



**Matthew R. Bernier**  
Senior Counsel  
Duke Energy Florida, LLC.

May 17, 2016

**VIA ELECTRONIC FILING**

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

Re: *Joint Petition for Approval of Modification to Risk Management Plans by Duke Energy Florida, Florida Power & Light Company, Gulf Power Company and Tampa Electric Company; Docket No. 160096*

Dear Ms. Stauffer:

Please find enclosed for electronic filing on behalf of Duke Energy Florida, LLC ("DEF"), DEF's Request for Confidential Classification for certain information contained in its Response to Staff's First Data Request filed on May 9, 2016. This filing includes:

- DEF's Request for Confidential Classification
- Slipsheet for confidential Exhibit A
- Redacted Exhibit B (two copies)
- Exhibit C (justification matrix), and
- Exhibit D (affidavit of Joseph McCallister)

DEF's confidential Exhibit A that accompanies the above-referenced filing has been submitted under separate cover.

Thank you for your assistance in this matter. Please feel free to call me at (850) 521-1428 should you have any questions concerning this filing.

Respectfully,

*s/Matthew R. Bernier*  
Matthew R. Bernier  
Senior Counsel  
[Matthew.Bernier@duke-energy.com](mailto:Matthew.Bernier@duke-energy.com)

MRB/mw  
Enclosure

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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In re: Joint Petition for Approval  
of Modifications to Risk Management  
Plans by Duke Energy Florida, Florida  
Power and Light Company, Gulf Power  
Company and Tampa Electric Company.

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Docket No. 160096-EI

Dated: May 17, 2016

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

Duke Energy Florida, LLC (“DEF” 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 contained in its Response to Staff’s First Data Request filed on May 9, 2016. In support of this Request, DEF states:

1. Certain information contained in DEF’s Response to Staff’s First Data Request, specifically questions 1, 4, 9, 10, 11, 13, and 15, is “proprietary confidential 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 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 hedging targets, percentages, costs, and exposure, the disclosure of which would impair the efforts of the Company or its affiliates to negotiate fuel supply contracts on favorable terms. *See* § 366.093(3)(d), F.S.; Affidavit of Joseph McCallister at ¶ 5. Furthermore, the information at issue relates to the competitive interests of DEF and its fuel suppliers, the disclosure of which would impair their competitive businesses. *See* § 366.093(3)(e), F.S.; 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.

4. The information identified as Exhibit “A” is intended to be and is treated as confidential by the Company. *See* 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 at issue as confidential. *See* Affidavit of Joseph McCallister at ¶ 7.

5. 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 Request for Confidential Classification be granted.

RESPECTFULLY SUBMITTED this 17<sup>th</sup> day of May, 2016.

*s/Matthew R. Bernier*

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**Duke Energy Florida, LLC**  
Docket No.: 160096  
**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished via electronic mail this 17<sup>th</sup> day of May, 2016 to all parties of record as indicated below.

