



JAMES A. MCGEE
ASSOCIATE GENERAL COUNSEL
PROGRESS ENERGY SERVICE CO., LLC

April 20, 2005

~~Ms. Blanca S. Bayo, Director~~

Division of the Commission Clerk
and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0850

Re: Docket No. 050001-EI-Request for Specified Confidential Treatment

Dear Ms. Bayo:

Enclosed for filing is the original plus 10 copies of Progress Energy Florida, Inc.'s Request for Specified Confidential Treatment regarding the Company's FPSC 423 Forms for the month of December 2004. Attachment C to the Request is an unedited copy of the forms which denotes the confidential information with shading. **This document should be treated as Specified Confidential.** Edited copies of the forms, which may be made public, have been submitted for filing this date under separate cover.

Please acknowledge your receipt and filing of the above on the enclosed copy of this letter and return same to me.

Very truly yours,

A handwritten signature in black ink, appearing to read 'James A. McGee', written over a light-colored rectangular background.

James A. McGee

JAM:at
Enclosures
cc: Parties of record

Progress Energy Florida, Inc.

CERTIFICATE OF SERVICE

Docket No. 050001-EI

I HEREBY CERTIFY that a true copy of Progress Energy Florida, Inc.'s Request for Specified Confidential Treatment, regarding the FPSC 423 Forms for the month of December 2004 has been furnished to the following individuals by regular U.S. Mail this 20th day of April 2005.

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Attorney

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Fuel and Purchased Power Cost
Recovery Clause and Generating
Performance Incentive Factor.

Docket No. 050001-EI

Submitted for filing:
December, 2004

REQUEST FOR CONFIDENTIAL CLASSIFICATION

Progress Energy Florida, Inc. (Progress Energy or the Company), pursuant to Section 366.093, F.S., and Rule 25-22.006, F.A.C., hereby requests confidential classification of the highlighted information on its FPSC Form 423 Fuel Report for the reporting month of December, 2004 (the 423 Report), which is contained in the sealed envelope enclosed with this Request. A public version of the 423 Report, with the confidential information redacted, is attached to each filed copy of this Request. In support hereof, Progress Energy states as follows.

1. Subsection 366.093(1), F.S., 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” (paragraph 366.093(3)(d)). The designated

portions of the 423 Report fall within this statutory category and, thus, constitute propriety confidential business information entitled to protection under Section 366.093 and Rule 25-22.006.

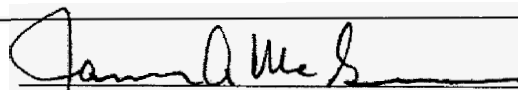
2. Attachment A to this Request is a matrix providing justification and support for confidential classification of the highlighted information in each section of the 423 Report (Forms 423-1A, 2, 2A, 2B and 2C) on a line-by-line, column-by-column basis.

3. The designated information for which confidential classification is sought by this Request is intended to be and is treated by the Company as private and has not been publicly disclosed.

4. Progress Energy requests that the confidential information contained in the 423 Report be protected from disclosure for a period of 24 months. For the reasons explained in Attachment B to this Request, this is the minimum time necessary to ensure that purposes for which confidential classification is granted are not contravened and frustrated by a premature subsequent disclosure. In addition, Progress Energy asks that the version of the 423 Report containing the highlighted information be returned to the Company when the Commission no longer needs the information to conduct its business, in accordance with Rule 25-22.006 (9)(b), F.A.C.

WHEREFORE, Progress Energy requests that the highlighted information in its 423 Report enclosed with this Request be accorded confidential classification for the reasons set forth in Attachment A, and that such confidential classification be maintained for a duration of 24 months for the reasons set forth in Attachment B.

Respectfully submitted,



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Attorney for
PROGRESS ENERGY FLORIDA, INC.

Justification Matrix

Reporting Month: December, 2004

FORM 423-1A		
Line No.	Column	Justification
1-6	H	(1) The information under "Invoice Price", identifies the basic component of the contract pricing mechanism. Disclosure of the invoice price, particularly if in conjunction with information under other columns discussed below, would enable suppliers to determine the pricing mechanisms of their competitors. The likely result would be greater price convergence in future bidding . Disclosure would also result in a reduced ability on the part of a major purchaser such as PEF to bargain for price concessions, since suppliers would be reluctant or unwilling to grant concessions that other potential purchasers would then expect.
1-6	I	(2) Disclosure of the Invoice Amount, when divided by the Volume figure available from column G, would also disclose the Invoice Price in column.
1-6	J	(3) Disclosure of the Discount, in conjunction with other information under columns K, L, M or N, could also disclose the Invoice Price shown in column H by mathematical deduction. In addition, disclosure of discounts resulting from bargaining concessions would impair the ability of PEF to obtain such concessions in the future for the reasons discussed in item (1) above.
1-6	K	(4) See item (3) above.
1-6	L	(5) See item (3) above.
1-6	M	(6) See item (3) above.
1-6	N	(7) See item (3) above. This column is particularly sensitive because it is usually the same as or only slightly different from the Invoice Price in column H.
1-6	O	(8) Disclosure of the Transportation to Terminal Charges, in conjunction with the information under column Q, would also disclose the Effective Purchase Price in column N by subtracting them from the Delivered Price available in column R.
1-6	Q	(9) See item (8) above.

