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# Exhibit B

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CMP 1  
OCRA \_\_\_\_\_  
OTIS \_\_\_\_\_  
ROR \_\_\_\_\_  
EOL \_\_\_\_\_  
OPC \_\_\_\_\_  
RCA \_\_\_\_\_  
SCR \_\_\_\_\_  
SGA \_\_\_\_\_  
SEC \_\_\_\_\_  
OTH \_\_\_\_\_

DOCUMENT NUMBER-DATE

05533 JUN 26 8

FPSC-COMMISSION CLERK ✓

**Bureau of Performance Analysis  
Document Summary and Control Log**

**Company:** PEF  
**Area:** Hedging  
**Auditor(s):** Coston, Hallenstein

**Workload Control #:** PA-07-11-007  
**File Name:** PEFDR1summ.com

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

**Document Title and Purpose of Review:**

Please provide a current organizational chart depicting company work units, job positions and names of personnel responsible for both conducting and oversight of the utility's fuel procurement and fuel hedging programs.

**Summary of Contents:**

Company provided an organization chart as Attachment A in response to staff's document request.

- Progress Energy Florida's Regulated Fuels Department is responsible for fuel hedging.
- Regulated Fuels Department headed by the Executive Director-Regulated Fuels (Alexander Weintraub)
- Three primary sections w/in Department:
  - 1) Coal
  - 2) Gas and Oil
  - 3) Fuel Forecasting and Regulatory Support
- Ed McCluskey, Dale Williams, and Rick Rhodes under the Director of Gas and Oil (Joseph McCallister) are responsible for executing fuel oil and natural gas hedging.
- Enterprise Risk Management Group is responsible for conducting independent oversight of the fuel procurement and fuel hedging programs.
- Enterprise Risk Management Group has two primary oversight sections:
  - 1) Corporate Credit (Gary Bechard)
  - 2) Risk Analytics and Reporting (Ashley Perry)

**Conclusions:**

**Data Request(s) Generated:**

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

**Follow-up Required:**

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

DOCUMENT NUMBER DATE

05533 JUN 26 08

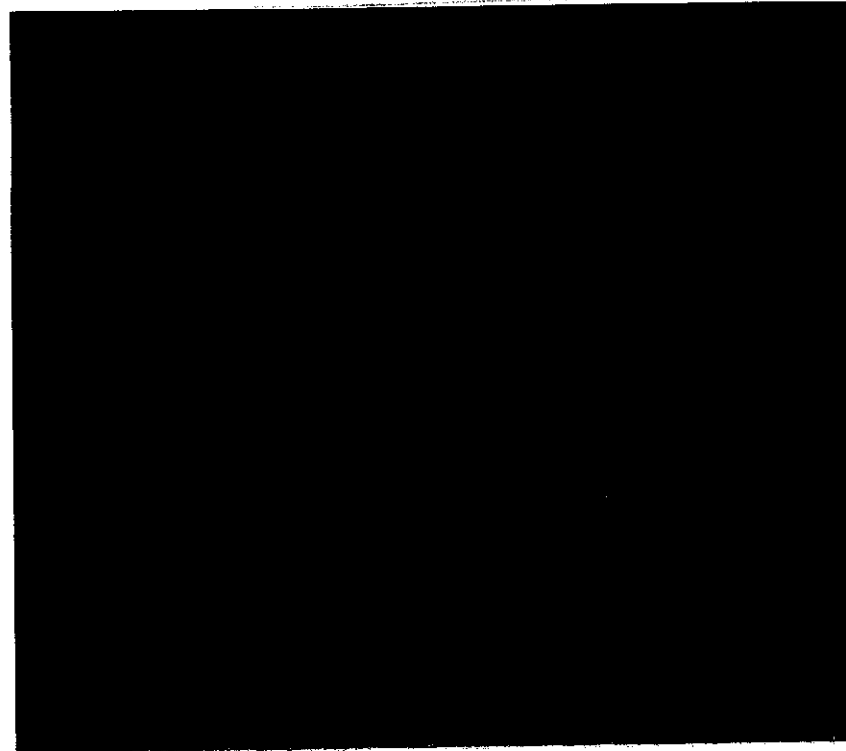
FPSC-COMMISSION CLERK

b. Please provide a copy of any management responses to these audits.

