**.

E.) Has the FERC set recourse rates for the SESH pipeline? If yes, what are these rates? If no, when does PEF expect the FERC to set recourse rates for the SESH pipeline?

PEF's Response: No. The Tariff was filed as Exhibit "P" to the SESH Certificate Application filed with FERC on December 18, 2006. It is typical for FERC to approve the proposed tariff at the time the 7c Certificate is approved and issued. As to when it will be approved, this question can only be answered by the FERC.

Recourse rates as filed are shown on the Tariff Original Sheet Nos. 4, 5, and 6.

- FTS Max Reservation Rate (Fixed Cost) = \$.3827/dt (100% LF Rate)
- FTS Usage-1 Rate (Variable Cost) = \$.0064/dt
- FTS ACA Surcharge (Variable Cost) = \$.0000/dt (see Original Sheet No. 93, Section 22.1)

Gas Transporters Use (%) (Variable Fuel Retention = 0.70% (will be a fuel tracker with annual true-up, see Tariff Original Sheet No. 94, Section 22.2)

3. Four new LNG import terminals are proposed for the Gulf coast (Conoco, Freeport, TX; Exxon, Ingleside, TX; Sempra, Hackberry, LA; Cheniere, Sabine, LA). Also, AES has proposed a LNG import terminal for the Bahamas. These proposed terminals are expected to begin service by 2010:

A.) If these new terminals begin service as proposed, what effect will that have on the Southeast Supply Header pipeline?

PEF's Response: If new LNG terminals are eventually permitted and constructed in the Gulf region, they should provide incremental supply to many interstate pipelines including pipelines that are planned to be interconnected to the SESH pipeline. PEF would be able to access this incremental supply directly or indirectly through the SESH pipeline capacity.

B.) What effect will new LNG terminals on the Gulf coast have on PEF's use of the SESH for supply?

PEF's Response: The effect of additional LNG supply in the Gulf region cannot be known at this time. As with domestic supply sources, LNG supply is and will likely continue to be sold at a price that will fluctuate daily based on an observable market index, such as the NYMEX Henry Hub contract, with a basis differential to account for locational differences. As stated in response

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to question 3(A) above, PEF would have direct or indirect access to Gulf LNG supply and could contract for this supply potentially utilizing the SESH pipeline if it is the best cost option after considering all price and non-price terms.

C.) For each LNG terminal project listed above, what is PEF's current understanding of the status of the project?

PEF's Response: The following information was obtained from each company's website and from FERC filing documents.

ConocoPhillips, Freeport, TX

- In late 2004 , ConocoPhillips signed an agreement with Freeport LNG Development, LP to participate in the proposed Quintanna (Freeport), TX terminal.
- Federal Energy Regulatory Commission (FERC)
FERC Application in Docket No.: CP03-75-000
- Construction Status (as filed by ConocoPhillips on January 11, 2007)

Activity	% Completion
Storage and Vaporation	
Tanks	52.9%
Balance of Plant	41.5%
Marine Terminal & Berthing Area	78.4%
Pipeline	98.7%
Wetland Mitigation	95.0%

Expected to be in service in Early 2008.

- The Project will connect directly with Kinder Morgan TX, Houston Pipeline and Dow Pipeline. It will indirectly interconnect to FGT via Kinder Morgan TX and Houston Pipeline at existing interconnects in Texas. There will be no direct connection with Gulfstream Natural Gas System.

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- Freeport LNG Expansion L.P.'s FERC Application, Docket No.: CP05-361-000.
- Filed with FERC on May 26, 2005.

Exxon, Ingleside (Vista Del Sol), TX

- Vista Del Sol LNG Terminal located in San Patricio County, TX
- Filed in FERC Docket No. CP04-395-000
- FERC Order issuing Certificate issued on June 20, 2005
- Facility will be connected with Vista del Sol Pipeline (25 miles in length)
- There is no direct connection with either FGT or Gulfstream Natural Gas System planned.
- The facility is expected to be operational in the 2008/09 timeframe, with a processing capacity of 1 billion cubic feet per day (bcfd) of LNG.
- No construction activity to date.
- Possible sale of project to a Dutch subsidiary of the Carlyle Group and Riverstone Holdings as reported in the Friday, January 12, 2007, Gas Daily.