FORM 423-2

Plant Name, Line No.	Column	Justification
Crystal River 1&2 , 1-4 Crystal River 4&5, 1-6 Transfer Facility – IMT, 1-8	G	(10) The Effective Purchase Price is also found on Form 423-2A, column L, and on Form 423-2B, column G. In nearly every case it is the same as the FOB Mine Price found under column F on Form 423-2A, which is the current contract price of coal purchased from each supplier by Progress Fuels Corporation (PFC) for delivery to PEF. Disclosure of this information would enable suppliers to determine the prices of their competitors, which would likely result in greater price convergence in future bidding. Disclosure would also result in a reduced ability on the part of a major purchaser such as PFC to bargain for price concessions on behalf of PEF, since suppliers would be reluctant or unwilling to grant concessions that other potential purchasers would then expect. In addition, disclosure of the Effective Purchase Price would also disclose the Total Transportation Cost in column H by subtracting column G from the FOB Plant Price in column I.
Crystal River 1&2 , 1-4 Crystal River 4&5, 1-6 Transfer Facility – IMT, 1-8	H	(11) See item (25) below. In addition, disclosure of the Total Transportation Cost would also disclose the Effective Purchase Price in column G when subtracted from the FOB Plant Price in column I.

FORM 423-2A		
Plant Name, Lines	Column	Justification
Crystal River 1&2 , 1-4 Crystal River 4&5, 1-6 Transfer Facility – IMT, 1-8	F	(12) The FOB Mine Price is the current contract price of coal purchased from each supplier by PFC for delivery to PEF. Disclosure of this information would enable suppliers to determine the prices of their competitors, which would likely result in greater price convergence in future bidding. Disclosure would also result in a reduced ability on the part of a major purchaser such as PFC to bargain for price concessions on behalf of PEF, since suppliers would be reluctant or unwilling to grant concessions that other potential purchasers would then expect.
Crystal River 1&2 , 1-4 Crystal River 4&5, 1-6 Transfer Facility – IMT, 1-8	H	(14) The Original Invoice Price is the same as the FOB Mine Price in column F, except in rare instances when the supplier is willing and able to disclose its short haul and loading costs (column G), if any, included in the contract price of coal. Disclosure would therefore be detrimental for the reasons identified in item (12) above.
Crystal River 1&2 , 1-4 Crystal River 4&5, 1-6 Transfer Facility – IMT, 1-8	J	(16) The Base Price is the same as the Original Invoice Price in column H, since retroactive price adjustments (column I) are normally received well after the reporting month and are included on Form 423-2C at that time. Disclosure would therefore be detrimental for the reasons identified in item (12) above.
Crystal River 1&2 , 1-4 Crystal River 4&5, 1-6 Transfer Facility – IMT, 1-8	K	(17) Quality Adjustments are normally received well after the reporting month and are therefore included on Form 423-2C at that time. These adjustments are based on variations in coal quality characteristics (usually BTU content) between contract specifications and actual deliveries. Disclosure of this information would allow the FOB mine price to be calculated using the associated tonnage and available contract BTU specifications.
Crystal River 1&2 , 1-4 Crystal River 4&5, 1-6 Transfer Facility – IMT, 1-8	L	(18) The Effective Purchase Price is the same as the Base Price in column J, since quality adjustments are normally not reported in column K. Disclosure would therefore be detrimental for the reasons identified in item (12) above.

