

PROGRESS ENERGY FLORIDA

DOCKET NO. 080001-EI

**Fuel and Capacity Cost Recovery
Final True-Up for the Period
January through December 2007**

**DIRECT TESTIMONY OF
JOSEPH MCCALLISTER**

April 3, 2008

1 **Q. Please state your name and business address.**

2 A. My name is Joseph McCallister. My business address is 410 South Wilmington Street,
3 Raleigh, North Carolina 27601.

4

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

6 A. I am employed by Progress Energy Carolinas in the capacity of Director, Gas & Oil
7 Trading.

8

9 **Q. Have your duties and responsibilities remained the same since you last testified**
10 **in this proceeding?**

11 A. Yes, my responsibilities for the procurement and trading of natural gas and oil on
12 behalf of Progress Energy Florida (PEF or the Company) have remained the same.

13

14 **Q. What is the purpose of your testimony?**

15 A. The purpose of my testimony is to summarize the results of PEF's hedging activity for
16 2007 and to provide the information required by Order No. PSC-02-1484-FOF-EI which
17 approved the resolution of the hedging related issues pending before the Commission
18 in Docket No. 011605-EI.

DOCUMENT NUMBER-DATE

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1 **Q. Have you prepared exhibits to your testimony?**

2 A. Yes. I have attached exhibit JM-1T which summarizes hedging information for 2007.

3

4 **Q. What are the primary objectives of PEF's hedging strategy?**

5 A. The objectives of PEF's hedging strategy are to mitigate fuel price risk and volatility
6 and provide a greater degree of price certainty to PEF's customers.

7

8 **Q. What hedging activities did PEF undertake during 2007 for fuel and wholesale
9 power and what were the results?**

10 A. PEF continued to perform the activities outlined in its Risk Management Plan and
11 executed physical and financial transactions in accordance with established company
12 risk management guidelines. With respect to hedging activities that were executed
13 over time for 2007 to reduce the price risk and volatility associated with a portion of
14 PEF's natural gas, heavy oil and light oil burns, PEF executed fixed price physical
15 contracts for natural gas and financial instruments for natural gas, heavy oil and light
16 oil that resulted in net fuel costs of approximately \$15.1 million. For the period 2002
17 through 2007, PEF's natural gas and fuel oil hedges have provided net fuel savings of
18 approximately \$361 million. Although PEF's hedging activity has achieved significant
19 fuel savings to date, the objectives are to reduce price risk and volatility and provide a
20 greater degree of price certainty for its customers. As a result, there will be periods
21 when realized hedge losses occur. In addition, during 2007, PEF made economic
22 energy purchases and wholesale power sales to third parties that resulted in additional
23 savings of approximately \$24.3 million and \$2.6 million, respectively.

24

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

26 A. Yes

Progress Energy Florida, Inc.
Docket No. 080001-EI
Witness: McCallister
Exhibit No. ____ (JM-1T)

PROGRESS ENERGY FLORIDA, INC.

Hedging information provided as part of the 2007 Fuel Clause Final True-up Filing as required by Order no. PSC-02-1484-FOF-EI, Issued October 30, 2002 in Docket No. 011605-EI

Hedging Instrument	Fuel Type	Total 2007 Volume Hedged	Avg Period of Hedge	Total Cost of Hedge	Total Gain/(Loss) of Hedge	
OTC Financial Instruments	Heavy Oil					1
OTC Financial Instruments	Light Oil					2
OTC Financial Instruments	Natural Gas					3
Fixed Physical Price Contracts	Natural Gas					4
Total Net Savings (Costs) for 2007					(\$15,074,486)	