**Summary of Contents:**

PEF provided a listing of 19 internal audits:

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19



**REDACTED**

PEF stated that no external audits were conducted; however, PEF provided a listing of 3 external "studies"

- 20 ■
- 21
- 22 ■
- 23 ■



**Conclusions:**

PEF provided Audit summary reports. Detailed audit reports would have to be requested.

- 1
- 2

FAS 133 Compliance audit completed in December 2006 provides an overview and observations to gain an understanding of derivative accounting.

	<p><b>Data Request(s) Generated:</b>  No. _____ Description:  No. _____ Description:</p> <p><b>Follow-up Required:</b>  Would like to see detailed audit reports for the following audits:</p> <p>1 [REDACTED]  2 [REDACTED]  3 [REDACTED]</p> <p style="text-align: right;"><i>CONFIDENTIAL</i></p>
<p><b>Document # 8:</b>  <b>Date Requested:</b>  <b>Date Received:</b> 1/8/08  <b>Comments:</b> (i.e., Confidential)</p> <p><b>CONFIDENTIAL</b></p>	<p><b>Document Title and Purpose of Review:</b>  Please provide a copy of the company's policies and procedures for the fuel procurement hedging program.</p> <p><b>Summary of Contents:</b>  PEF provided the following Procedures:</p> <ul style="list-style-type: none"> <li>▪ PEF Regulated Commercial Operations and Regulated Fuels Risk Management Guidelines</li> <li>▪ PEF Regulated Commercial Operations and Regulated Fuels Credit Risk Management Guidelines</li> <li>▪ RCO/RFD Trader Authorization Procedure</li> <li>▪ RFD-PEF Short-Term Gas Procurement Process</li> <li>▪ RFD PEF Natural Gas Trade Ticket Process</li> <li>▪ PEF Short-Term Transportation Capacity Process</li> <li>▪ RFD-PEF Term Gas Supply and Transportation Policy</li> <li>▪ RFD-PEF Long-Term Gas Supply Process</li> <li>▪ RFD-PEF Short-Term Gas RFP Process</li> <li>▪ RFD-PEF Long-Term Oil Procurement &amp; RFP Process</li> <li>▪ RFD-Short Term PEF Oil Procurement Process</li> <li>▪ RFD No. 2 &amp; 6 Fuel Oil Hedging Trade Ticket Process</li> <li>▪ RFD Zai*Net Oil Deal Entry Process</li> <li>▪ Coal Procurement Procedure</li> </ul> <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 # 9 :</b>  <b>Date Requested:</b>  <b>Date Received:</b> 1/8/08</p>	<p><b>Document Title and Purpose of Review:</b>  a. Please describe how the company evaluates and selects the third-party companies for its financial hedging transaction?</p>

**Bureau of Performance Analysis  
Document Summary and Control Log**

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

Workload Control #: PA-07-11-007  
File Name: PEFDR2summ.com

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

**Document Title and Purpose of Review:**

For each year 2003 through 2007, please provide:

- A. The percent of physical natural gas purchased using long-term, month to month, and daily transactions.
- B. The percent of physical oil purchased using long-term, month to month, and daily transactions.

**Summary of Contents:**

<b>GAS</b>	<b>OIL</b>
2003: 72.2 / 22.7 / 5.1 (long-term/monthly/daily)	98. / 0 / 2.0
2004: 72.9 / 25.2 / 1.9	96. / 0 / 4.0
2005: 81.4 / 15.3 / 3.3	91. / 0 / 9.0
2006: 90.6 / 6.4 / 3.1	91. / 0 / 9.0
2007: 90.5 / 6.4 / 3.1	94. / 0 / 6.0

**Conclusions:**

**Data Request(s) Generated:**

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

**Follow-up Required:**

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

Document # 2 :  
Date Requested:  
Date Received:  
Comments: (i.e., Confidential)

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**Document Title and Purpose of Review:**

For each year 2003 through 2007, please provide:

- A. The annual natural gas forecast totals (Mmbtu) used to estimate the annual volume of natural gas to be hedged (prior to burn).
- B. The annual oil (#2 & #6) forecast totals used to estimate the annual volume of oil to be hedged.

