

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

Docket No. 130001-EI

Filed: August 8, 2013

**DUKE ENERGY FLORIDA INC.'S NOTICE OF FILING REVISED EXHIBIT TGF-2  
TO TESTIMONY OF THOMAS G. FOSTER AND REVISED ATTACHMENTS A, B, &  
C TO DUKE ENERGY FLORIDA'S REQUEST FOR CONFIDENTIAL  
CLASSIFICATION FILED AUGUST 2, 2013**

Duke Energy Florida, Inc., ("DEF" or "Company"), files this Notice of Filing Revised Exhibit TGF-2 to the Testimony of Thomas G. Foster and Revised Attachments A, B, and C to DEF's Request for Confidential Classification filed with the Commission August 2, 2013. Exhibit TGF-2, Part 2 (i.e., Schedule E12-B, Page 2 of 2) to Mr. Foster's August 2, 2013 Testimony had non-confidential information erroneously marked as confidential and redacted from public view. The information at issue includes start dates and ending dates (i.e., contract terms) for four contracts; this information is not considered confidential by the Company. DEF is therefore filing the Revised Exhibit TGF-2 and Revised Confidential Attachments A, B, and C to DEF's Request for Confidential Classification filed with the Commission August 2, 2013.

Respectfully submitted,

By: /s/ Matthew Bernier  
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COM  
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APA  
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ENG 1  
GCL 1  
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13 AUG -9 PM 12:48  
COMMISSION  
CLERK

## CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished via electronic mail to the following this 8th day of August, 2013.

/s/ Matthew Bernier  
Attorney

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Duke Energy Florida  
 Calculation of Estimated/Actual Capacity Costs  
 For the Year 2013

*REVISED*  
 Docket No. 130001-EI  
 Exhibit TGF-2, Part 2  
 Schedule E12-B  
 Page 2 of 2

**Contract Data:**

	Name	Start Date	Expiration Date	Type	Purchase/Sale	MW
1	Auburndale Power Partners, L.P. (AUBRDLFC)	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-13	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 Power - Scherer 3	Jun-10	May-16	Other	Purch	73.00
13	Southern Power - Franklin	Jun-10	May-16	Other	Purch	350.00
14	Schedule H Capacity - New Smyrna Beach	Nov-85	see note (1)	Other	Sale	
15	Chattahoochee	Jan-03	Dec-17	Other	Purch	
16	Vandolah (NSG)	Jun-12	May-27	Other	Purch	
17	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 Duke Energy Florida or NSB upon 1 year's written notice.

**REDACTED**

**REVISED**

**Exhibit B**

**REDACTED**

**Contract Data:**

	Name	Start Date	Expiration Date	Type	Purchase/Sale	MW
1	Auburndale Power Partners, L.P. (AUBRDLFC)	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
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9	Pinellas County Resource Recovery (PINCOUNT)	Jan-95	Dec-24	QF	Purch	54.75
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15	Chattahoochee	Jan-03	Dec-17	Other	Purch	
16	Vandolah (NSG)	Jun-12	May-27	Other	Purch	
17	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 Duke Energy Florida or NSB upon 1 year's written notice.

Duke Energy Florida, Inc.  
Risk Management Plan for  
Fuel Procurement and Wholesale Power Purchases  
For 2014

Duke Energy Florida, Inc. (DEF) is submitting its 2014 Risk Management Plan for review by the Florida Public Service Commission. The Risk Management Plan includes the required items as outlined in Attachment A of Order No. PSC-02-1484-FOF-EI and specifically items 1 through 9, and items 13 through 15 as set forth in Exhibit TFB-4 to the prefiled testimony of Todd F. Bohrmann in Docket No. 011605-EI and further clarified in Order No. PSC-08-0667-PAA-EI of Docket No. 080001-EI.

Several groups play key roles in the management, monitoring, and execution of the activities outlined in DEF's Risk Management Plan. These groups include Fuels and System Optimization (FSO), Global Risk Management (GRM), which includes Enterprise and Regulated Risk and Credit (Risk Management), Regulated Accounting, Internal Audit, Legal, and Information Technology. The activities supported by these groups include the following: procuring competitively priced fuel, performing active asset optimization and portfolio management, executing DEF's hedging strategy, monitoring and reporting against established oversight limits for credit and margin limits, performing credit evaluations and monitoring credit and default exposure, performing deal validation, volume actualization, preparing and reviewing transactions and contracts, preparing journal entries to account for fuel and power related activities, performing billing and payments under the various fuel and purchased power contracts, performing audits, and maintaining and supporting needed systems to capture, track, and account for these activities.

