

AUSLEY & MCMULLEN

ATTORNEYS AND COUNSELORS AT LAW

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TALLAHASSEE, FLORIDA 32301  
(850) 224-9115 FAX (850) 222-7560

080436

REDACTED

June 24, 2008

HAND DELIVERED

RECEIVED-FPSC  
08 JUN 24 PM 2:39  
COMMISSION  
CLERK

Ms. Ann Cole, Director  
Office of Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

Re: UNDOCKETED – Review of IOU's Fuel and Purchased Power Hedging Programs

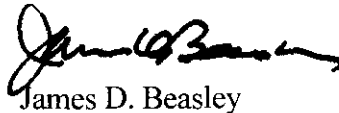
Dear Ms. Cole:

Enclosed for filing in the above-styled matter are the original and fifteen (15) copies of Tampa Electric Company's Request for Confidential Classification of information contained in certain audit staff workpapers utilized by Staff in the above undocketed matter.

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

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DOCUMENT NUMBER - DATE

05435 JUN 24 8

FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

UNDOCKETED

In re: Review of IOU's Fuel and )  
Purchased Power Hedging Programs. )  
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UNDOCKETED  
FILED: June 24, 2008

**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 contained on Bates stamp pages 1 through 10 of certain audit staff workpapers utilized by Staff in the above undocketed matter. In support of its request, Tampa Electric states as follows:

1. Following the Commission Staff's preparation of an audit report in the above matter, Tampa Electric reviewed certain audit staff workpapers contained in a small notebook prepared by Staff. Tampa Electric determined that certain pages of the Staff's audit workpapers contained proprietary confidential business information the public disclosure of which would be harmful to the interests of Tampa Electric and its customers. Accordingly Tampa Electric obtained copies of the workpapers in question and Bates stamped them pages numbers 1 through 10, which are being submitted to the Office of Commission Clerk under a separate cover letter marked "CONFIDENTIAL" with the confidential information highlighted in yellow marker or printed on yellow paper stock.

2. Subsection 366.093(1), Florida Statutes, provides that any records "found by the Commission to be propriety confidential business information shall be kept confidential and shall be exempt from s. 119.07(1), Florida Statutes [requiring disclosure under the Public Records

DOCUMENT NUMBER - DATE

05435 JUN 24 8

FPSC-COMMISSION CLERK

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), Florida Statutes. 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), Florida Statutes. The designated portions of the above-referenced Bates stamped audit workpapers fall within the statutory categories and, thus, constitute propriety confidential business information entitled to protection under Section 366.093, Florida Statutes, and Rule 25-22.006, Florida Administrative Code.

3. Attached hereto as Exhibit "A" is a justification for confidential treatment of the confidential portions of Bates stamped pages 1 through 10 of the Staff's audit workpapers.

4. Attached hereto as Exhibit "B" are two public versions of the Bates stamped pages from the Staff's audit workpapers with the confidential information redacted.

5. The information contained in the referenced pages of the Staff audit workpapers is intended to be and is treated by Tampa Electric as private and has not been publicly disclosed.

**Requested Duration of Confidential Classification**

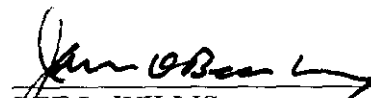
6. Tampa Electric requests that the confidential information that is the subject of this request be treated by the Commission as confidential proprietary business information for a minimum of three years. The data in question provides detailed strategies, many of which are of a continuing nature and which could well be in place beyond the standard 18 month period that confidential information is treated as such by the Commission. The information in question would disclose the company's risk management strategies by making public the hedged prices

Tampa Electric has settled on. Disclosing this type of information 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 key components of the company's risk management strategies. 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 information set forth on Bates stamp pages 1 through 10 of the Commission's Staff audit workpapers be accorded confidential classification for the reasons set forth above.

DATED this 24<sup>th</sup> day of June 2008.

