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January 2, 2007

Ms. Blanca S. Bayo, Director
Commission Clerk and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Betty Easley Conference Center, Room 110
Tallahassee, Florida 32399-0850

HAND DELIVERY

RECEIVED-FPSC
07 JAN -2 PM 3:26
COMMISSION
CLERK

Re: Docket No. 060793-EI

Dear Ms. Bayo:

Enclosed for filing in the above referenced docket on behalf of Progress Energy Florida, Inc. ("PEF") are the following documents:

1. Original and fifteen copies of PEF's First Request for Confidential Classification. The documents containing information which is considered "CONFIDENTIAL" are enclosed in an envelope marked CONFIDENTIAL Exhibit A.

Please acknowledge receipt of these documents by stamping the extra copy of this letter "filed" and returning the copy to me. Thank you for your assistance with this filing.

CMP _____

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Enclosures

OPC _____

cc: Lisa Bennett, Esq.

RCA _____

John Burnett, Esq.

SCR _____

Mr. Javier Portuondo

progressenergy/sesh/bayo.jan02076tr

SGA _____

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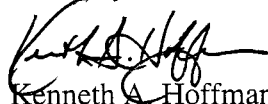
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FPSC-BUREAU OF RECORDS

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Sincerely,



Kenneth A. Hoffman

DOCUMENT NUMBER-DATE

00029 JAN-26

FPSC-COMMISSION CLERK

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Progress Energy Florida, Inc.'s)
Petition for Approval of Southeast Supply)
Header long-term fuel transportation)
contracts.)

Docket No. 060793-EI
Filed: January 2, 2007

**PROGRESS ENERGY FLORIDA, INC.'S
FIRST REQUEST FOR CONFIDENTIAL CLASSIFICATION**

Pursuant to Section 366.093, Florida Statutes, and Rule 25-22.006, Florida Administrative Code, Progress Energy Florida, Inc. ("PEF" or the "Company"), requests confidential classification of certain information contained in Exhibits KF-1 and KF-2 attached to the prefiled direct testimony of PEF witness Kent Fonvielle. Exhibits KF-1 and KF-2 contain competitive confidential business information of both PEF and a third party transportation contractor that has entered into fuel transportation related contracts with PEF. In support of its Request, PEF states as follows:

1. On December 12, 2006, PEF filed a Petition with the Commission seeking approval of the terms and conditions of certain natural gas transportation contracts with Southeast Supply Header, LLC ("SESH") and a determination that the costs associated with such contracts are recoverable through the fuel clause subject to annual review by the Commission to ensure that the costs are being managed in a reasonable and prudent manner. PEF also filed testimony and exhibits supporting its Petition. PEF considers the information contained in those documents to be proprietary confidential business information. Accordingly, PEF filed a notice of intent to seek confidential classification of that information on December 12, 2006, contemporaneous with the filing of the foregoing Petition, testimony and exhibits. Pursuant to Rule 25-22.006(3)(a), PEF has 21 days from the date of that notice of intent, i.e., until January 2,

DOCUMENT NUMBER-DATE

00029 JAN-25

FPSC-COMMISSION CLERK

2007, to file a formal request for confidential classification with respect to the confidential information in Exhibits KF-1 and KF-2. This Request is intended to request confidential classification of the confidential portions of Exhibits KF-1 and KF-2 consistent with Rule 25-22.006(3)(a).

2. The following exhibits are included with and made a part of this Request:

a. Composite Exhibit A consists of copies of Exhibits KF-1 and KF-2 on which all information that PEF asserts is entitled to confidential treatment has been highlighted. Composite Exhibit A is submitted separately in a sealed folder marked "CONFIDENTIAL."

b. Composite Exhibit B consists of an edited version of Exhibit A on which all information in Exhibits KF-1 and KF-2 that PEF asserts is entitled to confidential treatment has been redacted.

c. Exhibit C is a table containing a line-by-line and page-by-page identification of the information in Exhibits KF-1 and KF-2 for which confidential classification is sought, and, with regard to each document or portions thereof, references the specific statutory basis or bases for the claim of confidentiality and to the affidavit of PEF witness Kent Fonvielle in support of the requested classification.

d. Composite Exhibit D is the affidavits of Kent Fonvielle and David A. Shammo.

3. Section 366.093(1), Florida Statutes, provides that "any records received by the Commission which are shown and found by the commission to be proprietary confidential business information shall be kept confidential and shall be exempt from [the Public Records Act]." §366.093(1), Fla. Stat. Proprietary confidential business information means information

that is (i) intended to be and is treated as private confidential information by the Company, (ii) because disclosure of the information would cause harm, (iii) either to the Company's ratepayers or the Company's business operation, and (iv) the information has not been voluntarily disclosed to the public. §366.093(3), Fla. Stat. Specifically, "information. . .the disclosure of which would impair the efforts of the public utility or its affiliates to contract for goods or services on favorable terms" is defined as proprietary confidential business information. §366.093(3)(d), Fla. Stat. Additionally, subsection 366.093(3)(e) defines "information relating to competitive interests, the disclosure of which would impair the competitive business of the provider of the information," as proprietary confidential business information.

4. PEF seeks confidential protection for the information highlighted in Exhibit A. The highlighted information is proprietary confidential business information within the meaning of Section 366.093(3). The information is intended to be, and has been, treated by PEF as confidential.

5. Exhibits KF-1 and KF-2 attached to the prefiled direct testimony of PEF witness Kent Fonvielle should be afforded confidential treatment for the reasons set forth in this Request and the Affidavits of Mr. Fonvielle and Mr. Shammo. Portions of the aforementioned exhibits contain confidential competitive business information of both PEF and SESH. Specifically, the SESH Pipeline Contracts¹ contained in Exhibit KF-1 contain confidential pricing terms, fuel quantities, and sensitive contractual terms that would impair the competitive business of both PEF and SESH. Exhibit KF-2 sets forth the Estimated Total Annual Costs for natural gas

¹The "SESH Pipeline Contracts" in Exhibit KF-1 consist of the Precedent Agreement, the two Negotiated Rates Agreements for Natural Gas Transportation Service, and the two Service Agreements entered into between PEF and SESH.

transportation service under the SESH Pipeline Project and the public disclosure of such information would similarly impair PEF's and SESH's competitive business interests.

Quantity and Pricing Terms

6. PEF negotiates with potential fuel suppliers and transportation companies to obtain competitive contracts for fuel options that provide economic value to PEF and its customers. Affidavit of Kent Fonvielle, at ¶4. In order to obtain such contracts, however, PEF must be able to assure fuel suppliers and transportation companies that sensitive business information, such as the quantity and pricing terms of their contracts, will be kept confidential. Id. PEF has kept confidential and has not publicly disclosed confidential contract terms such as quantity and pricing. Id. Absent such measures, suppliers and transportation companies would run the risk that sensitive business information that they provided in their contracts with PEF would be made available to the public and, as a result, end up in possession of potential competitors. Id. Faced with that risk, persons or companies who otherwise would contract with PEF might decide not to do so if PEF did not keep those terms of their contracts confidential. Id. Without PEF's measures to maintain the confidentiality of sensitive terms in contracts between PEF and fuel suppliers and transportation contractors, the Company's efforts to obtain competitive fuel supply and transportation contracts would be undermined. Id. Additionally, the disclosure of quantity and pricing information in PEF's fuel supply and transportation contracts would adversely impact PEF's competitive business interests. Id., at ¶5. If such information was disclosed to PEF's competitors or potential fuel suppliers and fuel transportation companies, PEF's efforts to obtain competitive fuel supply and transportation options that provide economic value to both PEF and its ratepayers would be compromised. Id.

Other Confidential Contractual Terms

7. Along the same line as confidential quantity and pricing terms in fuel supply and transportation contracts with PEF, SESH specifically requested that PEF keep other contract terms confidential where such terms would adversely impact the fuel transporter's competitive business if disclosed to the public. Affidavit of David A. Shammo, at ¶4. The SESH Pipeline Contracts attached as Exhibit KF-1 to Mr. Fonvielle's direct testimony contain sensitive, confidential business information and terms, in addition to fuel price and quantity, that would adversely impact the competitive business interest of SESH if that information and those terms were disclosed to the general public. See Id. Specifically, SESH transports natural gas in a highly competitive environment. The terms at which SESH transports natural gas are specifically negotiated for each transaction and depend on the competitive circumstances faced by SESH and its customer. See Id. If details related to price, quantity, events of default, remedies, force majeure, and credit support were disclosed to SESH's competitors or customers, SESH would be placed at a disadvantage in future negotiations, which would have an adverse effect on SESH. See Id.

Protection of Confidential Information

8. Upon receipt of confidential information from fuel suppliers and transportation companies, strict procedures are established and followed to maintain the confidentiality of the terms of the documents, including restricting access to those persons who need the contract information to assist the Company, and restricting the number of, and access to, the contract information and contracts. Affidavit of Kent Fonvielle, at ¶7. At no time since receiving the confidential information in the contracts has the Company publicly disclosed that information or

the contracts. Id. The Company has treated and continues to treat the contractual terms at issue as confidential. Id. See also, Affidavit of David A. Shammo, at ¶5.