**Summary of Contents:**

	<table border="0"> <tr> <td colspan="2"><b>Forecast burns:</b></td> <td colspan="2"><b>Actual Burns:</b></td> </tr> <tr> <td colspan="2"><b>Gas</b></td> <td colspan="2"></td> </tr> <tr> <td>2003:</td> <td>39,452,434</td> <td>54,794,309</td> <td></td> </tr> <tr> <td>2004:</td> <td>56,275,591</td> <td>64,978,769</td> <td></td> </tr> <tr> <td>2005:</td> <td>76,091,431</td> <td>70,972,264</td> <td></td> </tr> <tr> <td>2006:</td> <td>73,117,604</td> <td>78,269,036</td> <td></td> </tr> <tr> <td>2007:</td> <td>85,824,325</td> <td>99,452,400</td> <td></td> </tr> <tr> <td colspan="2"><b>OIL #6 #2</b></td> <td colspan="2"></td> </tr> <tr> <td>2003:</td> <td>8,326,227</td> <td>912,655</td> <td>10,161,488</td> </tr> <tr> <td>2004:</td> <td>10,185,762</td> <td>719,655</td> <td>10,819,468</td> </tr> <tr> <td>2005:</td> <td>11,752,012</td> <td>477,922</td> <td>10,324,044</td> </tr> <tr> <td>2006:</td> <td>9,410,288</td> <td>902,890</td> <td>7,353,386</td> </tr> <tr> <td>2007:</td> <td>8,600,625</td> <td>1,240,815</td> <td>7,381,900</td> </tr> <tr> <td colspan="4"><b>Conclusions:</b></td> </tr> <tr> <td colspan="4"><b>Data Request(s) Generated:</b></td> </tr> <tr> <td colspan="4">No. _____ Description:</td> </tr> <tr> <td colspan="4">No. _____ Description:</td> </tr> <tr> <td colspan="4"><b>Follow-up Required:</b></td> </tr> </table>	<b>Forecast burns:</b>		<b>Actual Burns:</b>		<b>Gas</b>				2003:	39,452,434	54,794,309		2004:	56,275,591	64,978,769		2005:	76,091,431	70,972,264		2006:	73,117,604	78,269,036		2007:	85,824,325	99,452,400		<b>OIL #6 #2</b>				2003:	8,326,227	912,655	10,161,488	2004:	10,185,762	719,655	10,819,468	2005:	11,752,012	477,922	10,324,044	2006:	9,410,288	902,890	7,353,386	2007:	8,600,625	1,240,815	7,381,900	<b>Conclusions:</b>				<b>Data Request(s) Generated:</b>				No. _____ Description:				No. _____ Description:				<b>Follow-up Required:</b>			
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<p>Document # 3: Date Requested Date Received: Comments: (i.e., Confidential)</p> <p>CONFIDENTIAL</p>	<p><b>Document Title and Purpose of Review:</b> For each year 2003 through 2007, please provide:</p> <p>A. The annual percentage of hedge transactions in relation to the annual natural gas forecast projections (Mmbtu, prior to actual burn).</p> <p>B. The annual percentage of hedge transactions in relation to the annual fuel oil forecast projections (#2 and #6, prior to actual burn).