Sempra, (Cameron LNG Terminal) Hackberry, LA

- Cameron LNG Terminal located in Cameron Ph, LA
- Filed in FERC Docket No. CP02-378-000
- FERC Order issuing Certificate on September 11, 2003
- The Cameron LNG receipt terminal and associated facilities will be built in Cameron, Louisiana, which is located approximately 148 miles east of Houston, Texas, and 230 miles west of New Orleans, Louisiana. The \$750 million project will have the capacity to regasify up to 1.5 billion cubic feet (Bcf) of natural gas per day, and the site can accommodate expansion up to 2.65 Bcf per day. The terminal is projected to begin commercial operations in late 2008.
- On Aug. 1, 2005, Sempra LNG signed a 20-year Capacity Agreement with ENI S.p.A. for 40% of the capacity of the Cameron LNG receipt terminal (approximately 600 Mmcf/d).
- The Engineering, Construction and Procurement (EPC) contract was signed in December 2004 with the joint venture Aker Kvaerner / IHI. A Notice To Proceed with construction was granted in August 2005.
- Construction at the Cameron LNG terminal site began in September 2005.

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- The FERC application was submitted in December 2005, requesting approval to expand to 2.65 Bcf/d send out capacity.
- In addition to the terminal, Sempra Pipelines & Storage will also be constructing a 35-mile pipeline to transport natural gas from the facility to connect with existing interstate pipelines to the north which will include an interconnect with FGT in Calcasieu Ph, LA. It will not connect directly with Gulfstream Natural Gas System.

Cheniere Energy, (Sabine Pass LNG) Sabine, TX

- Sabine Pass LNG Terminal located in Jefferson County, TX
- Filed on December 22, 2003, in FERC Docket No. CP04-47 et.al.
- FERC Order issuing Certificate issued on June 20, 2005
- Facility will be connected with Sabine Pass Pipeline (16 miles in length)
- The facility is expected to be operational in the 2008 timeframe, with a processing capacity of 2.6 billion cubic feet per day (bcfd) of LNG.
- The facility is to be expanded to accommodate an incremental 1.4 Bcf/d sendout and is expected to be operational in 2009.
- Cheniere will connect to a 16-mile pipeline from the Sabine Pass LNG terminal and expects the pipeline to be operational in the fourth quarter of 2007. This pipeline will commence at the proposed Sabine Pass LNG, L.P. LNG import terminal near Sabine Lake in Cameron Parish, Louisiana and will run eastward along a corridor that will allow for interconnection points with interstate and intrastate natural gas transmission pipelines in South Louisiana, including Natural Gas Pipeline Company of America, Transcontinental Gas Pipeline Corporation, Tennessee Gas Pipeline Company, Florida Gas Transmission Company (Cameron Ph, LA), and Bridgeline Holdings, L.P. The project will not interconnect with Gulfstream Natural Gas System.
- As of December 1, 2006, construction of the project is 50.9% complete.

AES LNG (Ocean Express Pipeline) Ocean Cay Terminal, Bahamas

- Filed with the FERC in February 2002 in Docket No. CP02-90
- LNG Terminal awaiting Bahamian Governmental Approval
- Construction has not started.
- The facility was expected to be operational in the 2008/09 timeframe but those dates appear very optimistic.
- On December 21, 2006, AES requested that the FERC grant a four (4) year extension of the in-service date to January 29, 2011, due to unexpected delays in securing final project approval from the Bahamian Government.
- Project's future remains uncertain.

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4. Did PEF consider new LNG sources from new terminals on the Gulf coast as an alternative to the SESH project? Please explain.

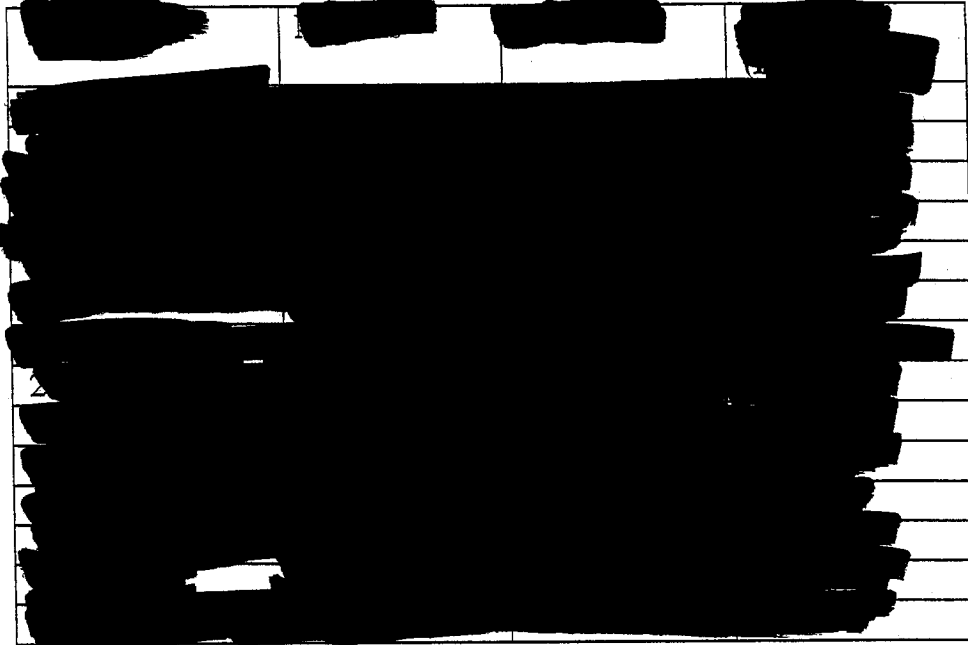
PEF's Response: Yes. As mentioned on pages 11 and 12 of the Direct Testimony of Kent Fonvielle and page 9 of the Business Analysis Package attached hereto as **Confidential Exhibit C**, PEF considered potential LNG sources in the Gulf region as well as additional LNG from the Elba Island LNG terminal.

