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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

Docket No. 110001-EI

Dated: August 1, 2011

PROGRESS ENERGY FLORIDA INC.'S
REQUEST FOR CONFIDENTIAL CLASSIFICATION

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-1 to the direct testimony of PEF witness Marcia Olivier dated August 1, 2011, specifically Schedule E12-B, Page 2 of 2 and for certain information contained in PEF's 2012 Risk Management Plan, specifically Pages 1 through 4 and Attachments A, B, C, E, F and H. In support of this Request, PEF states:

1. Exhibit MO-1, Schedule E12-B, Page 2 of 2 and certain information in PEF's Risk Management Plan contains information that is "proprietary business information" under Section 366.093(3), Florida Statutes.

2. The following exhibits are included with this request:

(a) 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.

COM ___
APA 1
ECR 3
GCL 1
RAD 1
SSC ___
ADM ___
OPC ___
CLK 1

___ claim of confidentiality
___ notice of intent
X request for confidentiality
___ filed by OPC

For DN 05393-11, which is in locked storage. You must be authorized to view this DN.-CLK

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(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 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, the highlighted information in Exhibit MO-1 provides the number of megawatts for specific purchases or sales. 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, specific information contained in PEF's 2012 Risk Management Plan, specifically Pages 1 through 4 and Attachments A, B, C, E, F and H provide "proprietary confidential business information" within the meaning of Section 366.093(3), F.S. Specifically, the highlighted information in PEF's Risk Management Plan provides forecasted costs, hedging volumes, hedging percentages, internal policies and guidelines, collateral summaries and unrealized forecasted hedge values. Affidavit of Joseph McCallister at ¶ 5. Disclosure of this information would enable fuel suppliers to have insight to PEF's internal risk management guidelines 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 costs and 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 consumption or 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 and 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 and 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 1st day of August, 2011.

John T. Burnett CMS

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Attorneys for
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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of Progress Energy Florida, Inc.'s Request for Confidential Classification in Docket No. 110001-EI has been furnished via U.S. mail (* via hand delivery) to the following this 1st day of August, 2011.

John T. Burnett LMS
Attorney

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REDACTED

Exhibit B

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Progress Energy Florida
Calculation of Projected Capacity Costs
For the Year 2011

Docket No. 110001-EI
Exhibit__MO-1, Part 2
Schedule E12-B

Contract Data:

	Name	Start Date	Expiration Date	Type	Purchase/Sa	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-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. (MULBERY/ROYSTER)	Aug-94	Aug-24	QF	Purch	115.00
11	Wheelabrator Ridge Energy, Inc. (RIDGEGEN)	Aug-94	Dec-23	QF	Purch	39.60
12	TECO Power Purchase	Mar-93	Feb-11	Other	Purch	70.00
13	Southern - Franklin	Jun-10	May-16	Other	Purch	350.00
14	Schedule H Capacity - New Smyrna Beach	Nov-85	see note (1)	Other	Sale	[redacted]
15	Schedule H Capacity - Reedy Creek Improvement District	Sep-89	see note (2)	Other	Sale	[redacted]
16	Chattahoochee	Jan-03	Dec-17	Other	Purch	[redacted]
17	Vandolah (RRI)	May-10	May-12	Other	Purch	see note (3)
18	Vandolah (NSG)	Jun-12	May-27	Other	Puch	[redacted]
19	Shady Hills Tolling Agreement	Apr-07	Apr-24	Other	Purch	[redacted]

(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 notice.
(2) The Reedy Creek Improvement District Schedule H contract is 5 years with 1 year renewal increments.
(3) [redacted]

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Progress Energy Florida, Inc.
Risk Management Plan for
Fuel Procurement and Wholesale Power Purchases
For 2012

