

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

REDACTED

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

Docket No. 130001-EI

Dated: August 30, 2013

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COMMISSION
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**DUKE ENERGY FLORIDA, INC.'S
REQUEST FOR CONFIDENTIAL CLASSIFICATION**

Duke Energy Florida, Inc. ("DEF" or "Company"), pursuant to Section 366.093, Florida Statutes and Rule 25-22.006, Florida Administrative Code, submits this Request for Confidential Classification for certain information provided in Exhibit __TGF-3, Part 3, to the projection testimony of DEF witness Thomas G. Foster dated August 30, 2013, specifically Schedule E12-A – Calculation of Projected Capacity Costs, Page 2 of 2, and for certain information contained on Pages 3, 4, and 5 of the testimony of DEF witness Joseph McCallister also dated August 30, 2013. In support of this Request, DEF states:

1. Exhibit __TGF-3, Part 3, Schedule E12-A – Calculation of Projected Capacity Costs, Page 2 of 2 to the projection testimony of Thomas G. Foster and Pages 3, 4, and 5 of the testimony of Joseph McCallister contain information that is "proprietary business information" as defined in 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 DEF seeks confidential treatment. Composite Exhibit A is being submitted separately in a sealed envelope labeled "CONFIDENTIAL." In the unredacted versions, the confidential information is marked with yellow highlighting.

- COM
- AFD 4
- APA
- ECO 1
- ENG 1
- GCL 1
- IDM
- TEL
- CLK

(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.

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

3. As indicated in Exhibit C, the information for which DEF requests confidential classification is “proprietary confidential business information” within the meaning of section 366.093(3), Florida Statutes. Specifically, in Exhibit __TGF-3, Part 3 – Schedule E12-A, 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 Thomas G. Foster 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. Id. at ¶ 5. Suppliers would no longer need to make their best offers to ensure the competitiveness of their prices against the disclosed prices. Id. Instead, suppliers could simply offer the highest prices that would allow them to maintain a marginally competitive position against the disclosed prices. Id. As such, disclosure of the information would impair the Company’s efforts to contract for goods or services on favorable terms. Id. Additionally, if the information at issue was disclosed to DEF’s competitors, DEF’s efforts to obtain competitive energy supply that provides economic value to both DEF and its ratepayers could be compromised by DEF’s competitors changing their consumption or purchasing behavior within the relevant markets. Id. at ¶ 6. Accordingly, such information constitutes

“proprietary confidential business information” under section 366.093(3)(d)&(e), Florida Statutes, and is exempt from disclosure under the Public Records Act pursuant to section 366.093(1), Florida Statutes.

4. In addition, specifically, on Pages 3, 4, and 5 of the testimony of Joseph McCallister, the highlighted information provides forecasted hedging percentages and hedging amounts. Affidavit of Joseph McCallister at ¶ 5. Disclosure of this information would enable fuel suppliers to have insight to DEF’s forecasted hedging percentages and to obtain competitive information, which could result in greater price convergence in future negotiations. Id. Fuel suppliers would no longer need to make their best offers to ensure the competitiveness of their prices against the disclosed prices. Id. Instead, fuel suppliers could simply offer the highest prices that would allow them to maintain a marginally competitive position against the disclosed forecasted percentages. Id. As such, disclosure of the information would impair the Company’s efforts to contract for goods or services on favorable terms. See id. Additionally, if the information at issue was disclosed, DEF’s efforts to obtain competitive energy supply that provides economic value to both DEF and its ratepayers could be compromised by DEF’s competitors changing their purchasing behavior within the relevant markets. Id. at ¶ 6. Accordingly, such information constitutes “proprietary confidential business information” under section 366.093(3)(d), Florida Statutes, and is exempt from disclosure under the Public Records Act pursuant to section 366.093(1), Florida Statutes.

5. The information identified as Exhibit A has not been disclosed to the public and the Company has treated and continues to treat the information as confidential. Affidavit of Foster at ¶ 7; Affidavit of McCallister at ¶ 7.

6. DEF requests that the information identified in Exhibit A be classified as “proprietary confidential business information” within the meaning of section 366.093(3), Florida Statutes, that

the information remain confidential for a period of at least 18 months as provided in section 366.093(4), Florida Statutes, and that the information be returned to the Company as soon as it is no longer necessary for the Commission to conduct its business.

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

RESPECTFULLY SUBMITTED this 30th day of August, 2013.

