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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

11 SEP -1 PM 3: 12

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In re: Fuel and purchased power cost  
recovery clause with generating performance  
incentive factor.

Docket No. 110001-EI

Dated: September 1, 2011 claim of confidentiality  
notice of intent  
X request for confidentiality  
filed by OPC

**PROGRESS ENERGY FLORIDA INC.'S  
REQUEST FOR CONFIDENTIAL CLASSIFICATION**

For DN 00335-11, which  
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authorized to view this DN.-CLK

Progress Energy Florida, Inc., ("PEF" or "Company"), pursuant to Section 366.093, Florida Statutes (F.S.), and Rule 25-22.006, Florida Administrative Code (F.A.C.), submits this Request for Confidential Classification for certain information provided in Exhibit MO-2 to the projection testimony of PEF witness Marcia Olivier dated September 1, 2011, specifically Schedule E12-A – Calculation of Projected Capacity Costs, Part 3, Page 2 of 2, and for certain information contained on Pages 3 and 4 of the testimony of Joseph McCallister also dated September 1, 2011. In support of this Request, PEF states:

1. Exhibit MO-2, Schedule E12-A – Calculation of Projected Capacity Costs, Part 3, Page 2 of 2 to the projection testimony of Marcia Olivier and Pages 3 and 4 of the testimony of Joseph McCallister contain information that is "proprietary business information" under Section 366.093(3), Florida Statutes.

2. The following exhibits are included with this request:

(a) Sealed Composite Exhibit A is a package containing unredacted copies of all the documents for which PEF seeks confidential treatment. Composite Exhibit A is being submitted separately in a sealed envelope labeled "CONFIDENTIAL." In the unredacted versions, the information asserted to be confidential is highlighted by yellow marker.

(b) Composite Exhibit B is a package containing two copies of redacted versions of the documents for which the Company requests confidential classification. The specific information for which confidential treatment is requested has been blocked out by opaque marker or other means:

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(c) Exhibit C is a table which identifies by page and line the information for which PEF seeks confidential classification and the specific statutory bases for seeking confidential treatment.

3. As indicated in Exhibit C, the information for which PEF requests confidential classification is “proprietary confidential business information” within the meaning of Section 366.093(3), F.S. Specifically, in Exhibit MO-2 – Schedule E12-A, Part 3, Page 2 of 2, the highlighted information provides the number of megawatts for each purchase or sale. In combination with other non-confidential cost data provided in the exhibit, this information could be used to determine the capacity charges for each contract. Affidavit of Marcia Olivier at ¶ 5. Disclosure of this information would enable wholesale providers to determine the prices of their competitors, which could result in greater price convergence in future negotiations. Affidavit of Marcia Olivier at ¶ 5. Suppliers would no longer need to make their best offers to ensure the competitiveness of their prices against the disclosed prices. Affidavit of Marcia Olivier at ¶ 5. Instead, suppliers could simply offer the highest prices that would allow them to maintain a marginally competitive position against the disclosed prices. Affidavit of Marcia Olivier at ¶ 5. As such, disclosure of the information would impair the Company’s efforts to contract for goods or services on favorable terms. *See* § 366.093(3)(d), F.S.; Affidavit of Marcia Olivier at ¶ 5. Additionally, if the information at issue was disclosed to PEF’s competitors, PEF’s efforts to obtain competitive energy supply that provides economic value to both PEF and its ratepayers could be compromised by PEF’s competitors changing their consumption or purchasing behavior within the relevant markets. *Id.* § 366.093(3)(e); Affidavit of Marcia Olivier at ¶ 6. Accordingly, such information constitutes “proprietary confidential business information” which is exempt from disclosure under the Public Records Act pursuant to Section 366.093(1), F.S.

4. In addition, specifically, on Pages 3 and 4 of the testimony of Joseph McCallister, the highlighted information provides forecasted hedging percentages. Affidavit of Joseph McCallister at ¶ 5. Disclosure of this information would enable fuel suppliers to have insight to PEF’s forecasted hedging percentages and to obtain competitive information, which could result in greater price convergence in future