Based on the July 2013 Fuels and Operations Forecast (FOF), DEF's estimated fuel consumption and economy transaction projections for 2014 are as follows:

**Coal**

Based on current projections, DEF forecasts to burn approximately [REDACTED] tons of coal in 2014. DEF's forecasted coal requirements for 2014 will primarily be purchased under term coal supply agreements. The coal supply will be delivered to DEF's plants via railroad and barge transportation agreements. Spot purchases will be made as needed to supplement the term purchases.

**Light Oil**

Based on current projections, DEF forecasts to burn approximately [REDACTED] barrels of light oil in 2014. DEF's forecasted light fuel oil requirements for 2014 are expected to be purchased primarily under term supply

agreements with volume flexibility at indexed market prices. Spot market purchases will be made as needed to supplement term purchases.

### **Natural Gas**

Based on current projections, DEF forecasts to burn approximately [REDACTED] of natural gas in 2014, comprised of approximately [REDACTED] at DEF's generating plants and [REDACTED] at gas-tolling purchased power facilities where DEF has the responsibility to provide the natural gas. DEF's forecasted natural gas requirements for 2014 are expected to be purchased primarily under term supply agreements based on market index pricing, with supplemental seasonal, monthly and daily purchases of natural gas being made as needed.

### **Economy Power Purchases and Sales**

Based on current projections, DEF forecasts to purchase approximately [REDACTED] of economy power and sell approximately [REDACTED] of economy power in 2014. DEF actively seeks to purchase and sell economy power as opportunities arise based on market prices, dispatch costs, and available transmission capacity.

#### **Item 1. Identify the company's overall quantitative and qualitative Risk Management Plan Objectives.**

DEF's identified 2014 Risk Management Plan Objectives are to effectively manage its overall fuel and purchased power costs for its customers by engaging in competitive fuel procurement practices and activities, performing active asset optimization and portfolio management activities, and continuing to execute the company's hedging program to reduce price risk and provide greater cost certainty for DEF's customers. These items are discussed further in Item 8.

#### **Item 2. Identify the minimum quantity of fuel to be hedged and the activities to be executed during the remainder of 2013 and during 2014**

DEF utilizes a phased hedging program where hedge transactions are executed over time with the objective of reducing price risk and providing greater cost certainty for DEF's customers. The hedging program includes executing approved agreements over time for natural gas and light fuel oil usage for generation fuel, and coal rail and river transportation fuel surcharges. Natural gas hedging activity represents the largest component of DEF's hedging program as natural gas represents the largest fuel cost component of DEF's overall generation fuel costs.



The volumes hedged over time represent a portion of DEF's forecasted burns with higher hedging target ranges in the near term and lower hedging target ranges in the outer period. The hedge percentage target ranges outlined provide a framework for consistently executing the layered hedging strategy over time. DEF cannot predict future prices and DEF's hedging program does not involve speculation or trying to "out-guess" the market. All hedges are executed at the prevailing market price for any given period that exists at the time the hedging transactions are executed. The results of hedging activities may or may not result in net fuel cost savings due to differences between the monthly settlement prices and the actual hedge price of the transactions that were executed over time. The volumes hedged for each fuel type over time are based on periodic updated fuel forecasts and the actual hedge percentages for any month, rolling period, or calendar annual period may come in higher or lower than the target minimum hedge percentages and hedging ranges because of actual fuel burns versus forecasted fuel burns. Actual burns can deviate from forecasted burns because of dynamic variables such as weather, unforeseen unit outages, actual load, and changing fuel prices. DEF's multi-year approach to executing fixed price transactions over time is a reasonable and prudent approach to reduce price risk and provide greater cost certainty for DEF's customers.

Outlined below for each fuel type and exposure are the targeted minimum hedge percentages to be hedged for the remainder of 2013 and 2014:

Natural Gas

Natural gas represents DEF's largest fuel cost component and represents the largest component of DEF's hedging activities. DEF plans to continue to execute its existing phased hedging program over a rolling 36-month period through time for natural gas through the remainder of 2013 and during 2014. The currently approved rolling hedge percentage that are outlined in DEF's Franchised Electric Risk Limits as follows:



DEF will target to hedge a minimum of [REDACTED] [REDACTED] and [REDACTED] of forecasted natural gas burns for the rolling 36-month time period through time, respectively, during the remainder of 2013 and 2014. Given DEF's hedging strategy, DEF will continue to participate in spot natural gas prices for a portion of its estimated natural gas needs.

