

ORIGINAL

AUSLEY & MCMULLEN

ATTORNEYS AND COUNSELORS AT LAW

227 SOUTH CALHOUN STREET  
P.O. BOX 391 (ZIP 32302)  
TALLAHASSEE, FLORIDA 32301  
(850) 224-9115 FAX (850) 222-7560

April 1, 2004

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

RECEIVED-FPSC  
04 APR - 1 PM 4: 07  
COMMISSION  
CLERK

Re: Fuel and Purchased Power Cost Recovery Clause with Generating  
Performance Incentive Factor; FPSC Docket No. 040001-EI

Dear Ms. Bayo:

Enclosed for filing in the above docket are the original and ten (10) copies of Tampa Electric Company's Request for Confidential Classification of Information on pages 1, 2, and 3 of the company's Annual Report on 2003 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

RECEIVED & FILED  
*ch*  
FPSC-BUREAU OF RECORDS

AUS \_\_\_\_\_  
CAF \_\_\_\_\_  
CMP \_\_\_\_\_ JDB/pp  
COM \_\_\_\_\_ Enclosure  
CTR \_\_\_\_\_  
ECR \_\_\_\_\_  
GCL \_\_\_\_\_ cc: All Parties of Record (w/enc.)  
OPC \_\_\_\_\_  
MMS \_\_\_\_\_  
SEC \_\_\_\_\_  
OTH \_\_\_\_\_  
*copy records*

DOCUMENT NUMBER-DATE

04197 APR-1 04

FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Fuel and Purchased Power Cost Recovery )  
Clause with Generating Performance Incentive ) DOCKET NO. 040001-EI  
Factor. ) FILED: April 1, 2004  
\_\_\_\_\_ )

**TAMPA ELECTRIC COMPANY'S  
REQUEST FOR CONFIDENTIAL CLASSIFICATION**

Tampa Electric Company ("Tampa Electric" or "the company"), pursuant to Section 366.093, Florida Statutes, and Rule 25-22.006, Florida Administrative Code, hereby requests confidential classification of the highlighted information on pages 1, 2 and 3 of the company's Risk Management Plan ("the Plan") filed this date on a confidential basis in the above docket, with the duration of that confidential classification to be a minimum of three years. Two copies of the Plan with the confidential information redacted are also enclosed with this request. In support of its request, Tampa Electric states as follows:

1. Subsection 366.093(1) provides that any records "found by the Commission to be proprietary confidential business information shall be kept confidential and shall be exempt from s. 119.07(1) [requiring disclosure under the Public Records Act]." Proprietary confidential business information includes, but is not limited to "[i]nformation concerning . . . 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 366.093(3)(d). Proprietary confidential business information also includes "[i]nformation relating to competitive interests, the disclosure of which would impair the competitive business of the provider of the information." Section 366.093(3)(e). The designated portions of the Plan fall within these

statutory categories and, thus, constitute propriety confidential business information entitled to protection under Section 366.093 and Rule 25-22.006.

2. Disclosure of the highlighted information on pages 1, 2 and 3 of the Plan would disclose Tampa Electric's purchasing strategy (both with respect to fuel and purchased power) and the company's planned risk exposure. Those who have an interest in supplying Tampa Electric's fuel and purchased power needs could use this valuable information to help them force more favorable terms, to the detriment of Tampa Electric and its ratepayers, than would otherwise be the case. They could learn of the company's plans and needs and use that information in exacting better prices for meeting those needs.

3. Disclosing the company's risk exposure levels on a monthly basis would provide an indicator of vulnerability to market price. Would-be suppliers of both fuel and purchased power could simply withhold supply and price their fuel and purchase power offerings at a higher level than they would otherwise. Power suppliers could perform maintenance on their units during months when the company's exposure is low, so that they would have their power to sell through at high prices during months that Tampa Electric's exposure is high.

4. Disclosure of the highlighted information in the Plan would also provide highly sensitive information to recipients regarding the manner and timing of Tampa Electric's entry into the fuel and purchased power markets. Knowledge of this information would allow the opportunity for market manipulation through transactions made in anticipation of the company's entry into the market. Market manipulations based on knowledge of the highlighted information would increase the price of fuel and purchased power paid by Tampa Electric's customers as well as the price paid by the company to hedge the customers' price of fuel and purchased

power. These effects of disclosure would impair the efforts of Tampa Electric to contract for goods and services on favorable terms for the benefit of its customers.

5. The highlighted information contained in the company's Plan for which confidential classification is sought is intended to be and is treated by Tampa Electric as private and has not been publicly disclosed.

6. On January 6, 2003 the Commission granted Tampa Electric's Request for Confidential Classification of the subject information contained in the company's Risk Management Plan filed on September 20, 2002.

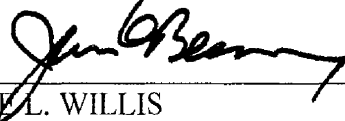
#### **Requested Duration of Confidential Classification**

7. Tampa Electric requests that its Risk Management Plan be treated by the Commission as confidential proprietary business information for a minimum of three years. This Plan provides detailed strategies many of which are of a continuing nature and which could well be in placed beyond the standard eighteen month period that confidential information is treated by the Commission as such. The various risk management strategy components build upon each other and disclosing the company's basic plan sooner than three years after it is submitted would arm would-be suppliers of goods and services, as well as competitors of Tampa Electric, with the bulk of the Plan's components. A minimum of three years is essential to prevent those entities in the fuel and purchased power markets from having access to information they could use to the competitive disadvantage of Tampa Electric, which would increase the fuel and purchased power costs borne by Tampa Electric's customers.

