



Matthew R. Bernier
SENIOR COUNSEL
Duke Energy Florida, LLC

August 7, 2015

VIA ELECTRONIC DELIVERY

Ms. Carlotta Stauffer, Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Docket 150148-EI
Duke Energy Florida, LLC's Fourth Request for Confidential Classification

Dear Ms. Stauffer:

Attached is Duke Energy Florida, LLC's ("DEF") Fourth Request for Confidential Classification of certain information provided in DEF's Responses to Staff's First Set of Interrogatories (Nos. 1-7) and Staff's First Request for Production of Documents (Nos. 1-3) in the above-referenced matter. This filing includes:

- Exhibit A (confidential slipsheet only)
- Exhibit B (2 sets of redacted information)
- Exhibit C (justification matrix)
- Exhibit D (Affidavit slipsheet only)

DEF's confidential Exhibit A that accompany the above-referenced filing, has been submitted under separate cover. DEF's Exhibit D will be submitted under separate cover.

Thank you for your assistance in this matter. If you have any questions, please feel free to contact me at (850) 521-1428.

Sincerely,

/s/ Matthew R. Bernier

Matthew R. Bernier

MRB:at
Attachments

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Duke Energy Florida, Inc.
For Approval to Include In Base Rates the Revenue
Requirement for the CR3 Regulatory Asset

Docket No. 150148-EI

Submitted for Filing
August 7, 2015

**DUKE ENERGY FLORIDA, LLC'S FOURTH REQUEST
FOR CONFIDENTIAL CLASSIFICATION**

Duke Energy Florida, LLC (“DEF” or the “Company”), pursuant to Section 366.093, Florida Statutes (F.S.), and Rule 25-22.006, Florida Administrative Code (F.A.C.), submits this Fourth Request for Confidential Classification concerning portions of DEF’s Response to Staff’s First Set of Interrogatories and DEF’s Response to Staff’s First Request for Production of Documents filed in this docket on July 17, 2015 concurrently with DEF’s Notice of Intent to request confidential classification. This request is timely. *See* Rule 25-22.006(3)(a)1., F.A.C. In support of this request, DEF states:

1. As further explained below, DEF’s Answer to Staff’s First Set of Interrogatories question No. 3 and attachments provided in DEF’s Response to Staff’s First Request for Production of Documents, Question Nos. 1 and 3, contain “proprietary confidential business information” under section 366.093(3), F.S.

2. The following exhibits are included with this request:

(a) Sealed Composite Exhibit A is a package containing an unredacted copy 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 version, the information asserted to be confidential is highlighted in yellow.

(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 bases for seeking confidential treatment.

(d) Exhibit D is an affidavit attesting to the confidential nature of information identified in this request.

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), F.S. Specifically, the information at issue relates to DEF’s financial strategies, interest rate curves and internal documents regarding interest rate hedging and debt issuance, the disclosure of which would adversely impact DEF’s competitive business interests. *See* § 366.093(3)(d), F.S.; Affidavit of Bryan Buckler at ¶ 5, 7.

4. Furthermore, the information at issue relates to the competitive business interests of the parties negotiating financial strategies with DEF, the disclosure of which would impair their competitive businesses. § 366.093(3)(e), F.S.; Affidavit of Bryan Buckler 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. *See* Affidavit of Bryan Buckler at ¶ 4. The information has not been disclosed to the public, and the Company has treated and continues to treat the documents at issue as confidential. *See* Affidavit of Bryan Buckler at ¶ 8.

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), 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, DEF respectfully requests that this Fourth Request for Confidential Classification be granted.

RESPECTFULLY SUBMITTED this 7th day of August, 2015.

/s/ Matthew R. Bernier

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DIANNE M. TRIPLETT
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299 First Avenue North
St. Petersburg, FL 33701
Telephone: (727) 820-4692

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by electronic mail to the following this 7th day of August, 2015.

/s/ Matthew R. Bernier

Attorney

<p>Keino Young Kelley Corbari Leslie Ames Theresa Tan Office of the General Counsel Florida Public Service Commission 2540 Shumard Oak Blvd. Tallahassee, FL 32399-0850 kyoung@psc.state.fl.us kcorbari@psc.state.fl.us lames@psc.state.fl.us ltan@psc.state.fl.us</p>	<p>Charles Rehwinkel J. R. Kelly Office of Public Counsel c/o The Florida Legislature 111 West Madison Street, Room 812 Tallahassee, Florida 32399-1400 kelly.jr@leg.state.fl.us rehwinkel.charles@leg.state.fl.us woods.monica@leg.state.fl.us</p>
<p>Florida Industrial Power Users Group c/o Moyle Law Firm, P.A. Jon C. Moyle, Jr. Karen A. Putnal 118 North Gadsden Street Tallahassee, Florida 32301 jmoyle@moylelaw.com kputnal@moylelaw.com</p>	<p>PSC Phosphate – White Springs c/o James W. Brew Owen J. Kopon Stone Mattheis Xenopoulos & Brew, PC 1025 Thomas Jefferson Street, NW Eighth Floor, West Tower Washington, DC 20007-5201 jbrew@smxblaw.com ojk@smxblaw.com</p>

Exhibit A

CONFIDENTIAL
FILED UNDER SEPARATE COVER

Exhibit B

REDACTED

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval to include in base rates the revenue requirement for the CR3 regulatory asset, by Duke Energy Florida, Inc.	DOCKET NO. 150148-EI DATED: July 17, 2015
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**DUKE ENERGY FLORIDA, INC.'S RESPONSE TO
STAFF'S FIRST SET OF INTERROGATORIES (NOS. 1-7)**

Duke Energy Florida, Inc. (“DEF”), responds to Staff’s First Set of Interrogatories to DEF (Nos. 1-7), as follows:

INTERROGATORIES

1. Has an interest rate hedge ever been done before on an investor-owned electric utility securitization? If yes, please identify when, the sponsoring utility and parties involved, and the terms of the transaction.

Answer:

The Company does not track other electric utility securitizations or related interest rate hedging transactions, but rather relies on results of inquiries of its banking partners. To our knowledge, there have been no interest rate hedging of investor-owned electric utility securitizations in the preceding ten years. However, based on discussions with the Company’s recently engaged financial advisor and their counsel, we learned that Public Service Electric and Gas Company (“PSE&G,” a combined electric and gas publicly owned utility), received a financing order in late 1999 that allowed for the implementation of a hedging arrangement in advance of the pricing of securitization bonds if “... Petitioner determines and certifies to the Board Designee, that such an arrangement is appropriate to assure that Petitioner can achieve the required rate reductions through securitizations and to protect ratepayers against future interest rate increases.” Refer to Attachment 1 for a copy of certain publicly available documents

related to the PSE&G transaction. Based on our inquiries of DEF's financial advisor, we understand that PSE&G utilized forward starting swaps as their hedging instrument, and that the entire expected notional amount of the securitization bonds was hedged after receipt of the financing order.

2. For each interest rate hedge transaction identified in response to Interrogatory 1, did ratepayers benefit or lose economic value associated with the transaction? For purposes of this response, describe the final economic outcome of having entered the interest rate hedge.