### Light Oil

With respect to light oil forecasted to be burned at DEF's owned generation facilities for calendar year 2014, during the balance of 2013 and 2014, DEF will target to hedge a minimum of [REDACTED] of its forecasted light oil burns.

### Coal Rail and River Transportation Fuel Surcharges

During the balance of 2013 and during 2014, with respect to coal river and rail transportation estimated fuel surcharge exposure, DEF will target to hedge between [REDACTED] to [REDACTED] of the estimated fuel surcharge exposure for calendar year 2014.

### Summary

Through the remainder of 2013 and during 2014, DEF will continue monitor its fuel forecast and will continue to execute hedges over time to attempt to manage to the hedge percentage targets outlined for a portion of its projected burns for natural gas, light oil, and estimated coal rail and river transportation fuel surcharge exposure. This hedging approach is consistent with DEF's existing strategy and allows DEF to continue to monitor the market and fuel forecast updates. The hedging targets for each of the respective periods are included in DEF's Franchised Electric Risk Limits in **Attachment A**.

### **Item 3. Identify and quantify each risk, general and specific, that the utility may encounter with its fuel procurement.**

DEF has identified specific and general risks associated with the procurement of fuels and power optimization activities. The specific risks include fuel price risk, supplier performance and default risk, liquidity risk, credit risk, product availability risk, and changes in forecasted volumes. The general risks include weather related events such as hurricanes, extreme weather variations from forecast, business continuity, and changes in environmental rules and regulations. Described below are the specific and general risks and DEF's activities to manage overall exposure to these risks. In addition, the processes that DEF has in place to monitor and quantify these risks are also described.

### Fuel Price Risk

DEF's customers are exposed to the risk of fuel price movements, which could result in significant variability in projected and actual fuel costs. For natural gas and light oil, the physical fuel is procured under standard industry contracts that are based on published market index pricing that exists during the time periods the fuel is delivered. The published market index prices paid by DEF for these fuels will fluctuate with daily changes in market prices until the respective first of the month market index or daily-published market index

**ATTACHMENT A**

**REDACTED**

**DEF FRANCHISED ELECTRIC RISK LIMITS**

(10 pages)

# Attachment B

REDACTED

## Regulated Fuels Hedging Portfolio

Total Default Exposure (MtM) by commodity

Report Date: 7/11/2013

As of: 7/10/2013

### Duke Energy Florida, Inc.

\$ in millions

Commodity	2013	2014	2015	2016	2017	2018	2019	Total
<b>Gas<sup>A</sup></b>								
Fixed Price Physical								
Fixed Swaps								
Financial Options								
<b>Oil<sup>B</sup></b>								
Fixed Swaps No.6								
Financial Options No.6								
Fixed Swaps No.2								
Financial Options No.2								
<b>Coal<sup>D</sup></b>								
Fixed Priced								
Collar Priced								
Market Priced								
<b>Ammonia<sup>E</sup></b>								
<b>Fuel Surcharge<sup>F</sup></b>								
Barge								
Rail								
<b>DEF Total</b>								

### Notes

[Redacted Notes Content]

**REDACTED**

DEF ISDA COLLATERAL SUMMARY

(1 page)

**ATTACHMENT D**

**REDACTED**

**DEF AUTHORITY LIMIT MATRIX  
(2 pages)**

**ATTACHMENT E**

**REDACTED**

**DEF COMMODITY RISK POLICY**

**(6 pages)**

**ATTACHMENT F**

**REDACTED**

**DEF CREDIT POLICY**

**(5 pages)**



**ATTACHMENT G**

**REDACTED**

**DEF FRANCHISED ELECTRIC CREDIT LIMITS**  
**(5 pages)**

**ATTACHMENT H**

**REDACTED**

**DEF ENERGY SUPPLY BULK POWER MARKETING &  
TRADING DELEGATION OF AUTHORITY**

**(2 pages)**

Duke Energy Corporation  
Franchised Electric  
Risk Management Control Manual



December 2012

REDACTED

I. Introduction and Purpose

[REDACTED]