negotiations. Affidavit of Joseph McCallister at ¶ 5. Fuel suppliers would no longer need to make their best offers to ensure the competitiveness of their prices against the disclosed prices. Affidavit of Joseph McCallister at ¶ 5. Instead, fuel suppliers could simply offer the highest prices that would allow them to maintain a marginally competitive position against the disclosed forecasted percentages. Affidavit of Joseph McCallister at ¶ 5. As such, disclosure of the information would impair the Company's efforts to contract for goods or services on favorable terms. *See* § 366.093(3)(d), F.S.; Affidavit of Joseph McCallister at ¶ 5. Additionally, if the information at issue was disclosed, PEF's efforts to obtain competitive energy supply that provides economic value to both PEF and its ratepayers could be compromised by PEF's competitors changing their purchasing behavior within the relevant markets. *Id.* § 366.093(3)(e); Affidavit of Joseph McCallister at ¶ 6. Accordingly, such information constitutes "proprietary confidential business information" which is exempt from disclosure under the Public Records Act pursuant to Section 366.093(1), F.S.

5. The information identified as Exhibit A is intended to be and is treated as confidential by the Company. Affidavit of Marcia Olivier at ¶ 7. Affidavit of Joseph McCallister at ¶ 7. The information has not been disclosed to the public, and the Company has treated and continues to treat the information and contracts at issue as confidential. Affidavit of Marcia Olivier at ¶ 7. Affidavit of Joseph McCallister at ¶ 7.

6. PEF requests that the information identified in Exhibit A be classified as "proprietary confidential business information" within the meaning of section 366.093(3), F.S., that the information remain confidential for a period of at least 18 months as provided in section 366.093(4) F.S., and that the information be returned as soon as it is no longer necessary for the Commission to conduct its business.

WHEREFORE, for the foregoing reasons, PEF respectfully requests that this Request for Confidential Classification be granted.

RESPECTFULLY SUBMITTED this 1<sup>st</sup> day of September, 2011.

Handwritten signature of John T. Burnett in black ink, written over a horizontal line.

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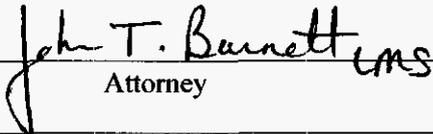
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**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by regular U.S. mail (\* via hand delivery) to the following this 1<sup>st</sup> day of September, 2011.

  
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# **Exhibit A**

**“CONFIDENTIAL”**

# **Exhibit B**

# **REDACTED**

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**Contract Data:**

	Name	Start Date	Expiration Date	Type	Purchase/Sale	MW
1	Auburndale Power Partners, L.P. (AUBRDLC)	Jan-95	Dec-13	QF	Purch	17.00
2	Auburndale Power Partners, L.P. (AUBSET)	Aug-94	Dec-13	QF	Purch	114.18
3	Lake County (LAKCOUNT)	Jan-95	Jun-14	QF	Purch	12.75
4	Lake Cogen Limited (LAKORDER)	Jul-93	Jul-13	QF	Purch	110.00
5	Metro-Dade County (METRDADE)	Nov-91	Nov-13	QF	Purch	43.00
6	Orange Cogen (ORANGECO)	Jul-95	Dec-24	QF	Purch	74.00
7	Orlando Cogen Limited (ORLACOGL)	Sep-93	Dec-23	QF	Purch	79.20
8	Pasco County Resource Recovery (PASCOUNT)	Jan-95	Dec-24	QF	Purch	23.00
9	Pinellas County Resource Recovery (PINCOUNT)	Jan-95	Dec-24	QF	Purch	54.75
10	Polk Power Partners, L. P. (MULBERRY/ROYSTER)	Aug-94	Aug-24	QF	Purch	115.00
11	Wheelabrator Ridge Energy, Inc. (RIDGEGEN)	Aug-94	Dec-23	QF	Purch	39.60
12	Southern - Franklin	Jun-10	May-16	Other	Purch	350.00
13	Schedule H Capacity - New Smyrna Beach	Nov-85	see note (1)	Other	Sale	
14	Schedule H Capacity - Reedy Creek Improvement District	Sep-89	see note (2)	Other	Sale	
15	Chattahoochee	Jan-03	Dec-17	Other	Purch	
16	Vandolah (RRI)	May-10	May-12	Other	Purch	see note (3)
17	Vandolah (NSG)	Jun-12	May-27	Other	Purch	
18	Shady Hills Tolling Agreement	Apr-07	Apr-24	Other	Purch	

(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 r  
 (2) The Reedy Creek Improvement District Schedule H contract is 5 years with 1 year renewal increments.

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- 1 ● Exhibit No. \_\_\_\_ (JM-2P) - Hedging Results for January 2011 through July  
2 2011 (originally filed on August 15, 2011).

