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090001-EI

Exhibit B

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COM ____
ECR 1
GCL ____
OPC ____
RCP ____
SSC ____
SGA ____
ADM ____
CLK ____

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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. 090001-EI

Submitted for Filing: October 7, 2009

PROGRESS ENERGY FLORIDA'S RESPONSES TO STAFF'S FOURTH SET OF INTERROGATORIES (NOS. 26-35)

Progress Energy Florida, Inc. ("PEF"), responds to STAFF's Fourth Set of Interrogatories to PEF (Nos. 26-35), as follows:

INTERROGATORIES

26. Please supply a comparison of Progress Energy Florida's (PEF) Risk Management Plans for 2009 and 2010. Please explain or describe any changes between 2009 and 2010.

Answer: The overall substance and purpose of the Risk Management Plan (Plan) has not changed between the 2009 Plan and the 2010 Plan. PEF is filing the 2010 Plan as required by Order No PSC-02-1484-FOF-E1 in Docket No. 011605-E1 and the Plan includes the required items as outlined in Attachment A of Order No. PSC-02-1484-FOF-E1 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. Bohrman of Docket No. 011605-E1.

The following outlines the major changes between the 2009 and 2010 Risk Management Plans:

Page 3 of the 2010 Plan, paragraph 2 – PEF lowered the targeted annual hedge percentage for light oil from [redacted] in the 2009 Risk Management Plan to [redacted] in the 2010 Risk Management Plan to continue to account for PEF's experience with deviations from forecast that can be caused by weather, fuel price dynamics and PEF's growing gas generation. As such, PEF believed some modifications to the targeted annual hedge percentage for light oil in 2010 was considered reasonable.

Page 4 of the 2010 Plan, paragraph 2 – In the 2010 Risk Management Plan, PEF describes and explains three new reporting limits that were implemented in the second quarter of 2009 to provide additional oversight on potential collateral margin levels under different price scenarios and outlined PEF's expected hedging activity for the remainder of 2009 and 2010. Given the decrease experienced in natural gas and fuel oil prices since the summer of 2008 and the resulting large

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27. Refer to page 3, paragraph 1, of PEF's Risk Management Plan filed August 4, 2009, about target hedge percentages for forecasted annual natural gas and heavy oil burns. How has the economic downturn affected the hedging targets, and how has PEF adjusted? Please explain.

Answer: PEF has not changed its targeted annual hedge percentage ranges outlined in its Risk Management Plan for 2010 as the ranges provide PEF the ability to manage changes in forecasted burns and hedging percentages over time.

Although no changes have been made to the targeted annual hedge percentage ranges, PEF actively monitors its actual fuel burns versus forecasted burns and performs periodic fuel burn forecast as part of its regular process that are updated to reflect changes in inputs such as prices, system load, and unit outages. As example of its on-going monitoring of actual fuel burn trends versus forecast, in June 2009, PEF began rebalancing a portion of its heavy oil hedges for the second half of 2009 based on burn trends observed during the second quarter of 2009.

For 2010 and later periods, PEF's planned hedging activity outlined in its Risk Management Plan accounts for the impacts of lower system loads that are the result of the economic downturn. As noted above, PEF performs periodic fuel burn forecasts that include updates for the various inputs (including system load forecast) that can impact fuel burns. For illustrative purposes, forecasted 2010 natural gas and heavy oil burns are currently lower than estimated 2009 burns based on actuals for the period of January 2009 through August 2009 and forecasted usage for the balance of 2009. PEF is planning to hedge approximately [redacted] of its current 2010 forecasted net natural gas burns which is within the targeted range. As of September 30, 2009 for calendar year 2010, PEF has hedged approximately [redacted] of its annual forecasted net natural gas burns and approximately [redacted] of its annual forecasted heavy oil burns and does not plan to execute additional heavy oil purchase hedges for 2010 at this time. As always, PEF will continue to monitor actual burns versus forecasted burns and make hedging adjustments as needed.

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28. Refer to page 3, paragraph 2, of PEF's Risk Management Plan, where it states "PEF expects to begin executing oil product financial hedges to hedge a portion of the oil related surcharge embedded in the coal railroad and barge transportation in 2010." When does PEF plan to execute these financial hedges, and to what extent? Please explain.