Progress Energy Florida, Inc. (PEF) is submitting its 2012 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 of 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 PEF's Risk Management Plan. These groups include Fuels and Power Optimization (FPO), Enterprise Risk Management (ERM), which includes Corporate Credit and Risk Analytics and Reporting, Regulated Back Office, Wholesale Contracting and Inventory Accounting, Audit Services, Legal and IT Development and Support. The activities supported by these groups include the following: procuring competitively priced fuel, performing active asset optimization and portfolio management, executing PEF's hedging strategy, monitoring and reporting against established oversight limits for credit and margin limits, hedging and procurement, 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 2011 Fuels and Operations Forecast (FOF), PEF's estimated fuel consumption and economy transaction projections for 2012 based on the FOF are as follows:

Coal

Based on current projections, PEF forecasts to burn approximately [redacted] tons of coal in 2012. PEF's forecasted coal requirements for 2012 will primarily be purchased under term coal supply agreements. The coal supply will be delivered to PEF's plants via railroad and barge transportation agreements. Spot purchases will be made as needed to supplement the term purchases.

Heavy Oil

Based on current projections, PEF forecasts to burn approximately [redacted] barrels of heavy oil in 2012. PEF's forecasted heavy oil requirements for

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2012 will be purchased under a term supply agreement with flexible volume provisions at indexed market prices. Spot market purchases will be made as needed to supplement term purchases.

Light Oil
Based on current projections, PEF forecasts to burn approximately [redacted] barrels of light oil in 2012. PEF's forecasted light fuel oil requirements for 2012 are expected to be purchased primarily under term supply agreements with flexible at indexed market prices. Spot market purchases will be made as needed to supplement term purchases.

Natural Gas
Based on current projections, PEF forecasts to burn approximately [redacted] of natural gas in 2012, comprised of approximately [redacted] at PEF's generating plants and [redacted] at gas-tolling purchased power facilities where PEF has the responsibility to provide the natural gas. PEF's forecasted natural gas requirements for 2012 are expected to be purchased primarily under term supply agreements based on market index pricing, with supplemental monthly and daily purchases of natural gas being made as needed.

Economy Power Purchases and Sales
Based on current projections, PEF forecasts to purchase approximately [redacted] of economy power and sell approximately [redacted] of economy power in 2012. PEF 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.

PEF's identified 2012 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 costs certainty for PEF's customers. These items are discussed further in Item 8.

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Item 2. Identify the minimum quantity of fuel to be hedged and the activities to be executed during the remainder of 2011 and during 2012

PEF utilizes a phased hedging program where hedge transactions are executed over time with the objective of reducing price risk and providing greater costs certainty for PEF's customers. The hedging program includes executing approved agreements over a rolling 36-month period through time for natural gas, heavy oil, and light oil. Natural gas hedging activity represents the largest component of PEF's hedging program as natural gas represents the largest fuel cost component of PEF's overall generation fuel costs.

The volumes hedged over time represent a portion of PEF'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. PEF cannot predict future prices and PEF'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. PEF's multi-year approach to executing fixed price transactions over time is a reasonable and prudent approach to reduce price risk and provide greater costs certainty for PEF's customers.

Outlined below for each fuel type and exposure are the targeted minimum hedge percentages to be hedged for the remainder of 2011 and 2012:

Natural Gas

Natural gas represents PEF's largest fuel cost component and represents the largest component of PEF's hedging activities. PEF's plans to continue to execute its existing phased hedging program over a 36-month rolling time period through time for natural gas through the remainder of 2011 and during 2012. The currently approved rolling hedge percentage that is outlined in PEF's Fuels and Power Optimization Risk Management Guidelines are as follows:

- [redacted]

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- [redacted]

PEF will target to hedge a minimum of [redacted] and [redacted] of forecasted natural gas burns for the rolling 36-month time period through time, respectively, during the remainder of 2011 and 2012. Given PEF's hedging strategy, PEF will continue to participate in spot natural gas prices for a portion of its estimated natural gas needs.