*s/Matthew R. Bernier*

\_\_\_\_\_  
Attorney

<p>Suzanne Brownless Office of General Counsel Florida Public Service Commission 2540 Shumard Oak Blvd. Tallahassee, FL 32399-0850 <a href="mailto:sbrownle@psc.state.fl.us">sbrownle@psc.state.fl.us</a></p> <p>James D. Beasley J. Jeffrey Wahlen Ashley M. Daniels Ausley McMullen Law Firm P.O. Box 391 Tallahassee, FL 32302 <a href="mailto:jbeasley@ausley.com">jbeasley@ausley.com</a> <a href="mailto:jwahlen@ausley.com">jwahlen@ausley.com</a> <a href="mailto:adaniels@ausley.com">adaniels@ausley.com</a></p> <p>Jeffrey A. Stone Russell A. Badders Steven R. Griffin Beggs &amp; Lane P.O. Box 12950 Pensacola, FL 32591 <a href="mailto:jas@beggslane.com">jas@beggslane.com</a> <a href="mailto:rab@beggslane.com">rab@beggslane.com</a> <a href="mailto:srg@beggslane.com">srg@beggslane.com</a></p>	<p>Robert L. McGee, Jr. Gulf Power Company One Energy Place Pensacola, FL 32520-0780 <a href="mailto:rlmcgee@southernco.com">rlmcgee@southernco.com</a></p> <p>Erik Sayler / J.R. Kelly Charles Rehwinkel Patty Christensen / Tarik Noriega Office of Public Counsel c/o The Florida Legislature 111 W. Madison Street, Room 812 Tallahassee, FL 32399-1400 <a href="mailto:sayler.erik@leg.state.fl.us">sayler.erik@leg.state.fl.us</a> <a href="mailto:kelly.jr@leg.state.fl.us">kelly.jr@leg.state.fl.us</a> <a href="mailto:rehwinkel.charles@leg.state.fl.us">rehwinkel.charles@leg.state.fl.us</a> <a href="mailto:christensen.patty@leg.state.fl.us">christensen.patty@leg.state.fl.us</a> <a href="mailto:noriega.tarik@leg.state.fl.us">noriega.tarik@leg.state.fl.us</a></p>	<p>Ms. Paula K. Brown Manager, Regulatory Coordination Tampa Electric Company P.O. Box 111 Tampa, FL 33601 <a href="mailto:regdept@tecoenergy.com">regdept@tecoenergy.com</a></p> <p>John Butler Maria Moncada Florida Power &amp; Light Company 700 Universe Boulevard (LAW/JB) Juno Beach, FL 33408-0420 <a href="mailto:john.butler@fpl.com">john.butler@fpl.com</a> <a href="mailto:maria.moncada@fpl.com">maria.moncada@fpl.com</a></p> <p>Kenneth Hoffman Florida Power &amp; Light Company 215 S. Monroe Street, Suite 810 Tallahassee, FL 32301-1858 <a href="mailto:ken.hoffman@fpl.com">ken.hoffman@fpl.com</a></p>
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# **Exhibit A**

**“CONFIDENTIAL”**

(submitted under separate cover)

# **Exhibit B**

**REDACTED**

**DOCKET NO. 160096-EI**

**DUKE ENERGY FLORIDA, LLC'S RESPONSE TO  
STAFF'S FIRST DATA REQUEST TO DUKE ENERGY FLORIDA**

**REDACTED**

1. Please refer to paragraphs 10 and 11 of the petition and to Exhibits 1 through 4. Explain the reasoning and analysis supporting DEF's proposed reduced hedging targets.

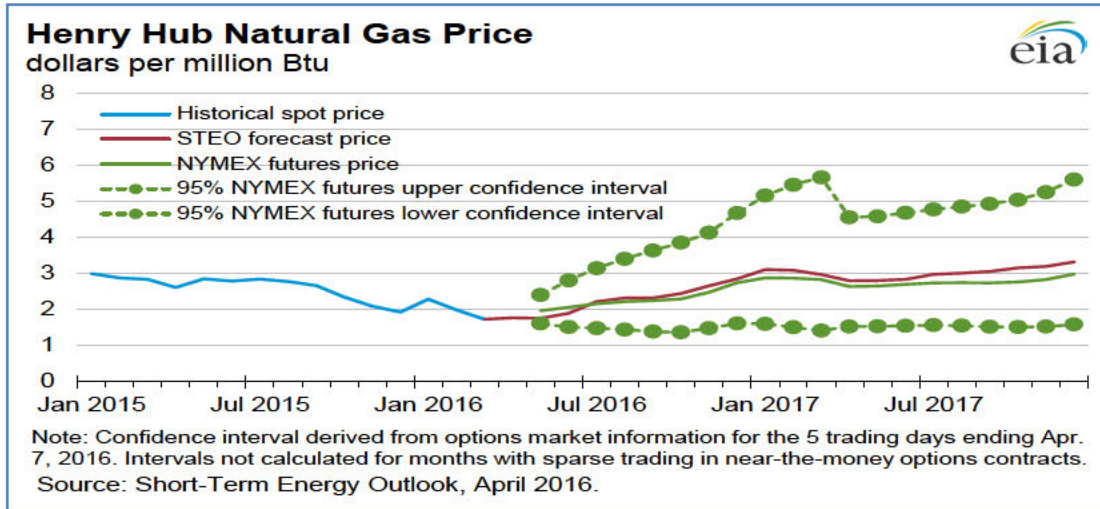
**Response:**

In summary, the benefits of locking in prices via a structured hedging program over time are to reduce price risk and volatility, and provide greater fuel cost certainty for DEF's customers. The rationale of DEF's proposed reduced hedging targets was to continue to provide the benefits associated with hedging while addressing the feedback expressed by the Commission and various customers groups on alternatives to reduce the potential future costs associated with hedging. In summary, DEF's proposed reduced hedging targets were developed after consideration of four items: 1) DEF's overall fuel mix, 2) the continued uncertainty in future natural gas prices and volatility, 3) the relative levels of current forward prices, and 4) the need to maintain a balanced approach to the management of fuel cost risk considering items 1 through 3. Each of these items are discussed in further detail below.