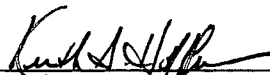
9. Pursuant to Section 366.093, the information highlighted in Exhibit A is entitled to confidential treatment and is exempt from the disclosure provisions of the public records law. Thus, once the Commission determines that the information in question is proprietary confidential business information, the Commission is not required to engage in any further analysis or review, such as weighing the harm of disclosure against the public interest in access to the information.

10. The statutory bases for PEF's assertion of confidentiality with regard to each document or portion thereof are set forth in Exhibit C under the column titled "Florida Statute 366.093(3) subsection." The letters in that column refer to the subsection(s) that provide justification for PEF's request. Further support for PEF's request for confidential classification of the referenced information is provided through the affidavits of Messrs. Fonvielle and Shammo that are included as Exhibit D to this Request.

11. Upon a finding by the Commission that the information highlighted in Exhibit A, and referenced in Exhibit C, is proprietary confidential business information, the information should not be declassified for a period of at least eighteen (18) months and should be returned to PEF as soon as the information is no longer necessary for the Commission to conduct its business. *See* §366.093(4).

WHEREFORE, for the foregoing reasons, Progress Energy Florida, Inc. respectfully requests confidential classification of the confidential portions of Exhibits KF-1 and KF-2 as set forth in Exhibit C.

Respectfully submitted this 2nd day of January, 2007.



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Marsha E. Rule, Esq.
Rutledge, Ecenia, Purnell & Hoffman, P.A.
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-- and --

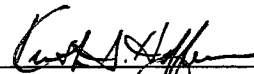
John T. Burnett, Esq.
P. O. Box 14042
St. Petersburg, FL 33733-4042
(727) 820-5184 (Telephone)
(727) 820-5249 (Telecopier)

Counsel for Progress Energy Florida, Inc.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing was furnished by United States Mail to the following on this 2nd day of January, 2007:

Lisa Bennett, Esquire
Florida Public Service Commission
Office of the General Counsel
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850



Kenneth A. Hoffman, Esq.

COMPOSITE EXHIBIT A
“CONFIDENTIAL”

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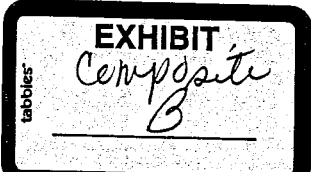
PRECEDENT AGREEMENT

This PRECEDENT AGREEMENT ("Precedent Agreement") is made and entered into this 5th day of December, 2006, between Southeast Supply Header, LLC, a Delaware limited liability company ("Pipeline") and Florida Power Corporation d/b/a Progress Energy Florida, Inc., a Florida corporation ("Shipper"). Pipeline and Shipper are sometimes referred to herein individually as a ("Party"), or collectively as the ("Parties").

WITNESSETH:

WHEREAS, Pipeline proposes to construct a new header system, which will be an interstate natural gas pipeline subject to the jurisdiction of the Federal Energy Regulatory Commission ("Commission" or "FERC"), that will extend from an interconnection with the facilities of CenterPoint Energy Gas Transmission Company ("CEGT") near Delhi, LA, in a southeasterly direction through the states of Louisiana, Mississippi and Alabama with a terminus at the proposed interconnection with Gulfstream Natural Gas System, L.L.C. ("Gulfstream") near Mobile, Alabama (the "Project");

WHEREAS, the Project will also interconnect with certain interstate pipelines, intrastate pipelines and storage facilities located along and/or proximate to the route of the Project, including but not limited to Columbia Gulf Gas Transmission Company ("Columbia Gulf"), Texas Eastern Transmission, L.P. ("Texas Eastern"), Copiah Storage Company ("Copiah"), Southern Natural Gas Company ("Sonat"), Transcontinental Gas Pipe Line Corporation ("Transco"), Tennessee Gas Pipeline Company ("Tennessee"),



1 Florida Gas Transmission Company ("FGT"), Gulf South Pipeline Company, LP ("Gulf
2 South"), and SGR's Southern Pines Energy Center ("SGR");

3 WHEREAS, Pipeline will file for all necessary regulatory authorization with the
4 Commission and other applicable permitting authorities to construct, own, operate and
5 maintain the Project facilities;

6 WHEREAS, Shipper desires to obtain firm transportation service from Pipeline as
7 part of the Project for certain quantities of Shipper's natural gas;

8 WHEREAS, subject to the terms and conditions of this Precedent Agreement,
9 Pipeline is willing to construct the Project and provide the firm transportation service
10 Shipper desires;

11 NOW, THEREFORE, in consideration of the mutual covenants and agreements
12 herein contained, and intending to be legally bound, Pipeline and Shipper agree to the
13 following:

14 1. Subject to the terms and conditions of this Precedent Agreement, Pipeline
15 shall proceed with due diligence to obtain from all governmental and regulatory
16 authorities having competent jurisdiction over the premises, including, but not limited to,
17 the Commission, the authorizations and/or exemptions Pipeline determines are
18 necessary: (i) for Pipeline to construct, own, operate, and maintain the Project facilities
19 necessary to provide the firm transportation service for Shipper contemplated herein;
20 and (ii) for Pipeline to perform its obligations as contemplated in this Precedent
21 Agreement. Pipeline reserves the right to file and prosecute any and all applications for

1 such authorizations and/or exemptions, any supplements or amendments thereto, and,
2 if necessary, any court review, in a manner it deems to be in its best interest. Provided
3 that Pipeline does not seek a material change in the terms and conditions of service
4 under the Service Agreement (defined below) which would have a material adverse
5 effect on Shipper or a change in Pipeline's pro forma tariff (which was provided to
6 Shipper on October 27, 2006) which would have a material adverse effect on Shipper,
7 Shipper expressly agrees to support and cooperate with, and to not oppose, obstruct or
8 otherwise interfere with in any manner whatsoever, the efforts of Pipeline to obtain all
9 authorizations and/or exemptions and supplements and amendments thereto necessary
10 for Pipeline to construct, own, operate, and maintain the Project facilities and to provide
11 the firm transportation service contemplated in this Precedent Agreement and to
12 perform its obligations as contemplated by this Precedent Agreement.

13 2. Subject to the terms and conditions of this Precedent Agreement, Shipper
14 shall proceed with due diligence to obtain from the State of Florida's Public Service
15 Commission the authorization to recover costs Shipper will incur pursuant to the Service
16 Agreement ("Shipper's Authorization"). Shipper agrees to promptly notify Pipeline in
17 writing after Shipper has received Shipper's Authorization, and whether such
18 authorization is acceptable to Shipper.

19 3. (A) To effectuate the firm transportation service contemplated herein,
20 Shipper and Pipeline are contemporaneously executing a firm transportation service
21 agreement under Pipeline's Rate Schedule FTS ("First Service Agreement") which:
22 (i) specifies a Maximum Daily Quantity ("MDQ") of 150,000 dekatherms per day
23 ("Dth/d") (such MDQ shall be 100,000 Dth/d for the period from the Service

1 Commencement Date through May 31, 2009), exclusive of fuel requirements; (ii)
2 specifies a primary term of [REDACTED]; (iii) subject to the provisions of Pipeline's
3 FERC Gas Tariff, as amended from time to time ("Tariff") will provide Shipper with
4 access to all receipt points available on Pipeline's system on a Priority Class One basis
5 and primary points of delivery at FGT and Gulfstream; and (iv) shall, subject to
6 Paragraph 3(E), be subject to an NGA Section 7(c) initial rate, plus fuel retainage, if
7 any, and plus any other applicable charges and surcharges specified in Pipeline's Tariff
8 for service under Rate Schedule FTS. Service pursuant to the First Service Agreement
9 will commence on the date specified by Pipeline in its written notice to Shipper pursuant
10 to Paragraph 4 of this Precedent Agreement.

11 (B) To effectuate the firm transportation service contemplated herein, Shipper
12 and Pipeline are contemporaneously executing a firm transportation service agreement
13 under Pipeline's Rate Schedule FTS ("Second Service Agreement") which: (i) specifies
14 a MDQ of 50,000 Dth/d, exclusive of fuel requirements; (ii) specifies a primary term of
15 [REDACTED]; (iii) subject to the provisions of Pipeline's Tariff will provide Shipper
16 with access to all receipt points available on Pipeline's system on a Priority Class One
17 basis and primary points of delivery at FGT and Gulfstream; and (iv) shall, subject to
18 Paragraph 3(E), be subject to an NGA Section 7(c) initial rate, plus fuel retainage, if
19 any, and plus any other applicable charges and surcharges specified in Pipeline's Tariff
20 for service under Rate Schedule FTS. Service pursuant to the Second Service
21 Agreement will commence on the date specified by Pipeline in its written notice to
22 Shipper pursuant to Paragraph 4 of this Precedent Agreement.