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

**JUSTIFICATION FOR CONFIDENTIAL TREATMENT OF HIGHLIGHTED PORTIONS OF TAMPA ELECTRIC'S RESPONSES TO STAFF'S AUDIT WORKPAPERS RELATIVE TO STAFF'S REPORT OF FUEL PROCUREMENT HEDGING PRACTICES OF FLORIDA INVESTOR-OWNED ELECTRIC UTILITIES**

<b><u>Bates Stamp</u></b> <b><u>Page No.</u></b>	<b><u>Confidential Information</u></b>	<b><u>Justification</u></b>
1, 7 & 9	All of the Highlighted Information	(1)
2-6, 8 & 10	All of the Highlighted Information	(2)

- 
- (1) The information in question discloses details concerning the counterparties with which Tampa Electric has counterparty relationships, specifically the identities of the counterparties and/or credit profiles and credit limits of individual counterparties. There are a number of present and potential counterparties with whom Tampa Electric may wish to deal in executing its hedging strategy. Disclosure of the identities and or credit worthiness and credit limits of current counterparties would enlighten other potential counterparties regarding the counterparty qualifications Tampa Electric deems acceptable. All of these present and potential counterparties compete with each other for business and disclosure of the identities of counterparties with whom Tampa Electric currently has relationships could adversely affect Tampa Electric's efforts to retain existing counterparty relationships and/or negotiate new relationships. This could, in turn, adversely affect Tampa Electric's ability to negotiate for goods and services on favorable terms and thereby increase costs to the company's customers. As such, this information is entitled to protection against public disclosure pursuant to Section 366.093, Florida Statutes, and the Commission's Rule 25-22.006, Florida Administrative Code.
  
  - (2) The information in question discloses details regarding Tampa Electric's physical or financial hedging strategy in that it discloses a breakdown of actual or targeted natural gas purchases by percentage and other hedged strategies and hedging plan components, the public disclosure of which would provide recipients sensitive information relative to the manner and timing of Tampa Electric's entry into fuel markets. The Commission has recognized that public disclosure of this type of information regarding hedging strategy and plans would be harmful to Tampa Electric and its customers and potentially lead to market manipulation through transactions made in anticipation of the company's natural gas purchasing priority. This could significantly increase the price of natural gas purchased by Tampa Electric and paid for by its customers. Such disclosure would impair the efforts of Tampa Electric to contract for goods and services on favorable terms for the benefit of its customers. The Commission on a number of occasions has granted Tampa Electric's request for confidential classification of portions of the company's Risk Management Report consisting of the same type of information for which confidential classification is sought in the Staff's audit workpapers. As such, the information is entitled to protection against public disclosure pursuant to Section 366.093, Florida Statutes, and the Commission's implementing rule.

	<p><b>Data Request(s) Generated:</b>          No. _____ Description:          No. _____ Description:</p> <p><b>Follow-up Required:</b></p>																																																				
<p><b>Document # 9:</b>  <b>Date Requested:</b>  <b>Date Received: 1/8/08</b>  <b>Comments: (i.e., Confidential)</b></p> <p>CONFIDENTIAL</p>	<p><b>Document Title and Purpose of Review:</b>          Please provide a copy of each active ISDA Master Agreement between the company and a financial counterparty.</p> <p><b>Summary of Contents:</b></p> <p><b>Conclusions:</b>          TEC provided copies of all its ISDA master agreements</p> <p><b>Data Request(s) Generated:</b>          No. _____ Description:          No. _____ Description:</p> <p><b>Follow-up Required:</b></p>																																																				
<p><b>Document # 10:</b>  <b>Date Requested:</b>  <b>Date Received: 1/8/08</b>  <b>Comments: (i.e., Confidential)</b></p> <p>CONFIDENTIAL</p>	<p><b>Document Title and Purpose of Review:</b>          A. Does TEC have a financial counterparty relationship (i.e. purchases financial hedges) with companies, or their subsidiaries, that also produce and supply natural gas or oil?          B. For each company with a dual relationship, please provide the counterparty name, the number of financial transactions purchased, and the total fuel purchases (Mmbtu) for each year 2003-2007.</p> <p><b>Summary of Contents:</b></p> <table border="1"> <thead> <tr> <th>Counterparty (volume)</th> <th>2004</th> <th>2005</th> <th>2006</th> <th>2007</th> </tr> </thead> <tbody> <tr> <td>[REDACTED]</td> <td>718,300</td> <td>1,489,365</td> <td>1,208,891</td> <td>847,377</td> </tr> <tr> <td>[REDACTED]</td> <td>408,790</td> <td>160,716</td> <td>65,978</td> <td></td> </tr> <tr> <td>[REDACTED]</td> <td>49,500</td> <td>69,000</td> <td>487,767</td> <td>991,693</td> </tr> <tr> <td>[REDACTED]</td> <td></td> <td>403,000</td> <td>23,745</td> <td>85,935</td> </tr> <tr> <td>[REDACTED]</td> <td></td> <td>40,000</td> <td>62,239</td> <td>54,300</td> </tr> <tr> <td>[REDACTED]</td> <td>579,308</td> <td>714,003</td> <td>279,171</td> <td>19,400</td> </tr> <tr> <td>[REDACTED]</td> <td></td> <td>40,311</td> <td></td> <td></td> </tr> </tbody> </table> <p><b>Counterparty (Financial Deals)</b></p> <table border="1"> <thead> <tr> <th></th> <th>2003</th> <th>2004</th> <th>2005</th> <th>2006</th> <th>2007</th> </tr> </thead> <tbody> <tr> <td>[REDACTED]</td> <td></td> <td>10</td> <td>4</td> <td>22</td> <td>26</td> </tr> </tbody> </table>	Counterparty (volume)	2004	2005	2006	2007	[REDACTED]	718,300	1,489,365	1,208,891	847,377	[REDACTED]	408,790	160,716	65,978		[REDACTED]	49,500	69,000	487,767	991,693	[REDACTED]		403,000	23,745	85,935	[REDACTED]		40,000	62,239	54,300	[REDACTED]	579,308	714,003	279,171	19,400	[REDACTED]		40,311				2003	2004	2005	2006	2007	[REDACTED]		10	4	22	26
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-Natural Gas Physical Supply Portfolio