Answer:

Based on the documents provided to date, DEF does not have insight into the cash settlement amounts related to the PSE&G pre-issuance hedges. DEF also notes that pre-issuance hedges are not a tool to create economic gains or be subject to economic losses. Rather, pre-issuance interest rate hedges in this context are a risk mitigation tool to reasonably protect customers from future changes in interest rates on significant, non-recurring debt issuances. If a pre-issuance hedge results in a cash payment or cash receipt at settlement, there should be an offsetting and substantially equal economic benefit or loss to the underlying hedge transaction (i.e. the bond issuance). Forward starting swaps (the most common type of pre-issuance hedges for securitization transactions) are used to lock-in the then current market benchmark rates for the forward debt issuance date.

4. For each bond issuance identified in response to Interrogatory 3, please identify the type(s) of interest rate hedge instruments DEF plans to use, the estimated cost of each hedge agreement, the amounts that will be hedged, and the maturities of the bond issuances.

Answer:

Not applicable. Please see confidential response to question number 3.

5. If DEF does not intend to employ interest rate hedges for the bond issuances identified in response to Interrogatory 3, please explain why not.

Answer:

Please see confidential response to question number 3.

6. Please refer to page 5 of the PowerPoint presentation made by DEF on June 23, 2015 titled Potential Interest Rate Hedging of the Florida CR3 Securitization. Please identify who prepared the interest rate curves relied on by DEF for purposes of preparing this schedule?

Answer:

The multi-tranche structure, corresponding benchmark rates and credit spreads were prepared at DEF's request by the Company's financial advisor. The benchmark rates for each tranche were based on the end-of-day spot price for the corresponding US swap rates as of May 29, 2015. For further details, please see attachments A-D for PODS-01. The credit spreads were based on the financial advisor's best estimates for each individual tranche as of May 29, 2015.

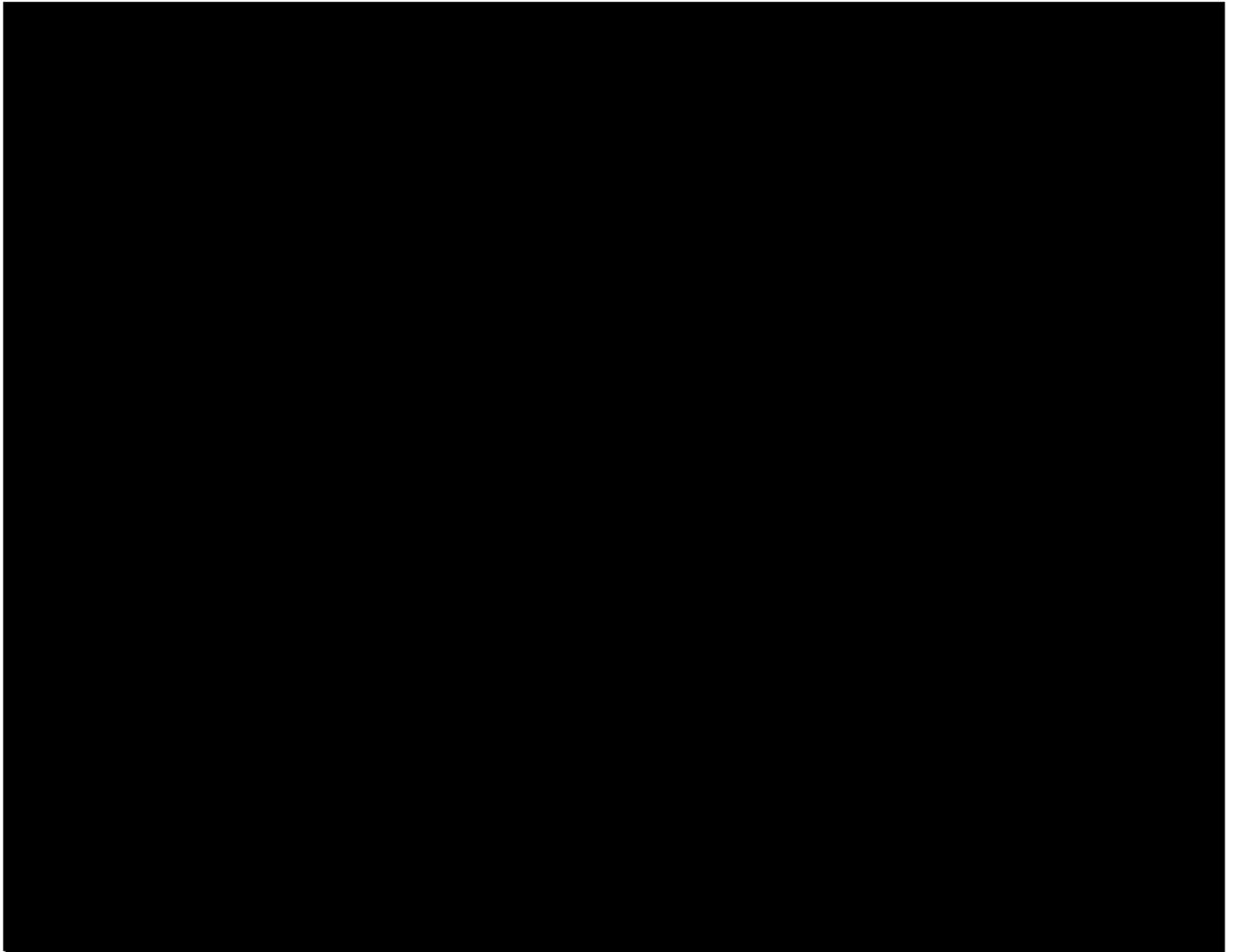
7. Please identify who first suggested the idea to enter an interest rate hedge on the proposed nuclear asset recovery securitization transaction and when was DEF first approached about entering such an agreement?

Answer:

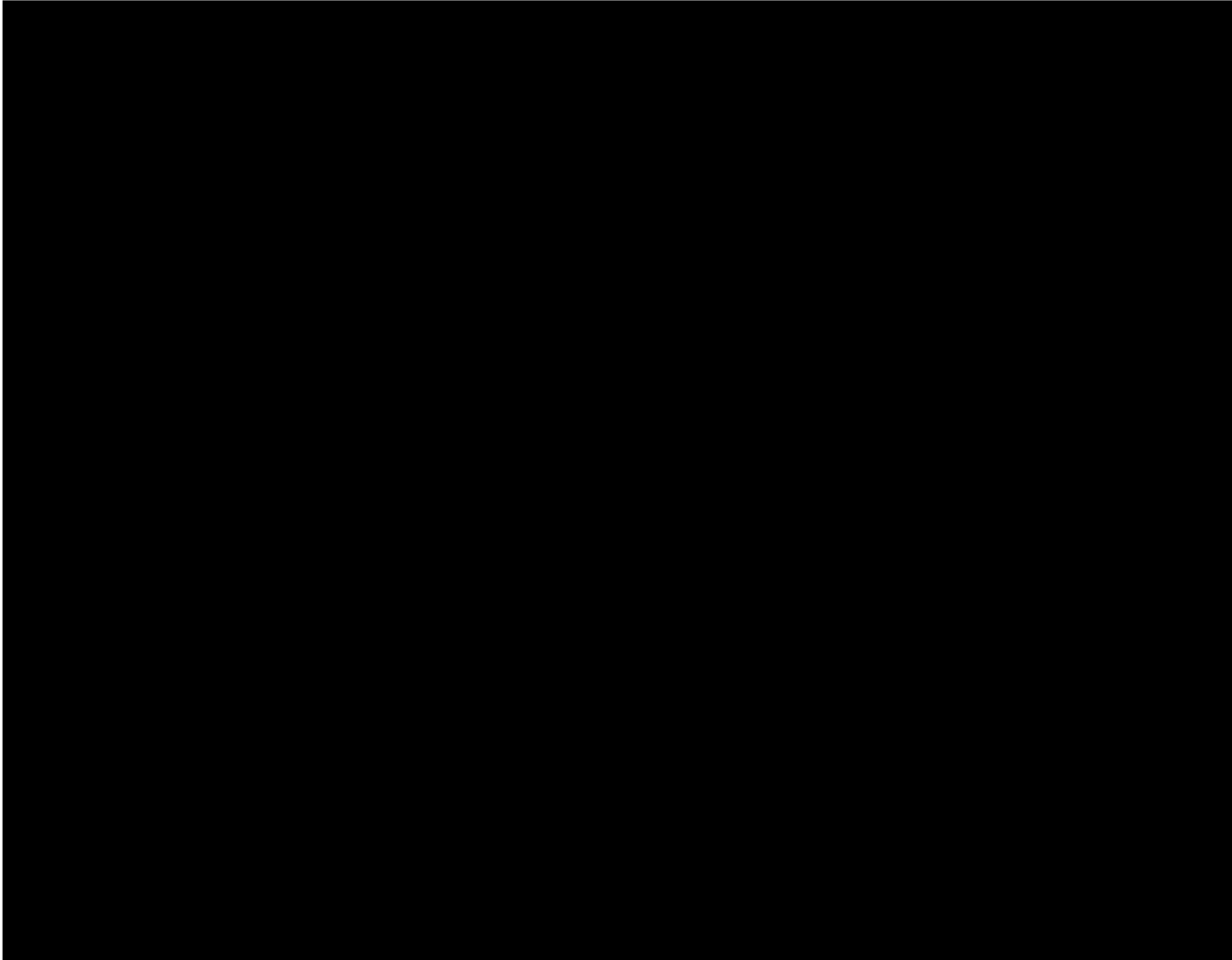
During the legislative process DEF was approached by FIPUG with inquiries regarding the ability to lock-in an interest rate, like one does with a home mortgage, so as to mitigate interest rate risk. Given that inquiry, the Company proceeded to investigate the matter and developed the ideas presented to the Interveners and the Commission Staff as a potential means to lock-in and protect customer savings from interest rate risk. In the context of planning for the bond securitization financing, the Company considered the impact the nine month or longer securitization issuance process could entail, with the resulting risk that interest rates could increase.

Specifically, based on a summary of recent securitizations in the utility sector, it appears the process has taken 10 ½ months, on average, due to (a) the procedures involved in obtaining a Commission financing order for a securitization, (b) registering the securities to be issued with the Securities Exchange Commission, (c) working with rating agencies to achieve the desired triple-A credit rating, (d) properly marketing the securitization bonds to prospective investors, and (e) other activities necessary for a securitization bond issuance. We also note the most efficient processes appear to have taken as little as 3 ½ months, while the most inefficient processes appear to have taken up to 18 ½ months. Accordingly, the Company approached certain financial institutions to understand whether arrangements exist to mitigate interest rate risk.