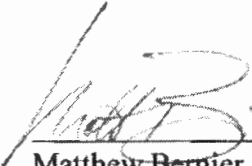


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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been filed by electronic mail and that a true copy thereof has been furnished to the following by electronic mail this 30th day of August, 2013:



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REDACTED

Exhibit B

REDACTED

COM	_____
<u>AFD</u>	_____ _____
APA	_____
ECO	_____
ENG	_____
GCL	_____
IDM	_____
TEL	_____
CLK	_____

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Duke Energy Florida
Calculation of Projected Capacity Costs
For the Year 2014

Docket No. 130001-EI
Exhibit__TGF-3, Part 3
Schedule E12-A
Page 2 of 2

Contract Data:

	<u>Name</u>	<u>Start Date</u>	<u>Expiration Date</u>	<u>Type</u>	<u>Purchase/Sale</u>	<u>MW</u>
1	Lake County (LAKCOUNT)	Jan-95	Jun-14	QF	Purch	12.75
2	Orange Cogen (ORANGECO)	Jul-95	Dec-25	QF	Purch	74.00
3	Orlando Cogen Limited (ORLACOGL)	Sep-93	Dec-23	QF	Purch	115.00
4	Pasco County Resource Recovery (PASCOUNT)	Jan-95	Dec-24	QF	Purch	23.00
5	Pinellas County Resource Recovery (PINCOUNT)	Jan-95	Dec-24	QF	Purch	54.75
6	Polk Power Partners, L. P. (MULBERRY/ROYSTER)	Aug-94	Aug-24	QF	Purch	115.00
7	Wheelabrator Ridge Energy, Inc. (RIDGEGEN)	Aug-94	Dec-23	QF	Purch	39.60
8	Southern - Franklin	Jun-10	May-16	Other	Purch	350.00
9	Southern Wholesale - Scherer 3	Jun-10	May-16	Other	Purch	
10	Schedule H Capacity - New Smyrna Beach	Nov-85	see note (1)	Other	Sale	
11	Chattahoochee	Jan-03	Dec-17	Other	Purch	
12	Vandolah (NSG)	Jun-12	May-27	Other	Puch	
13	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 DEF or NSB upon 1 year's written notice.

**IN RE: PETITION ON BEHALF OF DUKE ENERGY FLORIDA, INC.
FOR**

**FUEL AND CAPACITY COST RECOVERY
FINAL TRUE-UP FOR THE PERIOD
JANUARY THROUGH JULY 2013**

FPSC DOCKET NO. 130001-EI

**DIRECT TESTIMONY OF
JOSEPH McCALLISTER**

August 30, 2013

REDACTED

I. INTRODUCTION AND QUALIFICATIONS

1 **Q. Please state your name and business address.**

2 **A.** My name is Joseph McCallister. My business address is 526 South Church Street,
3 Charlotte, North Carolina 28202.

4

5 **Q. By whom are you employed and in what capacity?**

6 **A.** I am employed by Duke Energy Progress. I am the Director of Gas, Oil and Power
7 in the Fuels and Power Optimization Department. This section is responsible for
8 natural gas, fuel oil and emission allowance activity for the Duke Energy Indiana
9 (“DEI”), Duke Energy Kentucky (“DEK”), Duke Energy Carolina (“DEC”), Duke
10 Energy Progress (“DEP”), and Duke Energy Florida (“DEF”) systems.

11

12 **Q. Please describe your education background and professional experience.**

13 **A.** I received a Bachelor Degree in Business Administration majoring in Accounting
14 from The Ohio State University. Prior to the merger between Progress Energy and

1 Duke Energy, at Progress Energy I served as the Director of Portfolio and Market
2 Risk Assessment from 2003 until mid 2006, , the Director of Gas and Oil Trading
3 from mid 2006 through early 2009, and the Director of Gas, Oil and Power Trading
4 from early 2009 through July 2012. Prior to my tenure with Progress Energy, I
5 spent approximately 10 years in management positions at energy trading and asset
6 generation based companies. Summary experiences over this time period include
7 gas and power scheduling, real time power trading and scheduling management,
8 commercial management of gas storage and transportation agreements, commercial
9 management of fuel and power optimization activities for unregulated generation
10 assets and wholesale contract agreements, and corporate planning.

11
12 **Q: Have your duties and responsibilities remained the same since you last**
13 **testified in this proceeding?**

14 **A:** Yes. As the Director of Gas, Oil and Power, I am responsible, along with the other
15 members of the section, for the management of the gas and oil procurement,
16 transportation, hedging activities, and administration of gas and oil contracts with
17 various suppliers for DEI's, DEK's, DEC's, DEP's, and DEF's electrical power
18 generation facilities.