-Take or Release – a structured product that can be called on a monthly basis, buyer has the right but not the obligation to a defined volume.

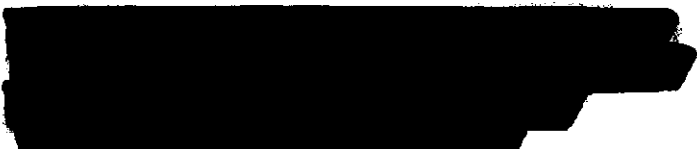
-Objectives:

- Reduce price volatility
- Deliver greater rate certainty
- TEC does not speculate

-Parameters:

- Term Limit 24 months
  - Certainty in fuel filing (tied to projections in fuel filing)
  - price certainty in volumes
  - 2005 term extended from 18 months to 24 months.
- Max/Min Volume
  - Dollar Cost Averaging Approach
  - Sliding Scale based on time to expiration
    - Greater % hedged in earlier month, greater expectation of volume for short-term.
- Liquidity
  - 22 ISDAs (Financial)
  - Total Unsecured Credit over
  - 79 NAESBs (Physical) – North American Energy Standards Board.

-Approved Products:

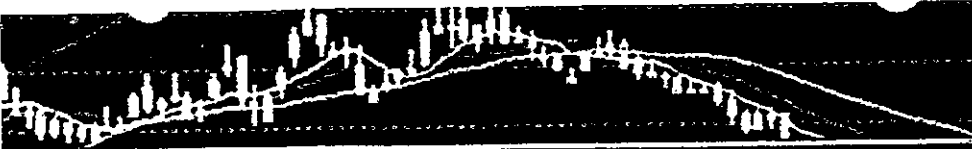


-Hedging Ranges:

- Hedge a maximum of of projected volumes
- Hedge a maximum of of projected volumes
- Hedge a maximum of of projected volumes
- Hedge a maximum of of projected volumes

-TEC Hedging Gains (loss)

- 2003 (\$2.5 mil)
- 2004 \$8.4 mil
- 2005 \$53.2 mil
- 2006 (\$54.5 mil)



# Tampa Electric – Front Office

## Natural Gas Financial Hedge Portfolio:

### - Objectives -

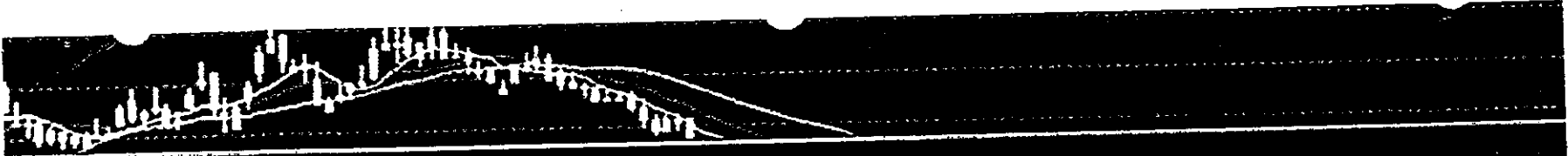
- Disciplined, independently controlled hedging program to reduce natural gas price volatility
- Deliver greater rate certainty to customers
- TEC does not engage in speculative hedging strategies aimed at outguessing the market