While additional LNG will further reduce PEF's dependence on offshore Mobile Bay area production, by 2009 existing LNG contracts with BG will make up [REDACTED] percent of PEF's overall supply portfolio. Therefore, purchasing additional LNG supplies will not in and of itself increase supply diversity. Additionally, LNG cargos can be re-routed during situations when prices are more favorable in world markets other than the United States (i.e., gas prices more attractive in Europe). Furthermore, Gulf LNG terminals would likely experience the same disruptions, simultaneous with curtailments of offshore production, due to extreme weather events in the Gulf. Finally, when compared to onshore supply, LNG introduces incremental geopolitical risks, where the curtailment of gas exports could occur due to foreign country events such as strikes, wars, terrorism, etc.

5. Please refer to page 6, lines 12 through 16, of Javier Portuondo's testimony and to Kent Fonvielle's testimony, page 7, lines 14 through 21 and continuing on to page 8, lines 1 through 6. For gas to meet increasing gas requirements, what are PEF's plans for transporting this additional gas on pipelines in Florida? As part of this answer, please provide a schedule showing additional firm pipeline capacity for the years 2008 through 2012.

PEF's Response: With the SESH pipeline capacity PEF will begin purchasing a portion of its natural gas in the Perryville Hub area. This onshore gas will be transported to the Mobile Bay area using the SESH pipeline, where it will feed into the two existing interstate pipelines that supply gas to the State of Florida: Florida Gas Transmission and Gulfstream Natural Gas System. PEF will use its firm transportation rights on FGT and Gulfstream to transport this gas to its plants in Florida. Additional firm pipeline capacity currently under contract for PEF is shown in the table below. The capacity on each pipeline during a specific period is as stated and is not additive to earlier periods shown.

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6. Please refer to page 6 of witness Portuondo's testimony, lines 9 through 16 and to page 9, lines 4 through 12 of witness Fonvielle's testimony regarding potential savings for PEF's customers as a result of the SESH project. Also, regarding costs, please refer to page 7 of witness Portuondo's testimony and to page 9 of witness Fonvielle's testimony, lines 15 through 23 and continuing on to page 10, lines 1 through 7.

A.) Please explain how the potential savings are calculated. Include total savings, how the savings were calculated, and the comparison to PEF's estimated annual project costs.

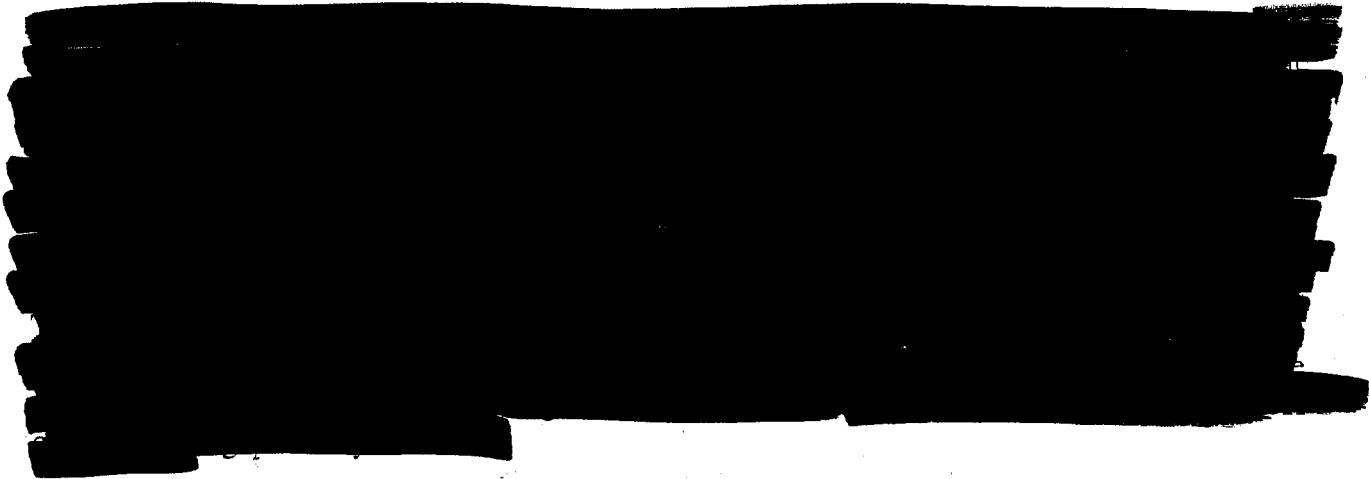
PEF's Response: As can be seen from the graph on page 6 of the attached Business Analysis Package, the Mobile Bay basis (premium above NYMEX) has been increasing over the past few years. Basis increases during periods when demand for gas outstrips supply in a given region. Therefore, new infrastructure projects such as the SESH pipeline that increase available supply, should help to suppress the increasing basis and may act to lower the basis over time. The actual future basis, with and without the incremental supply brought to the region by the proposed SESH pipeline, is not known and therefore PEF cannot calculate these potential savings.

