

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

Docket No. 120001-EI

Dated: August 31, 2012

- claim of confidentiality
- notice of intent
- request for confidentiality
- filed by OPC

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

REDACTED

For DN 05940-12, which
is in locked storage. You must be
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Progress Energy Florida, Inc., ("PEF" or "Company"), pursuant to Section 366.093, Florida Statutes (F.S.), and Rule 25-22.006, Florida Administrative Code (F.A.C.), submits this Request for Confidential Classification for certain information provided in Exhibit MO-2 to the projection testimony of PEF witness Marcia Olivier dated August 31, 2012, specifically Schedule E12-A – Calculation of Projected Capacity Costs, Part 3, Page 2 of 2, and for certain information contained on Pages 4, 5 and 6 of the testimony of Joseph McCallister also dated August 31, 2012. In support of this Request, PEF states:

1. Exhibit MO-2, Schedule E12-A – Calculation of Projected Capacity Costs, Part 3, Page 2 of 2 to the projection testimony of Marcia Olivier and Pages 4, 5 and 6 of the testimony of Joseph McCallister contain information that is "proprietary business information" under Section 366.093(3), Florida Statutes.

2. The following exhibits are included with this request:

(a) Sealed Composite Exhibit A is a package containing unredacted copies of all the documents for which PEF seeks confidential treatment. Composite Exhibit A is being submitted separately in a sealed envelope labeled "CONFIDENTIAL." In the unredacted versions, the information asserted to be confidential is highlighted by yellow marker.

(b) Composite Exhibit B is a package containing two copies of redacted versions of the documents for which the Company requests confidential classification. The specific information for which confidential treatment is requested has been blocked out by opaque marker or other means.

- COM _____
- AFD 2
- APA 1
- ECO 1
- ENG 1
- GCL 1
- IDM _____
- TEL _____
- CLK 1

DOCUMENT NUMBER-DATE

05939 AUG 31 12

FPSC-COMMISSION CLERK

(c) Exhibit C is a table which identifies by page and line the information for which PEF seeks confidential classification and the specific statutory bases for seeking confidential treatment.

3. As indicated in Exhibit C, the information for which PEF requests confidential classification is “proprietary confidential business information” within the meaning of Section 366.093(3), F.S. Specifically, in Exhibit MO-2 – Schedule E12-A, Part 3, Page 2 of 2, the highlighted information provides the number of megawatts for each purchase or sale. In combination with other non-confidential cost data provided in the exhibit, this information could be used to determine the capacity charges for each contract. Affidavit of Marcia Olivier at ¶ 5. Disclosure of this information would enable wholesale providers to determine the prices of their competitors, which could result in greater price convergence in future negotiations. Affidavit of Marcia Olivier at ¶ 5. Suppliers would no longer need to make their best offers to ensure the competitiveness of their prices against the disclosed prices. Affidavit of Marcia Olivier at ¶ 5. Instead, suppliers could simply offer the highest prices that would allow them to maintain a marginally competitive position against the disclosed prices. Affidavit of Marcia Olivier at ¶ 5. As such, disclosure of the information would impair the Company’s efforts to contract for goods or services on favorable terms. *See* § 366.093(3)(d), F.S.; Affidavit of Marcia Olivier at ¶ 5. Additionally, if the information at issue was disclosed to PEF’s competitors, PEF’s efforts to obtain competitive energy supply that provides economic value to both PEF and its ratepayers could be compromised by PEF’s competitors changing their consumption or purchasing behavior within the relevant markets. *Id.* § 366.093(3)(e); Affidavit of Marcia Olivier at ¶ 6. Accordingly, such information constitutes “proprietary confidential business information” which is exempt from disclosure under the Public Records Act pursuant to Section 366.093(1), F.S.

4. In addition, specifically, on Pages 4, 5 and 6 of the testimony of Joseph McCallister, the highlighted information provides forecasted hedging percentages and hedging amounts. Affidavit of Joseph McCallister at ¶ 5. Disclosure of this information would enable fuel suppliers to have insight to PEF’s forecasted hedging percentages and to obtain competitive information, which could result in greater price

convergence in future negotiations. Affidavit of Joseph McCallister at ¶ 5. Fuel suppliers would no longer need to make their best offers to ensure the competitiveness of their prices against the disclosed prices. Affidavit of Joseph McCallister at ¶ 5. Instead, fuel suppliers could simply offer the highest prices that would allow them to maintain a marginally competitive position against the disclosed forecasted percentages. Affidavit of Joseph McCallister at ¶ 5. As such, disclosure of the information would impair the Company's efforts to contract for goods or services on favorable terms. *See* § 366.093(3)(d), F.S.; Affidavit of Joseph McCallister at ¶ 5. Additionally, if the information at issue was disclosed, PEF's efforts to obtain competitive energy supply that provides economic value to both PEF and its ratepayers could be compromised by PEF's competitors changing their purchasing behavior within the relevant markets. *Id.* § 366.093(3)(e); Affidavit of Joseph McCallister at ¶ 6. Accordingly, such information constitutes "proprietary confidential business information" which is exempt from disclosure under the Public Records Act pursuant to Section 366.093(1), F.S.