Answer: In May 2009, PEF received final approval from the Florida Public Service Commission via Order No. PSC-09-0349-CO-EI in Docket 080649-EI which allowed PEF to hedge a portion of the oil related price fuel surcharge exposure embedded in its coal related transportation agreements. As a result of this approval, PEF updated its Risk Management Guidelines and has incorporated new hedging reporting limits for transportation fuel surcharge hedging targets for this activity. At this time, PEF is targeting to hedge at least [redacted] of the 2010 oil price fuel surcharge exposure embedded in PEF's coal railroad and river barge transportation contracts. In September 2009, PEF began to hedge a portion of the 2010 fuel transportation surcharges estimated for river barge activity and will continue to execute hedges over time consistent with its existing strategy. With respect to expected coal transportation via railroad, PEF's current contract structure with CSX railroad [redacted] to ensure the oil products being used to hedge any fuel surcharge exposure are correlated to any final coal rail transportation agreement. In addition, PEF continues to evaluate expected coal burns for 2010 and corresponding coal transportation activity given the current fuel markets. As a result, PEF may need to adjust its target hedge percentage to manage changing forecasts over time.

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29. Refer to page 3, final paragraph, of PEF's Risk Management Plan. Does PEF anticipate actual hedge percentages to come in higher/lower than targets for 2010? If so, please explain why this difference may occur and how much of a difference is possible.

Answer: PEF cannot predict if the actual hedge percentage results for 2010 will be higher or lower than the target hedge percentage ranges. Based on current forecast, targeted hedged percentages for 2010, PEF is within the ranges provided in PEF's Risk Management Plan for natural gas and heavy oil and plans to hedge at least [redacted] of its forecasted light oil burns for 2010 over time. Please see Question 27 for additional information on 2010 forecasted annual hedge percentages.

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30. Has PEF assessed any possible effects the regulation of financial swaps will have on its hedging activities? Please explain.

Answer: PEF has been monitoring potential Over the Counter (OTC) Derivative regulation. PEF has assessed the major potential impacts that potential OTC Derivative regulation may have on PEF's hedging activities. At this time, there continues to be uncertainty on the ultimate outcome and timing of any future regulation. With respect to any potential impacts that OTC Derivative regulation could have on PEF's hedging activities, PEF believes a mandatory requirement that all OTC Derivative transactions must be cleared through a futures exchange or a central counterparty clearing system could increase the cost of its hedging activities that are used to reduce commodity price risk and volatility. Utilities across the United States use OTC Derivatives to reduce fuel price risk and volatility for its customers. PEF is able to effectively execute its hedging program through the use of standard industry financial agreements which include credit collateral posting thresholds (i.e. margin posting requirements) based on each company's credit worthiness. As a result, each party has contractual parameters of financial exposure that must be exceeded based on the current market value of its open marginable positions before any monies are required to be transferred between companies. This allows both companies involved in the transactions to effectively leverage their credit rating and manage their cash and liquidity requirements needed for hedging activity. With a requirement to clear all OTC derivative transactions through a central clearing house or exchange with no exempt status for business and industries that utilize OTC derivatives to manage fuel price risk for its customers, PEF could be required to clear and post initial margin as well as margin for any negative change in the market value of its open positions every day which would reduce the amount of working capital and cash the company has for other corporate purposes. This would come at an incremental cost to the company and ultimately the customers. The increased costs would be in the form of 1) additional costs to the company to maintain new or additional access to liquidity (i.e. cash, lines of credit), 2) could increase the bid/offer spreads on market transactions to cover the additional cost of these new requirements and 3) reduce the use of non-standard OTC products that are currently used. PEF is supportive of the efforts of the proposed regulation that requires more robust reporting, oversight and transparency of the OTC Derivatives market. However, PEF believes that companies such as electric and gas utilities and other businesses that are engaging in non-speculative activities to manage price risk and improve cash flow stability for their customers and businesses should be exempted from a system that requires mandatory clearing of OTC derivatives.

For illustrative purposes, PEF is currently utilizing approximately [redacted] of Collateral Threshold in aggregate based on its current open marginable positions. The elimination of collateral thresholds contained in financial agreements would require PEF to maintain and have additional access to liquidity for initial margin

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35. Since January 1, 2008, has PEF stopped engaging in hedging transactions with a particular counter-party due to credit risk concerns? Please identify the counter-party and explain.

Answer: PEF stopped engaging in transactions with the following counterparties:

- [redacted] – PEF did have open transactions with this counterparty. PEF's credit group communicated that further transactions with this company were not allowed as the credit financial metrics began to show potential issues. The ban was lifted after [redacted].

- [redacted] – PEF did have open transactions with this counterparty. PEF's credit group communicated that further transactions with this company were not allowed as information regarding their liquidity and funding problems began to emerge.

- [redacted] – PEF did have open transactions with this counterparty. [redacted] announced that it was exiting most of its commodities business, PEF's credit group communicated that further transactions with this company were not allowed.

PEF continues to manage credit risk for all other counterparties through margining and credit limits established per established credit risk guidelines.