With respect to item 1, as outlined in the Joint Petition, natural gas represents approximately 66% of DEF's 2016 overall fuel mix based on the forecast utilized for the 2016 fuel projection filing (including forecasted gas usage at both DEF-owned and tolled generation). If only DEF-owned generation were considered, natural gas was estimated at approximately 73% of the total fuel mix. Thus, natural gas makes up the largest fuel commodity component of DEF's overall fuel usage and any changes to natural gas prices will have a greater impact on fuel costs than any other fuel mix component.

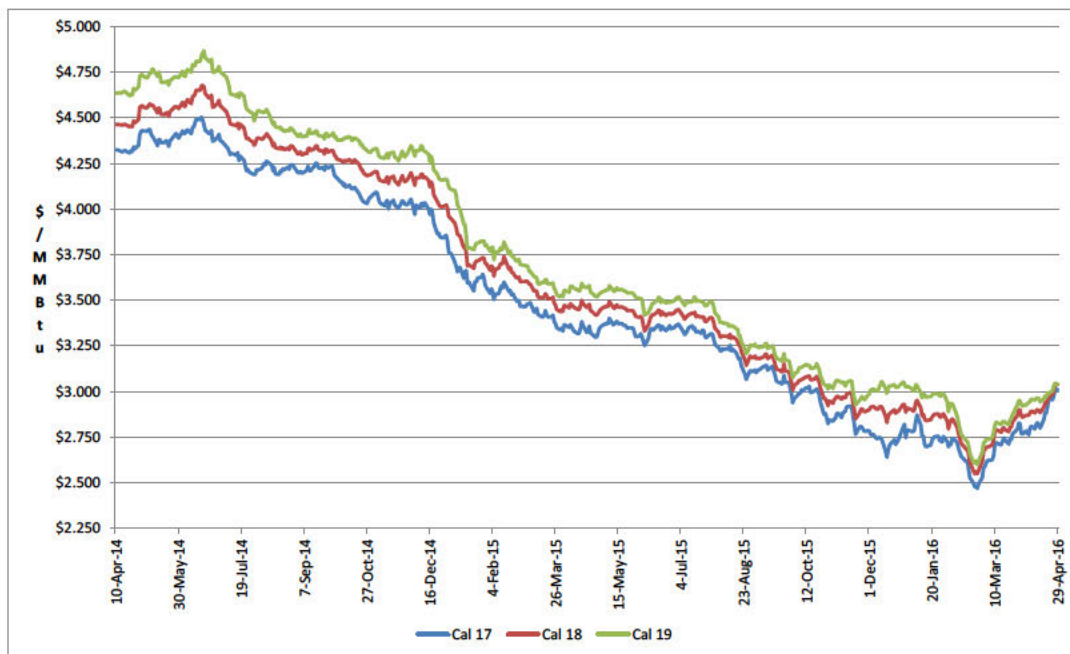
With respect to item 2, future prices are uncertain and neither DEF nor any forecaster can precisely predict where actual future prices will ultimately settle. With respect to determining potential price ranges over the next year, DEF reviewed U.S. Energy Information Administration's ("EIA") 95% confidence interval of natural gas prices. Outlined in the table below is a summary from EIA's April 2016 Short-Term Energy and Summer Fuels Outlook. EIA is forecasting Henry Hub spot prices to average \$3.02/MMBtu in 2017 with lower and upper limits under a 95% confidence interval of \$1.53/MMBtu and \$5.04/MMBtu.





As noted above, neither DEF nor any forecaster can precisely predict where actual prices will ultimately settle in the future and DEF’s fuel hedging practices are not intended to “out-guess” the market. This information regarding projected natural gas prices is provided because fuel costs are impacted by changing prices over time. In addition to the above statistical price ranges, over the last several years, NYMEX Henry Hub natural gas prices for the 2017 through 2019 time periods have declined and were recently trading at or near historically low levels.