FORM 423-2B

Plant Name, Lines	Column	Justification
Crystal River 1&2 , 1-4 Crystal River 4&5, 1-6 Transfer Facility – IMT, 1-8	G	(19) See item (10) above.
Crystal River 1&2 , 1-4 Crystal River 4&5, 1-6	I	(20) The information under Rail Rate is a function of PFC's contract rate with the railroad and the distance between each coal supplier and Crystal River. Since these distances are readily available, disclosure of the Rail Rate would effectively disclose the contract rate. This would impair the ability of a high volume user such as PFC to obtain rate concessions, since railroads would be reluctant to grant concessions that other rail users would then expect.
Crystal River 1&2 , 1-4 Crystal River 4&5, 1-6	J	(21) Other Rail Charges consist of PFC's railcar ownership cost. This cost is internal trade secret information which is not available to any party with whom PFC contracts, railroads or otherwise. If this information were disclosed to the railroad, their existing knowledge of PFC's rail rates would allow them to determine PFC's total rail cost and be better able to evaluate PFC's opportunity to economically use competing transportation alternatives.
Transfer Facility – IMT, 1-8	K	(22) The figures under River Barge Rate are a portion of the total cost reported in the Transportation Charges under column P on Form 423-2B. See item (24) below. In the case of waterborne deliveries to the Crystal River Plants, the figures represent PFC's current river barge transportation rate. Disclosure of these transportation rates would enable coal suppliers to bid a FOB mine price calculated to produce a delivered plant price at or marginally below PEF's current delivered price, which is available on Form 423-2, column I. Without this opportunity to calculate a perceived maximum acceptable price, suppliers would be more likely to bid their best price.
Transfer Facility – IMT, 1-8	L	(23) The figures under Transloading Rate are a portion of the total cost reported in the Transportation Charges under column P on Form 423-2B. See item (24) below. In the case of waterborne deliveries to the Crystal River Plants, the figures represent PFC's current transloading rate. Disclosure of these transportation rates would enable coal suppliers to bid a FOB mine price calculated to produce a delivered plant price at or marginally below PEF's current delivered price, which is available on Form 423-2, column I. Without this opportunity to calculate a perceived maximum acceptable price, suppliers would be more likely to bid their best price.
Crystal River 1&2 , 1-4 Crystal River 4&5, 1-6 Transfer Facility – IMT, 1-8	P	(24) The figures under Transportation Charges are the same as the Total Transportation Cost under column H on Form 423-2. See item (11) above. In the case of rail deliveries to the Crystal River Plants, these figures represent PFC's current rail transportation rate. In the case of waterborne deliveries to the Crystal River Plants, the figures represent PFC's current Gulf barge transportation rate. In the case of water deliveries to the IMT "Plant", the figures represent PFC's current river transportation rate. Disclosure of these transportation rates would enable coal suppliers to bid a FOB mine price calculated to produce a delivered plant price at or marginally below PEF's current delivered price, which is available on Form 423-2, column I. Without this opportunity to calculate a perceived maximum

acceptable price, suppliers would be more likely to bid their best price.

FORM 423-2C

Plant Name, Line No.	Column	Justification
Crystal River 1&2 , 1-4 Crystal River 4&5, 1-4 McDuffie Coal Terminal, 1 Transfer Facility – IMT, 1-7	J	(25) The type of information under this column and column K relates to the particular column on Form 423-2, 2A, or 2B to which the adjustment applies (identified in column I). The column justifications above also apply to the adjustments for those column reported on Form 423-2C. In particular, see item (14), Retroactive Price Increases, and item (16), Quality Adjustments, which apply to the majority of the adjustments on Form 423-2C.
Crystal River 1&2 , 1-4 Crystal River 4&5, 1-4 McDuffie Coal Terminal, 1 Transfer Facility – IMT, 1-7	K	(26) See item (25) above.

**Explanation of the Need to Maintain
Confidential Classification for a 24-Month Duration**

The majority of the fuel and transportation contracts from which the costs in the 423 Report are derived contain annual price adjustment provisions. If existing or potential fuel and transportation suppliers were to obtain confidential contract pricing information for a prior reporting month within the currently effective 12-month adjustment period, current pricing information would be disclosed. In addition, if contractual pricing information for a reporting month in the previous 12-month adjustment period were to be obtained, the information would be only one adjustment removed from the current price. Suppliers knowledgeable in the recent escalation experience of their market could readily calculate a reasonably precise estimate of the current price.

To guard against providing suppliers with such a competitive advantage, confidential information must be protected from disclosure for the initial 12-month period in which it could remain current, and for the following 12-month period in which it can be readily converted into essentially current information. For example, if information for the first month under an adjusted contract price is reported in May of Year 1, the information will remain current through April of Year 2. Thereafter, the initial May, Year 1 information will be only one escalation adjustment removed from the current information reported each month through April, Year 3. If confidential classification of the May, Year 1 information were to expire after 18 months, suppliers would be able to accurately estimate current prices in October, Year 2 using information that had been current only six months earlier.

An 18-month confidentiality period would effectively waste the protection given in the first six months of the second 12-month pricing period (months 13 through 18) by disclosing information of the same vintage in the last six months of the pricing period. The information disclosed in months 19 through 24 would be equally as detrimental in terms of revealing the current price as the information protected from disclosure during the preceding six months. To make the ~~protection provided in months 13 through 18 meaningful~~, it must be extended through month 24.

Extending the confidentiality period by six months would mean that the information will be one additional price adjustment further removed from the current price at the time of disclosure. Simply put, a six-month extension provides an additional 12 months of protection.

Progress Energy Florida, Inc.
Docket No. 050001-EI

Request for Specified Confidential Treatment

423 Forms for December 2004

CONFIDENTIAL COPY

(Confidential information denoted with shading)