1 (C) The Parties agree that the First Service Agreement and the Second
2 Service Agreement are hereinafter collectively referred to as the ("Service Agreement")
3 unless the specific language refers to such agreements individually.

4 (D) Pipeline agrees to include in its Tariff a provision which will permit
5 Pipeline's shippers which execute firm transportation service agreements under
6 Pipeline's Rate Schedule FTS on or before a date certain prior to December 31, 2006 to
7 have specified in such shipper's service agreement Receipt Point MDQ's at (i) CEGT's
8 Carthage to Perryville line; (ii) Gulf South's (East Texas to Mississippi Expansion)
9 pipeline; (iii) Columbia Gulf's system near Perryville, LA, (subject to completion of
10 construction of such interconnections) and (iv) the proposed Continental Connector
11 pipeline sponsored by El Paso Corporation if such pipeline is constructed and
12 interconnected with Pipeline within five (5) years after the Service Commencement
13 Date, which at each such point equal such shipper's pro rata share (based on the MDQ
14 of such shipper's service agreement) of Pipeline's initial system capacity of 1,000,000
15 Dths/d.

16 (E) Contemporaneously with Shipper's execution of this Precedent
17 Agreement, Shipper must exercise its one-time election to pay for service under the
18 Service Agreement either:

19 (i) Pipeline's maximum recourse rates, as such maximum recourse rates are
20 amended or revised from time to time, and reflected in Pipeline's Tariff; or

21 (ii) A negotiated rate that is mutually agreed upon by Shipper and Pipeline. If
22 Shipper and Pipeline agree upon a negotiated rate to be applicable to the

1 Service Agreement, (aa) Shipper agrees to pay such rate without regard
2 to any action or determination by the FERC with respect to Pipeline's
3 recourse rates; and (bb) Shipper and Pipeline shall enter into a separate
4 Negotiated Rate Agreement and, subject to the terms and conditions of
5 Pipeline's Tariff, the rates specified in such Negotiated Rate Agreement
6 shall be the rates applicable to service under the Service Agreement for
7 the term set forth in such Negotiated Rate Agreement.

8 4. (A) Upon satisfaction or waiver of all the conditions precedent set forth
9 in Paragraph 7 of this Precedent Agreement, Pipeline shall notify Shipper that service
10 under the First Service Agreement will commence on a date certain, which date will be
11 the later of: (i) June 1, 2008; or (ii) the date that all of the conditions precedent set forth
12 in Paragraph 7 of this Precedent Agreement are satisfied or waived (the "Service
13 Commencement Date"). On and after the Service Commencement Date, Pipeline will
14 provide firm transportation service for Shipper pursuant to the terms of the First Service
15 Agreement and Shipper will pay Pipeline for all applicable charges associated with the
16 First Service Agreement.

17 (B) Upon satisfaction or waiver of all the conditions precedent set forth in
18 Paragraph 7 of this Precedent Agreement, Pipeline shall notify Shipper that service
19 under the Second Service Agreement will commence on a date certain, which date will
20 be the later of: (i) June 1, 2010; or (ii) the date that all of the conditions precedent set
21 forth in Paragraph 7 of this Precedent Agreement are satisfied or waived (the "Second
22 Service Commencement Date"). On and after the Second Service Commencement
23 Date, Pipeline will provide firm transportation service for Shipper pursuant to the terms

1 of the Second Service Agreement and Shipper will pay Pipeline for all applicable
2 charges associated with the Second Service Agreement.

3 5. Pipeline will undertake the design of facilities and any other preparatory
4 actions necessary for Pipeline to complete and file its certificate application(s) with the
5 Commission. Prior to satisfaction of the conditions precedent set forth in Paragraph 7 of
6 this Precedent Agreement, Pipeline shall have the right, but not the obligation, to
7 proceed with the necessary design of facilities, acquisition of materials, supplies,
8 properties, rights-of-way and any other necessary preparations to implement the firm
9 transportation service under the Service Agreement as contemplated in this Precedent
10 Agreement. Subsequent to executing this Precedent Agreement, Pipeline agrees to
11 promptly provide monthly reports to Shipper, which will include a project schedule,
12 describing the status of the permitting and construction of the Project (The Parties
13 expressly acknowledge and agree that any such project schedule is provided for
14 informational purposes only and is not intended to represent a change to the Project
15 schedule on file with the FERC as part of Pipeline's certificate application for the Project
16 to the extent there is any difference. In the event that Pipeline fails to timely provide any
17 such monthly report, Shipper's sole and exclusive remedy for any such breach shall be
18 an action for specific performance).

19 6. Upon satisfaction of all of the conditions precedent set forth in
20 Paragraph 7 of this Precedent Agreement (except for the condition set forth in
21 Paragraph 7(A)(v)), or waiver of the same by Pipeline or Shipper as applicable pursuant
22 to the provisions of Paragraph 7, Pipeline shall proceed (subject to the continuing
23 commitments of Shipper and other third-party shippers executing precedent agreements

1 and service agreements for service utilizing the firm transportation capacity to be made
2 available by the Project, which service agreements collectively have an aggregate MDQ
3 quantity of not less than 700,000 Dth/d of Rate Schedule FTS service) with due
4 diligence to construct the authorized Project facilities and to implement the firm
5 transportation service contemplated in this Precedent Agreement on or about June 1,
6 2008. [REDACTED]

7 [REDACTED]
8 [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]

18 [REDACTED] Notwithstanding Pipeline's due diligence, if Pipeline is
19 unable to commence the firm transportation service for Shipper as contemplated herein
20 by June 1, 2008, Pipeline will continue to proceed with due diligence to complete
21 arrangements for such firm transportation service, and commence the firm
22 transportation service for Shipper at the earliest practicable date thereafter. Provided
23 that Pipeline continues to proceed with due diligence to complete construction of the

1 Project facilities and except as otherwise provided in Paragraph 9, Pipeline will neither
2 be liable in damages nor will this Precedent Agreement or the Service Agreement be
3 subject to cancellation if Pipeline is unable to complete the construction of such
4 authorized Project facilities and commence the firm transportation service contemplated
5 herein by June 1, 2008.

6 7. Commencement of service under the Service Agreement and Pipeline's
7 and Shipper's rights and obligations under the Service Agreement are expressly made
8 subject to satisfaction of the following conditions precedent:

9 (A) Conditions imposed by Pipeline (only Pipeline shall have the right to waive
10 in writing the conditions precedent set forth in Paragraph 7(A)); Pipeline's:

11 (i) receipt and acceptance by [REDACTED] of all necessary
12 certificates and authorizations from the Commission to construct,
13 own, operate and maintain the Project facilities, as described in
14 Pipeline's certificate application(s) as it may be amended from time
15 to time, necessary to provide the firm transportation service
16 contemplated herein and in the Service Agreement and approving
17 Pipeline's Tariff as contemplated in this Precedent Agreement;

18 (ii) receipt by [REDACTED] of approval from its Management
19 Committee, or similar governing body, in its sole discretion, of the
20 terms and conditions set forth in this Precedent Agreement and the
21 Negotiated Rate Agreement between Shipper and Pipeline entered
22 into contemporaneously herewith;

1 (iii) receipt of all necessary governmental authorizations, approvals,
2 and permits required to construct the Project facilities necessary to
3 provide the firm transportation service contemplated herein and in
4 the Service Agreement other than those specified in
5 Paragraph 7(A)(i);

6 (iv) procurement of all necessary rights-of-way easements or permits in
7 form and substance acceptable to Pipeline; and

8 (v) [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 [REDACTED]
21 [REDACTED]

1 (B) Conditions imposed by Shipper (only Shipper shall have the right to waive
2 in writing the conditions precedent set forth in Paragraph 7(B)):

3 (i) Shipper's receipt by [REDACTED] of approval from its Board
4 of Directors or similar governing body to enter into this Precedent
5 Agreement and the Service Agreement;

6 (ii) Shipper's receipt in a form acceptable to Shipper in its sole
7 discretion by March 15, 2007 of approval from the Florida Public
8 Service Commission for Shipper to recover through the fuel cost
9 recovery clause costs Shipper will incur pursuant to the obligations
10 set forth in this Precedent Agreement and the Service Agreement;
11 provided, however, the Parties may on or before March 15, 2007,
12 by written agreement extend for a mutually agreeable period up to
13 ninety (90) days the deadline for satisfying or waiving this (and any
14 other) condition(s) precedent;

15 (iii) Pipeline filing, by [REDACTED], its certificate application with
16 the Commission for authorization to construct, own and operate the
17 Project;

18 (iv) Pipeline commencing bona fide construction of its Project facilities
19 on or before [REDACTED]

20 [REDACTED]

21 [REDACTED]

22 [REDACTED]