However, over the past several weeks, observed natural gas prices for the periods 2017 through 2019 have trended higher. This is outlined in the table below:



DEF cannot predict where prices could ultimately settle for 2017 through 2019, and its risk management activities are not designed to speculate on future prices; however, current price levels are near the historical lows for these periods. With respect to item 4, given DEF's fuel mix and price trends, DEF believes having a rolling approach that gradually increases hedging percentages by layering in hedging transactions over time that ultimately target to have approximately [REDACTED] hedged and [REDACTED] exposed to the market for the rolling 1 to 12 month period represents a balanced fuel price risk management approach that results in certainty of fuel costs for a portion of projected fuel costs while providing customers an [REDACTED] of exposure to actual market prices. In addition, DEF believes continuing to hedge a portion for the rolling future periods beyond the front 12 months by gradually increasing hedging percentages over time by executing transactions provides benefits by ensuring a consistent execution approach over a multi-year period to manage fuel cost risk given the number of factors that can ultimately impact prices and trends and ensures a degree of cost volatility risk mitigation from one fuel period to another.

## REDACTED

4. Explain the risks and benefits to customers, if any, of the proposed limit on the future horizon over which hedges may be placed.

**Response:**

Please see responses to question 2 and 3 that address the risks and benefits associated with lowering the hedge percentages within the proposed time horizons. With respect to the benefits and risks of the proposed time horizon, the customers will benefit as hedging transactions will continue to be executed in a structured approach over time to reduce price risk and volatility, and provide a greater degree of fuel cost certainty. The customers will have greater fuel cost risk in the form of greater exposure to fuel market changes as a result of the lower hedge percentage targets as outlined in the response to question 2. However, the impact on actual costs of the proposed reduced hedging targets for each period of the rolling 36 months will depend on where actual natural gas prices ultimately settle for the respective future periods as compared to where DEF could have hedged these prices over time under its current targets. DEF believes a hedging program executed over a multi-year time period is reasonable as it provides a consistent non-speculative approach by layering in hedging transactions over time at prevailing market prices and conditions to gradually increase the percent hedged to manage fuel cost risk over time. DEF believes maintaining the proposed tenor time frames represents a balanced approach that ultimately results in an approximately [REDACTED] exposure between hedged and unhedged market prices for the customer once the prompt year (1 to 12 month period) is reached.

**REDACTED**

9. Please refer to last sentence of paragraph 8. As of the time of this interrogatory, what percentage of DEF's hedges for 2017 procurement has been executed?

**Response:**

As of close of business on April 27, 2016, DEF had hedged approximately [REDACTED] percent of its forecasted natural gas burns for calendar year 2017.

**REDACTED**

10. For DEF, please refer to paragraph 9. Is DEF stating that the range in DEF's 2016 Risk Management Plan encompasses the range with the proposed changes in paragraph 10? Please explain.

**Response:**

Yes. The proposed range for calendar 2017 (or what would be the prompt 1 to 12 month time period going into 2017 at the end of 2016) would be [REDACTED] to [REDACTED] with a [REDACTED] target percentage. DEF's 2016 Risk Management Plan included a prompt 1 to 12 month time period hedge range of [REDACTED] to [REDACTED]. DEF is currently under the proposed target of [REDACTED] for calendar year 2017 as outlined in question 9. Thus, DEF can manage the proposed percentage hedge target reduction for the rolling 1 to 12 month time period (calendar year 2017) within the proposed hedge range and target percentage of [REDACTED]

**REDACTED**

11. If the hedging contracts in place for 2015 for DEF had been reduced by 25%, how much would DEF have saved compared to actual results? Please state any assumptions that might underlie this calculation.

**Response:**

If the 2015 natural gas hedging contracts in place had been reduced by 25% the DEF net hedge cost for 2015 of approximately \$225.5 million would have changed to a net hedge cost of approximately \$169.1 million, a net difference of approximately \$56.4 million. This hypothetical difference was determined by taking the total natural gas hedge costs for 2015 (excluding storage) of \$225.5 million divided by the volume of natural gas hedges executed (excluding storage) to determine an average hedge cost per MMBtu. This hedging cost per MMBtu was multiplied by 25% of the total volume of natural gas

hedged (excluding storage) to determine the hypothetical cost that would have been avoided, the \$56.4 million, by hedging a volume that was 25% less than what was actually hedged. Or conversely, the total natural gas hedge cost (excluding storage) of \$225.5 million multiplied by 75% would result in a hypothetical net hedge cost of \$169.1 million.