3  
4 **Q. What are the objectives of PEF's hedging activities?**

5 A. The objectives of PEF's hedging strategy are to reduce price risk and  
6 provide greater cost certainty for PEF's customers.

7  
8 **Q. Describe PEF's hedging activities that the company will execute for  
9 2012.**

10 A. PEF will hedge a percentage of its projected natural gas, heavy oil and light  
11 oil burns fuel burns, and a portion of the estimated fuel surcharge exposure  
12 embedded in PEF's coal river barge and railroad transportation agreements.  
13 PEF will utilize approved physical and financial agreements. With respect to  
14 to hedging activity, natural gas represents the largest component of PEF's  
15 overall hedging activity given its the largest fuel cost component. PEF's  
16 target hedging percentage ranges are between ■■■■ to ■■■■ of its current  
17 2012 forecasted calendar annual burns. The current expectation is for PEF  
18 to hedge at least ■■■■ of its forecasted natural gas burn projections for  
19 2012. Hedging in this range will allow PEF to monitor actual fuel burns,  
20 updated fuel forecasts and make any adjustments if needed. With respect  
21 to heavy oil and light oil, PEF will target to hedge at least ■■■■ and ■■■■,  
22 respectively, of the current forecasted annual heavy and light oil burns for  
23 2012. With respect to coal river and rail transportation estimated fuel  
24 surcharges, for calendar year 2012 PEF will target to hedge between ■■■■

1 to [REDACTED] of the estimated fuel surcharge exposure in the coal rail and river  
2 barge transportation agreements.

3  
4 PEF's hedging activities do not involve price speculation or trying to "out-  
5 guess" the market. All hedging transactions are executed at the prevailing  
6 market price for any given period that exists at the time the hedging  
7 transactions are executed. The results of hedging activities may or may not  
8 result in net fuel cost savings due to differences between the monthly  
9 settlement prices and the actual hedge price of the transactions that were  
10 executed over time. The volumes hedged over time are based on periodic  
11 updated fuel forecasts and the actual hedge percentages for any month,  
12 rolling period or calendar annual period may come in higher or lower than  
13 the target minimum hedge percentages and hedging ranges because of  
14 actual fuel burns versus forecasted fuel burns. Actual burns can deviate  
15 from forecasted burns because of variables such as weather, unforeseen  
16 unit outages, actual load and changing fuel prices. PEF's approach to  
17 executing fixed price transactions over time is a reasonable and prudent  
18 approach to reduce price risk and providing greater cost certainty for PEF's  
19 customers.

20  
21 As of August 15, 2011, for 2012 PEF has hedged approximately [REDACTED] of its  
22 forecasted natural gas burns, [REDACTED] of its forecasted heavy oil burns and [REDACTED]  
23 of its forecasted light oil burns. In addition, as of August 15, 2011, for 2012  
24 PEF has hedged approximately [REDACTED] and [REDACTED] of its estimated fuel

# Exhibit C

## PROGRESS ENERGY FLORIDA Confidentiality Justification Matrix

DOCUMENT/RESPONSES	PAGE/LINE	JUSTIFICATION
Exhibit MO-2, Schedule E12-A: Calculation of Projected Capacity Costs	<p>Part 3, Page 2 of 2: purchased MW from New Smyrna Beach, Reedy Creek, Chattahoochee, Shady Hills, and Vandolah.</p> <p>Part 3, Page 2 of 2, Note (3): Vandolah contract terms &amp; MWs</p>	<p>§366.093(3)(d), F.S. The document in question contains confidential information, the disclosure of which would impair PEF's efforts to contract for goods or services on favorable terms.</p> <p>§366.093(3)(e), F.S. The document in question contains confidential information relating to competitive business interests, the disclosure of which would impair the competitive business of the provider/owner of the information.</p>
Testimony of Joseph McCallister	<p>Page 3, Lines 16, 18, 21 &amp; 24: forecasted hedging percentages.</p> <p>Page 4, Lines 21, 22 &amp; 24: forecasted hedging percentages.</p>	<p>§366.093(3)(d), F.S. The document in question contains confidential information, the disclosure of which would impair PEF's efforts to contract for goods or services on favorable terms.</p> <p>§366.093(3)(e), F.S. The document in question contains confidential information relating to competitive business interests, the disclosure of which would impair the competitive business of the provider/owner of the information.</p>

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