

CONFIDENTIAL
 090001-ET

Contract Data:

Name	Start Date	Expiration Date	Type	Purchase/Sale	MW
Auburndale Power Partners, L.P. (AUBRDLFC)	Jan-95	Dec-13	QF	Purch	17.00
Auburndale Power Partners, L.P. (AUBSET)	Aug-94	Dec-13	QF	Purch	114.18
Lake County (LAKCOUNT)	Jan-95	Jun-14	QF	Purch	12.75
Lake Cogen Limited (LAKORDER)	Jul-93	Jul-13	QF	Purch	110.00
Metro-Dade County (METRDADE)	Nov-91	Nov-13	QF	Purch	43.00
Orange Cogen (ORANGECO)	Jul-95	Dec-24	QF	Purch	74.00
Orlando Cogen Limited (ORLACOGL)	Sep-93	Dec-23	QF	Purch	79.20
Pasco Cogen Limited (PASCOGL)	Jul-93	Dec-08	QF	Purch	109.00
Pasco County Resource Recovery (PASCOUNT)	Jan-95	Dec-24	QF	Purch	23.00
Pinellas County Resource Recovery (PINCOUNT)	Jan-95	Dec-24	QF	Purch	54.75
Polk Power Partners, L. P. (MULBERRY)	Aug-94	Aug-24	QF	Purch	79.20
Polk Power Partners, L. P. (ROYSTER)	Aug-94	Aug-09	QF	Purch	30.80
Wheelabrator Ridge Energy, Inc. (RIDGEGEN)	Aug-94	Dec-23	QF	Purch	39.60
UPS Purchase - Southern	Jul-88	May-10	Other	Purch	414.00
TECO Power Purchase	Mar-93	Feb-11	Other	Purch	70.00
Schedule H Capacity - New Smyrna Beach	Nov-85	(1)	Other	Sale	1.00
Reliant - Osceola	Jun-06	Feb-09	Other	Purch	158.00
Shady Hills	Apr-07	Apr-24	Other	Purch	517.00
Summer Purchases	Jun 08	Sep 08	Other	Purch	250.00
Chattahoochee	Oct-02	Dec-17	Other	Purch	5.25
Central Power & Lime	Dec-05	Dec-10	Other	Purch	133.00

DECLASSIFIED
 M/M 5/27/09

1
2
3
4
5
6

(1) The New Smyrna Beach (NSB) Schedule H contract is in effect until cancelled by either Progress Energy Florida or NSB upon 1 year's written notice.

(P+1 of 2)
 DOCUMENT NUMBER-DATE
 08024 SEP-45 DM
 FPSC-COMMISSION CLERK

CONFIDENTIAL

Docket No. 070001-EI
Progress Energy Florida
Witness: Joseph McCallister
Exhibit No. __ (JM-1P)

Confidential Document

DECLASSIFIED

**Progress Energy Florida, Inc.
Risk Management Plan
Fuel Procurement and Wholesale Power Purchases
For 2008**

I. Objectives

Progress Energy Florida, Inc.'s ("PEF") Risk Management Plan objectives for 2008 are to manage overall costs through prudent and competitive fuel procurement and wholesale power purchase activities, provide reliable service by minimizing fuel supply risks, and reduce price risk and volatility. PEF's risk management activities reduce the impact of fuel price volatility to the fuel and purchased power portion of the customer fuel bill.

II. Fuel Procurement and Economy Power Projections

Based on current forecasts, PEF fuel burns and economy purchase and sales activity are as follows:

1. Coal
PEF forecast to burn approximately **6.2 million** tons of coal in 2008.
2. Heavy Oil
PEF forecast to burn approximately **7.2 million** barrels of heavy oil in 2008.
3. Light Oil
PEF forecast to burn approximately **1 million** barrels of light oil in 2008.
4. Natural Gas
PEF forecast to burn approximately **99.4 BCF** in 2008 in PEF's generating plants and under purchase power natural gas tolling agreements where PEF has the responsibility to purchase the natural gas.
5. Economy Purchases and Sales
PEF forecast to purchase approximately **0.58 million** MWhrs and sell approximately **0.49 million** MWhrs in 2008 on the spot economy wholesale market.

III. Independent Oversight, Guidelines, and Audit Services

The company has independent oversight processes and structures to ensure the identification of key risks, and independent controls for monitoring and reporting on fuel procurement and wholesale power activities. The key components are described in detail below.

PROGRESS ENERGY FLORIDA

DOCKET NO. 070001-EI

**Fuel and Capacity Cost Recovery
January through December 2008**

**DIRECT TESTIMONY OF
JOSEPH MCCALLISTER**

September 4, 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, Gas
7 & Oil Trading.

8

9 **Q. Have you previously filed testimony before this Commission?**

10 A. Yes I have.

11

12 **Q. What is the purpose of your testimony?**

13 A. The purpose of my testimony is to outline PEF's Risk Management Plan for
14 fuel procurement in 2008, outline PEF's hedging activities and objectives for
15 2008, and summarize PEF's actual hedging results for the period January
16 through July 2007.

17

18

DECLASSIFIED

(P+2 of 2)
DN 0802407 DM

1 **Q. Has PEF developed its Risk Management Plan for fuel procurement in**
2 **2007 in accordance with the Resolution of Issues proposed by Staff and**
3 **approved by the Commission in Order No. PSC-02-1484-FOF-EI, Docket**
4 **No. 011605-EI?**

5 A. Yes. PEF's Risk Management Plan was prepared in accordance with the
6 Resolution of Issues approved by the Commission and is attached to my
7 prepared testimony as Exhibit No. ____ (JM-1P). Certain confidential
8 information in the exhibit has been redacted, consistent with the Company's
9 request for confidential classification of this information.

10

11 **Q. What are the objectives of PEF's hedging activities?**

12 A. The objectives of PEF's hedging activities are to reduce fuel price risk and
13 volatility, and provide greater price certainty to PEF's customers by locking in
14 fixed prices over time for a portion of its forecasted natural gas, heavy oil and
15 light oil fuel requirements. PEF utilizes approved physical and financial
16 agreements to meet these objectives.

17

18 **Q. Describe PEF's hedging activities for 2008.**

19 A. PEF executed its hedging strategy and objectives for 2008 consistent with
20 prior years by entering into fixed price physical and financial transactions over
21 time for natural gas, heavy oil and light oil. Given the volatility of natural gas
22 and fuel oil prices, executing fixed price transactions over time provides an
23 effective method to reduce the overall price risk and volatility associated with
24 these fuels while providing greater price certainty for our customers. Based on
25 current forecasts as of August 1, 2007, PEF has hedged approximately 60.9%

1 of its forecasted natural gas requirements, 47.3% of its forecasted heavy oil
2 requirements and 12.7% of its forecasted light oil requirements for 2008.

3
4 **Q. What were the results of PEF's hedging activities for January through**
5 **July 2007?**

6 A. The Company's natural gas and fuel oil hedging activities for January through
7 July 2007 have resulted in realized hedge losses of approximately \$3.1 million.
8 For the period 2003 through 2006, PEF's natural gas and fuel oil hedging
9 activities have provided net fuel savings of approximately \$380 million to its
10 customers. Although PEF's hedging activity has achieved significant net fuel
11 savings to date, the primary objective is to reduce price risk and volatility. As a
12 result, there will be periods when realized hedge losses occur.

13
14 **Q. Does this conclude your testimony?**

15 A. Yes.
16