By providing the response above, DEF would note that utilizing 2015 hedge costs as a potential proxy for analyzing the potential savings in the future due to the proposed lower hedging targets may not yield consistent or proportional results for future periods. This is because given the declining market trends over the past few years and the current forward markets, DEF is currently hedging in a lower overall price environment for 2017 and 2018 than what existed when DEF was executing hedges for past periods. For example, as of April 27, 2016, DEF's current hedge percentages for 2017 and 2018 are [REDACTED] and [REDACTED], respectively, with the current unrealized market value of the hedges for 2017 of an estimated [REDACTED] and estimated [REDACTED] for 2018. The market prices and estimated costs or savings will vary over time; however, given the lower current market price that incremental hedges are being executed may yield varying results when compared to previous periods when hedges were being executed at higher market prices.

**REDACTED**

13. If the proposed reductions detailed in the Joint Petition would have been in place during the January-March 2016 period, what natural gas hedging savings (costs) would DEF have incurred?

**Response:**

The hedge percentage for January through March 2016 is approximately [REDACTED] and if the proposed target of [REDACTED] would have been implemented under this assumption for this period the hedging contracts would be reduced by approximately [REDACTED]. The DEF net hedge cost for January-March 2016 of approximately \$50.4 million would have changed to a net hedge cost of approximately [REDACTED] million, a net difference of approximately [REDACTED] million under this assumption. This hypothetical hedging cost difference was determined by taking the total natural gas hedge costs for January through March 2016 divided by the volume of natural gas hedges executed to determine an approximate average hedge costs per MMBtu. This approximate hedging cost per MMBtu was then multiplied by the net hedge volume reduction to determine the hypothetical cost that would have been avoided, the approximate [REDACTED] million.

As noted in question 11, DEF would note that by utilizing 2016 hedge costs as a potential proxy for analyzing the potential savings in the future due to the proposed lower hedging targets may not yield consistent or proportional results for future periods.

**REDACTED**

15. If the proposed reductions detailed in the Joint Petition would have been in place during the April-December 2016 period, what are the estimated natural gas hedging savings (costs)?

**Response:**

The hedge percentage for April through December 2016 is approximately [REDACTED] and if the proposed target of [REDACTED] would have been implemented for this period the hedging contracts would be reduced by approximately [REDACTED]. The DEF net hedge cost for April-December 2016 of approximately \$122.5 million based on April 27, 2016 closing market prices would have changed to a net hedge cost of approximately [REDACTED] million based on April 27, 2016 closing market prices, a net difference of approximately [REDACTED] million under this assumption. This hypothetical hedge cost difference was determined by taking the total natural gas hedge costs for April through December 2016 of approximately \$122.5 million divided by the volume of natural gas hedged to determine an approximate average hedge cost per MMBtu. This approximate hedging cost per MMBtu was then multiplied by the net hedge volume reduction to determine the hypothetical cost that would have been avoided, the approximate [REDACTED] million.

