

# AUSLEY & MCMULLEN

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April 1, 2003

HAND DELIVERED

Ms. Blanca S. Bayo, Director  
Division of Commission Clerk  
and Administrative Services  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

Re: Fuel and Purchased Power Cost Recovery Clause with Generating  
Performance Incentive Factor; FPSC Docket No. 030001-EI

Dear Ms. Bayo:

Enclosed for filing in the above docket is the original and ten (10) copies of Tampa Electric Company's Notice of Intent to Seek Confidential Classification of certain information contained in the company's Annual Report 2002 Risk Management Activities.

Please acknowledge receipt and filing of the above by stamping the duplicate copy of this letter and returning same to this writer.

Thank you for your assistance in connection with this matter.

Sincerely,

  
James D. Beasley

JDB/pp  
Enclosure

cc: All parties of record (w/enc.)

DOCUMENT NUMBER-DATE

03061 APR-18

FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Fuel and Purchased Power Cost Recovery )  
Clause with Generating Performance Incentive ) DOCKET NO. 030001-EI  
Factor. ) FILED: April 1, 2003  
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**TAMPA ELECTRIC COMPANY'S  
NOTICE OF INTENT TO SEEK CONFIDENTIAL CLASSIFICATION**

Tampa Electric Company ("Tampa Electric" or "the company") hereby service notice of its intent to seek confidential classification of portions of the company's Annual Report 2002 Risk Management Activities. In support thereof, the company says:

1. Tampa Electric is simultaneously filing under a separate cover letter one confidential version of its Annual Report of 2002 Risk Management Activities.
2. Certain portions of the company's Annual Report 2002 Risk Management Activities consist of confidential proprietary business information the disclosure of which would be harmful to Tampa Electric and its customers. Tampa Electric will follow up this Notice with a justification for confidential treatment of the highlighted portions of the company's Annual Report of 2002 Risk Management Activities.
3. Submitted herewith are two copies of the public version of the company's Annual Report 2002 Risk Management Activities with the confidential information redacted. Pursuant to Section 366.093, Florida Statutes, and Rule 25-22.006, Florida Administrative Code, Tampa Electric requests that the confidential version of its Annual Report 2002 Risk Management Activities be treated as confidential and exempt from the public records law pending the filing and disposition of the company's justification for confidential treatment of its Annual Report 2002 Risk Management Activities.

WHEREFORE, Tampa Electric Company submits the foregoing Notice of Intent to Seek Confidential Treatment of portions of its Annual Report 2002 Risk Management Activities.

DATED this 1<sup>st</sup> day of April 2003.

Respectfully submitted,



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JAMES D. BEASLEY  
Ausley & McMullen  
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Tallahassee, Florida 32302  
(850) 224-9115

ATTORNEYS FOR TAMPA ELECTRIC COMPANY

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing Notice of Intent, filed on behalf of Tampa Electric Company, has been furnished by U. S. Mail or hand delivery (\*) on this 1<sup>st</sup> day of April 2003 to the following:

Mr. Wm. Cochran Keating, IV\*  
Senior Attorney  
Division of Legal Services  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
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Beggs & Lane  
Post Office Box 12950  
Pensacola, FL 32591-2950

  
\_\_\_\_\_  
ATTORNEY

**Annual Report  
2002 Risk Management Activities**

Tampa Electric's Risk Management Plan identified the following objectives:

- **Qualitative Objectives**  
Tampa Electric's goals in managing risk associated with fuel or power purchases are focused on minimizing supply risk to ensure reliability of electric service to its customers at a reasonable price. To the extent that price risk can be reduced without compromising supply reliability or imposing unnecessary costs on its customers, Tampa Electric is committed to executing strategies to accomplish this.
- **Quantitative Objectives**  
Tampa Electric's quantitative objective is to prudently manage its fuel and wholesale energy procurement activities so as to minimize the variance from projected expenditures while taking advantage of cost-saving opportunities that do not result in increased supply risk. Tampa Electric has established a portfolio of fuel and purchased power products with credit-worthy counterparties for known volumes and prices.

**2002 Risk Management Activities**

The company's activities in 2002 that supported the objectives listed above are described in the following section.

- **Coal Purchases**  
Tampa Electric maintains a portfolio of spot market or short-term, medium-term and long-term coal contracts with the goal of minimizing fuel costs and price risk while maintaining reliability of supply. The company procured all of its coal needs for 2002 with suppliers with known, established pricing. Thus, the cost for the commodity was known. Tampa Electric continued to monitor deliveries and take advantage of minimum/maximum volume commitments in these contracts as the pricing in the coal market changed, which allowed Tampa Electric to take advantage of favorable spot market pricing when it became available. Coal represented over 80 percent of the fuel burned in 2002.
- **Coal Risk Management Activities**  
Tampa Electric's long-established policy of using physical hedges within its portfolio of different term coal supply contracts and the volume options provided by some of those contracts continued to protect ratepayers from coal price volatility. In 2002, savings from these activities were \$34,805,958, as compared to projected costs, and benefited ratepayers. The costs of

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conducting these risk management activities were included when the base year operations and maintenance (O&M) expense amounts were established.

\* **Natural Gas Purchases**

In 2002, approximately three percent of the fuel Tampa Electric purchased was natural gas. Tampa Electric took a prudent, and deliberate approach to procuring and hedging natural gas, recognizing that the company is a relative newcomer in the natural gas market and that its interests and those of its customers would be better served by a cautious and measured initial approach. Despite this initial approach the company succeeded in establishing a natural gas purchasing program that includes the following responsibilities:

- Working closely with the testing team at Bayside Station and updating volume requirements on a daily basis
- Contracting with qualified counterparties
- Hiring natural gas personnel responsible for daily nominations, deal capture, contract administration, natural gas hedging and appropriate reporting
- Establishing databases and reports to monitor activity
- Close interaction and communication with personnel at the pipeline that serves our plants
- Development and execution of a natural gas procurement strategy

\* **Natural Gas Hedging Activities**

Natural gas prices are more volatile than coal prices. Therefore, Tampa Electric hedged, using financial instruments, a portion of the natural gas its units burned from July through December 2002 to protect its customers from the risk of unforeseen price increases. The hedges are described in the following table.

Month	Period	Type of Hedge	Total Cost (\$/MMBTU) <sup>(1)</sup>	Mark-to-Market Savings / (Loss) (\$)	Hedged Volume (MMBTU)	Consumption (MMBTU)	Percent Hedged
July 2002		Swap				556,823	
August 2002		Swap				603,121	
September 2002		Swap				845,199	
October 2002		NA				863,378	
November 2002		NA				131,738	
December 2002		NA				72,641	
<b>Total Period</b>				<b>(203,500)</b>	<b>1,400,000</b>	<b>3,072,900</b>	<b>46%</b>

<sup>(1)</sup> Includes commodity cost

For 2002, natural gas hedging yielded losses of \$203,500 when the instrument prices were compared to market prices. Tampa Electric used swaps [REDACTED]. The costs associated with these instruments are [REDACTED].

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embedded in the price of the instruments and are included in the fuel commodity costs reported by the company.