</p> <p>C. The combined annual percentage of hedge transactions in relation to the total fuel forecast projections (both natural gas and oil).</p> <table border="0"> <tr> <td colspan="2"><b>Summary of Contents:</b></td> </tr> <tr> <td><b>Hedging vs. Forecast burns:</b></td> <td><b>Hedging vs. Actual burns:</b></td> </tr> <tr> <td><b>Gas</b></td> <td></td> </tr> <tr> <td>2003: [REDACTED]</td> <td>[REDACTED]</td> </tr> <tr> <td>2004: [REDACTED]</td> <td>[REDACTED]</td> </tr> <tr> <td>2005: [REDACTED]</td> <td>[REDACTED]</td> </tr> <tr> <td>2006: [REDACTED]</td> <td>[REDACTED]</td> </tr> <tr> <td>2007: [REDACTED]</td> <td>[REDACTED]</td> </tr> </table> <p style="text-align: right; font-size: 2em; opacity: 0.5;">CONFIDENTIAL</p>	<b>Summary of Contents:</b>		<b>Hedging vs. Forecast burns:</b>	<b>Hedging vs. Actual burns:</b>	<b>Gas</b>		2003: [REDACTED]	[REDACTED]	2004: [REDACTED]	[REDACTED]	2005: [REDACTED]	[REDACTED]	2006: [REDACTED]	[REDACTED]	2007: [REDACTED]	[REDACTED]																																																								
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	<p><b>OIL (# 6 / # 2)</b>  2003: [REDACTED] / [REDACTED]  2004: [REDACTED] / [REDACTED]  2005: [REDACTED] / [REDACTED]  2006: [REDACTED] / [REDACTED]  2007: [REDACTED] / [REDACTED]</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 # 4:</b>  <b>Date Requested:</b>  <b>Date Received:</b>  <b>Comments: (i.e., Confidential)</b></p> <p>CONFIDENTIAL</p>	<p><b>Document Title and Purpose of Review:</b>  For each financial counterparty, please provide a listing of the counterparty's credit rating and the internal trading limits and thresholds set by PEF.</p> <p><b>Summary of Contents:</b>  24 counterparties listed, each with its Moody's, S&amp;P, and internal Progress credit rating. Progress provided the credit threshold for each. These thresholds range from [REDACTED]</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 # 5:</b>  <b>Date Requested:</b>  <b>Date Received:</b>  <b>Comments: (i.e., Confidential)</b></p>	<p><b>Document Title and Purpose of Review:</b>  For each year 2003 through 2007, please provide the annual percentage breakdown of hedging transactions by instrument type: swaps, collars, puts, calls.  Example: 2007: 60% swaps 30% option calls 10% collars</p> <p><b>Summary of Contents:</b></p> <p><b>Gas:</b>  2007: 455 70% Swaps; 1% collars; 3% Puts; 27% physical  2006: 237 23% Swaps; 0% collars; 4% Puts, 73% physical  2003-2005: 77,152,188--100% physical</p> <p><b>Oil 6:</b></p>

