

PROGRESS ENERGY FLORIDA

DOCKET No. 070001-EI

Fuel and Capacity Cost Recovery
Final True-Up for the Period
January through December, 2006

DIRECT TESTIMONY OF
JOSEPH MCCALLISTER

April 2, 2007

1 Q. Please state your name and business address.

2 A. My name is Joseph McCallister. My business address is 410 South
3 Wilmington Street, 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,
7 Gas & Oil Trading.

8
9 Q. Have your duties and responsibilities remained the same since you
10 last testified in this proceeding?

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

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
16 activity for 2006 and to provide the information required by Order No. PSC-

MP _____
OM 5
TR Org
ECR ()
BCL 1
DPC _____
RCA 1
SCR _____
SGA _____
SEC _____
OTH _____

DOCUMENT NUMBER-DATE
02800 APR-25
FPSC-COMMISSION CLERK

1 02-1484-FOF-EI which approved the resolution of the hedging related
2 issues pending before the Commission in Docket No. 011605-EI.

3
4 **Q. Have you prepared exhibits to your testimony?**

5 A. Yes. I have attached exhibit JM-1T which summarizes hedging information
6 for 2006.

7
8 **Q. What are the primary objectives of PEF's hedging strategy?**

9 A. The primary objectives of PEF's hedging strategy are to mitigate fuel price
10 risk and volatility and provide greater price certainty to PEF's customers.

11
12 **Q. What hedging activities did PEF undertake during 2006 for fuel and
13 wholesale power.**

14 A. PEF continued to perform the daily management activities outlined in its
15 Risk Management Plan and executed physical and financial transactions in
16 accordance with established company risk management guidelines. With
17 respect to hedging natural gas prices for 2006, PEF had fixed price
18 physical contracts and financial instruments that resulted in net fuel cost
19 savings to customers of approximately \$62.1 million. With respect to
20 hedging heavy and light oil prices for 2006, PEF had fixed price financial
21 instruments that resulted in net fuel costs savings to customers of
22 approximately \$56.9 million. In total, the gas and oil hedging activity for
23 2006 resulted in net fuel cost savings to customers of approximately \$119
24 million. In addition, during 2006 PEF made economic energy purchases
25 and wholesale power sales to third parties that resulted in additional
26 savings to customers of \$24.4 million and \$2 million, respectively.

1

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

3 A. Yes

4

Progress Energy Florida, Inc.
Docket No. 070001-EI
Witness: McCallister
Exhibit No. JM-1T

PROGRESS ENERGY FLORIDA, INC.

Hedging information provided as part of the 2006 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 2006 Volume Hedged	Avg Period of Hedge	Total Cost of Hedge	Total Gain/(Loss) of Hedge
OTC Financial Instruments	Heavy Oil				
OTC Financial Instruments	Light Oil				
OTC Financial Instruments	Natural Gas				
Fixed Physical Price Contracts	Natural Gas				
Total Net Savings					\$118,999,150