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5 [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 [REDACTED]
21 [REDACTED]
22 [REDACTED]
23 [REDACTED]

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[REDACTED]

7 Unless otherwise provided for herein, the Commission authorization(s) and
8 approval(s) contemplated in Paragraph 1 of this Precedent Agreement must be issued
9 in form and substance satisfactory to both Parties hereto. For the purposes of this
10 Precedent Agreement, such Commission authorization(s) and approval(s) shall be
11 deemed satisfactory if issued or granted in form and substance as requested, or if
12 issued in a manner acceptable to Pipeline and such authorization(s) and approval(s), as
13 issued, will not have a material adverse effect on Shipper, in Shipper's reasonably
14 exercised judgement. Shipper shall notify Pipeline in writing not later than fifteen (15)
15 days after Pipeline has provided notice to Shipper of the issuance of the Commission
16 certificate(s), authorization(s) and approval(s), including any order issued as a
17 preliminary determination on non-environmental issues, contemplated in Paragraph 1 of
18 this Precedent Agreement if such certificate(s), authorization(s) and approval(s) are not
19 satisfactory to Shipper. All other governmental authorizations, approvals, permits
20 and/or exemptions must be issued in form and substance acceptable to Pipeline. All
21 governmental approvals required by this Precedent Agreement must be duly granted by
22 the Commission or other governmental agency or authority having jurisdiction, and must
23 be final and no longer subject to rehearing or appeal; provided, however, Pipeline may

1 waive the requirement that such authorization(s) and approval(s) be final and no longer
2 subject to rehearing or appeal. Pipeline agrees to provide prompt written notice to
3 Shipper as to whether the conditions precedent set forth in Paragraphs 7(A)(i), 7(A)(ii),
4 7(A)(iii), 7(A)(iv) and 7(B)(v) are satisfied, or not satisfied, by the earlier of the dates set
5 forth in such conditions or [REDACTED]. Shipper agrees to provide prompt
6 written notice to Pipeline as to whether the conditions precedent set forth in Paragraphs
7 7(B)(i) and 7(B)(ii) are satisfied, or not satisfied, by the dates set forth in such
8 conditions.

9 8. [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]

20 9. (A) If any of the conditions precedent set forth in Paragraph 7 of this
21 Precedent Agreement, excluding the condition precedent set forth in Paragraph 7 (A)(v),
22 have not been fully satisfied, or waived by Pipeline or Shipper as applicable pursuant to
23 the terms of Paragraph 7, by the earlier of the applicable dates specified therein or

1 [REDACTED], and this Precedent Agreement has not been terminated pursuant
2 to Paragraph 9(B) of this Precedent Agreement, then either Pipeline or Shipper may
3 thereafter terminate this Precedent Agreement and the related Service Agreement by
4 giving [REDACTED] prior written notice of its intention to terminate to the non-
5 terminating Party; provided, however, if the conditions precedent are satisfied, or
6 waived by Pipeline or Shipper, as applicable, pursuant to the terms of Paragraph 7 of
7 this Precedent Agreement, within such [REDACTED] day notice period, then termination
8 will not be effective. [REDACTED]

9 [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 [REDACTED]
21 [REDACTED]
22 [REDACTED]

1 (B) In addition to the provisions of Paragraph 9(A) of this Precedent
2 Agreement, Pipeline may terminate this Precedent Agreement at any time if (i) [REDACTED]

3 [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 [REDACTED]
9 [REDACTED]

10 (C) [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]

18 (D) If this Precedent Agreement is not terminated pursuant to
19 Paragraph 9(A), 9(B) or 9(C) of this Precedent Agreement, then this Precedent
20 Agreement will terminate by its express terms on the date of commencement of service
21 under the Service Agreement, as provided for in Paragraph 4 of this Precedent
22 Agreement, and thereafter Pipeline's and Shipper's rights and obligations related to the
23 transportation transaction contemplated herein shall be determined pursuant to the

1 terms and conditions of such Service Agreement and Pipeline's Tariff, as effective from
2 time to time.

3 10. Shipper commits that it can and will satisfy one of the following
4 creditworthiness requirements set forth in Paragraph 10(A) and that, upon request by
5 Pipeline, Shipper shall promptly provide evidence to Pipeline of same:

6 (A) [REDACTED]
7 [REDACTED]
8 [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]

18 [REDACTED]
19 [REDACTED]
20 [REDACTED]
21 [REDACTED]
22 [REDACTED]

1 [REDACTED]

2 [REDACTED]

3 [REDACTED]

4 (C) This Paragraph 10 shall survive the termination of the Precedent
5 Agreement and shall remain in effect until the Service Agreement terminates in
6 accordance with its terms.

7 11. Shipper acknowledges and agrees that: (A) Pipeline is a Delaware limited
8 liability company; (B) Shipper shall have no recourse against any member of Pipeline,
9 or any parent company, affiliate or subsidiary of any member of Pipeline, with respect to
10 Pipeline's obligations under this Precedent Agreement or the Service Agreement and
11 that its sole recourse shall be against the assets and revenues of Pipeline, irrespective
12 of any failure to comply with applicable law or any provision of this Precedent
13 Agreement or the Service Agreement; (C) no claims shall be made against any member
14 of Pipeline, or any parent company, affiliate or subsidiary of any member of Pipeline,
15 under or in connection with this Precedent Agreement or the Service Agreement; and
16 (D) this representation is made expressly for the benefit of the members of Pipeline.
17 This Paragraph 11 shall survive the termination of the Precedent Agreement and shall
18 remain in effect until the Service Agreement terminates in accordance with its terms.

19 12. (A) Shipper represents and warrants that (i) it is duly organized and
20 validly existing under the laws of the State of Florida and has all requisite legal power
21 and authority to execute this Precedent Agreement and carry out the terms, conditions
22 and provisions thereof; (ii) subject to satisfaction of the condition precedent set forth in

1 Paragraph 7(B)(i), this Precedent Agreement constitutes the valid, legal and binding
2 obligation of Shipper, enforceable in accordance with the terms hereof; (iii) there are no
3 actions, suits or proceedings pending or, to Shipper's knowledge, threatened against or
4 affecting Shipper before any Court or administrative body that might materially
5 adversely affect the ability of Shipper to meet and carry out its obligations hereunder;
6 (iv) the execution and delivery by Shipper of this Precedent Agreement has been duly
7 authorized by all requisite corporate action; and (v) that Shipper will comply with its
8 obligations under Paragraph 10 of this Precedent Agreement.

9 (B) Pipeline represents and warrants that (i) it is duly organized and validly
10 existing under the laws of the State of Delaware; (ii) subject to satisfaction of the
11 condition precedent set forth in Paragraph 7(A)(ii), this Precedent Agreement
12 constitutes the valid, legal and binding obligation of Pipeline, duly authorized by all
13 limited liability company action necessary to execute this Precedent Agreement,
14 enforceable in accordance with the terms hereof; and (iii) there are no actions, suits or
15 proceedings pending or, to Pipeline's knowledge, threatened against or affecting
16 Pipeline before any Court or administrative body that might materially adversely affect
17 the ability of Pipeline to meet and carry out its obligations hereunder.

18 13. This Precedent Agreement may not be modified or amended unless the
19 Parties execute written agreements to that effect.

20 14. Any company which succeeds by purchase, merger, or consolidation of
21 title to the properties, substantially as an entirety, of Pipeline or Shipper, will be entitled
22 to the rights and will be subject to the obligations of its predecessor in title under this

1 Precedent Agreement. Otherwise, unless as expressly set forth in this Precedent
2 Agreement, neither Shipper nor Pipeline may assign any of its rights or obligations
3 under this Precedent Agreement without the prior written consent of the other Party
4 hereto. Notwithstanding the foregoing, Shipper agrees that Pipeline shall have the right,
5 without the need to obtain Shipper's consent, to pledge its rights and obligations under
6 this Precedent Agreement as collateral security for its indebtedness.

7 15. Except as expressly provided for in this Precedent Agreement, nothing
8 herein expressed or implied is intended or shall be construed to confer upon or give to
9 any person not a Party hereto any rights, remedies or obligations under or by reason of
10 this Precedent Agreement.

11 16. Each and every provision of this Precedent Agreement shall be
12 considered as prepared through the joint efforts of the Parties and shall not be
13 construed against either Party as a result of the preparation or drafting thereof. It is
14 expressly agreed that no consideration shall be given or presumption made on the basis
15 of who drafted this Precedent Agreement or any specific provision hereof.

16 17. The recitals and representations appearing first above are hereby
17 incorporated in and made a part of this Precedent Agreement.

18 18. This Precedent Agreement shall be governed by, construed, interpreted,
19 and performed in accordance with the laws of the State of Texas, without recourse to
20 any laws governing the conflict of laws.