### - Parameters

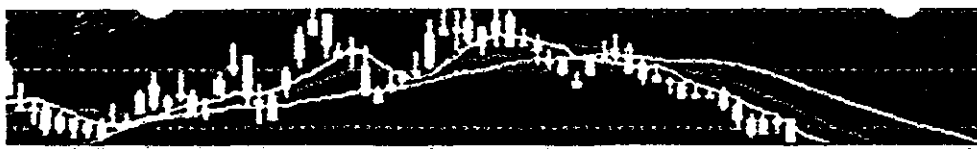
- Term Limit – 24 Months
- Max Min Volume
  - Dollar Cost Averaging Approach
  - Sliding Scale based on time to expiration
- Liquidity
  - 22 ISDAs (Financial)
  - Total Unsecured Credit
  - 79 NAESBs (Physical)
- Approved Products -







# Tampa Electric - Hedge Plan

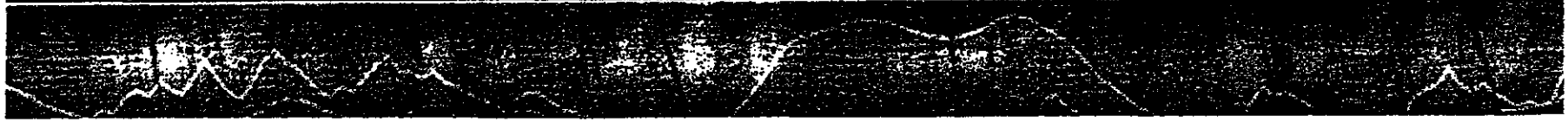


# Tampa Electric Hedging Activity

<u>Past Gains/(Loss)</u>		Contract Month	% Hedged	Mark2Market
		Apr-08		\$ 2.8 M
2003	(\$2.5 M)	May-08		\$ 5.6 M
		Jun-08		\$ 4.1 M
2004	\$8.4 M	Jul-08		\$ 5.2 M
		Aug-08		\$ 5.0 M
2005	\$53.2 M	Sep-08		\$ 3.7 M
		Oct-08		\$ 2.9 M
2006	(\$54.5 M)	Nov-08		\$ 1.9 M
		Dec-08		\$ 1.8 M
2007	(\$59.7 M)	Jan-09		\$ 1.0 M
		Feb-09		\$ 1.1 M
2008 Proj.	\$26.1 M	Mar-09		\$ 0.8 M
		Apr-09		\$ 0.4 M

\* When hedging for volatility reduction TEC will show savings in some years and costs in other years.

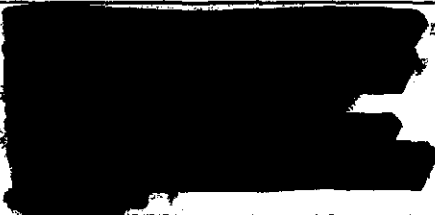
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**Bureau of Regulation Review Worksheet**  
**Natural Gas Hedging Programs of Florida's Regulated Natural Gas Utilities**

Ref No.	Audit Areas	Audit Task/Questions	Audit Notes	Finding
			<p>year this quantity is forecasted as part of the projected fuel and purchase power cost recovery clause filing.</p> <p>The volume of natural gas Tampa Electric hedges falls between preset minimum and maximum percentages of the expected natural gas consumption level. Hedging targets are established to account for the fluctuations in natural gas usage because of weather, unit performance, market dynamics, and other factors that may impact the company's original natural gas forecasts.</p> <p>Tampa Electric's hedging strategy is to implement financial transactions for [redacted] percent of its forecast fuel consumption. The maximum hedging percentage target represents the maximum tolerance levels that Tampa Electric's hedging portfolio is not expected to exceed.</p>	
D	Does the fuel procurement hedging program operate in a manner that is non-speculative and where the	The utility should have in place policies and procedures that ensure its associates and management are effectively	Tampa Electric states that it does not engage in speculative hedging strategies aimed at outguessing the market. Tampa Electric further	