WHEREFORE, Tampa Electric respectfully requests that the highlighted information set forth on pages 1, 2 and 3 of the company's Plan be accorded confidential classification for the reasons set forth above.

DATED this 1<sup>st</sup> day of April 2004.

Respectfully submitted,



---

LEE L. WILLIS  
JAMES D. BEASLEY  
Ausley & McMullen  
Post Office Box 391  
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 Request for Confidential Classification has been furnished by U. S. Mail or hand delivery (\*) on this 1<sup>st</sup> day of April 2004 to the following:

Mr. Wm. Cochran Keating, IV\*  
Senior Attorney  
Division of Legal Services  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

Mr. James A. McGee  
Associate General Counsel  
Progress Energy Florida, Inc.  
Post Office Box 14042  
St. Petersburg, FL 33733

Mr. Joseph A. McGlothlin  
Ms. Vicki Gordon Kaufman  
McWhirter, Reeves, McGlothlin,  
Davidson, Kaufman & Arnold, P.A.  
117 S. Gadsden Street  
Tallahassee, FL 32301

Mr. Robert Vandiver  
Associate Public Counsel  
Office of Public Counsel  
111 West Madison Street – Suite 812  
Tallahassee, FL 32399-1400

Mr. Norman Horton  
Messer Caparello & Self  
Post Office Box 1876  
Tallahassee, FL 32302

Mr. John T. Butler  
Steel Hector & Davis LLP  
200 South Biscayne Boulevard  
Suite 4000  
Miami, FL 33131-2398

Mr. William Walker  
Florida Power & Light Company  
215 South Monroe Street, Suite 810  
Tallahassee, FL 32301-1859

Mr. R. Wade Litchfield  
Florida Power & Light Company  
700 Universe Blvd.  
Juno Beach, FL 33408

Mr. John W. McWhirter, Jr.  
McWhirter, Reeves, McGlothlin,  
Davidson, Kaufman & Arnold, P.A.  
400 North Tampa Street, Suite 2450  
Tampa, FL 33601-5126

Ms. Susan Ritenour  
Gulf Power Company  
One Energy Place  
Pensacola, FL 32520

Mr. Jeffrey A. Stone  
Mr. Russell A. Badders  
Beggs & Lane  
Post Office Box 12950  
Pensacola, FL 32591-2950

  
\_\_\_\_\_  
ATTORNEY

**Annual Report**  
**2003 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.

**2003 Risk Management Activities**

The company's activities in 2003 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 2003 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 approximately seventy-eight (78) percent of the fuel burned in 2003.
- \* **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 2003, [REDACTED] from these activities were [REDACTED], as compared to projected costs, and [REDACTED] ratepayers. The costs of

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

\* Natural Gas Purchases

In 2003, approximately twenty-one (21) percent of the fuel Tampa Electric burned was natural gas. Tampa Electric took a prudent, and deliberate approach to procuring and hedging natural gas as it continued to add natural gas to its fuel mix. The company recognized 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 start-up and testing team at Bayside Station and updating volume requirements on a daily basis
- Development in of a formal hedging plan approved by the Risk Authorizing Committee
- Contracting with qualified counterparties
- Hiring natural gas personnel responsible for daily nominations, deal capture, natural gas hedge plan monitoring, and other 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
- Separation of duties and installation of controls along front, middle and back office concepts consistent with current industry practices

\* Natural Gas Hedging Activities

Natural gas prices are more volatile than coal prices. With the testing and start-up of Bayside Units 1 & 2 natural gas volumes were also more uncertain than normal. Therefore, Tampa Electric hedged, using financial instruments, a portion of the natural gas burned in 2003 to protect its customers from the risk of unforeseen price increases. The hedges are described in the following table.

For 2003, natural gas hedging yielded [REDACTED] when the instrument prices are compared to settlement prices. Tampa Electric used a combination of swaps, swing swaps, and collars to hedge natural gas prices. The costs associated with these instruments are embedded in the price of the instruments and are included in the fuel commodity costs reported by the company.



**TAMPA ELECTRIC COMPANY**  
**DOCKET NO. 040001-EI**  
**ANNUAL RISK MANAGEMENT REPORT**  
**PAGE 3 OF 3**  
**FILED: APRIL 1, 2004**

Month	Type of Hedge	Mark-to-Market Savings/(Loss) (\$)	Hedged Volume (MMBTU)	Consumption (MMBTU)	Percent Hedged	Budget Price	Hedge Price	Settle Price
Jan-03	Collars/Swaps							
Feb-03	Collars/Swaps							
Mar-03	Swing Swap							
Apr-03	Collars/Swaps							
May-03	Collars/Swaps							
Jun-03	Swaps							
Jul-03	Swaps							
Aug-03	Swaps							
Sep-03	Swaps							
Oct-03	Swaps							
Nov-03	Swaps							
Dec-03	Swaps							
<b>Total</b>								

The hedging activities for coal and natural gas [REDACTED] customers by [REDACTED] [REDACTED] in 2003. Also, Tampa Electric developed processes, procedures, controls and tools needed to provide price certainty and supply reliability for the Bayside units in 2004 when both units will be commercially operational.