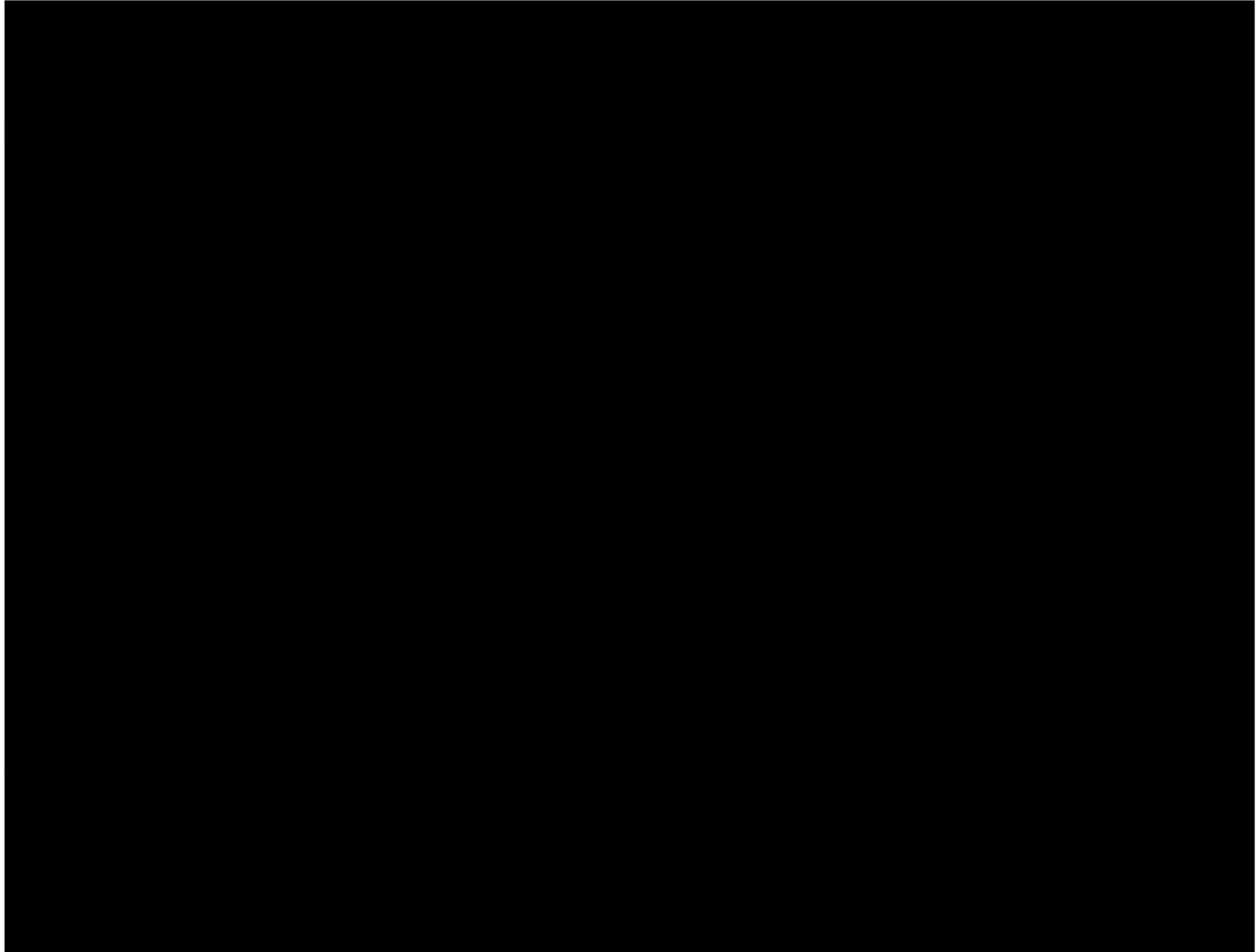
1-A



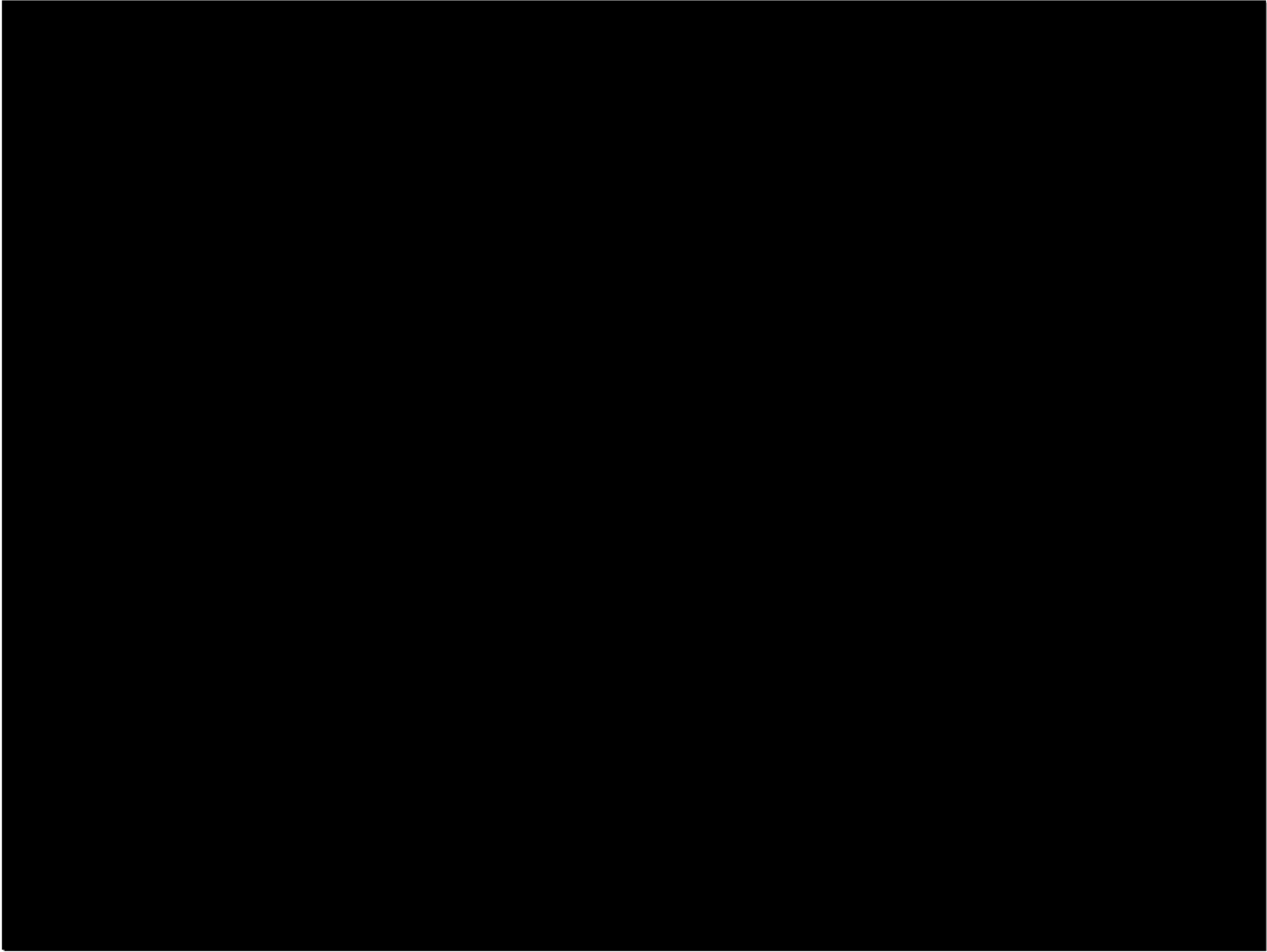
1-B



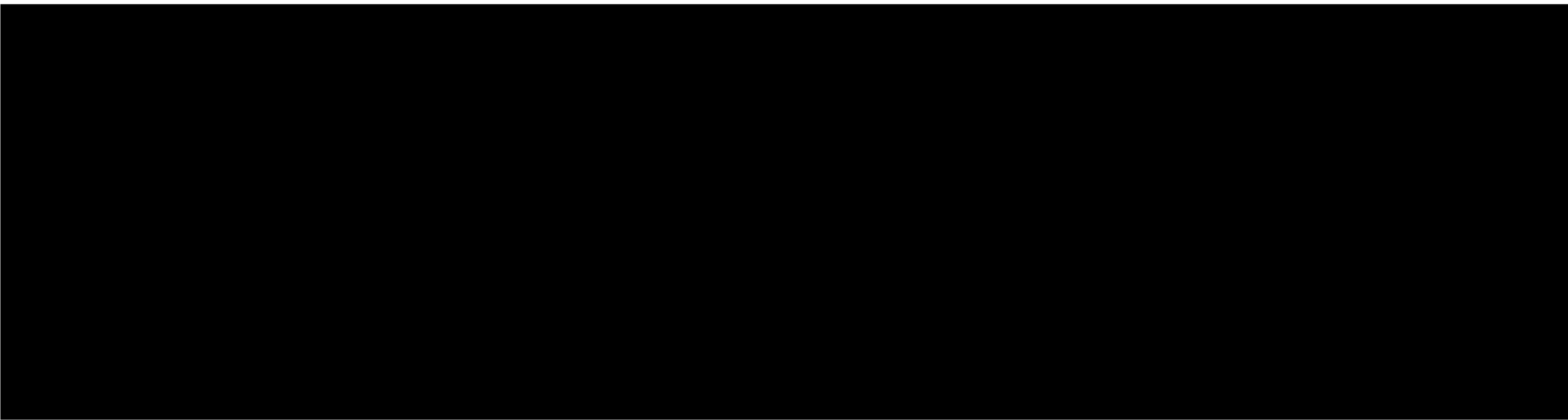
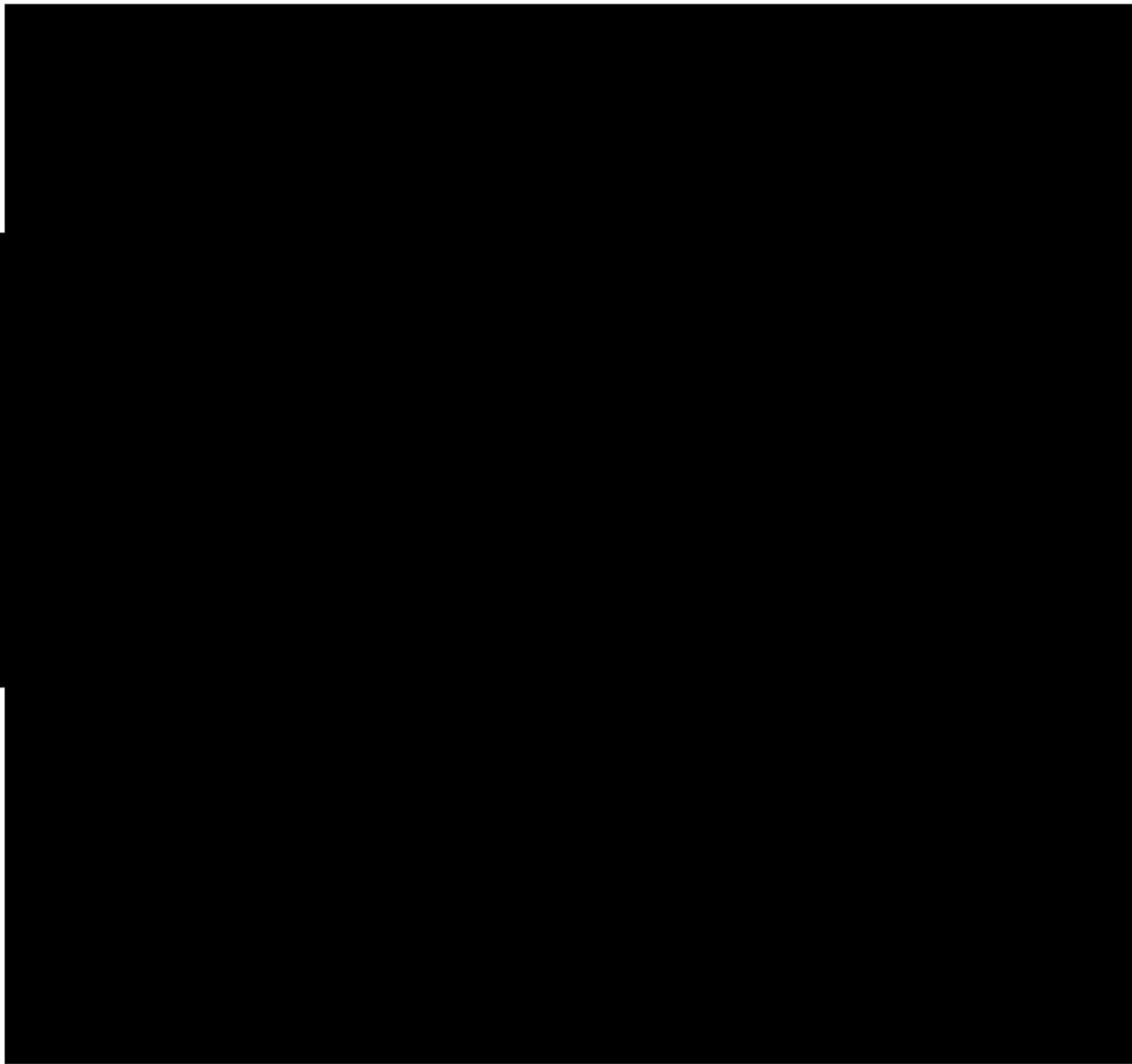