1 19. Except as herein otherwise provided, any notice, request, demand,
2 statement, or bill provided for in this Precedent Agreement, or any notice which either
3 Party desires to give to the other, must be in writing and will be considered duly
4 delivered when mailed by registered or certified mail to the other Party's Post Office
5 address set forth below:

6
7 Pipeline: Southeast Supply Header, LLC
8 5400 Westheimer Court
9 Houston, TX 77056
10 Facsimile (713) 627-5658
11 Telephone (713) 627-4419
12 Attn: Vice President, Marketing

13
14 Shipper: Florida Power Corporation
15 d/b/a Progress Energy Florida, Inc.
16 410 S. Wilmington Street (PEB 9A)
17 Raleigh, NC 27601
18 Facsimile: (919) 546-2828
19 Telephone: (919) 546-4083
20 Attention: Vice President, Regulated Fuels
21 With a copy sent to the attention of Contract Administration via
22 facsimile at (919) 546-2649

23
24
25

26 or at such other address as either Party designates by written notice. Routine
27 communications, including monthly statements, will be considered duly delivered when
28 mailed by either registered, certified, or ordinary mail.

1 IN WITNESS WHEREOF, the Parties hereto have caused this Precedent
2 Agreement to be duly executed by their duly authorized officers as of the day and year
3 first above written.

4 **Southeast Supply Header, LLC**

Florida Power Corporation
d/b/a/ Progress Energy Florida, Inc.

5
6
7 By: _____

By: _____

8 Name: David A. Shammo

Name: Robert Bazemore

9 Title: Vice President

Title: Vice President

December 5, 2006

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4
5 Mr. Robert Bazemore
6 Vice President
7 Florida Power Corporation
8 d/b/a/ Progress Energy Florida, Inc.
9 410 S. Wilmington, Street (PEB 9A)
10 Raleigh, NC 27601
11

12
13 Re: Negotiated Rates for Transportation Service
14 Under SESH Rate Schedule FTS Contract No. 840006
15

16 Dear Mr. Bazemore:
17

18 This Agreement ("Agreement") is made and entered into on the date first above written,
19 by and between Southeast Supply Header, LLC ("Transporter") and Florida Power
20 Corporation d/b/a/ Progress Energy Florida, Inc. ("Shipper"). Transporter and Shipper
21 are parties to that certain firm transportation service agreement pursuant to
22 Transporter's Rate Schedule FTS, which has a Maximum Daily Quantity of 150,000
23 Dth/d, designated as Transporter's Contract No. 840006 ("Service Agreement"). In
24 accordance with the mutual covenants and agreements contained herein and in the
25 Service Agreement, Transporter and Shipper desire to enter into this Agreement with
26 respect to the rates for service under the Service Agreement for certain quantities of
27 Shipper's natural gas to be transported on Transporter's system to delivery points at the
28 interconnections between Transporter's system and Gulfstream Natural Gas System,
29 L.L.C. ("Gulfstream") and Florida Gas Transmission Company ("FGT") (the Gulfstream
30 delivery point and the FGT delivery point are sometimes referred to collectively herein
31 as the ("Primary Delivery Points")).
32

33 When used in this Agreement, and unless otherwise defined herein, capitalized
34 terms shall have the meanings set forth in that certain Precedent Agreement between
35 Shipper and Transporter dated December 5, 2006 related to service under the Service
36 Agreement ("Precedent Agreement"), the Service Agreement and/or in Transporter's
37 FERC Gas Tariff (which includes without limitation the rate schedules, General Terms
38 and Conditions ("GT&C"), and forms of service agreement), as amended from time to
39 time ("Tariff").
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[REDACTED]

2. Applicability of Negotiated Rates: Notwithstanding anything to the contrary in this Agreement, the Negotiated Rates set forth above will apply only to deliveries under the Service Agreement at (i) the Primary Delivery Points and (ii) any other delivery point on a secondary basis. In the event that Shipper changes the primary delivery point under the Service Agreement to any location other than the Primary Delivery Points, then this Agreement shall terminate effective immediately and the rates applicable after this Agreement terminates shall be Transporter's applicable maximum Recourse Rates in effect pursuant to Transporter's Tariff unless and until otherwise agreed to in writing by Shipper and Transporter. In the event that Shipper releases its firm transportation rights under the Service Agreement, Shipper shall continue to be obligated to pay Transporter for the difference, if any, by which the Negotiated Rates (and all other applicable rates contemplated in Paragraph 1 above) exceed the release rate.

3. Effect of Negotiated Rates: Pursuant to the GT&C of Transporter's Tariff, the Negotiated Rates set forth herein shall collectively constitute a "negotiated rate." Shipper, by execution of this Agreement, agrees that the otherwise generally applicable maximum Recourse Rate(s) in effect pursuant to Transporter's Tariff shall not apply to or be available to Shipper for service under the Service Agreement during the term of this Agreement (except to the extent expressly

[REDACTED]

1 stated in Paragraph 1 above or at any and all times when the Negotiated Rates
2 are not otherwise applicable to service under the Service Agreement pursuant to
3 the terms of this Agreement), notwithstanding any adjustments to such generally
4 applicable maximum Recourse Rate(s) which may become effective during the
5 term of this Agreement.
6

7 4. No Refund Obligations: If, at any time after the date service commences under
8 the Service Agreement and thereafter during the term of this Agreement,
9 Transporter is collecting its effective maximum Recourse Rates subject to refund
10 under Section 4 of the Natural Gas Act as amended ("NGA") and the Negotiated
11 Rates specified in Paragraph 1 of this Agreement are in effect for service
12 provided to Shipper under the Service Agreement, Transporter shall have no
13 refund obligation to Shipper even if the final maximum recourse rates are
14 reduced to a level below the Negotiated Rates provided herein. Shipper's right to
15 receive credits relating to Transporter's penalty revenue or other similar revenue,
16 if any, applicable to transportation service on Transporter's system shall be
17 governed by Transporter's Tariff and any applicable FERC orders and/or
18 regulations.
19

20 5. Transporter's Tariff: Shipper acknowledges and agrees that all terms and
21 conditions of Transporter's Tariff, as effective from time to time, including
22 provisions for filing of changes in Transporter's Tariff, are applicable to the
23 Service Agreement. In the event of a conflict between this Agreement and
24 Transporter's Tariff, Transporter's Tariff shall control.
25

26 6. Term: This Agreement shall be binding on the Parties as of December 5, 2006.
27 Subject to Paragraphs 2 and 7 herein, the Negotiated Rates set forth herein shall
28 apply to service under the Service Agreement commencing on the Service
29 Commencement Date under the Service Agreement and shall, subject to the
30 terms and conditions of this Agreement, continue in effect through the Primary
31 Term of the Service Agreement.
32

33 7. Regulatory Approval: Transporter shall make a filing with the FERC for approval
34 to implement the Negotiated Rates set forth herein pursuant to the NGA, the
35 FERC's regulations promulgated under the NGA, and the FERC's Statement of
36 Policy Alternatives to Traditional Cost of Service Ratemaking for Natural Gas
37 Transporters and Regulation of Negotiated Transportation Service of Natural Gas
38 Transporters issued January 31, 1996, in Docket Nos. RM95-6-000 and RM96-7-
39 000. This Agreement and the Negotiated Rates set forth herein shall not apply to
40 service under the Service Agreement unless and until the FERC approves such
41 filing without condition and/or modification.
42

43 8. Governing Law: This Agreement shall be construed in accordance with and
44 governed by the laws of the State of Texas, without recourse to the law
45 governing the conflict of laws thereof.
46

1 9. Entire Agreement: This Agreement contains the entire agreement of the Parties
2 with regard to the matters set forth herein and shall be binding upon and inure to
3 the benefit of the successors of each Party.
4

5 10. Notices: All notices and communications regarding this Agreement shall be
6 made in accordance with the notice provisions of the Service Agreement.
7

8 If the foregoing accurately sets forth your understanding of the matters covered
9 herein, please so indicate by having a duly authorized representative sign in the space
10 provided below and returning an original signed copy to the undersigned.
11

12
13 Sincerely,
14
15 Southeast Supply Header, LLC,
16 By Duke Energy Southeast Supply Header,
17 LLC, Its Operator
18
19
20
21

22 _____
23 David A. Shammo
24 Vice President
25

26
27 ACCEPTED AND AGREED TO:
28 This 5th Day of December, 2006
29
30 Florida Power Corporation
31 d/b/a/ Progress Energy Florida, Inc.
32

33 By: _____
34 Robert Bazemore
35 Vice President
36

December 5, 2006

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5 Mr. Robert Bazemore
6 Vice President
7 Florida Power Corporation
8 d/b/a/ Progress Energy Florida, Inc.
9 410 S. Wilmington, Street (PEB 9A)
10 Raleigh, NC 27601
11

12
13 Re: Negotiated Rates for Transportation Service
14 Under SESH Rate Schedule FTS Contract No. 840007
15