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	 <table border="1"> <tr> <td>21</td> <td>4</td> <td>11</td> <td>6</td> <td>3</td> </tr> <tr> <td></td> <td>7</td> <td>2</td> <td>5</td> <td>3</td> </tr> <tr> <td>30</td> <td>19</td> <td>9</td> <td>23</td> <td></td> </tr> <tr> <td></td> <td>33</td> <td>18</td> <td>36</td> <td>18</td> </tr> </table>	21	4	11	6	3		7	2	5	3	30	19	9	23			33	18	36	18
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<p><b>Document # 11:</b>  <b>Date Requested:</b>  <b>Date Received: 1/8/08</b>  <b>Comments: (i.e., Confidential)</b></p>	<p><b>Conclusions:</b></p> <p><b>Data Request(s) Generated:</b>  No. _____ Description:  No. _____ Description:</p> <p><b>Follow-up Required:</b></p> <p><b>Document Title and Purpose of Review:</b>  A. When purchasing a financial product, does the company believe that the price differential within the bid-ask range equate transaction costs?  B. If so, please provide the company's perceived costs associated with the spread differential for each year 2003-2007.</p> <p><b>Summary of Contents:</b>  No, TEC does not believe that the cost differential of the bid-ask spread constitutes a transaction cost.</p> <p><b>Conclusions:</b></p> <p><b>Data Request(s) Generated:</b>  No. _____ Description:  No. _____ Description:</p> <p><b>Follow-up Required:</b></p>																				
<p><b>Document # 12:</b>  <b>Date Requested:</b>  <b>Date Received: 1/8/08</b>  <b>Comments: (i.e., Confidential)</b></p>	<p><b>Document Title and Purpose of Review:</b>  Does the company initiate financial hedges on the gas purchases for its long-term storage facilities? If so, are these hedging transactions included in the company's annual hedging strategy?</p> <p><b>Summary of Contents:</b>  No, TEC does not Hedge its long-term storage gas.</p>																				

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<p><b>Date Received: 1/8/08</b>  <b>Comments: (i.e., Confidential)</b></p>	<p>burn for each month.</p> <p><b>Summary of Contents:</b></p> <table border="1"> <thead> <tr> <th>Month</th> <th>2007</th> <th>2006</th> <th>2005</th> <th>2004</th> <th>2003</th> </tr> </thead> <tbody> <tr> <td>January:</td> <td>86%</td> <td>75%</td> <td>44%</td> <td>30%</td> <td>41%</td> </tr> <tr> <td>February:</td> <td>61%</td> <td>57%</td> <td>55%</td> <td>28%</td> <td>254%</td> </tr> <tr> <td>March:</td> <td>65%</td> <td>56%</td> <td>38%</td> <td>52%</td> <td>28%</td> </tr> <tr> <td>April:</td> <td>67%</td> <td>50%</td> <td>43%</td> <td>37%</td> <td>19%</td> </tr> <tr> <td>May:</td> <td>69%</td> <td>80%</td> <td>61%</td> <td>38%</td> <td>12%</td> </tr> <tr> <td>June:</td> <td>70%</td> <td>81%</td> <td>72%</td> <td>39%</td> <td>14%</td> </tr> <tr> <td>July:</td> <td>68%</td> <td>82%</td> <td>58%</td> <td>37%</td> <td>8%</td> </tr> <tr> <td>August:</td> <td>69%</td> <td>78%</td> <td>48%</td> <td>59%</td> <td>23%</td> </tr> <tr> <td>September:</td> <td>74%</td> <td>88%</td> <td>59%</td> <td>69%</td> <td>33%</td> </tr> <tr> <td>October:</td> <td>74%</td> <td>76%</td> <td>45%</td> <td>66%</td> <td>150%</td> </tr> <tr> <td>November:</td> <td>97%</td> <td>81%</td> <td>48%</td> <td>81%</td> <td>31%</td> </tr> <tr> <td>December:</td> <td>93%</td> <td>111%</td> <td>53%</td> <td>76%</td> <td>41%</td> </tr> <tr> <td>Yearly Avg:</td> <td>73%</td> <td>76%</td> <td>52%</td> <td>51%</td> <td>27%</td> </tr> </tbody> </table> <p><b>Conclusions:</b></p> <p><b>Data Request(s) Generated:</b>  No. _____ Description:  No. _____ Description:</p> <p><b>Follow-up Required:</b></p>	Month	2007	2006	2005	2004	2003	January:	86%	75%	44%	30%	41%	February:	61%	57%	55%	28%	254%	March:	65%	56%	38%	52%	28%	April:	67%	50%	43%	37%	19%	May:	69%	80%	61%	38%	12%	June:	70%	81%	72%	39%	14%	July:	68%	82%	58%	37%	8%	August:	69%	78%	48%	59%	23%	September:	74%	88%	59%	69%	33%	October:	74%	76%	45%	66%	150%	November:	97%	81%	48%	81%	31%	December:	93%	111%	53%	76%	41%	Yearly Avg:	73%	76%	52%	51%	27%
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**Bureau of Performance Analysis  
Document Summary and Control Log**

