

PROGRESS ENERGY FLORIDA

DOCKET NO. 090001-EI

**Fuel and Capacity Cost Recovery
Final True-Up for the Period
January through December 2008**

**DIRECT TESTIMONY OF
JOSEPH MCCALLISTER**

April 3, 2009

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

2 A. My name is Joseph McCallister. My business address is 410 South Wilmington Street,
3 Raleigh, North Carolina 27601.

4

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

6 A. I am employed by Progress Energy Carolinas in the capacity of Director of Gas, Oil
7 and Power.

8

9 **Q. Have your duties and responsibilities remained the same since you last testified**
10 **in this proceeding?**

11 A. Yes. My responsibilities for the procurement and trading of natural gas and oil on
12 behalf of Progress Energy Florida (PEF or the Company) have remained the same. In
13 March 2009, I assumed responsibility for Power Trading.

14

15 **Q. What is the purpose of your testimony?**

16 A. The purpose of my testimony is to summarize the results of PEF's hedging activity for
17 2008 and to provide the information required by Order No. PSC-02-1484-FOF-EI and
18 clarified in PSC-08-0667-PPA-EI.

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1 **Q. Have you prepared exhibits to your testimony?**

2 A. Yes. I have attached exhibit JM-1T which summarized hedging information for 2008
3 and cumulative results from 2002 to 2008.
4

5 **Q. What are the primary objectives of PEF's hedging strategy?**

6 A. The objectives of PEF's hedging strategy are to mitigate fuel price risk and volatility
7 and provide a greater degree of price certainty to PEF's customers.
8

9 **Q. What hedging activities did PEF undertake during 2008 for fuel and wholesale
10 power and what were the results?**

11 A. PEF performed the activities outlined in its Risk Management Plan. With respect to
12 hedging activities that were executed over time for 2008 to reduce the overall price risk
13 and volatility associated with a portion of PEF's natural gas, heavy oil and light oil
14 burns, PEF executed fixed price physical contracts for natural gas and financial
15 instruments for natural gas, heavy oil and light oil that resulted in net hedge savings of
16 approximately \$239.7 million. For the period 2002 through 2008, PEF's natural gas and
17 fuel oil hedges have provided net hedge savings of approximately \$601 million.
18 Although PEF's hedging activity has achieved significant fuel savings to date, the
19 objectives are to reduce price risk and volatility and provide a greater degree of price
20 certainty for its customers. As a result, there will be periods when realized hedge
21 losses occur. In addition, during 2008, PEF made economic energy purchases and
22 wholesale power sales to third parties that resulted in additional savings of
23 approximately \$30.8 million and \$1.1 million, respectively.
24

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

26 A. Yes
27

Progress Energy Florida
Hedging Savings/(Cost) from 2002 through 2008

Year	Savings/(Cost) on Hedges		
	Financial	Physical	Total Hedged
2002			(\$3,632,013)
2003			\$18,542,952
2004			\$50,309,712
2005			\$192,059,066
2006			\$118,999,150
2007			(\$15,074,486)
2008			\$239,767,495
Total	\$244,039,142	\$356,932,734	\$600,971,876

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Progress Energy Florida
Hedging Information

Savings/(Cost) on Hedges				Hedged Volumes (MMBtu's)			Actual Burn (Generation & Tolling)	Hedged Burns*	% Hedged with Financial	% Hedged with Physical
Year	Financial	Physical	Total	Financial	Physical	Total Hedged				
Jan-08							6,069,000	94%	85%	15%
Feb-08							5,631,500	84%	83%	17%
Mar-08							9,117,600	69%	86%	14%
Apr-08							9,571,300	56%	79%	21%
May-08							13,676,600	64%	86%	14%
Jun-08							14,283,100	66%	88%	12%
Jul-08							15,014,700	74%	89%	11%
Aug-08							16,714,900	73%	90%	10%
Sep-08							15,277,500	67%	89%	11%
Oct-08							10,330,000	83%	90%	10%
Nov-08							7,738,700	102%	89%	11%
Dec-08							6,721,900	121%	89%	11%
YTD 2008			\$116,935,706			98,316,490	130,146,800	76%	88%	12%

Savings/(Cost) on Hedges				Hedged Volumes (Barrels)			Actual Burn (Generation)	Hedged Burns*	% Hedged with Financial	% Hedged with Physical
Year	Financial	Physical	Total	Financial	Physical	Total Hedged				
Jan-08							378,300	69%	100%	0%
Feb-08							244,200	98%	100%	0%
Mar-08							196,700	114%	100%	0%
Apr-08							314,800	68%	100%	0%
May-08							405,400	79%	100%	0%
Jun-08							555,300	71%	100%	0%
Jul-08							362,000	141%	100%	0%
Aug-08							376,800	137%	100%	0%
Sep-08							407,700	118%	100%	0%
Oct-08							364,200	69%	100%	0%
Nov-08							340,600	75%	100%	0%
Dec-08							340,800	75%	100%	0%
YTD 2008			\$106,527,933			3,920,000	4,286,800	91%	100%	0%

Savings/(Cost) on Hedges				Hedged Volumes (Barrels)			Actual Burn (Generation)	Hedged Burns*	% Hedged with Financial	% Hedged with Physical
Year	Financial	Physical	Total	Financial	Physical	Total Hedged				
Jan-08							17,600	0%	0%	0%
Feb-08							11,000	0%	0%	0%
Mar-08							15,000	0%	0%	0%
Apr-08							47,900	52%	100%	0%
May-08							41,700	60%	100%	0%
Jun-08							36,000	69%	100%	0%
Jul-08							35,500	197%	100%	0%
Aug-08							78,600	83%	100%	0%
Sep-08							27,800	144%	100%	0%
Oct-08							25,700	0%	0%	0%
Nov-08							17,300	0%	0%	0%
Dec-08							17,900	0%	0%	0%
YTD 2008			\$13,035,568			250,000	372,000	67%	100%	0%

Savings/(Cost) on Hedges				Hedged Volumes (MMBtu's)			Actual Injections	Hedged Injections	% Hedged with Financial	% Hedged with Physical
Year	Financial	Physical	Total	Financial	Physical	Total Hedged				
May-08							784,403	99%	100%	0%
Jun-08							377,819	20%	100%	0%
YTD 2008			\$3,268,288			850,000	1,162,222	73%	100%	0%

Note: * Percentage hedged is based on plant burns