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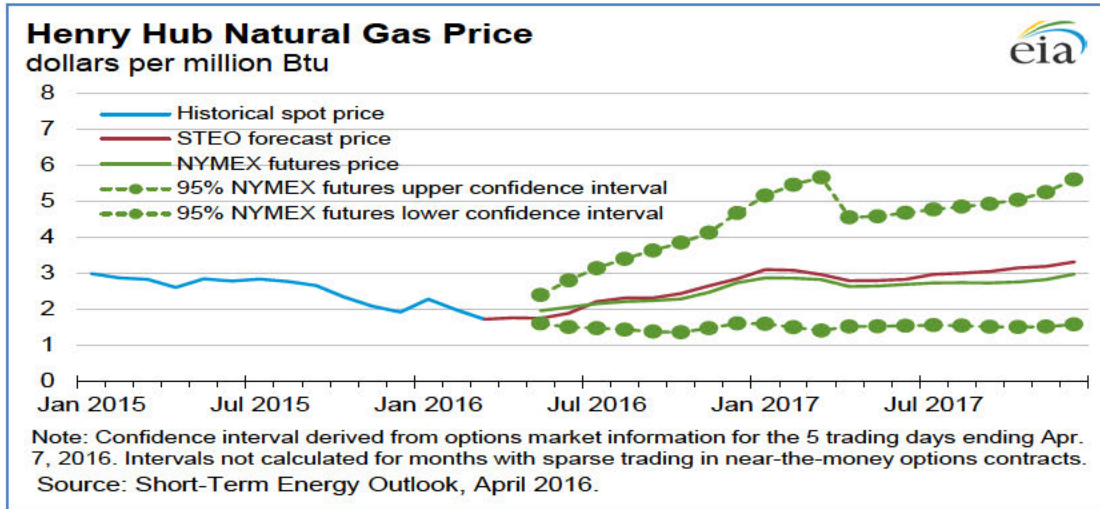
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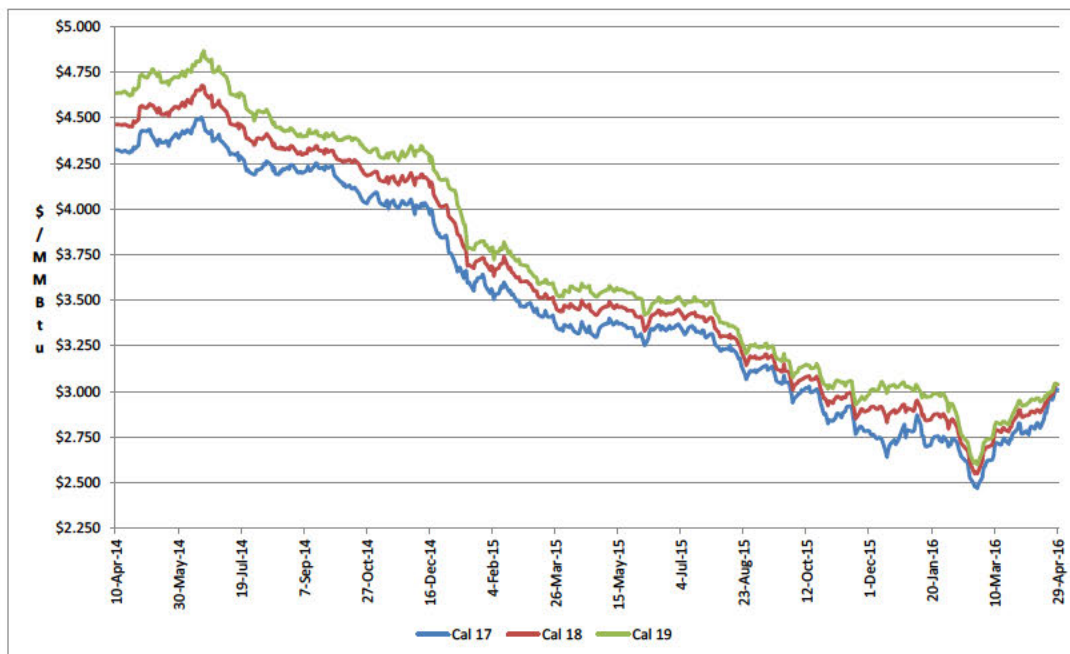
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**DUKE ENERGY FLORIDA  
Confidentiality Justification Matrix**

<b>DOCUMENT/RESPONSES</b>	<b>PAGE/LINE</b>	<b>JUSTIFICATION</b>
<p>DEF's Response to Staff's First Data Request</p>	<p><b>Question 1:</b> The information in the last paragraph after "approximately" and before "hedged", the information after "and" and before "exposed" and the information after "an" and before "of".</p> <p><b>Question 4:</b> The information in the last sentence after "approximately" and before "exposure".</p> <p><b>Question 9:</b> The information after "approximately" and before "percent".</p> <p><b>Question 10:</b> The information in the second sentence after "be" and before "to", the information after "to" and before "with", and the information after "a", and before "target". The information in the third sentence after "of" and before "to", the information after "to" and before "DEF". The final word in the fifth sentence after "of".</p> <p><b>Question 11:</b> The information in the second</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>

DOCUMENT/RESPONSES	PAGE/LINE	JUSTIFICATION
	<p>paragraph, third sentence after “are” and before “and”, the information after “and”, the information after “and” and before “respectively”, the information after “estimated” and before “and”, and the information after “estimated” and before “for”.</p> <p><b>Question 13:</b> The information in the first sentence after “approximately” and before “and”, the information after “of” and before “would”, and the last word in the first sentence after “approximately”. The information in the second sentence after “approximately” and before “million” and the information after “approximately” and before “million”. The information in the last sentence after “approximate” and before “million”.</p> <p><b>Question 15:</b> The information in the first sentence after “approximately” and before “and”, the information after “of” and before “would”. The last word in the sentence after “approximately”. The information in the second sentence after “approximately” and before</p>	

<b>DOCUMENT/RESPONSES</b>	<b>PAGE/LINE</b>	<b>JUSTIFICATION</b>
	“million” and the information after “approximately” and before “million”. The information in the last sentence after “approximate” and before “million”.	