[REDACTED]

[REDACTED]

Risk Management Policies and Procedures

[REDACTED]

REDACTED

[REDACTED]

[REDACTED]

[REDACTED]

Control Manual Amendments and Approvals

[REDACTED]

REDACTED

Legal and Regulatory Compliance

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Exception Process

[REDACTED]

REDACTED

[REDACTED]

[REDACTED]

[REDACTED]

New Employees :

[REDACTED]

Inter-Affiliate Transactions

[REDACTED]

REDACTED

II. Concept of Operations

[REDACTED]

Carolinas (Duke Energy Carolinas & Progress Energy Carolinas)

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]





REDACTED

Progress Energy Florida

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Duke Energy Indiana & Duke Energy Kentucky

[REDACTED]

REDACTED

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Duke Energy Ohio

[REDACTED]

[REDACTED]

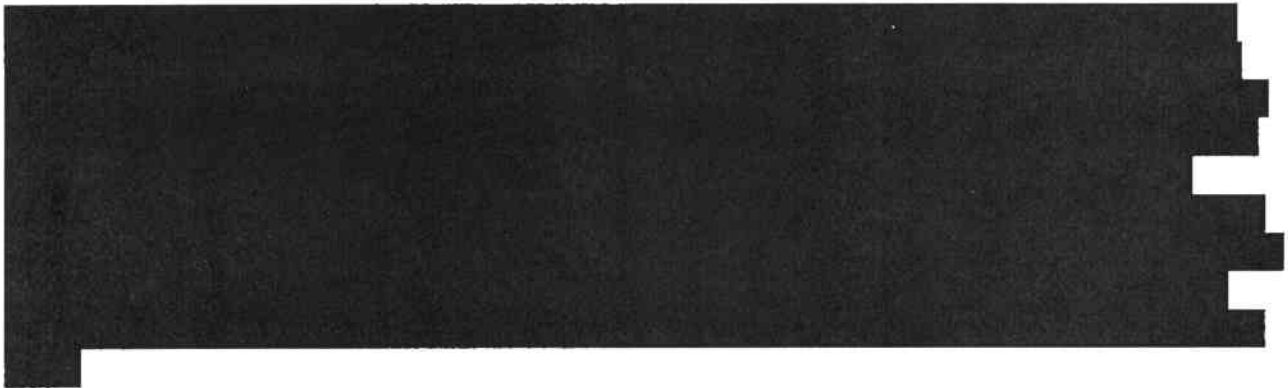
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III. Roles & Responsibilities

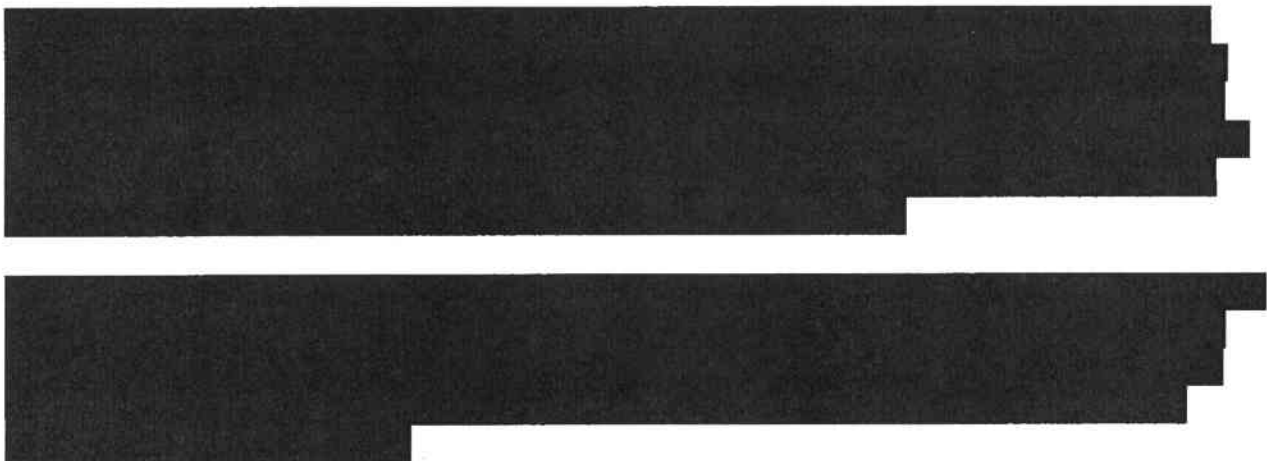
Role of Corporate Officers



Segregation of Function and Ownership



Role of the Chief Risk Officer



REDACTED

Role of Corporate Risk Management

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

REDACTED

Role of Fuels & Systems Optimization

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Role of Traders

[REDACTED]