A second opportunity to create savings is to procure gas supply via the SESH pipeline in the Perryville Hub area at a basis lower than the Mobile Bay basis. [REDACTED]

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B.) How can the SESH project potentially cause a lower overall cost of gas for PEF's customers?

PEF's Response: See response to 6(A) above.

C.) Will the SESH project increase PEF's delivered price of gas? Please explain.

PEF's Response: The future cost of natural gas delivered to PEF's generating plants is affected by many variables, but is primarily driven by changes in the underlying commodity price as measured by the NYMEX contract. PEF will continue to manage volatility in the price of gas through our hedging program. In addition, PEF will seek to offset the increase in fixed pipeline costs through procurement strategies such as those described in 6(A) above.

7. Will the SESH project allow PEF to negotiate better non-price terms for natural gas supply contracts? Please explain.

PEF's Response: The SESH project will not necessarily lead to better non-price terms in future gas supply deals, although it will increase the pool of suppliers available to PEF and thus increase competition. In addition, the onshore gas available via the SESH capacity will be less subject to disruption from severe weather events affecting offshore production platforms.

8. Will the SESH project cause PEF to buy less off-shore gas? Please explain.

PEF's Response: Yes. The SESH capacity will allow PEF to buy less offshore gas than otherwise would be required to support the gas generation fleet in the future.

9. What part of new PEF demand for natural gas will be supplied by Mobile Bay?

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PEF's Response: The following table depicts the contribution of each supply region as a percentage of PEF's projected gas usage over time. PEF's projected gas usage includes existing gas-fired generation and planned gas-fired generating units.

	2007	2008	2009	2010	2011	2012
Mobile Bay/Destin	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
FGT Z1&2	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Cypress/LNG	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Perryville/Carthage	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	100%	100%	100%	100%	100%	100%

10. PEF's proposed share of the SESH project capacity is 200,000 MMBtu by 2009. The projected in-service date is around mid-2008.

PEF's Response: PEF's proposed share of SESH project capacity is as follows:

6/1/2008 – 5/31/2009: 100,000 Dths/day
6/1/2009 – 5/31/2010: 150,000 Dths/day
6/1/2010 – 5/31/2022: 200,000 Dths/day
6/1/2022 – 5/31/2023: 50,000 Dths/day

A.) As of the SESH project's mid-2008 in-service date, does PEF intend to fully use the 200,000 MMBtu firm capacity?

PEF's Response: [REDACTED]

B.) Will PEF have excess capacity initially or at various times? If no, please explain. If yes, what are PEF's plans for the excess capacity?

PEF's Response: [REDACTED]

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C.) Referring to Exhibit KF-2, please provide the analysis assuming 80% and 90% utilization of pipeline capacity.

PEF's Response: See attached **Confidential Exhibits D and E** which show projected annual costs assuming 80% and 90% utilization, respectively.

D.) How will PEF's participation in the SESH project be affected if the proposed in-service date is moved back to the end of 2008?

PEF's Response: PEF's contract with SESH has several conditions precedent to monitor progress of the project and allow termination of the contract if certain critical milestones are not met. Assuming these earlier milestones are met, PEF would begin taking service at the later in-service date of the project.

E.) What is the SESH pipeline project's status regarding FERC regulatory approval? As part of the response to this question, please provide a timeline of the significant FERC regulatory actions, both historical and expected.