HC



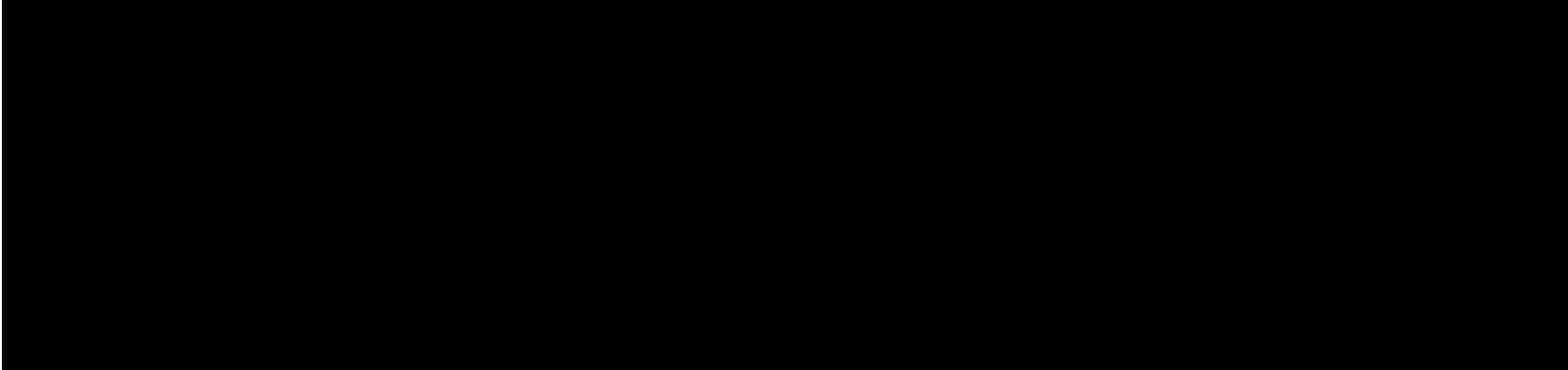
1-D



Duke Energy Florida
CR3 Securitization
Credit Spread Comparisons



REDACTED



REDACTED
Attachments Bearing:

Bates Nos. 150148-STAFFPOD1-3-000001 through 150148-STAFFPOD1-3-000082

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval to include in base rates the revenue requirement for the CR3 regulatory asset, by Duke Energy Florida, Inc.	DOCKET NO. 150148-EI DATED: July 17, 2015
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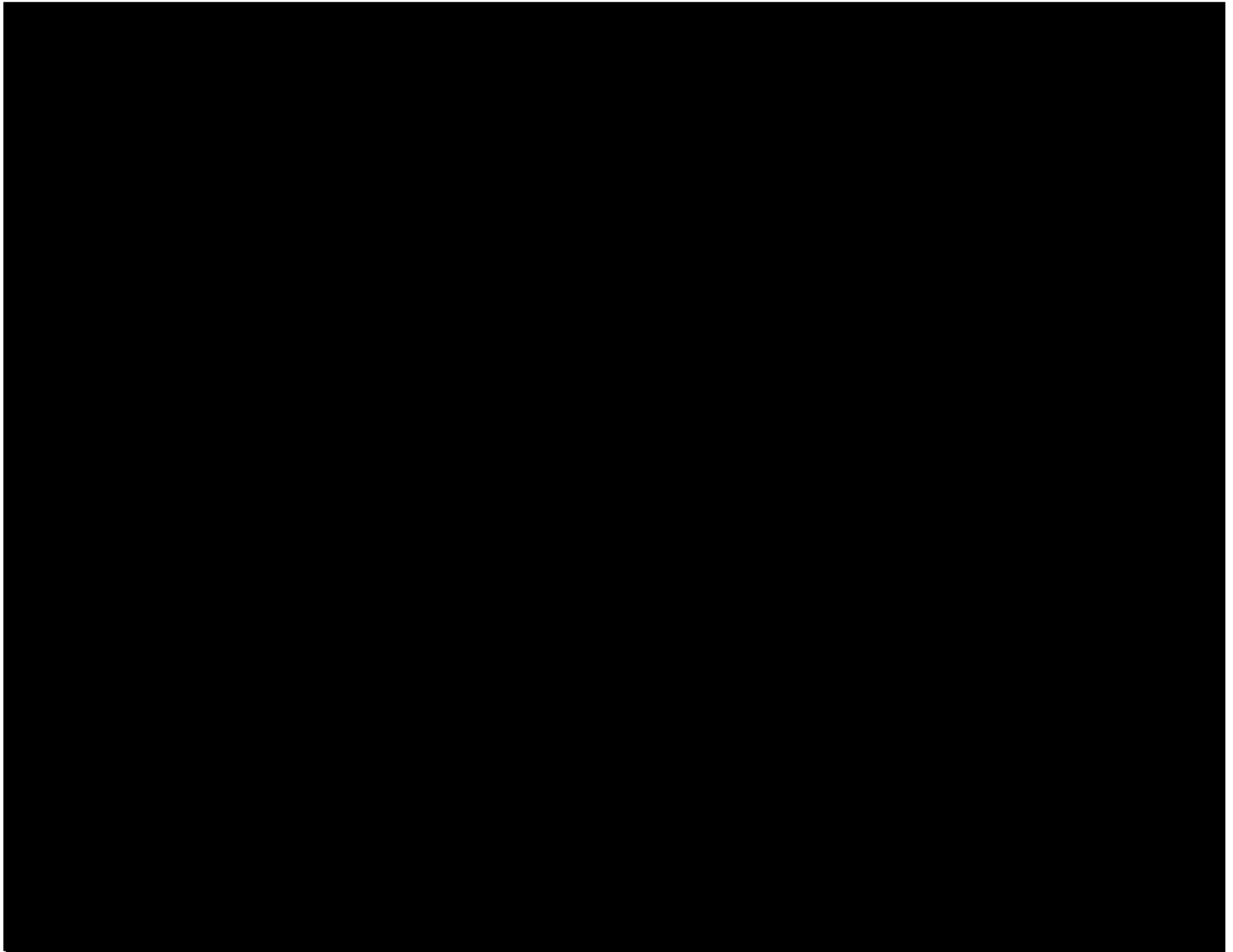
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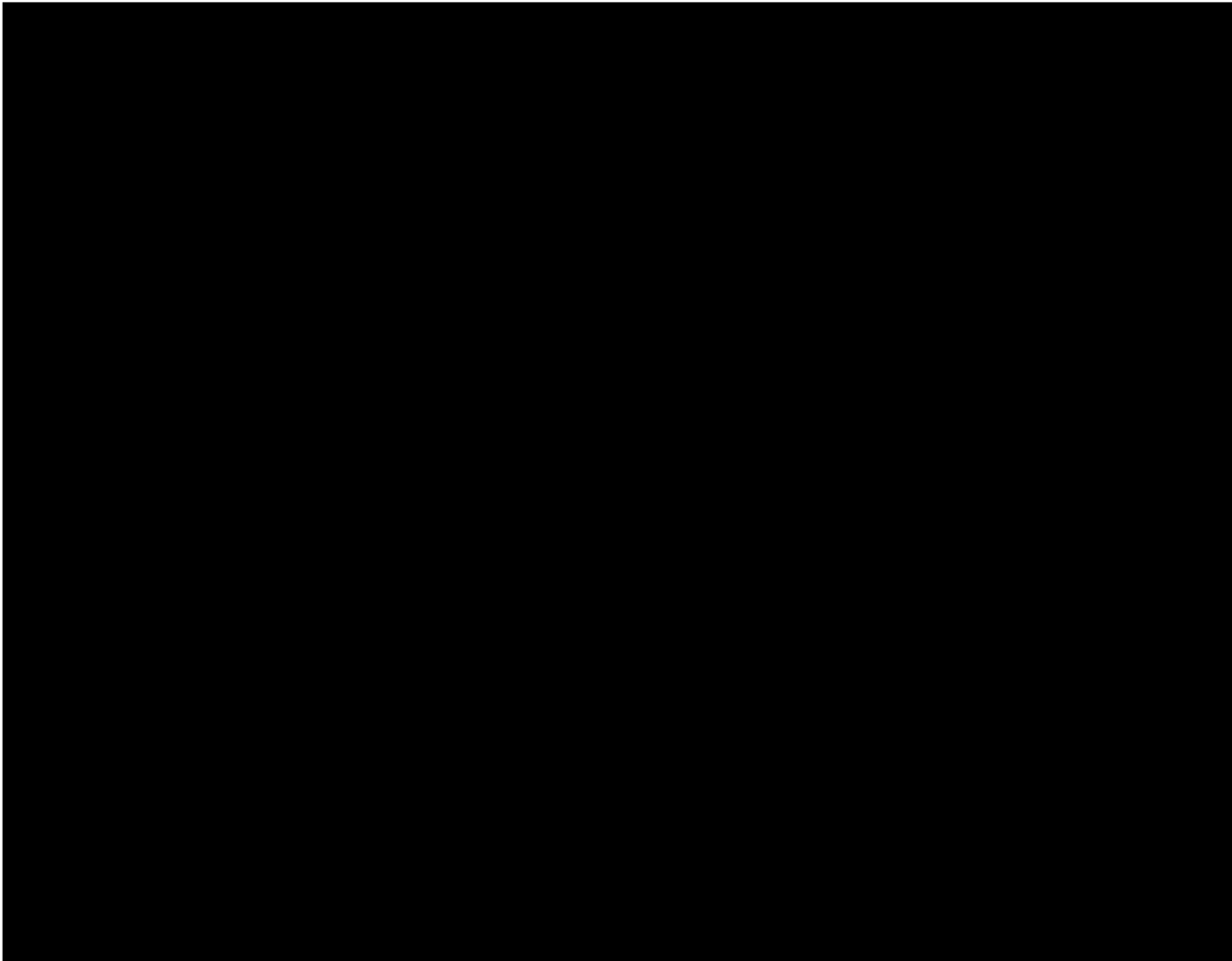
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Specifically, based on a summary of recent securitizations in the utility sector, it appears the process has taken 10 ½ months, on average, due to (a) the procedures involved in obtaining a Commission financing order for a securitization, (b) registering the securities to be issued with the Securities Exchange Commission, (c) working with rating agencies to achieve the desired triple-A credit rating, (d) properly marketing the securitization bonds to prospective investors, and (e) other activities necessary for a securitization bond issuance. We also note the most efficient processes appear to have taken as little as 3 ½ months, while the most inefficient processes appear to have taken up to 18 ½ months. Accordingly, the Company approached certain financial institutions to understand whether arrangements exist to mitigate interest rate risk.