16 Dear Mr. Bazemore:
17

18 This Agreement ("Agreement") is made and entered into on the date first above written,
19 by and between Southeast Supply Header, LLC ("Transporter") and Florida Power
20 Corporation d/b/a/ Progress Energy Florida, Inc. ("Shipper"). Transporter and Shipper
21 are parties to that certain firm transportation service agreement pursuant to
22 Transporter's Rate Schedule FTS, which has a Maximum Daily Quantity of 50,000
23 Dth/d, designated as Transporter's Contract No. 840007 ("Service Agreement"). In
24 accordance with the mutual covenants and agreements contained herein and in the
25 Service Agreement, Transporter and Shipper desire to enter into this Agreement with
26 respect to the rates for service under the Service Agreement for certain quantities of
27 Shipper's natural gas to be transported on Transporter's system to delivery points at the
28 interconnections between Transporter's system and Gulfstream Natural Gas System,
29 L.L.C. ("Gulfstream") and Florida Gas Transmission Company ("FGT") (the Gulfstream
30 delivery point and the FGT delivery point are sometimes referred to collectively herein
31 as the ("Primary Delivery Points")).
32

33 When used in this Agreement, and unless otherwise defined herein, capitalized
34 terms shall have the meanings set forth in that certain Precedent Agreement between
35 Shipper and Transporter dated December 5, 2006 related to service under the Service
36 Agreement ("Precedent Agreement"), the Service Agreement and/or in Transporter's
37 FERC Gas Tariff (which includes without limitation the rate schedules, General Terms
38 and Conditions ("GT&C"), and forms of service agreement), as amended from time to
39 time ("Tariff").
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[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

2. Applicability of Negotiated Rates: Notwithstanding anything to the contrary in this Agreement, the Negotiated Rates set forth above will apply only to deliveries under the Service Agreement at (i) the Primary Delivery Points and (ii) any other delivery point on a secondary basis. In the event that Shipper changes the primary delivery point under the Service Agreement to any location other than the Primary Delivery Points, then this Agreement shall terminate effective immediately and the rates applicable after this Agreement terminates shall be Transporter's applicable maximum Recourse Rates in effect pursuant to Transporter's Tariff unless and until otherwise agreed to in writing by Shipper and Transporter. In the event that Shipper releases its firm transportation rights under the Service Agreement, Shipper shall continue to be obligated to pay Transporter for the difference, if any, by which the Negotiated Rates (and all other applicable rates contemplated in Paragraph 1 above) exceed the release rate.

3. Effect of Negotiated Rates: Pursuant to the GT&C of Transporter's Tariff, the Negotiated Rates set forth herein shall collectively constitute a "negotiated rate." Shipper, by execution of this Agreement, agrees that the otherwise generally applicable maximum Recourse Rate(s) in effect pursuant to Transporter's Tariff shall not apply to or be available to Shipper for service under the Service Agreement during the term of this Agreement (except to the extent expressly

2 [REDACTED]

1 stated in Paragraph 1 above or at any and all times when the Negotiated Rates
2 are not otherwise applicable to service under the Service Agreement pursuant to
3 the terms of this Agreement), notwithstanding any adjustments to such generally
4 applicable maximum Recourse Rate(s) which may become effective during the
5 term of this Agreement.
6

7 4. No Refund Obligations: If, at any time after the date service commences under
8 the Service Agreement and thereafter during the term of this Agreement,
9 Transporter is collecting its effective maximum Recourse Rates subject to refund
10 under Section 4 of the Natural Gas Act as amended ("NGA") and the Negotiated
11 Rates specified in Paragraph 1 of this Agreement are in effect for service
12 provided to Shipper under the Service Agreement, Transporter shall have no
13 refund obligation to Shipper even if the final maximum recourse rates are
14 reduced to a level below the Negotiated Rates provided herein. Shipper's right to
15 receive credits relating to Transporter's penalty revenue or other similar revenue,
16 if any, applicable to transportation service on Transporter's system shall be
17 governed by Transporter's Tariff and any applicable FERC orders and/or
18 regulations.
19

20 5. Transporter's Tariff: Shipper acknowledges and agrees that all terms and
21 conditions of Transporter's Tariff, as effective from time to time, including
22 provisions for filing of changes in Transporter's Tariff, are applicable to the
23 Service Agreement. In the event of a conflict between this Agreement and
24 Transporter's Tariff, Transporter's Tariff shall control.
25

26 6. Term: This Agreement shall be binding on the Parties as of December 5, 2006.
27 Subject to Paragraphs 2 and 7 herein, the Negotiated Rates set forth herein shall
28 apply to service under the Service Agreement commencing on the Second
29 Service Commencement Date under the Service Agreement and shall, subject to
30 the terms and conditions of this Agreement, continue in effect through the
31 Primary Term of the Service Agreement.
32

33 7. Regulatory Approval: Transporter shall make a filing with the FERC for approval
34 to implement the Negotiated Rates set forth herein pursuant to the NGA, the
35 FERC's regulations promulgated under the NGA, and the FERC's Statement of
36 Policy Alternatives to Traditional Cost of Service Ratemaking for Natural Gas
37 Transporters and Regulation of Negotiated Transportation Service of Natural Gas
38 Transporters issued January 31, 1996, in Docket Nos. RM95-6-000 and RM96-7-
39 000. This Agreement and the Negotiated Rates set forth herein shall not apply to
40 service under the Service Agreement unless and until the FERC approves such
41 filing without condition and/or modification.
42

43 8. Governing Law: This Agreement shall be construed in accordance with and
44 governed by the laws of the State of Texas, without recourse to the law
45 governing the conflict of laws thereof.
46

- 1 9. Entire Agreement: This Agreement contains the entire agreement of the Parties
2 with regard to the matters set forth herein and shall be binding upon and inure to
3 the benefit of the successors of each Party.
4
5 10. Notices: All notices and communications regarding this Agreement shall be
6 made in accordance with the notice provisions of the Service Agreement.
7

8 If the foregoing accurately sets forth your understanding of the matters covered
9 herein, please so indicate by having a duly authorized representative sign in the space
10 provided below and returning an original signed copy to the undersigned.
11

12
13 Sincerely,
14
15 Southeast Supply Header, LLC,
16 By Duke Energy Southeast Supply Header,
17 LLC, Its Operator
18

19
20
21
22 _____
23 David A. Shammo
24 Vice President
25

26
27 ACCEPTED AND AGREED TO:
28 This 5th Day of December, 2006
29
30 Florida Power Corporation
31 d/b/a/ Progress Energy Florida, Inc.
32
33 By: _____
34 Robert Bazemore
35 Vice President
36

SERVICE AGREEMENT
(APPLICABLE TO RATE SCHEDULE FTS)

Date: (1) December 5, 2006,

Contract No. (1A) 840006

SERVICE AGREEMENT

This AGREEMENT is entered into by and between Southeast Supply Header, LLC, ("Transporter") and (2) Florida Power Corporation, d/b/a/ Progress Energy Florida, Inc. ("Shipper").

WHEREAS, in connection with the firm transportation service contemplated herein, Shipper and Transporter are contemporaneously herewith executing a precedent agreement dated December 5, 2006, which sets forth certain conditions precedent to Shipper's and Transporter's rights and obligations under this Agreement and which is referred to herein as the ("Precedent Agreement") (capitalized terms used herein that are not defined herein or in Transporter's Tariff shall have the meaning set forth in the Precedent Agreement);

In consideration of the premises and of the mutual covenants herein contained, the parties do agree as follows:

1. Transporter agrees to provide and Shipper agrees to take and pay for service under this Agreement pursuant to Transporter's Rate Schedule FTS and the General Terms and Conditions of Transporter's Tariff, which are incorporated herein by reference and made a part hereof.
2. The Maximum Daily Quantity (MDQ) for service under this Agreement and any right to increase or decrease the MDQ during the term of this Agreement are listed on Exhibit C attached hereto. The Point(s) of Receipt are listed on Exhibit A attached hereto and the Point(s) of Delivery are listed on Exhibit B attached hereto. Exhibit(s) A, B and C are incorporated herein by reference and made a part hereof.
3. This Agreement shall be binding on the Parties on (5A) December 5, 2006. Service under this Agreement shall commence on the Service Commencement Date as defined in Paragraph 4 of the Precedent Agreement and shall continue until (5B) the end of the Gas Day on the [REDACTED] of the Service Commencement Date ("Primary Term") and from (5C) year to (5D) year thereafter until terminated by Transporter or Shipper upon at least (5E) two (2) years prior written notice. Any portions of this Service Agreement necessary to correct or cash-out imbalances under this Service Agreement as required by the General Terms and Conditions of Transporter's FERC Gas Tariff shall survive the other parts of this Service Agreement until such time as such balancing has been accomplished. In the event that the Precedent Agreement is terminated, other than by commencement of service under this Agreement, then this Agreement shall terminate effective as of the date the Precedent Agreement is terminated and thereafter this Agreement shall be null and void.