PEF's Response:

- National Environmental Policy Act (NEPA) pre-filing filed in Docket No. PF06-28
- NEPA pre-filing request submitted on May 5, 2006
- Certificate application was filed by SESH with the FERC on December 18, 2006
- Docket Nos. CP07-44, CP07-45, CP07-46 and CP07-47 were assigned to the subject NGA Section 7c Certificate Application
- Noticed by the FERC on December 28, 2006 with a comment deadline date of January 18, 2007. Likely will take eight (8) months for approval from FERC but only FERC knows how long it will take. (See FERC Notice attached hereto as **Exhibit F**)

F.) Other than FERC regulatory approval, are there remaining regulatory approvals for the SESH pipeline project? If yes, please provide a summary of the remaining regulatory approvals.

PEF's Response: This information is not known to PEF but is likely available from SESH.

11. If the Commission chooses to move consideration of this petition past the March 13, 2007 Agenda Conference, what risks would this create for PEF regarding terms in the contract and whether PEF would proceed with the contract/project?

PEF's Response: [REDACTED]

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[REDACTED]

12. Please refer to Kent Fonvielle's testimony, page 10, lines 8 through 22, and pages 11 and 12. Of the various options that PEF considered, was the SESH the lowest cost alternative? Please explain. Also, provide an analysis showing the cost of each alternative considered.

PEF's Response: No. Although SESH was not the lowest cost alternative, it was determined to be the most cost-effective option considering all price and non-price factors as further described below.

[REDACTED]

[REDACTED]

13. Please provide complete copies of any studies or analyses done by PEF or on behalf of PEF since January 1, 2005 that consider LNG as a future source of supply of natural gas for PEF.

PEF's Response: See page 9 of the attached Business Analysis Package.

14. Please provide complete copies of any cost/benefit analyses that justify the SESH project as the lowest cost alternative for new natural gas supply for PEF.

PEF's Response: See pages 10 & 11 of the attached Business Analysis Package.

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15. Please provide complete copies of any cost/benefit analyses or savings calculations regarding the SESH project's potential to result in savings for customers.

PEF's Response: Please refer to pages 3 – 7 of the attached Business Analysis Package for a discussion of the overall benefits of the SESH pipeline project. Also, please refer to response to question 6(A) and to pages 23 - 24 of the attached Business Analysis Package for a discussion and analysis of potential savings that may be derived.

16. Please refer to page 6 of witness Portuondo's testimony, lines 9 through 16 and to page 9, lines 4 through 12 of witness Fonvielle's testimony. Please provide any analyses of the impact the SESH project will have on gas prices in the Mobile Bay area. Also, please provide copies of any documentation that these witnesses relied upon in making these specific statements about savings and "lower overall cost of gas for PEF's customers."

PEF's Response: PEF has done no formal analysis of the impact the SESH project will have on gas prices in the Mobile Bay area. This project is not being proposed to lower the price of gas available in Mobile Bay. Absent any price impact on natural gas out of Mobile Bay, PEF believes this is a worthwhile project and will benefit PEF's customers through improved reliability and supply diversity. With regard to the statements referenced above in witness Portuondo and Fonvielle's testimony, our belief that there may be a positive impact on the price of gas out of Mobile Bay is founded in economic theory. The law of supply and demand dictates that with all else equal, an increase in supply will result in a lower market clearing price for a commodity. In fact, the existence of OPEC illustrates the influence supply of a commodity can have on its price. This pipeline will increase the supply of gas available to the Mobile Bay area as well as anyone connecting to the Mobile Bay area. While it is not possible to make a reliable prediction on price impact, it makes sense that at any given point in the future, with demand for natural gas at a given level, one would expect the price coming out of Mobile Bay to be lower with an increased supply available.

17. Please provide complete copies of all workpapers, analyses, and source documents associated with the testimony and exhibits of Javier Portuondo.

PEF's Response: Documents relied on concerning the purpose and scope of the SESH project are being provided as part of the response to question number 18. Please see copy of the DEP report titled "Florida's Energy Plan" issued on January 17, 2006 referenced in Mr. Portuondo's testimony, attached hereto as **Exhibit G**. Please also see the copy of the DOE report titled "Impact of the 2005 Hurricanes on the Natural Gas Industry in the Gulf of Mexico Region", attached as **Exhibit A**. This report contains useful background information with regard to natural gas production and susceptibility to extreme weather events which was considered as Mr. Portuondo's testimony was prepared.

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18. Please provide complete copies of all workpapers, analyses, and source documents associated with the testimony and exhibits of Kent Fonvielle.

PEF's Response: See attached files. (**Exhibit H**).