Role of Regulated Fuels

REDACTED

[REDACTED]

[REDACTED]

Role of Wholesale Power and Renewable Generation

[REDACTED]

Role of Energy Supply Analytics

[REDACTED]

[REDACTED]

REDACTED

Role of Contract Management

[REDACTED]

[REDACTED]

Role of Internal Audit

[REDACTED]

Role of Ethics and Compliance

[REDACTED]

Role of Duke Energy General Counsel

[REDACTED]

Role of Accounting

[REDACTED]

REDACTED

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Role of Treasury

[REDACTED]



REDACTED

IV. Control Requirements and Activities

Risk Management

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]



REDACTED

[REDACTED]

Risk Management – Credit Risk

[REDACTED]

REDACTED

[REDACTED]

[REDACTED]

Violations of Risk Control Manual

[REDACTED]

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Fuels & Systems Optimization

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[REDACTED]

Contract Management

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V. Dodd-Frank

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REDACTED

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Appendix A

**Key Risks**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

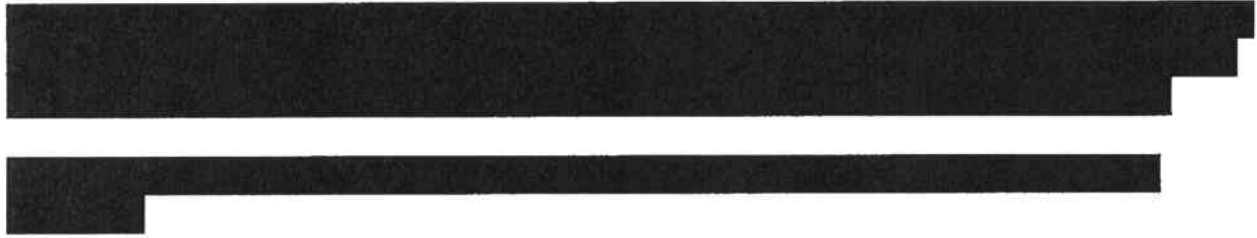
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Appendix B

Unauthorized Transactions

[REDACTED]

[REDACTED]

[REDACTED]