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	<p>2006: 25 transactions—100%A 2003-2005 0 transactions</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 # 7:</b> <b>Date Requested:</b> <b>Date Received:</b> <b>Comments: (i.e., Confidential)</b></p> <p>CONFIDENTIAL</p>	<p><b>Document Title and Purpose of Review:</b> For each year 2003 through 2007, please provide the percent of the fuel hedged in relation to the total fuel burn for each month (please provide a separate chart for both natural gas and oil.)</p> <p><b>Summary of Contents:</b> Chart provided</p> <p>Yearly Averages for</p> <p>Gas;</p> <p>2007: [REDACTED] 2006: [REDACTED] 2005: [REDACTED] 2004: [REDACTED] 2003: [REDACTED]</p> <p>Oil 6</p> <p>2007: [REDACTED] 2006: [REDACTED] 2005: [REDACTED] 2004: [REDACTED] 2003: [REDACTED]</p> <p>Oil 2</p> <p>2007: [REDACTED] 2006: [REDACTED] 2003 -2005: [REDACTED]</p> <p>B</p> <p><b>Conclusions:</b></p> <p><b>Data Request(s) Generated:</b></p>

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	No. _____ Description: No. _____ Description: <b>Follow-up Required:</b>
Document # 8: Date Requested: Date Received: Comments: (i.e., Confidential)  CONFIDENTIAL	<b>Document Title and Purpose of Review:</b> For each year 2003 through 2007, please provide the number of put options initiated by PEF and the amount of premiums collected by the company, the initiation price, and the final settlement price. <b>Summary of Contents:</b> Provided listing of each transactions that included premiums:  Summary: 2007 --- [REDACTED] 2006 --- [REDACTED] 2005 --- [REDACTED] 2003-2004 --- [REDACTED]
	<b>Conclusions:</b>
	<b>Data Request(s) Generated:</b> No. _____ Description: No. _____ Description:
	<b>Follow-up Required:</b>
Document # 9 : Date Requested: Date Received: Comments: (i.e., Confidential)	<b>Document Title and Purpose of Review:</b> Please describe how PEF accounts for option premiums within its annual FPSC Fuel Cost Recovery filing. <b>Summary of Contents:</b> For gas option premiums, PEF amortizes on a monthly basis over the period. PEF includes the monthly gas options premium amortization as either an credit to fuel expenses when a premium is collected or a debit to fuel expenses when paid. <b>Conclusions:</b> <b>Data Request(s) Generated:</b> <b>Follow-up Required:</b>
Document # 10: Date Requested: Date Received: Comments: (i.e., Confidential)	<b>Document Title and Purpose of Review:</b> A. Please provide a listing of all indices (e.g. NYMEX, Gas Daily, FGT Zone 3) that the company uses to initiate and settle a financial hedge.  B. For each year 2003 through 2007, please provide an annual breakdown of the number of financial transactions settled against each index referenced in 10A. <b>Summary of Contents:</b> Gas:

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**Bureau of Regulatory Review Workplan**  
***Fuel Hedging Programs of Florida's Investor-Owned Electric Utilities***

Ref No.	Audit Areas	Audit Task/Questions	Audit Notes	Finding
		<p>associated with each type of instrument. See Order No. PSC-02-1484 for data reporting requirements.</p>	<p>contracts, put options, and collar options. In 2006 and more so in 2007, PEF initiated a significant number of financial swaps. In 2007, 70 percent of PEF's hedging portfolio consisted of financial swaps. The increased use of financial swaps indicates the difficulty of negotiating fixed price physical contracts.</p> <p>Options made up for less than 10 percent of PEF's hedging portfolio in 2006 and 2007. PEF reported [REDACTED] in collected premiums associated with the selling of put options and [REDACTED] in premiums paid for calls under a collar arrangement. In sum, PEF netted a gain of [REDACTED] in option premiums.</p> <p>For fuel oil, PEF's hedging of No. 6 fuel oil primarily consisted of financial swaps over the past four years, with a combination of swaps and a limited number of options in 2007. Prior to the use of financial swaps in 2004, PEF used physical hedge contracts for its No. 6 oil.</p>	<p align="center"><b>CONFIDENTIAL</b></p> <p>1 2 3 4</p>

**Bureau of Performance Analysis**  
**Interview Summary**

Company: Progress Energy Florida  
Area: Fuel Hedging  
Auditor(s): Coston, Hallenstein

Interview Number: One  
File Name: PEFinterviewsumm.doc

Name:  
Joe McCallister – Director of Gas and Oil Trading  
Ed McCluskey – Gas Trader (Front Office)  
Lori Cross – Manager Regulatory Planning  
Lisa Stright – Regulatory Analyst  
John Burnett – Assistant General Counsel  
On Phone: Gary Meza – Manager Risk Management  
(Middle Office)  
Jack King- Accountant (Back Office)

Date of Interview: 3/11/2008  
Location: PSC Office  
Telephone Number:

(1) Purpose of Interview:

(2) Interview Summary:

**Fuel Procurement Philosophy (Joe McCallister):**

- Fuel Sources: Gas, Oil, Coal, and Nuclear
- Nuclear is handled by separate operations
- Goal is to buy most competitive priced fuel
- Layered-in approach—mix of long-term and short-term purchases.
- Hedging:
  - Coal-fixed price physical hedge
  - Gas and oil-applicable market index
  - Multi-year hedging program (hedge more than one year out)
  - locking in higher percentages of hedges in short-term and lower percentages in long-term.
  - GenTrader for fuel forecasting and outage impacts.
  - S/T fuel forecasts updated regularly by group w/in Regulated Fuels Department.
  - L/T Fuel needs (procurement targets, negotiate term gas) is done by System Planning Group.
- Fuel Mix (generation output):
  - Nuclear 15-20%
  - Coal 30-40%
  - Gas/Oil 30-40% (Gas is majority, oil \$400 mill, gas \$900 mill)
- Wholesale Purchased Approx. 20%