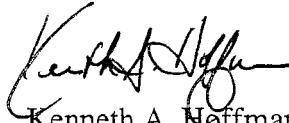
19. Please provide complete copies of studies done by or for PEF addressing gas procurement reliability and SESH.

PEF's Response: See attached files. (**Confidential Exhibit C**).

20. Please provide a copy of Section 3 of Rate Schedule FTS included in the Transporter's tariff.

PEF's Response: Please see PEF's response to Request No. 2F above and the Tariff attached hereto as **Exhibit B**. Section 3 of Rate Schedule FTS is contained in Original Sheet Nos. 9, 10, and 11.

Sincerely,



Kenneth A. Hoffman
Co-Counsel for Progress Energy Florida, Inc.

KAH/rl

cc: John Burnett, Esq., Co-Counsel for Progress Energy Florida, Inc.

progressenergy\sesh\responsetofirstdata.wpd

West/East Pipeline Transportation Purchase Business Analysis Package

Sponsoring Business Unit: Regulated Fuels (RFD) of behalf of Progress Energy Florida

Funding Legal Entity: Progress Energy Florida (PEF)

Date Prepared: January 16, 2007

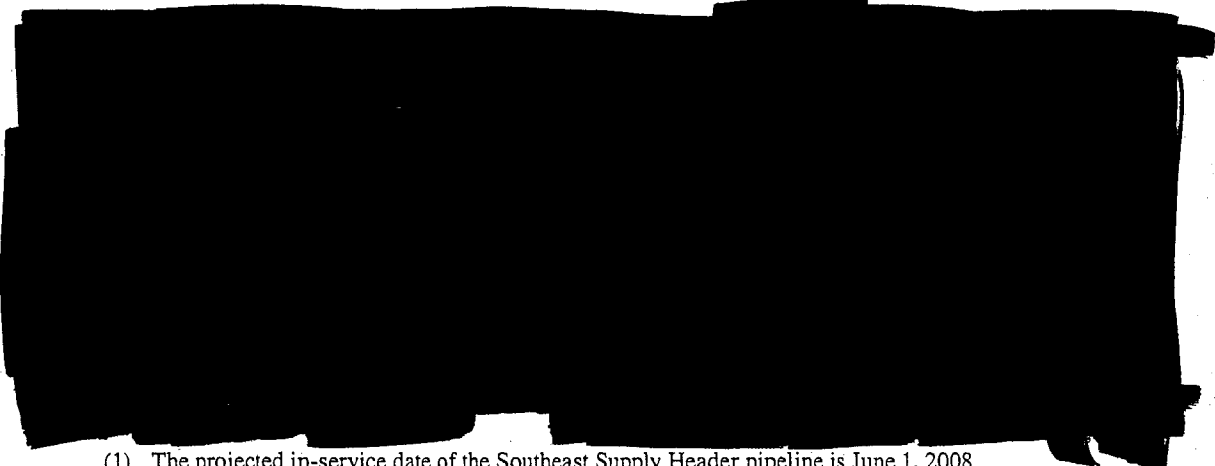
Contacts to discuss project

<u>Dept/Group</u>	<u>Role/Name</u>	<u>Extension</u>
Progress Fuels (RFD)	Bob Bazemore, VP and Project Sponsor	770-4083
Progress Fuels (RFD)	Kent Fonvielle, Manager	770-3257
Progress Fuels (RFD)	Rick Rhodes, Gas Supply Rep.	770-7613

**CONFIDENTIAL EXHIBIT C
REDACTED VERSION**

Exhibit ____
**Estimated Total Annual Pipeline Costs
80% Utilization**

<u>Period⁽¹⁾</u>	<u>Capacity (Dth/day)</u>	<u>Reservation Rate (\$/Dth-day)</u>	<u>Fixed Costs</u>	<u>Total Variable</u>	<u>Total Costs</u>
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- (1) The projected in-service date of the Southeast Supply Header pipeline is June 1, 2008.
- (2) Estimated variable costs based on 80% utilization of pipeline capacity.

CONFIDENTIAL EXHIBIT D

Exhibit ____
**Estimated Total Annual Pipeline Costs
90% Utilization**

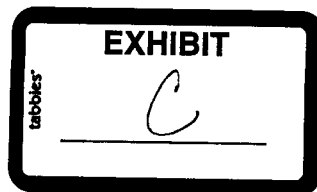
<u>Period⁽¹⁾</u>	<u>Capacity (Dth/day)</u>	<u>Reservation Rate (\$/Dth-day)</u>	<u>Fixed Costs</u>	<u>Total Variable</u>	<u>Total Costs</u>
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

- (1) The projected in-service date of the Southeast Supply Header pipeline is June 1, 2008.
- (2) Estimated variable costs based on 90% utilization of pipeline capacity.