5. The information identified as Exhibit A is intended to be and is treated as confidential by the Company. Affidavit of Marcia Olivier at ¶ 7. Affidavit of Joseph McCallister at ¶ 7. The information has not been disclosed to the public, and the Company has treated and continues to treat the information and contracts at issue as confidential. Affidavit of Marcia Olivier at ¶ 7. Affidavit of Joseph McCallister at ¶ 7.

6. PEF requests that the information identified in Exhibit A be classified as "proprietary confidential business information" within the meaning of section 366.093(3), F.S., that the information remain confidential for a period of at least 18 months as provided in section 366.093(4) F.S., and that the information be returned as soon as it is no longer necessary for the Commission to conduct its business.

WHEREFORE, for the foregoing reasons, PEF respectfully requests that this Request for Confidential Classification be granted.

RESPECTFULLY SUBMITTED this 31st day of August, 2012.

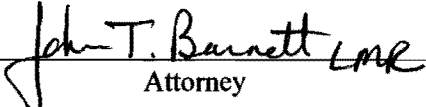
Handwritten signature of John T. Burnett in black ink, with the initials "EMR" written at the end of the signature.

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by regular U.S. mail (* via hand delivery) to the following this 31st day of August, 2012.


Attorney

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Exhibit B

REDACTED

REDACTED

COM	_____
<u>AED</u>	_____
APA	_____
ECO	_____
ENG	_____
GCL	_____
IDM	_____
TEL	_____
CLK	_____

DOCUMENT NUMBER-DATE

05939 AUG 31 98

FPSC-COMMISSION CLERK

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Progress Energy Florida
Calculation of Projected Capacity Costs
For the Year 2013

Docket No. 120001-EI
Exhibit MO-2, Part 3
Schedule E12-A
Page 2 of 2

Contract Data:

Name	Start Date	Expiration Date	Type	Purchase/Sa	MW
1 Auburndale Power Partners, L.P. (AUBRDLFC)	Jan-95	Dec-13	QF	Purch	17.00
2 Auburndale Power Partners, L.P. (AUBSET)	Aug-94	Dec-13	QF	Purch	114.18
3 Lake County (LAKCOUNT)	Jan-95	Jun-14	QF	Purch	12.75
4 Lake Cogen Limited (LAKORDER)	Jul-93	Jul-13	QF	Purch	110.00
5 Metro-Dade County (METRDADE)	Nov-91	Nov-13	QF	Purch	43.00
6 Orange Cogen (ORANGECO)	Jul-95	Dec-24	QF	Purch	74.00
7 Orlando Cogen Limited (ORLACOGL)	Sep-93	Dec-23	QF	Purch	79.20
8 Pasco County Resource Recovery (PASCOUNT)	Jan-95	Dec-24	QF	Purch	23.00
9 Pinellas County Resource Recovery (PINCOUNT)	Jan-95	Dec-24	QF	Purch	54.75
10 Polk Power Partners, L. P. (MULBERRY/ROYSTER)	Aug-94	Aug-24	QF	Purch	115.00
11 Wheelabrator Ridge Energy, Inc. (RIDGEGEN)	Aug-94	Dec-23	QF	Purch	39.60
12 Southern - Franklin	Jun-10	May-16	Other	Purch	350.00
13 Schedule H Capacity - New Smyrna Beach	Nov-85	see note (1)	Other	Sale	
14 Schedule H Capacity - Reedy Creek Improvement District	Sep-89	see note (2)	Other	Sale	
15 Chattahoochee	Jan-03	Dec-17	Other	Purch	
16 Vandolah (NSG)	Jun-12	May-27	Other	Purch	
17 Shady Hills Tolling Agreement	Apr-07	Apr-24	Other	Purch	

(1) The New Smyrna Beach (NSB) Schedule H contract is in effect until cancelled by either PEF or NSB upon 1 year's written notice.
(2) The Reedy Creek Improvement District Schedule H contract is 5 years with 1 year renewal increments.