**Organization Structure:**

- Regulated Fuels – Executive Director is Alex Weintraub. Reports to Sr. V.P. of Progress Energy Corporate, who in turn, reports to Corporate CEO.
  - Joe McCallister is Director of Gas and Oil Trading (procurement)
  - Ed McCluskey – Gas Trader, responsible for Florida procurement.
- Employee of Energy Progress Energy Carolina. Handles fuel supplies as they get close to delivery.
  - Joe's group does not handle non-regulated fuel transactions
  - Regulated Fuel has gas and oil procurement targets, most on term contracts (some multi-year).
  - PEF considers term anything not being bought in current month

-Risk Management – Part of Progress Energy Corporate. Reports to Treasurer and Risk Officer. Within progress energy services company.

**Hedging:**

- Ed McCluskey responsible for Florida gas supply hedges.
- Dale Williams responsible for Florida #6 oil supply hedging.
- Rick Rhodes responsible for Florida #2 oil supply hedging.

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**Strategy:**

- Ed use some counterparties unique to Florida.
- Management Approval: Recommendations made to Risk Management Team (Risk Management Subcommittee under Risk Management Committee up to CEO approval)
- Risk Management Committee – 6 senior levels of management.

**Layering of Hedges:**

- Layer hedges over time with greater percentage of hedges being done in short- term. Do not hedge out quite as far for fuel oil (less liquid)
- Late Nov/Dec Risk Management Subcommittee approves strategy plan for upcoming year.
- Hedges are initiated throughout the entire year.
- All hedges are with counterparties.

Gas % Hedge against Actual Burn*	
2002	[REDACTED]
2003	[REDACTED]
2004	[REDACTED]
2005	[REDACTED]
2006	[REDACTED]
2007	[REDACTED]
2008 (projected)	[REDACTED]

\*Includes physical and financial hedges

#6 Oil % Hedge against Actual Burn*	
2002	[REDACTED]
2003	[REDACTED]
2004	[REDACTED]
2005	[REDACTED]
2006	[REDACTED]
2007	[REDACTED]
2008 (projected)	[REDACTED]

\* Includes physical and financial hedges

#2 Oil % Hedge against Actual Burn*	
2002	[REDACTED]
2003	[REDACTED]
2004	[REDACTED]
2005	[REDACTED]
2006	[REDACTED]
2007	[REDACTED]
2008 (projected)	[REDACTED]

• Includes physical and financial hedges

Chart titled “Percent of Natural Gas Hedged to Forecasted  
and Actual Burn” (2003-2007)

**REDACTED**

Staff Audit Work Papers -  
Fuel Procurement Hedging Activities of  
Florida’s IOU’s

Chart titled “Percent of No.6 and No.2 Oil Hedged to  
Forecasted and Actual Burn” (2003-2007)

**REDACTED**

Staff Audit Work Papers -  
Fuel Procurement Hedging Activities of  
Florida’s IOU’s

Chart titled “Monthly Average Price of Natural Gas  
Purchases” (2003-2007)

**REDACTED**

Staff Audit Work Papers -  
Fuel Procurement Hedging Activities of  
Florida’s IOU’s

Chart titled “Monthly Average Price of No.6 Fuel Oil”  
(2003-2007)

**REDACTED**

Staff Audit Work Papers -  
Fuel Procurement Hedging Activities of  
Florida’s IOU’s



Chart titled “Monthly Average Price of No.2 Fuel Oil”  
(2003-2007)

**REDACTED**

Staff Audit Work Papers -  
Fuel Procurement Hedging Activities of  
Florida’s IOU’s