CONFIDENTIAL EXHIBIT E

PEF requests that the following information be granted confidential classification:

Description	Response No.	Page No.	Florida Statute 366.093(3) Subsection	Affiant	Justification
Responses to the Commission Staff's First Data Request	2(D)	4	(d)(e)	Fonvielle	The document in question contains confidential information, the disclosure of which would impair PEF's efforts to contract for goods or services on favorable terms.
Responses to the Commission Staff's First Data Request	4	9	(d)(e)	Fonvielle	
Responses to the Commission Staff's First Data Request	5 – Table	10	(d)(e)	Fonvielle	
Responses to the Commission Staff's First Data Request	6(A)	10-11	(d)(e)	Fonvielle	The document in question contains confidential information relating to competitive business interests, the disclosure of which would impair the competitive interests of the provider/owner of the information.
Responses to the Commission Staff's First Data Request	9	12	(d)(e)	Fonvielle	
Responses to the Commission Staff's First Data Request	10(A)	12	(d)(e)	Fonvielle	
Responses to the Commission Staff's First Data Request	10(B)	12	(d)(e)	Fonvielle	
Responses to the Commission Staff's First Data Request	11	13-14	(d)(e)	Fonvielle	
Responses to the Commission Staff's First Data Request	12	14	(d)(e)	Fonvielle	
Responses to the Commission Staff's First Data Request	Exhibit C	2-25	(d)(e)	Fonvielle	
Responses to the Commission Staff's First Data Request	Exhibit D	1	(d)(e)	Fonvielle	
Responses to the Commission Staff's First Data Request	Exhibit E	1	(d)(e)	Fonvielle	



BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Progress Energy Florida, Inc.'s)
Petition for Approval of Southeast Supply)
Header long-term fuel transportation)
contracts.)

Docket No. 060793-EI
Filed: February 9, 2007

**AFFIDAVIT OF KENT FONVIELLE IN SUPPORT OF
PROGRESS ENERGY FLORIDA, INC.'S
SECOND REQUEST FOR CONFIDENTIAL CLASSIFICATION**

STATE OF NORTH CAROLINA

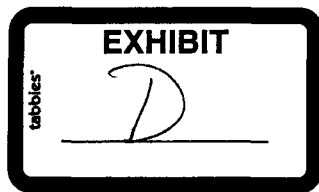
COUNTY OF WAKE

BEFORE ME, the undersigned authority duly authorized to administer oaths, personally appeared Kent Fonvielle, who being first duly sworn, on oath deposes and says that:

1. My name is Kent Fonvielle. I am over the age of 18 years old and have been authorized by Progress Energy Florida, Inc. (hereinafter "PEF" or the "Company") to give this affidavit in the above-styled proceeding on PEF's behalf and in support of PEF's Second Request for Confidential Classification. The facts attested to in my affidavit are based upon my personal knowledge.

2. I am the Manager of Fuel Planning and Origination for PEF. In that capacity, I am responsible for long-term fuel planning and origination activities for PEF's coal, gas and oil fired generation in the Carolinas and Florida.

3. PEF is seeking confidential classification for portions of PEF's Responses to Staff's First Data Request. The information and documents for which PEF seeks confidential classification are highlighted in yellow in Confidential Exhibit A to PEF's Second Request for Confidential Classification and summarized in paragraph 8 of the Second Request.



4. I have reviewed the documents and information for which I am listed as an Affiant in Exhibit C in which are included in Confidential Exhibit A to PEF's Second Request for Confidential Classification. I will address this information and the specific documents below.

PEF's Response to Staff Data Request No. 2D and Confidential Exhibits D and E

5. This information is the same type of confidential cost information provided in Exhibit KF-2 to my Prefiled Direct Testimony. The Commission has granted PEF's request for confidential classification of this document.

PEF's Responses to Staff Data Request Nos. 4, 5, 6A, 9, 10A, 10B and 11

6. The information provided in the above numbered data request responses is, once again, similar to the competitively sensitive contractual terms that have been granted confidential classification by the Commission. As I stated in my Affidavit in support of PEF's First Request for Confidential Classification, PEF negotiates with potential fuel suppliers and transportation companies to obtain competitive contracts for fuel options that provide economic value to PEF and its customers. PEF's ability to secure competitive contracts and maximize economic value are a direct function of PEF's ability to assure fuel suppliers and transportation companies that sensitive business information, such as the quantity and pricing terms of their contracts, will be kept confidential. If contract negotiations, alternatives and final competitively sensitive rates, terms and conditions are opened up to the public, they can end up in the possession of potential competitors. Faced with that risk, persons or companies who otherwise would contract with PEF might decide not to do so if PEF did not keep those terms of their contracts confidential.