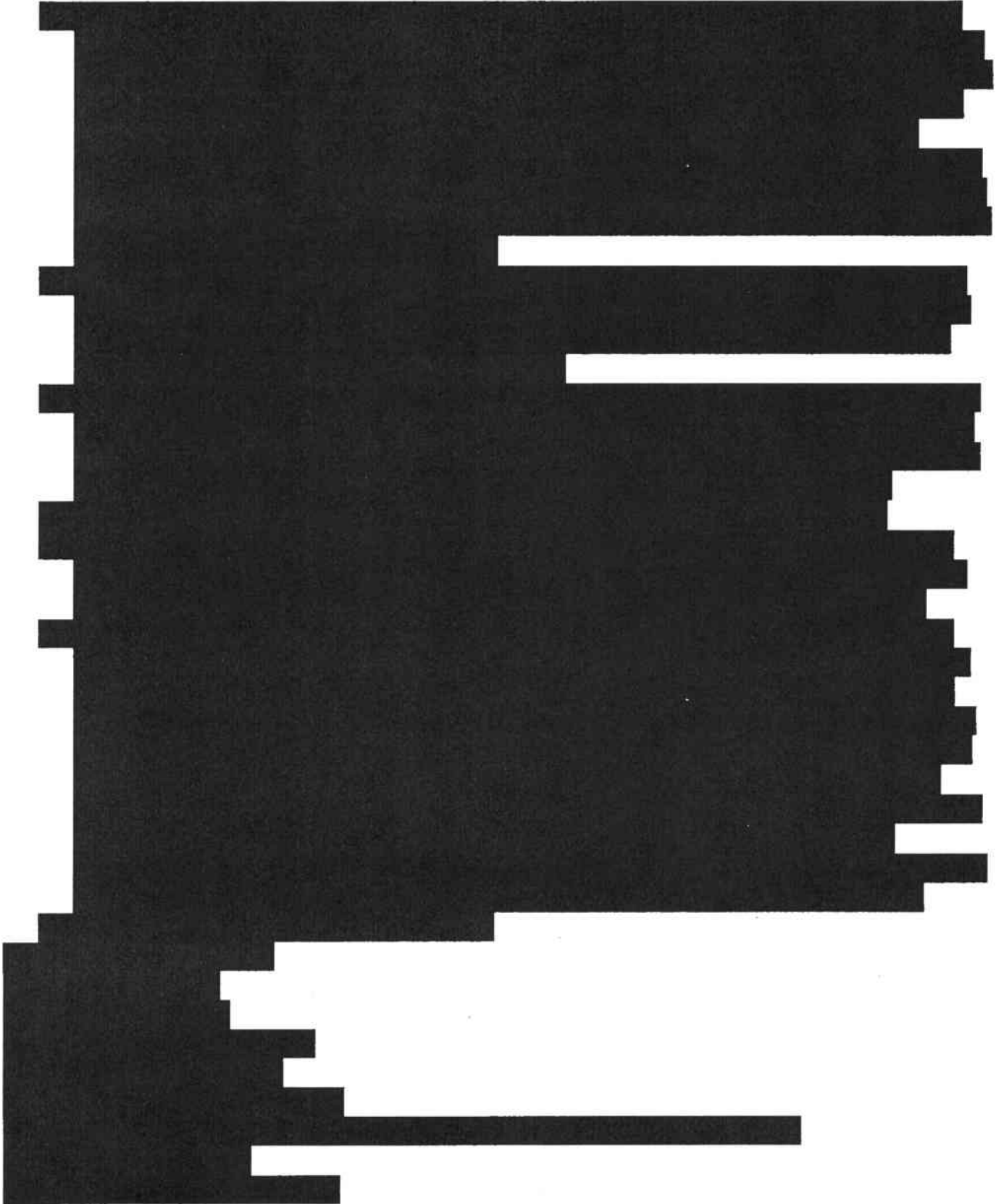
[REDACTED]

[REDACTED]

[REDACTED]

Appendix C

Confirmation Activities:



[REDACTED]

Settlement Activities:

[REDACTED]

[REDACTED]

Appendix D

New Products/Business Activity Approval Process

[REDACTED]