Company: TEC  
 Area: Hedging  
 Auditor(s): Coston, Hallenstein

Worldload Control #: PA-07-11-007  
 File Name: TECDBR2summ.com

Document # 1:  
 Date Requested:  
 Date Received: 1/8/08  
 Comments: (i.e., Confidential)

**Document Title and Purpose of Review:**

For each year 2003-2007, please provide:

- A. The percent of physical natural gas purchased using long-term, month-to-month (take or release) and daily transactions.
- B. The annual natural gas forecast totals (Mmbtu) used to estimate the annual volume of natural gas to be hedged (prior to burn).
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**Conclusions:**

**Data Request(s) Generated:**

No. \_\_\_\_\_ Description:  
 No. \_\_\_\_\_ Description:

**Follow-up Required:**

Where are each of the departments identified in (2) above located?

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	<p><b>Data Request(s) Generated:</b>          No. _____ Description:          No. _____ Description:</p> <p><b>Follow-up Required:</b></p>																																																									
<p><b>Document # 9:</b>  <b>Date Requested:</b>  <b>Date Received: 1/8/08</b>  <b>Comments: (i.e., Confidential)</b></p> <p>CONFIDENTIAL</p>	<p><b>Document Title and Purpose of Review:</b>          Please provide a copy of each active ISDA Master Agreement between the company and a financial counterparty.</p> <p><b>Summary of Contents:</b></p> <p><b>Conclusions:</b>          TEC provided copies of all its ISDA master agreements</p> <p><b>Data Request(s) Generated:</b>          No. _____ Description:          No. _____ Description:</p> <p><b>Follow-up Required:</b></p>																																																									
<p><b>Document # 10:</b>  <b>Date Requested:</b>  <b>Date Received: 1/8/08</b>  <b>Comments: (i.e., Confidential)</b></p> <p>CONFIDENTIAL</p>	<p><b>Document Title and Purpose of Review:</b>          A. Does TEC have a financial counterparty relationship (i.e. purchases financial hedges) with companies, or their subsidiaries, that also produce and supply natural gas or oil?          B. For each company with a dual relationship, please provide the counterparty name, the number of financial transactions purchased, and the total fuel purchases (Mmbtu) for each year 2003-2007.</p> <p><b>Summary of Contents:</b></p> <table border="1"> <thead> <tr> <th>Counterparty (volume)</th> <th>2004</th> <th>2005</th> <th>2006</th> <th>2007</th> </tr> </thead> <tbody> <tr> <td>[REDACTED]</td> <td>718,300</td> <td>1,489,365</td> <td>1,208,891</td> <td>847,377</td> </tr> <tr> <td>[REDACTED]</td> <td>408,790</td> <td>160,716</td> <td>65,978</td> <td></td> </tr> <tr> <td>[REDACTED]</td> <td>49,500</td> <td>69,000</td> <td>487,767</td> <td>991,693</td> </tr> <tr> <td>[REDACTED]</td> <td></td> <td>403,000</td> <td>23,745</td> <td>85,935</td> </tr> <tr> <td>[REDACTED]</td> <td></td> <td></td> <td></td> <td>54,300</td> </tr> <tr> <td>[REDACTED]</td> <td></td> <td>40,000</td> <td>62,239</td> <td>19,400</td> </tr> <tr> <td>[REDACTED]</td> <td>579,308</td> <td>714,003</td> <td>279,171</td> <td></td> </tr> <tr> <td>[REDACTED]</td> <td></td> <td>40,311</td> <td></td> <td></td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th>Counterparty (Financial Deals)</th> <th>2003</th> <th>2004</th> <th>2005</th> <th>2006</th> <th>2007</th> </tr> </thead> <tbody> <tr> <td>[REDACTED]</td> <td></td> <td>10</td> <td>4</td> <td>22</td> <td>26</td> </tr> </tbody> </table>	Counterparty (volume)	2004	2005	2006	2007	[REDACTED]	718,300	1,489,365	1,208,891	847,377	[REDACTED]	408,790	160,716	65,978		[REDACTED]	49,500	69,000	487,767	991,693	[REDACTED]		403,000	23,745	85,935	[REDACTED]				54,300	[REDACTED]		40,000	62,239	19,400	[REDACTED]	579,308	714,003	279,171		[REDACTED]		40,311			Counterparty (Financial Deals)	2003	2004	2005	2006	2007	[REDACTED]		10	4	22	26
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-Natural Gas Physical Supply Portfolio