7. In addition, the highly competitive nature of natural gas supply and transportation markets makes it critical to insure confidential treatment of individual contract negotiations and competitively sensitive contract terms. The rates, terms and conditions for the transport service

provided by the SESH Pipeline are specifically negotiated for each transaction and depend on the competitive circumstances faced by SESH and its customer. If details related to price, quantity, and other competitively sensitive contractual terms such as events of default, remedies, force majeure, and credit support were disclosed to SESH's competitors or customers, SESH would be placed at a disadvantage in future negotiations, which would have an adverse effect on SESH.

8. The information provided by PEF in response to Staff's First Data Request that I have discussed in paragraphs 5, 6 and 7 of my Affidavit above, to-wit: existing contracts; information concerning sources and percentages of PEF's fuel supply portfolio; PEF's strategic plans for utilization of the SESH Pipeline, plans for use of other natural gas pipelines, and details regarding other gas supply agreements that are contingent on approval of the SESH Pipeline Contracts; the percentage contribution of a particular geographic region to PEF's projected gas usage; and the risks to PEF under the SESH Pipeline Contracts if the Commission postpones a decision on PEF's Petition past March 13, 2007, are all the type of contractual or competitively sensitive information for which confidential classification must be maintained to avoid compromising PEF's ability to maximize competitive fuel supply and transportation options that benefit both PEF and its ratepayers.

PEF's Response to Staff Data Request No. 12 and Confidential Exhibit C

9. The information provided in PEF's response to Staff Data Request No. 12 and the Business Analysis Package attached as Confidential Exhibit C also present competitive and strategically sensitive information which would impair and be detrimental to PEF and PEF's ratepayers if subjected to public disclosure. The information and exhibit present a discussion and analysis of the various options and alternatives to the SESH Pipeline Project, the various benefits, costs and disadvantages considered by PEF in connection with each option and

alternative, the criteria developed and utilized by PEF to evaluate alternatives, and the assumptions developed and utilized by PEF to evaluate the alternatives, including the projected costs and reliability of the SESH Pipeline Project and the various alternatives. As with the other confidential information described above, PEF consistently maintains and seeks the permission of the Commission to continue to maintain confidential treatment of this competitively and strategically sensitive information. The public disclosure of this information would clearly compromise PEF's ability to negotiate optimal fuel supply and transportation agreements in the future to the detriment of PEF and its ratepayers.

10. Consistent with the provisions of the Florida Administrative Code, the confidential documents and materials should remain confidential for a period of eighteen (18) months. In addition, they should be returned to PEF as soon as the information is no longer necessary for the Commission to conduct its business so that PEF can continue to maintain the confidentiality of these documents.

11. Upon receipt of confidential information from fuel suppliers and transportation companies, strict procedures are established and followed to maintain the confidentiality of the terms of the documents, including restricting access to those persons who need the contract information to assist the Company, and restricting the number of, and access to the contract information and contracts. The Company has treated and continues to treat the information that is the subject of PEF's Second Request for Confidential Classification as confidential.

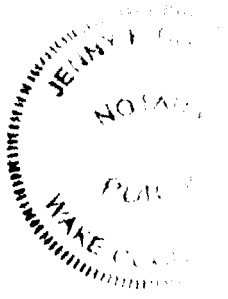
12. This concludes my affidavit.

Further affiant sayeth not.

Dated this 8th day of February, 2007.

Kent Fonvielle
(Signature)
Kent Fonvielle
Manager of Fuel Planning and Origination
Progress Energy Service Company, LLC
410 South Wilmington Street
Raleigh, NC 27601

THE FOREGOING INSTRUMENT was sworn and subscribed to me this 8th day of February, 2007 by Kent Fonvielle. He is personally known to me, or has produced his NC driver's license or his _____ as identification.



(AFFIX NOTARIAL SEAL)

Jenny F. Currin
(Signature)

Jenny F. Currin
(Printed Name)

NOTARY PUBLIC, STATE OF NC

12/13/2010
(Commission Expiration Date)

— —
(Serial Number, If Any)

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: 2.9.07
TO: Kenneth Hoffman
FROM: T. Henry, Division of the Commission Clerk &
Administrative Services
RE: **Acknowledgment of Receipt of Confidential Filing**

01372-07

This will acknowledge receipt of a **CONFIDENTIAL DOCUMENT** filed in Docket No. 010793-E1 or (if filed in an undocketed matter) concerning Data Request, and filed on behalf of PEF/Hoffman. The document will be maintained in locked storage.

Any questions regarding this matter should be directed to Marguerite Lockard at (850) 413-6770.

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