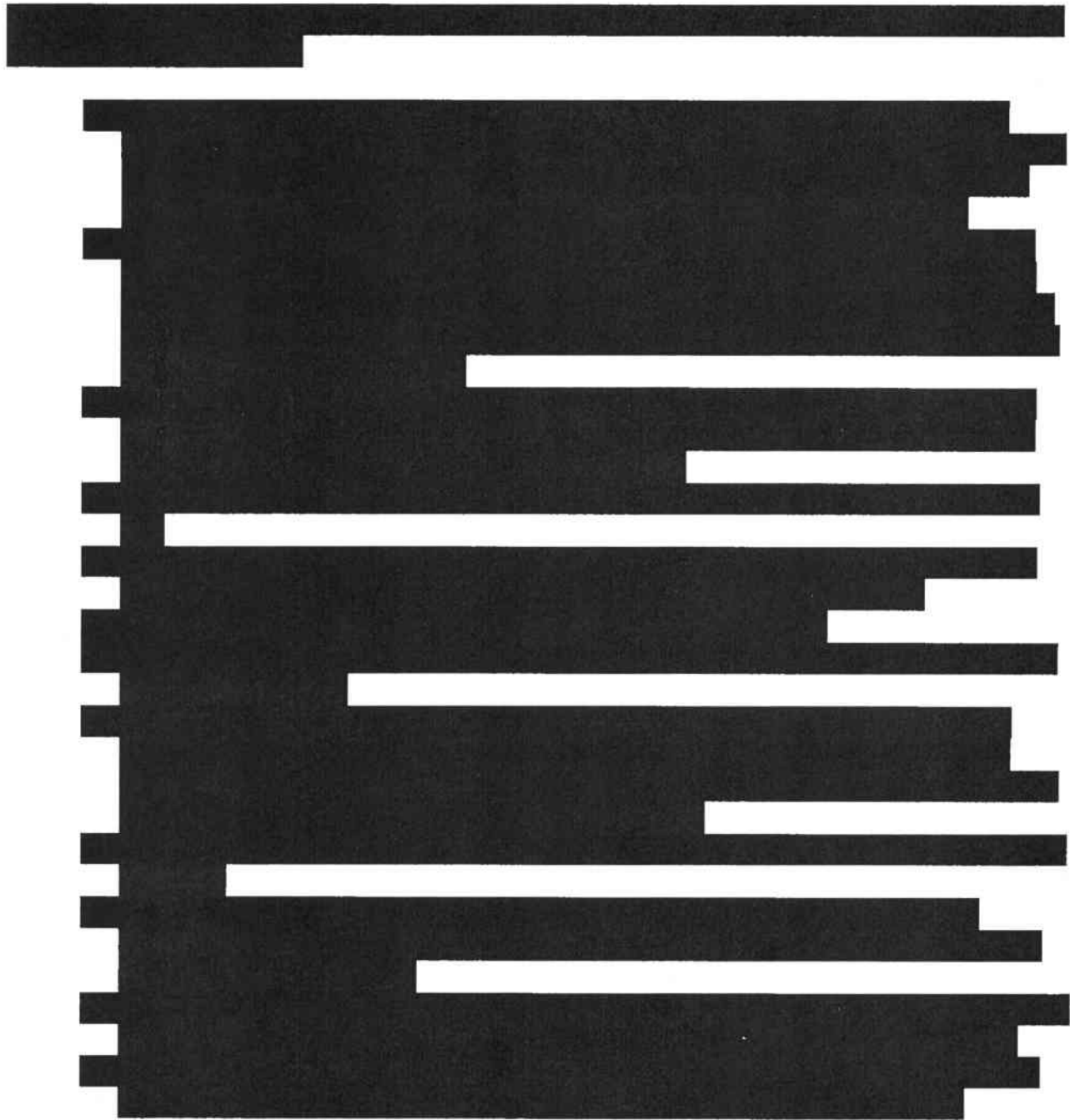
Appendix E

New Product Checklist

[Redacted content]

Appendix F

Potential Trade Exceptions





Appendix G

Potential Delivery Term Violations

[REDACTED]

[REDACTED]

Appendix I

FERC 741 Officer Certification Process

[REDACTED]

[REDACTED]

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[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]

## Revised Exhibit C

### PROGRESS ENERGY FLORIDA Revised Confidentiality Justification Matrix

DOCUMENT/RESPONSES	PAGE/LINE	JUSTIFICATION
<p>Exhibit No. _____ (TGF-2), Part 2, Schedule E12-B</p>	<p>Page 2 of 2, all information in the last column of Lines 14 through 17</p>	<p>§366.093(3)(d), F.S. The document in question contains confidential information, the disclosure of which would impair DEF'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>
<p>2013 DEF Risk Management Plan</p>	<p>Page 1: volumes of coal &amp; light oil.</p> <p>Page 2: volumes of natural gas &amp; economy power purchases.</p> <p>Page 3 &amp; 4: hedging %'s; hedging targets.</p> <p><b>Attachment A</b> – “Fuel &amp; Power Optimization Risk Management Guidelines” (entire document): internal guidelines.</p>	<p>§366.093(3)(d), F.S. The document in question contains confidential information, the disclosure of which would impair DEF'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>

**Attachment B –**  
“Regulated Fuels Hedging  
Portfolio”: forecasted  
hedging amounts & contract  
term limits.

**Attachment C –**  
“Collateral Summary”  
(entire document): internal  
guidelines.

**Attachment D –** “Authority  
Limit Matrix” (entire  
document): internal  
guidelines.

**Attachment E –** Duke  
Energy’s “Commodity Risk  
Policy” (entire document):  
internal guidelines.

**Attachment F –** Duke  
Energy’s “Credit Policy”  
(entire document): internal  
guidelines.

**Attachment G –** “DEF  
Fuels and Power  
Optimization Credit Risk  
Management Committee  
Guidelines” (entire  
document): internal  
guidelines.

**Attachment H –**  
“Delegation of Authority  
Matrix” (entire document):  
internal guidelines.

	<p><b>Attachment I –</b> “Franchised Electric Risk Management Control Manual December 2012”: All information on Pages 5 through 25 exclusive of section headings; All information on pages exclusive of headings on Pages 26 through 34, Appendix A through Appendix G; all information on pages exclusive of heading on Pages 37 through 40</p>	
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