DOCUMENT NUMBER-DATE

05939 AUG 31 02

FPSC-COMMISSION CLERK

1 A. PEF will hedge a percentage of its projected natural gas and light oil fuel oil
 2 burns, and a portion of the estimated fuel surcharge exposure embedded in
 3 PEF's coal river barge and railroad transportation agreements. PEF will
 4 utilize approved physical and financial agreements. With respect to hedging
 5 activity, natural gas represents the largest component of PEF's overall
 6 hedging activity given it is the largest fuel cost component. PEF's target
 7 hedging percentage ranges are between [REDACTED] to [REDACTED] of its current 2013
 8 forecasted calendar annual burns. The current expectation is for PEF to
 9 target to hedge a minimum of [REDACTED] of its forecasted natural gas burn
 10 projections for 2013. .With respect to light oil forecasted to be burned at
 11 PEF's owned generation facilities for calendar year 2013, during the balance
 12 of 2012 and during 2013, PEF will target to hedge a minimum of [REDACTED] of its
 13 forecasted light oil burns for the 2013 calendar period. As outlined in the
 14 Risk Management Plan, due to the decline in overall forecasted heavy oil
 15 usage for future periods, PEF made the decision not to execute heavy oil
 16 hedges for periods beyond 2012. With respect to coal river and rail
 17 transportation estimated fuel surcharges, for calendar year 2013 PEF will
 18 target to hedge between [REDACTED] to [REDACTED] of the estimated fuel surcharge
 19 exposure in the coal rail and river barge transportation agreements.
 20 Hedging in the ranges will allow PEF to monitor actual fuel burns, updated
 21 fuel forecasts and make any adjustments as needed throughout the year.
 22
 23 PEF's hedging activities do not involve price speculation or trying to "out-
 24 guess" the market. All hedging transactions are executed at the prevailing
 25 market price for any given period that exists at the time the hedging

1 transactions are executed. The results of hedging activities may or may not
 2 result in net fuel cost savings due to differences between the monthly
 3 settlement prices and the actual hedge price of the transactions that were
 4 executed over time. The volumes hedged over time are based on periodic
 5 updated fuel forecasts and the actual hedge percentages for any month,
 6 rolling period or calendar annual period may come in higher or lower than
 7 the target minimum hedge percentages and hedging ranges because of
 8 actual fuel burns versus forecasted fuel burns. Actual burns can deviate
 9 from forecasted burns because of variables such as weather, unforeseen
 10 unit outages, actual load and changing fuel prices. PEF's approach to
 11 executing fixed price transactions over time is a reasonable and prudent
 12 approach to reduce price risk and providing greater cost certainty for PEF's
 13 customers.

14
 15 As of August 20, 2012, for 2013 PEF has hedged approximately [REDACTED] of its
 16 forecasted natural gas burns and [REDACTED] of its forecasted light oil burns. In
 17 addition, as of August 20, 2012, for 2013 PEF has hedged approximately
 18 [REDACTED] and [REDACTED] of its estimated fuel surcharge exposure based on the
 19 contractual provisions in the coal rail and river barge transportation
 20 agreements, respectively. PEF will continue to execute additional hedges
 21 for 2013 throughout the remainder of 2012 and during 2013 consistent with
 22 its on-going strategy.

23

24 **Q. What were the results of PEF's hedging activities for January through**
 25 **July 2012?**

1 A. The Company's natural gas hedging activities for January through July
 2 2012 have resulted in hedges being above the closing natural gas
 3 settlement prices for the periods of January 2012 through July 2012 by
 4 approximately [REDACTED]. The Company's overall fuel oil hedging
 5 activities have resulted in hedges being below the closing settlement prices
 6 for the periods of January 2012 through July 2012 by approximately [REDACTED]
 7 [REDACTED]. This overall hedge results were driven primarily as a result of
 8 continued declines in natural gas prices after the execution of PEF's 2012
 9 hedging transactions. The hedging activities were executed consistent with
 10 its Risk Management Plan. Although PEF's hedging activity did not result in
 11 net fuel cost savings, the activities did achieve the objective to reduce the
 12 impacts of fuel price risk and provide greater cost certainty for PEF's
 13 customers.

14
 15 **Q. What are the results of the economy purchase and sales power
 16 activity for January 2012 through July 2012?**

17 A. During the period January 2012 through July 2012, PEF has made
 18 economic energy purchases and wholesale power sales to third parties that
 19 resulted in net savings of approximately \$1.3 million and \$0.2 million,
 20 respectively.

21
 22 **Q. Does this conclude your testimony?**

23 A. Yes.

Exhibit C

PROGRESS ENERGY FLORIDA Confidentiality Justification Matrix

DOCUMENT/RESPONSES	PAGE/LINE	JUSTIFICATION
Exhibit MO-2, Schedule E12-A: Calculation of Projected Capacity Costs	Part 3, Page 2 of 2: purchased MW from New Smyrna Beach, Reedy Creek, Chattahoochee, Vandolah and Shady Hills.	<p>§366.093(3)(d), F.S. 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.</p> <p>§366.093(3)(e), F.S. The document in question contains confidential information relating to competitive business interests, the disclosure of which would impair the competitive business of the provider/owner of the information.</p>
Testimony of Joseph McCallister	<p>Page 4, Lines 7, 9, 12 & 18: forecasted hedging percentages.</p> <p>Page 5, Lines 15, 16 & 18: forecasted hedging percentages.</p> <p>Page 6, Lines 4, 6 & 7: hedging amounts.</p>	<p>§366.093(3)(d), F.S. 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.</p> <p>§366.093(3)(e), F.S. The document in question contains confidential information relating to competitive business interests, the disclosure of which would impair the competitive business of the provider/owner of the information.</p>