

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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COMMISSION CLERK

In re: January – July 2008 Hedging Activities (FPSC Audit Control No. 08-221-2-1).

Docket No. 080001- EI
Dated: October 9, 2008

**AFFIDAVIT OF JOSEPH McCALLISTER IN SUPPORT OF
PROGRESS ENERGY FLORIDA'S
REQUEST FOR CONFIDENTIAL CLASSIFICATION**

STATE OF NORTH CAROLINA

COUNTY OF WAKE

BEFORE ME, the undersigned authority duly authorized to administer oaths, personally appeared Joseph McCallister, who being first duly sworn, on oath deposes and says that:

1. My name is Joseph McCallister. I am over the age of 18 years old and I have been authorized by Progress Energy Florida (hereinafter "PEF" or the "Company") to give this affidavit in the above-styled proceeding on PEF's behalf and in support of PEF's Request for Confidential Classification. The facts attested to in my affidavit are based upon my personal knowledge.

2. I am the Director of Gas and Oil Trading in the Fuels and Power Optimization Department. This section is responsible for natural gas and fuel oil acquisition for both PEF and Progress Energy Carolinas ("PEC") systems.

3. As the Director of Gas and Oil Trading, I am responsible, along with the other members of the section, for the management of the gas and oil procurement,

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transportation, hedging activities and administration of gas and oil contracts with various suppliers for PEF's and PEC's electrical power generation facilities.

4. PEF is seeking confidential classification for certain information contained in the audit work papers pertaining to the FPSC January – July 2008 Hedging Audit (Audit Control No. 08-221-2-1). A detailed description of the confidential information at issue is contained in confidential Exhibit A to PEF's Request for Confidential Classification and is outlined in PEF's Justification Matrix that is attached to PEF's Request for Confidential Classification as Exhibit C. PEF is requesting confidential classification of this information because it contains sensitive business information, the disclosure of which would impair the Company's efforts to negotiate fuel supply contracts on favorable terms and adversely effect PEF's hedging operations.

5. PEF conducts hedging activities and negotiates with potential fuel suppliers to obtain competitive contracts for fuel options that provide economic value to PEF and its ratepayers. PEF must keep certain company operations confidential, such as internal hedging practices and procedures, hedging volumes and transactions, journal entries, hedging forecasts, hedging agreements, percentages, hedging gains/losses, credit risk limits, pricing information and certain information contained in the Risk Management Plans. PEF must also be able to assure hedging counterparties and fuel suppliers that sensitive information they provide PEF will be kept confidential. With respect to the information at issue in this Request, PEF has kept confidential and has not publicly disclosed confidential information such as internal hedging practices and procedures, hedging volumes and transactions, journal entries, hedging forecasts, hedging agreements, percentages, hedging gains/losses, credit risk limits, pricing information and

certain information contained in the Risk Management Plans. Absent such measures, PEF and suppliers would run the risk that sensitive business information that they provided would be made available to the public and, as a result, end up in possession of potential competitors. Faced with that risk, persons or companies who otherwise would contract with PEF might decide not to do so if PEF did not keep this sensitive business information confidential. Without PEF's measures to maintain the confidentiality of sensitive business terms, the Company's efforts to obtain competitive fuel supply options and contracts could be undermined.

6. Additionally, the disclosure of confidential information of PEF's company operations could adversely impact PEF's competitive business interests. If such information was disclosed, PEF's efforts to obtain competitive fuel supply options that provide economic value to both PEF and its ratepayers could be compromised by PEF's competitors and/or counterparties changing their purchasing behavior within the relevant markets.

7. Upon receipt of confidential information from fuel suppliers, and with its own confidential information, strict procedures are established and followed to maintain the confidentiality of the information provided, including restricting access to those persons who need the information to assist the Company, and restricting the number of, and access to the information. At no time has PEF publicly disclosed the information in question. The Company has treated and continues to treat the information at issue as confidential.

8. This concludes my affidavit.

Further affiant sayeth not.