19
20 **Q. What is the purpose of your testimony?**

21 **A.** The purpose of this testimony is to outline DEF's hedging objectives and activities
22 for 2014 and outline DEF's hedging results for January 2013 through July 2013.

1 **Q. Are you sponsoring any exhibits to your testimony?**

2 **A.** Yes, I am sponsoring the following exhibits:

- 3 • Exhibit No. ___ (JM-1P) – 2014 Risk Management Plan (*originally filed*
4 *August 2, 2013, redacted version attached*); and
- 5 • Exhibit No. ___ (JM-2P) – Hedging Results for January 2013 through July
6 2013 (*originally filed August 16, 2013, redacted version attached*).

7

8 **Q. What are the objectives of DEF's hedging activities?**

9 **A.** The objectives of DEF's hedging strategy are to reduce the impacts of fuel price
10 risk and volatility over time, and provide a greater degree of fuel price certainty to
11 DEF's customers.

12

13 **Q. Describe DEF's hedging activities that the Company will execute for 2014.**

14 **A.** DEF will hedge a percentage of its projected natural gas and light oil fuel oil burns,
15 and a portion of the estimated fuel surcharge exposure embedded in DEF's coal
16 river barge and railroad transportation agreements. DEF will utilize approved
17 physical and financial agreements. With respect to hedging activity, natural gas
18 represents the largest component of DEF's overall hedging activity given it is the
19 largest fuel cost component. DEF's target hedging percentage ranges are between
20 ■ to ■ percent of its current 2014 forecasted calendar annual burns. DEF
21 anticipates to target to hedge a minimum of ■ percent of its forecasted natural gas
22 burn projections for 2014. With respect to light oil forecasted to be burned at
23 DEF's owned generation facilities for calendar year 2014, during the balance of

1 2013 and 2014, DEF will target to hedge a minimum of ■ percent of its forecasted
2 light oil burns for the 2014 calendar period. With respect to coal river and rail
3 transportation estimated fuel surcharges, for calendar year 2014 DEF will target to
4 hedge between ■ and ■ percent of the estimated fuel surcharge exposure in the
5 coal rail and river barge transportation agreements, during the balance of 2013 and
6 2014. Hedging in the ranges and targets provided allows DEF to monitor actual
7 fuel burns, updated fuel forecasts, and make any adjustments as needed throughout
8 the year.

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

1 As of August 21, 2013, for 2014 DEF has hedged approximately ■ percent of its
2 forecasted natural gas burns. In addition, as of August 21, 2013, for 2014 DEF has
3 hedged approximately ■ percent and ■ percent of its estimated fuel surcharge
4 exposure based on the contractual provisions in the coal rail and river barge
5 transportation agreements, respectively. DEF will continue to execute additional
6 hedges for 2014 throughout the remainder of 2013 and during 2014 consistent with
7 its on-going strategy.

8
9 **Q. What were the results of DEF's hedging activities for January through July**
10 **2013?**

11 **A.** The Company's natural gas hedging activities for January through July 2013 have
12 resulted in hedges being above the closing natural gas settlement prices for the
13 periods of January 2013 through July 2013 by approximately \$81.3 million. The
14 Company's overall fuel oil hedging activities have resulted in hedges being above
15 the closing settlement prices for the periods of January 2013 through July 2013 by
16 approximately \$0.3 million. These overall hedge results were driven primarily by
17 declines in natural gas prices after the execution of DEF's 2013 hedging
18 transactions. The hedging activities were executed consistent with its Risk
19 Management Plan. Although DEF's hedging activity did not result in net fuel cost
20 savings, the activities did achieve the objective to reduce the impacts of fuel price
21 risk and volatility, and greater fuel price certainty for DEF's customers.

1 **Q. Does this conclude your testimony?**

2 **A. Yes.**

Exhibit C

PROGRESS ENERGY FLORIDA Confidentiality Justification Matrix

DOCUMENT/RESPONSES	PAGE/LINE	JUSTIFICATION
Exhibit __ TGF-3, Schedule E12-A: Calculation of Projected Capacity Costs	Part 3, Page 2 of 2: purchased MW from New Smyrna Beach, Chattahoochee, Vandolah, and Shady Hills.	<p>§ 366.093(3)(d), Fla. Stat. 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), Fla. Stat. 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 20 & 21: target hedging percentages</p> <p>Page 4, Lines 1 & 4: target hedging percentages.</p> <p>Page 5, Lines 1 & 3: actual hedging percentages.</p>	<p>§ 366.093(3)(d), Fla. Stat. 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), Fla. Stat. 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>