-Take or Release – a structured product that can be called on a monthly basis, buyer has the right but not the obligation to a defined volume.

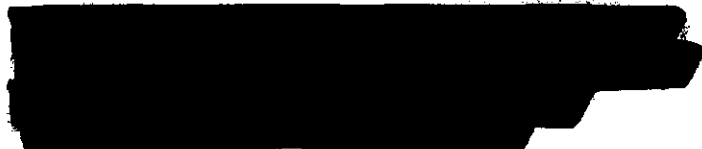
-Objectives:

- Reduce price volatility
- Deliver greater rate certainty
- TEC does not speculate

-Parameters:

- Term Limit 24 months
  - Certainty in fuel filing (tied to projections in fuel filing)
  - price certainty in volumes
  - 2005 term extended from 18 months to 24 months.
- Max/Min Volume
  - Dollar Cost Averaging Approach
  - Sliding Scale based on time to expiration
    - Greater % hedged in earlier month, greater expectation of volume for short-term.
- Liquidity
  - 22 ISDAs (Financial)
  - Total Unsecured Credit over
  - 79 NAESBs (Physical) – North American Energy Standards Board.

-Approved Products:



-Hedging Ranges:

- Hedge a maximum of of projected volumes
- Hedge a maximum of of projected volumes
- Hedge a maximum of of projected volumes
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-TEC Hedging Gains (loss)

- 2003 (\$2.5 mil)
- 2004 \$8.4 mil
- 2005 \$53.2 mil
- 2006 (\$54.5 mil)



# Tampa Electric – Front Office

## Natural Gas Financial Hedge Portfolio:

### - Objectives -

- Disciplined, independently controlled hedging program to reduce natural gas price volatility
- Deliver greater rate certainty to customers
- TEC does not engage in speculative hedging strategies aimed at outguessing the market

### - Parameters

- Term Limit – 24 Months
- Max/Min Volume
  - Dollar Cost Averaging Approach
  - Sliding Scale based on time to expiration
- Liquidity
  - 22 ISDAs (Financial)
  - Total Unsecured Credit
  - 79 NAESBs (Physical)
- Approved Products –





# Tampa Electric - Hedge Plan





# Tampa Electric Hedging Activity

<u>Past Gains/(Loss)</u>		Contract Month	% Hedged	Mark2Market
		Apr-08		\$ 2.8 M
2003	(\$2.5 M)	May-08		\$ 5.6 M
		Jun-08		\$ 4.1 M
2004	\$8.4 M	Jul-08		\$ 5.2 M
		Aug-08		\$ 5.0 M
2005	\$53.2 M	Sep-08		\$ 3.7 M
		Oct-08		\$ 2.9 M
2006	(\$54.5 M)	Nov-08		\$ 1.9 M
		Dec-08		\$ 1.8 M
2007	(\$59.7 M)	Jan-09		\$ 1.0 M
		Feb-09		\$ 1.1 M
2008 Proj.	\$26.1 M	Mar-09		\$ 0.8 M
		Apr-09		\$ 0.4 M

\* When hedging for volatility reduction TEC will show savings in some years and costs in other years.