Light Oil and Heavy Oil

With respect to light oil forecasted to be burned at PEF's owned generation facilities for calendar year 2012 and 2013, during the balance of 2011 and during 2012, PEF will target to hedge a minimum of [redacted] of its forecasted light oil burns for the calendar periods of 2012 and 2013. PEF is targeting to hedge a lower percentage of light oil versus natural gas for the following reasons: 1) unlike natural gas, the financial market for light oil are less liquid than natural gas and typically does not trade for periods beyond 18 to 24 months into the future and 2) light oil represents a smaller component of projected fuel costs.

During the balance of 2011 and during 2012, with respect to forecasted heavy oil burns at PEF's owned generation facilities, PEF hedging targets are [redacted] to [redacted] of its forecasted burns for calendar year 2012. The current expectation is for PEF to hedge a minimum of [redacted] of its forecasted heavy oil burns for calendar year 2012. PEF will continue to evaluate heavy oil burn forecasts for 2013 and 2014 but does not anticipate executing additional heavy oil hedges for these periods.

PEF will continue to monitor actual light and heavy oil burns, review updated fuel forecasts throughout the year and make adjustments if needed.

Coal Rail and River Transportation Fuel Surcharges

During the balance of 2011 and during 2012, with respect to coal river and rail transportation estimated fuel surcharge exposure, PEF will target to hedge between [redacted] to [redacted] of the estimated fuel surcharge exposure for calendar year 2012, and a minimum of [redacted] of the of the estimated fuel surcharge exposure for calendar year 2013.

Summary

As PEF moves through the remainder of 2011 and during 2012, PEF 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, heavy oil, and estimated coal rail and river transportation fuel surcharge exposure. This hedging approach is consistent with PEF's existing strategy and allows PEF to continue to monitor the market and fuel forecast updates. The hedging

Attachment A

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PEF Fuels & Power Optimization Risk Management Guidelines

(ERM-SUBS-00015)

(25 pages)

Attachment B

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Regulated Fuels Hedging Portfolio
Total Default Exposure (MtM) by commodity

Report Date: 7/15/2011
As of: 7/14/2011

Progress Energy Florida, Inc.
$ in millions

Commodity	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
Gas[A]	[redacted]									
Fixed Price Physical										
Fixed Swaps										
Financial Options										
Oil[B]										
Fixed Swaps No.6										
Financial Options No.6										
Fixed Swaps No.2										
Financial Options No.2										
Coal[D]										
Fixed Priced										
Collar Priced										
Market Priced										
Ammonia[E]										
Fuel Surcharge[F]										
Barge										
Rail										
PEF Total										

Notes

[redacted]

Attachment C

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PEF Collateral Summary

(1 page)

Attachment E

REDACTED

Risk Management Committee Guidelines

(RMC-1)

(4 pages)

Attachment F

REDACTED

Fuels and Power Optimization Credit Risk Management Guidelines

(ERM-SUBS-00020)

(12 pages)

Attachment H

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Corporate Approval Matrix

(1 page)

Exhibit C

PROGRESS ENERGY FLORIDA
Confidentiality Justification Matrix

DOCUMENT/RESPONSES	PAGE/LINE	JUSTIFICATION
Exhibit MO-1: Schedule E12-B	Page 2 of 2, Lines 14, 15, 16, 18, 19 and note (3); Purchased MWs	§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. §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.
2012 PEF Risk Management Plan	Page 1: volumes of coal & heavy oil. Page 2: volumes of light oil, natural gas & economy power purchases. Page 3 & 4: hedging %'s; hedging targets. **Attachment A** – "Fuel & Power Optimization Risk Management Guidelines" (entire document): internal guidelines.	§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. §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.

	Attachment B – "Regulated Fuels Hedging Portfolio": forecasted hedging amounts & contract term limits. **Attachment C** – "Collateral Summary" (entire document). **Attachment E** – "Risk Management Committee Guidelines" (entire document): internal guidelines. **Attachment F** – "Credit Risk Management Guidelines" (entire document): internal guidelines. **Attachment H** – "Corporate Approval Matrix" (entire document): internal guidelines.	