# **Exhibit D**

## **AFFIDAVIT OF JOSEPH MCCALLISTER**

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

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In re: Joint Petition for Approval of  
Modifications to Risk Management Plans  
by Duke Energy Florida, Florida Power  
and Light, Gulf Power Company and Tampa  
Electric Company.

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Docket No. 160096-EI

Dated: May 17, 2016

**AFFIDAVIT OF JOSEPH McCALLISTER IN SUPPORT OF  
DUKE ENERGY FLORIDA, LLC'S  
REQUEST FOR CONFIDENTIAL CLASSIFICATION**

STATE OF NORTH CAROLINA

COUNTY OF MECKLENBURG

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 Duke Energy Florida (hereinafter "DEF" or the "Company") to  
give this affidavit in the above-styled proceeding on DEF's behalf and in support of  
DEF's Request for Confidential Classification (the "Request"). The facts attested to in  
my affidavit are based upon my personal knowledge.

2. I am the Director of Natural Gas, Oil and Emissions in the Fuel  
Procurement Department. This section is responsible for natural gas, fuel oil and  
emission allowance activity for the Duke Energy Indiana ("DEI"), Duke Energy



Kentucky (“DEK”), Duke Energy Carolinas (“DEC”), Duke Energy Progress (“DEP”), and DEF Systems.

3. As the Director of Natural Gas, Oil and Emissions, I am responsible, along with the other members of the section, for the management of the gas and oil procurement, transportation, hedging activities and administration of gas and oil contracts with various suppliers for DEI’s, DEK’s, DEC’s, DEF’s and DEP’s electrical power generation facilities.

4. DEF is seeking confidential classification for information contained in its Response to Staff’s First Data Request, specifically questions 1, 4, 9, 10, 11, 13, and 15 filed on May 9, 2016 in this docket. The confidential information at issue is contained in confidential Exhibit A to DEF’s Request and is outlined in DEF’s Justification Matrix that is attached to DEF’s Request as Exhibit C. DEF is requesting confidential classification of this information because it contains sensitive business information, the disclosure of which would impair the Company’s efforts to contract for goods or services on favorable terms.

5. The confidential information at issue relates to DEF’s hedging targets, percentages, hedging costs, and exposure. DEF negotiates with potential fuel suppliers to obtain competitive contracts for fuel options that provide value to DEF and its customers. In order to obtain such contracts, however, sensitive business information, such as hedging targets and percentages, must be kept confidential. With respect to the information at issue in this Request, DEF has kept confidential and has not publicly disclosed confidential information pertaining to its hedging targets, percentages, costs, and exposure. Without DEF’s measures to maintain the confidentiality of sensitive

terms, the Company's efforts to obtain competitive fuel supply contracts could be undermined, because potential fuel suppliers could simply offer the highest prices that would allow them to maintain marginally competitive position against the disclosed hedging targets and percentages.

6. Additionally, the disclosure of confidential information of DEF's hedging targets, percentages, costs, and exposure could adversely impact DEF's competitive business interests. If such information was disclosed to DEF's competitors, DEF's efforts to obtain competitive fuel supply options that provide economic value to both DEF and its customers could be compromised by DEF's competitors changing their consumption or 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 terms of the documents and 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 and contracts. At no time since receiving the contracts and information in question has the Company publicly disclosed that information. The Company has treated and continues to treat the information and contracts at issue as confidential.

8. This concludes my affidavit.

Further affiant sayeth not.

Dated the 16 day of May, 2016.

*Joseph McCallister*  
(Signature)  
Joseph McCallister  
Director – Natural Gas, Oil and Emissions  
Fuels Procurement Department  
Duke Energy  
526 South Church  
Charlotte, NC 28202

THE FOREGOING INSTRUMENT was sworn to and subscribed before me this 16 day of May, 2016 by Joseph McCallister. He is personally known to me, or has produced his \_\_\_\_\_ driver's license, or his \_\_\_\_\_ as identification.

*Katie Jamieson*  
(Signature)  
Katie Jamieson  
(Printed Name)  
NOTARY PUBLIC, STATE OF NC  
June 14, 2016  
(Commission Expiration Date)

(AFFIX NOTARIAL SEAL)



\_\_\_\_\_  
(Serial Number, If Any)