**Bureau of Regulatory Review Worksheet**  
**Fuel Hedging Programs of Florida's Divisions of Public Utilities**

Ref No.	Audit Areas	Audit Task/Questions	Audit Notes	Finding
			<p>year this quantity is forecasted as part of the projected fuel and purchase power cost recovery clause filing.</p> <p>The volume of natural gas Tampa Electric hedges falls between preset minimum and maximum percentages of the expected natural gas consumption level. Hedging targets are established to account for the fluctuations in natural gas usage because of weather, unit performance, market dynamics, and other factors that may impact the company's original natural gas forecasts.</p> <p>Tampa Electric's hedging strategy is to implement financial transactions for [redacted] percent of its forecast fuel consumption. The maximum hedging percentage target represents the maximum tolerance levels that Tampa Electric's hedging portfolio is not expected to exceed.</p>	
D	Does the fuel procurement hedging program operate in a manner that is non-speculative and where the	The utility should have in place policies and procedures that ensure its associates and management are effectively	Tampa Electric states that it does not engage in speculative hedging strategies aimed at outguessing the market. Tampa Electric further	

9

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	<div style="background-color: black; width: 100px; height: 100px; display: inline-block;"></div>		7	2	5	3
	<div style="background-color: black; width: 100px; height: 100px; display: inline-block;"></div>		19	9	23	
	<div style="background-color: black; width: 100px; height: 100px; display: inline-block;"></div>	30	33	18	36	18
	<b>Conclusions:</b>					
	<b>Data Request(s) Generated:</b>					
	No. _____ Description:					
	No. _____ Description:					
	<b>Follow-up Required:</b>					
<b>Document # 11:</b> <b>Date Requested:</b> <b>Date Received: 1/8/08</b> <b>Comments: (i.e., Confidential)</b>	<b>Document Title and Purpose of Review:</b>					
	A. When purchasing a financial product, does the company believe that the price differential within the bid-ask range equate transaction costs?					
	B. If so, please provide the company's perceived costs associated with the spread differential for each year 2003-2007.					
	<b>Summary of Contents:</b>					
	No, TEC does not believe that the cost differential of the bid-ask spread constitutes a transaction cost.					
	<b>Conclusions:</b>					
<b>Document # 12:</b> <b>Date Requested:</b> <b>Date Received: 1/8/08</b> <b>Comments: (i.e., Confidential)</b>	<b>Document Title and Purpose of Review:</b>					
	Does the company initiate financial hedges on the gas purchases for its long-term storage facilities? If so, are these hedging transactions included in the company's annual hedging strategy?					
	<b>Summary of Contents:</b>					
	No, TEC does not Hedge its long-term storage gas.					
	<b>Conclusions:</b>					
	<b>Data Request(s) Generated:</b>					
	No. _____ Description:					
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	<b>Follow-up Required:</b>					

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<b>Date Received: 1/8/08</b> <b>Comments: (i.e., Confidential)</b>	burn for each month.																																																																																				
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**Bureau of Performance Analysis  
Document Summary and Control Log**

Company: TEC	Worldload Control#: PA-07-11-007
Area: Hedging	File Name: TECDBR2summ.com
Auditor(s): Coston, Hallenstein	

**Document # 1:**  
**Date Requested:**  
**Date Received: 1/8/08**  
**Comments: (i.e., Confidential)**

**Document Title and Purpose of Review:**  
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10

COMMISSIONERS:  
MATTHEW M. CARTER II, CHAIRMAN  
LISA POLAK EDGAR  
KATRINA J. MCMURRIAN  
NANCY ARGENZIANO  
NATHAN A. SKOP

STATE OF FLORIDA



OFFICE OF COMMISSION CLERK  
ANN COLE  
COMMISSION CLERK  
(850) 413-6770

# Public Service Commission

## ACKNOWLEDGEMENT

DATE: June 24, 2008

TO: James Beasley, Ausley Law Firm

FROM: Ruth Nettles, Office of Commission Clerk

RE: Acknowledgement of Receipt of Confidential Filing

**CONFIDENTIAL**

This will acknowledge receipt of a **CONFIDENTIAL DOCUMENT** filed in Docket Number 080000 or, if filed in an undocketed matter, concerning highlighted information contained on Bates-stamp pages 1 through 10 of certain audit staff workpapers utilized by staff, and filed on behalf of Tampa Electric Company. The document will be maintained in locked storage.

If you have any questions regarding this document, please contact Marguerite Lockard, Deputy Clerk, at (850) 413-6770.

DOCUMENT NUMBER - DATE  
05436 JUN 24 08  
FPSC-COMMISSION CLERK

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PSC Website: <http://www.floridapsc.com>

Internet E-mail: [contact@psc.state.fl.us](mailto:contact@psc.state.fl.us)