Notwithstanding any other provision in this Agreement, after service has commenced hereunder if as a result of an event of Force Majeure Transporter is not able to deliver Shipper's scheduled quantities for a period of one hundred eighty five (185) consecutive days during any three hundred sixty five (365) consecutive day period and at any minimum delivery pressure specified on Exhibit B of this Agreement, then Shipper shall have the right to terminate this Agreement or reduce the MDQ (with an associated reduction in the Delivery Point MDQs specified on Exhibit B of this Agreement) of this Agreement upon sixty (60) days prior written notice.

4. Maximum rates, charges, and fees shall be applicable to service pursuant to this Agreement except during the specified term of a discounted or negotiated rate to which Shipper and Transporter have agreed. Provisions governing such discounted rate shall be as specified in the Discount Confirmation to this Service Agreement. Provisions governing such negotiated rate and term shall be as specified on an appropriate rate sheet filed, with the consent of Shipper, as part of Transporter's Tariff. It is further agreed that Transporter may seek authorization from the Commission and/or other appropriate body at any time and from time to time to change any rates, charges or other provisions in the applicable Rate Schedule and General Terms and Conditions of Transporter's Tariff, and Transporter shall have the right to place such changes in effect in accordance with the Natural Gas Act. Nothing contained herein shall be construed to deny Shipper any rights it may have under the Natural Gas Act, including the right to participate fully in rate or other proceedings by intervention or otherwise to contest increased rates in whole or in part.

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5. Unless otherwise required in the Tariff, all notices shall be in writing and mailed to the applicable address below or transmitted via facsimile. Shipper or Transporter may change the addresses or other information below by written notice to the other without the necessity of amending this Agreement:

Transporter: Southeast Supply Header, LLC
5400 Westheimer Court
Houston, Texas 77056
Facsimile: (713) 627-5658
Telephone: (713) 627-4419
Attention: Vice President, Marketing

Shipper: (6) Florida Power Corporation
d/b/a/ Progress Energy Florida, Inc.
410 S. Wilmington Street (PEB 9A)
Raleigh, NC 27601
Facsimile:
Telephone:
Attention:

6. The interpretation and performance of this Agreement shall be in accordance with the laws of the State of Texas, excluding conflicts of law principles that would require the application of the laws of a different jurisdiction.

7. This Agreement supersedes and cancels, as of the effective date of this Agreement, the contract(s) between the parties hereto as described below, if applicable,

(7) [None or an appropriate description]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed by their respective Officers and/or Representatives thereunto duly authorized to be effective as of the date stated above.

SHIPPER: (2) Florida Power Corporation
d/b/a/ Progress Energy Florida, Inc.

SOUTHEAST SUPPLY HEADER, LLC
By Duke Energy Southeast Supply Header, LLC
Its Operator

By: _____
Robert Bazemore

By: _____
David A. Shammo

Title: Vice President

Title: Vice President

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SERVICE AGREEMENT
(APPLICABLE TO RATE SCHEDULE FTS)

EXHIBIT A

Point(s) of Receipt

Dated: (8) December 5, 2006

To the service agreement under Rate Schedule FTS between Southeast Supply Header, LLC (Transporter) and (2) Florida Power Corporation d/b/a/ Progress Energy Florida, Inc. (Shipper) concerning Point(s) of Receipt.

The receipt points available to Shipper pursuant to Section 4.1 of Rate Schedule FTS includes the following, and any additional receipt points constructed after the effective date of this Agreement:

Receipt Point	Receipt Point MDQ ³	Maximum Receipt Pressure
(10) CenterPoint Energy Gas Transmission Carthage to Perryville Pipeline	150,000 Dth/d	
Gulf South Pipeline (East Texas to Mississippi Expansion)	150,000 Dth/d	
Columbia Gulf	150,000 Dth/d	

Signed for Identification

Transporter: _____

Shipper: _____

Supercedes Exhibit A Dated (9) N/A _____

³ During the period commencing on the Service Commencement Date and continuing through May 31, 2009, the Receipt Point MDQs at the points listed below shall be 100,000 Dth/d.

SERVICE AGREEMENT
(APPLICABLE TO RATE SCHEDULE FTS)

Exhibit B

Point(s) of Delivery

Dated: (11) December 5, 2006

To the service agreement under Rate Schedule FTS between Southeast Supply Header, LLC (Transporter) and (2) Florida Power Corporation d/b/a Progress Energy Florida, Inc. (Shipper) concerning Point(s) of Delivery.

Primary Point of Delivery	Delivery Point MDQ ⁴	Minimum Delivery Pressure
(13) Gulfstream Delivery Point	150,000 Dth	975 psig
FGT Delivery Point	150,000 Dth	975 psig

Signed for Identification

Transporter: _____

Shipper: _____

Supersedes Exhibit B Dated (12) N/A _____

⁴ During the period commencing on the Service Commencement Date and continuing through May 31, 2009, the Delivery Point MDQs at the points listed below shall be 100,000 Dth/d.

SERVICE AGREEMENT
(APPLICABLE TO RATE SCHEDULE FTS)

Date: (1) December 5, 2006,

Contract No. (1A) 840007

SERVICE AGREEMENT

This AGREEMENT is entered into by and between Southeast Supply Header, LLC, ("Transporter") and (2) Florida Power Corporation, d/b/a/ Progress Energy Florida, Inc. ("Shipper").

WHEREAS, in connection with the firm transportation service contemplated herein, Shipper and Transporter are contemporaneously herewith executing a precedent agreement dated December 5, 2006, which sets forth certain conditions precedent to Shipper's and Transporter's rights and obligations under this Agreement and which is referred to herein as the ("Precedent Agreement") (capitalized terms used herein that are not defined herein or in Transporter's Tariff shall have the meaning set forth in the Precedent Agreement);

In consideration of the premises and of the mutual covenants herein contained, the parties do agree as follows:

1. Transporter agrees to provide and Shipper agrees to take and pay for service under this Agreement pursuant to Transporter's Rate Schedule FTS and the General Terms and Conditions of Transporter's Tariff, which are incorporated herein by reference and made a part hereof.
2. The Maximum Daily Quantity (MDQ) for service under this Agreement and any right to increase or decrease the MDQ during the term of this Agreement are listed on Exhibit C attached hereto. The Point(s) of Receipt are listed on Exhibit A attached hereto and the Point(s) of Delivery are listed on Exhibit B attached hereto. Exhibit(s) A, B and C are incorporated herein by reference and made a part hereof.
3. This Agreement shall be binding on the Parties on (5A) December 5, 2006. Service under this Agreement shall commence on the Second Service Commencement Date as defined in Paragraph 4 of the Precedent Agreement and shall continue until (5B) the end of the Gas Day on the [REDACTED] anniversary of the Second Service Commencement Date ("Primary Term") and from (5C) year to (5D) year thereafter until terminated by Transporter or Shipper upon at least (5E) two (2) years prior written notice. Any portions of this Service Agreement necessary to correct or cash-out imbalances under this Service Agreement as required by the General Terms and Conditions of Transporter's FERC Gas Tariff shall survive the other parts of this Service Agreement until such time as such balancing has been accomplished. In the event that the Precedent Agreement is terminated, other than by commencement of service under this Agreement, then this Agreement shall terminate effective as of the date the Precedent Agreement is terminated and thereafter this Agreement shall be null and void.

Notwithstanding any other provision in this Agreement, after service has commenced hereunder if as a result of an event of Force Majeure Transporter is not able to deliver Shipper's scheduled quantities for a period of one hundred eighty five (185) consecutive days during any three hundred sixty five (365) consecutive day period and at any minimum delivery pressure specified on Exhibit B of this Agreement, then Shipper shall have the right to terminate this Agreement or reduce the MDQ (with an associated reduction in the Delivery Point MDQs specified on Exhibit B of this Agreement) of this Agreement upon sixty (60) days prior written notice.

4. Maximum rates, charges, and fees shall be applicable to service pursuant to this Agreement except during the specified term of a discounted or negotiated rate to which Shipper and Transporter have agreed. Provisions governing such discounted rate shall be as specified in the Discount Confirmation to this Service Agreement. Provisions governing such negotiated rate and term shall be as specified on an appropriate rate sheet filed, with the consent of Shipper, as part of Transporter's Tariff. It is further agreed that Transporter may seek authorization from the Commission and/or other appropriate body at any time and from time to time to change any rates, charges or other provisions in the applicable Rate Schedule and General Terms and Conditions of Transporter's Tariff, and Transporter shall have the right to place such changes in effect in accordance with the Natural Gas Act. Nothing contained herein shall be construed to deny Shipper any rights it may have under the Natural Gas Act, including the right to participate fully in rate or other proceedings by intervention or otherwise to contest increased rates in whole or in part.