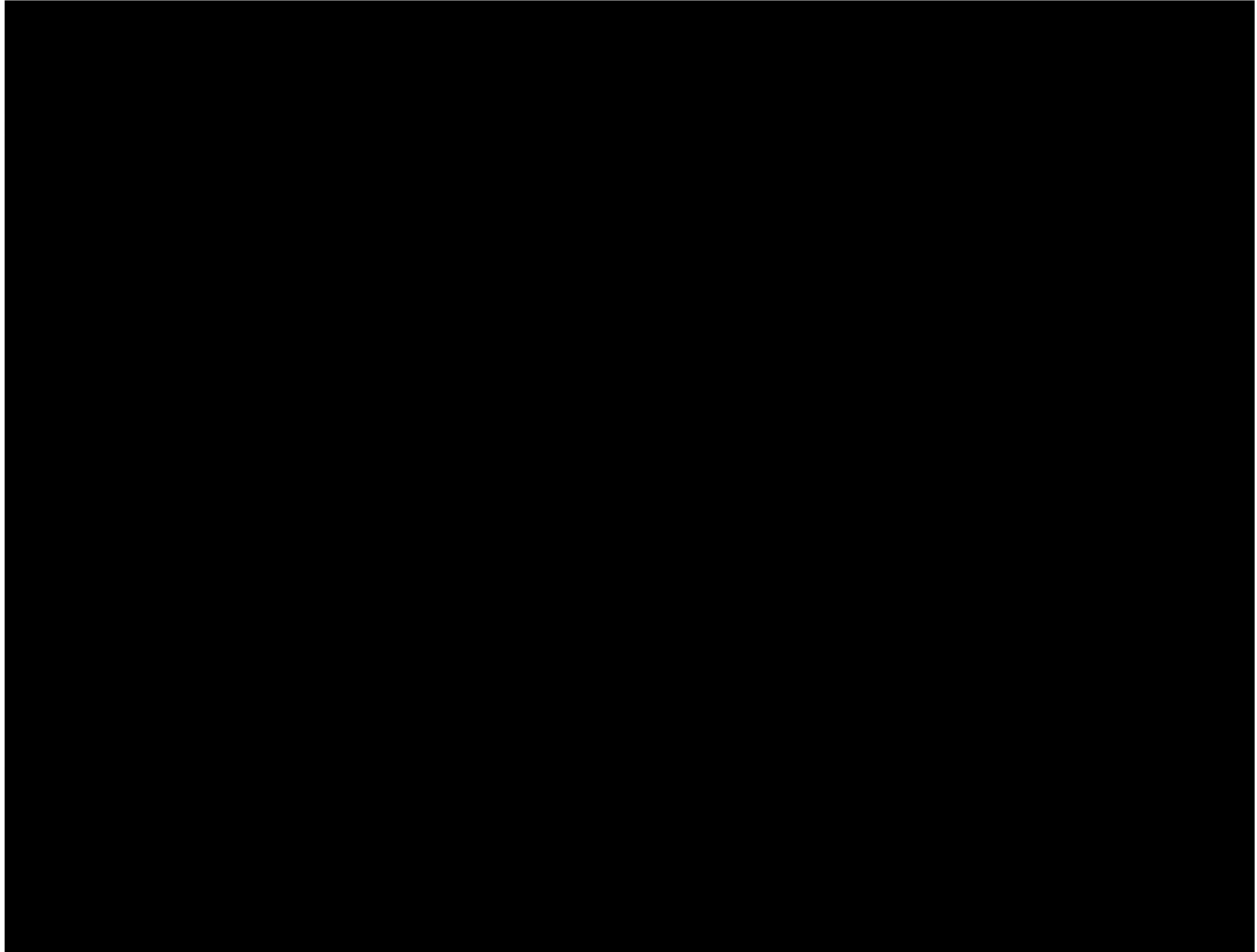
1-A



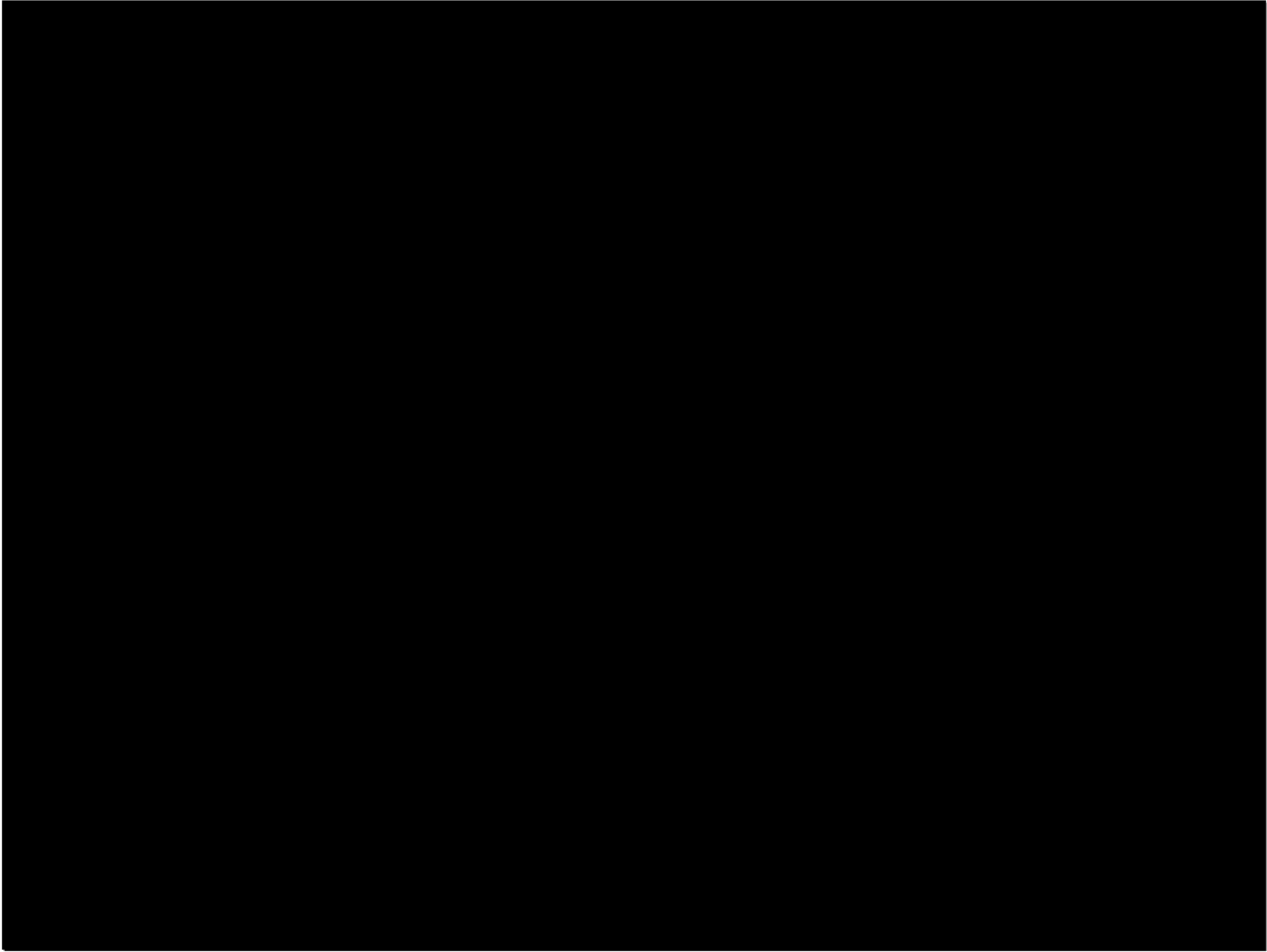
1-B



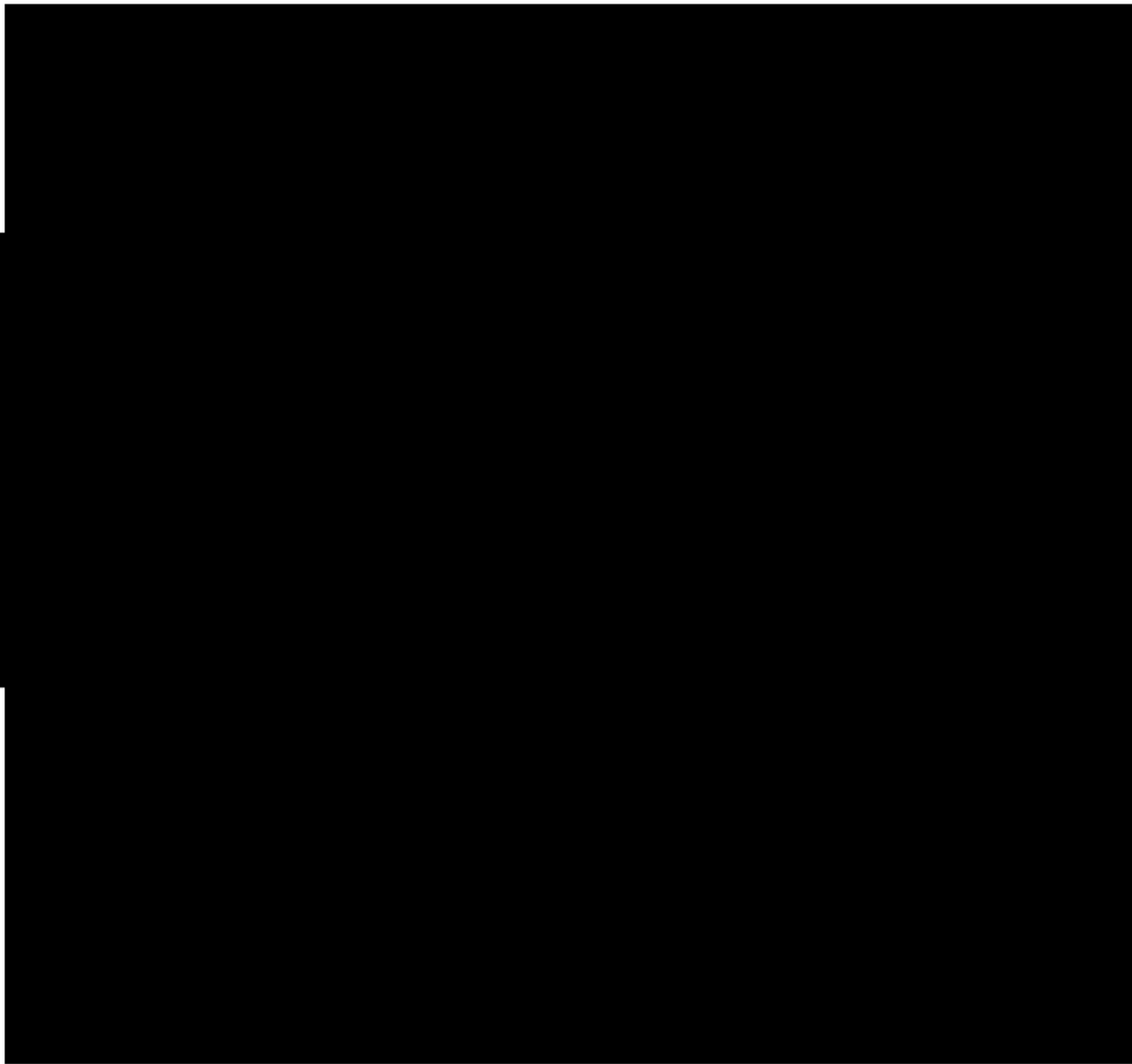
HC



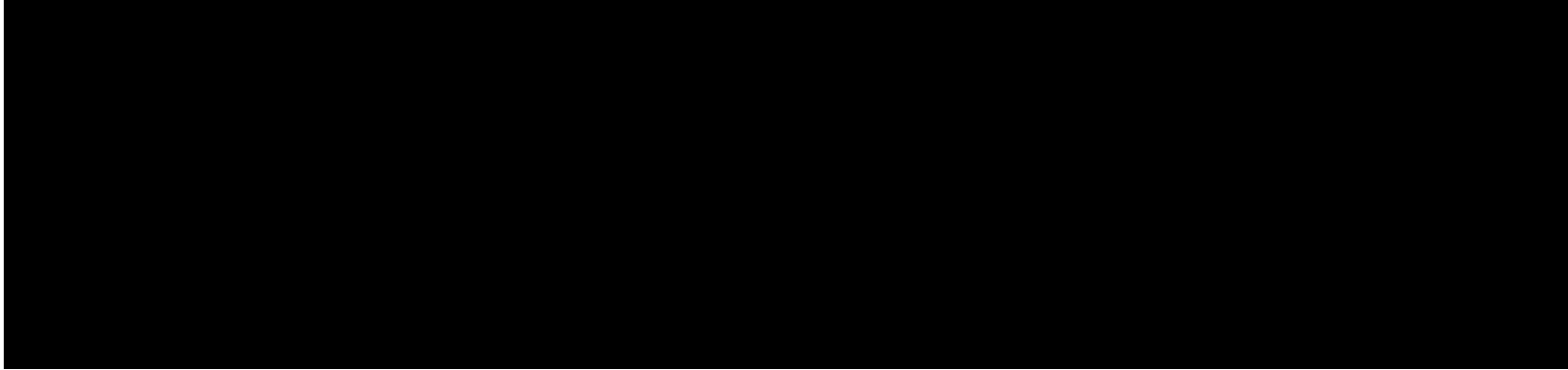
1-D



Duke Energy Florida
CR3 Securitization
Credit Spread Comparisons



REDACTED



REDACTED
Attachments Bearing:

Bates Nos. 150148-STAFFPOD1-3-000001 through 150148-STAFFPOD1-3-000082

**DUKE ENERGY FLORIDA – EXHIBIT C - Docket 150148-EI
Confidentiality Justification**

DOCUMENT/RESPONSES	PAGE/LINE	JUSTIFICATION
DEF Response to Staff's 1 st Set of Interrogatories, Question #3	DEF'S Answer to Question #3 on page 4 of DEF's Response to Staff's First Set of Interrogatories (Nos. 1-7)	<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>
DEF Response to Staff's 1 st Request for Production of Documents, Question #1	Bates numbers 150148-STAFFPOD1-1-000001 through 150148-STAFFPOD1-1-000006, all pages are entirely confidential	<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>DEF Response to Staff's 1st Request for Production of Documents, Question #3</p>	<p>Bates numbers 150148-STAFFPOD1-3-000001 through 150148-STAFFPOD1-3-000082, all pages are entirely confidential</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>
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Exhibit D

**AFFIDAVIT OF
BRYAN BUCKLER
(to be filed under
separate cover)**