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5. Unless otherwise required in the Tariff, all notices shall be in writing and mailed to the applicable address below or transmitted via facsimile. Shipper or Transporter may change the addresses or other information below by written notice to the other without the necessity of amending this Agreement:

Transporter: Southeast Supply Header, LLC
5400 Westheimer Court
Houston, Texas 77056
Facsimile: (713) 627-5658
Telephone: (713) 627-4419
Attention: Vice President, Marketing

Shipper: (6) Florida Power Corporation
d/b/a/ Progress Energy Florida, Inc.
410 S. Wilmington Street (PEB 9A)
Raleigh, NC 27601
Facsimile:
Telephone:
Attention:

6. The interpretation and performance of this Agreement shall be in accordance with the laws of the State of Texas, excluding conflicts of law principles that would require the application of the laws of a different jurisdiction.

7. This Agreement supersedes and cancels, as of the effective date of this Agreement, the contract(s) between the parties hereto as described below, if applicable,

(7) [None or an appropriate description]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed by their respective Officers and/or Representatives thereunto duly authorized to be effective as of the date stated above.

SHIPPER: (2) Florida Power Corporation
d/b/a/ Progress Energy Florida, Inc.

SOUTHEAST SUPPLY HEADER, LLC
By Duke Energy Southeast Supply Header, LLC
Its Operator

By: _____
Robert Bazemore

By: _____
David A. Shammo

Title: Vice President

Title: Vice President

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SERVICE AGREEMENT
(APPLICABLE TO RATE SCHEDULE FTS)

EXHIBIT A

Point(s) of Receipt

Dated: (8) December 5, 2006

To the service agreement under Rate Schedule FTS between Southeast Supply Header, LLC (Transporter) and (2) Florida Power Corporation d/b/a/ Progress Energy Florida, Inc. (Shipper) concerning Point(s) of Receipt.

The receipt points available to Shipper pursuant to Section 4.1 of Rate Schedule FTS includes the following, and any additional receipt points constructed after the effective date of this Agreement:

Receipt Point	Receipt Point MDQ	Maximum Receipt Pressure
(10) CenterPoint Energy Gas Transmission Carthage to Perryville Pipeline	50,000 Dth/d	
Gulf South Pipeline (East Texas to Mississippi Expansion)	50,000 Dth/d	
Columbia Gulf	50,000 Dth/d	

Signed for Identification

Transporter: _____

Shipper: _____

Supercedes Exhibit A Dated (9) N/A _____

SERVICE AGREEMENT
(APPLICABLE TO RATE SCHEDULE FTS)

Exhibit B

Point(s) of Delivery

Dated: (11) December 5, 2006

To the service agreement under Rate Schedule FTS between Southeast Supply Header, LLC (Transporter) and (2) Florida Power Corporation d/b/a Progress Energy Florida, Inc. (Shipper) concerning Point(s) of Delivery.

Primary Point of Delivery	Delivery Point MDQ	Minimum Delivery Pressure
(13) Gulfstream Delivery Point	50,000 Dth	975 psig
FGT Delivery Point	50,000 Dth	975 psig

Signed for Identification

Transporter: _____

Shipper: _____

Supersedes Exhibit B Dated (12) N/A

SERVICE AGREEMENT
(APPLICABLE TO RATE SCHEDULE FTS)

Exhibit C

Transportation Quantities

Dated: (14) December 5, 2006

To the service agreement under Rate Schedule FTS between Southeast Supply Header, LLC (Transporter) and (2) Florida Power Corporation d/b/a Progress Energy Florida, Inc. (Shipper) concerning transportation quantities.

MAXIMUM DAILY QUANTITY (MDQ): (3) 50,000 Dth

Signed for Identification

Transporter: _____

Shipper: _____

Supersedes Exhibit C Dated (15) N/A _____

SERVICE AGREEMENT
(APPLICABLE TO RATE SCHEDULE FTS)

Exhibit C

Transportation Quantities

Dated: (14) December 5, 2006

To the service agreement under Rate Schedule FTS between Southeast Supply Header, LLC (Transporter) and (2) Florida Power Corporation d/b/a Progress Energy Florida, Inc. (Shipper) concerning transportation quantities.

MAXIMUM DAILY QUANTITY (MDQ): (3) 150,000 Dth⁵

Signed for Identification

Transporter: _____

Shipper: _____

Supersedes Exhibit C Dated (15) N/A

⁵ During the period commencing on the Service Commencement Date and continuing through May 31, 2009, the MDQ of this Agreement shall be 100,000 Dth/d.

Exhibit KF-2
Estimated Total Annual Pipeline Costs

<u>Period⁽¹⁾</u>	<u>Capacity</u> <u>(Dth/day)</u>	<u>Reservation Rate</u> <u>(\$/Dth-day)</u>	<u>Fixed Costs</u>	<u>Variable Costs⁽²⁾</u>	<u>Total Costs</u>
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- (1) The projected in-service date of the Southeast Supply Header pipeline is June 1, 2008.
- (2) Estimated variable costs based on 100% utilization of pipeline capacity.

PEF requests that the following information be granted confidential classification:

Exhibit / Page No.	Description	Line No.	Florida Statute 366.093(3) Subsection	Affiant	Justification	
KF-1 / 4	SESH Precedent Agreement	2, 15	(d)(e)	Fonvielle	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.	
KF-1 / 8	SESH Precedent Agreement	6-18	(d)(e)	Fonvielle		
KF-1 / 9	SESH Precedent Agreement	11, 18	(d)(e)	Fonvielle		
KF-1 / 10	SESH Precedent Agreement	8-21	(d)(e)	Fonvielle		The document in question contains confidential information relating to competitive business interests, the disclosure of which would impair the competitive interests of the provider/owner of the information.
KF-1 / 11	SESH Precedent Agreement	3,15,19-22	(d)(e)	Fonvielle		
KF-1 / 12	SESH Precedent Agreement	1-23	(d)(e)	Fonvielle		
KF-1 / 13	SESH Precedent Agreement	1-23	(d)(e)	Fonvielle		
KF-1 / 14	SESH Precedent Agreement	1-23	(d)(e)	Fonvielle		
KF-1 / 15	SESH Precedent Agreement	1-23	(d)(e)	Fonvielle		
KF-1 / 16	SESH Precedent Agreement	1-6	(d)(e)	Fonvielle		
KF-1 / 17	SESH Precedent Agreement	5,9-19	(d)(e)	Fonvielle		
KF-1 / 18	SESH Precedent Agreement	1,4,7,8-22	(d)(e)	Fonvielle		
KF-1 / 19	SESH Precedent Agreement	2-17	(d)(e)	Fonvielle		
KF-1 / 20	SESH Precedent Agreement	6-22	(d)(e)	Fonvielle		
KF-1 / 21	SESH Precedent Agreement	1-3	(d)(e)	Fonvielle		
KF-1 / 26	Negotiated Rates for FTS Contract No. 840006	41-46	(d)(e)	Fonvielle	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.	
KF-1 / 27	Negotiated Rates for FTS Contract No. 840006	2-16, Footnote 1	(d)(e)	Fonvielle		The document in question contains confidential information relating to competitive business interests, the disclosure of which would impair the competitive interests of the provider/owner of the information.

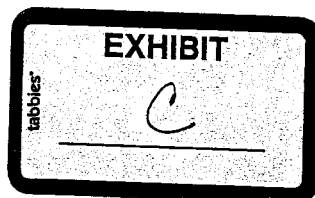


Exhibit / Page No.	Description	Line No.	Florida Statute 366.093(3) Subsection	Affiant	Justification
KF-1 / 30	Negotiated Rates for FTS Contract No. 840007	41-46	(d)(e)	Fonvielle	The document in question contains confidential information, the disclosure of which would impair PEF's efforts to contract for goods or services on favorable terms.
KF-1 / 31	Negotiated Rates for FTS Contract No. 840007	1-15, Footnote 2	(d)(e)	Fonvielle	<p>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.</p> <p>The document in question contains confidential information relating to competitive business interests, the disclosure of which would impair the competitive interests of the provider/owner of the information.</p>
KF-1 / 34	FTS Contract No. 840006	35-36	(d)(e)	Fonvielle	<p>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.</p> <p>The document in question contains confidential information relating to competitive business interests, the disclosure of which would impair the competitive interests of the provider/owner of the information.</p>
KF-1 / 38	FTS Contract No. 840007	36	(d)(e)	Fonvielle	<p>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.</p> <p>The document in question contains confidential information relating to competitive business interests, the disclosure of which would impair the competitive interests of the provider/owner of the information.</p>

Exhibit / Page No.	Description	Line No.	Florida Statute 366.093(3) Subsection	Affiant	Justification
KF-2 / 1	Estimated Total Annual Pipeline Costs	8-22	(d)(e)	Fonvielle	<p>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.</p> <p>The document in question contains confidential information relating to competitive business interests, the disclosure of which would impair the competitive interests of the provider/owner of the information.</p>

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Progress Energy Florida, Inc.'s)
Petition for Approval of Southeast Supply)
Header long-term fuel transportation)
contracts.)

Docket No. 060793-EI
Filed: January 2, 2007

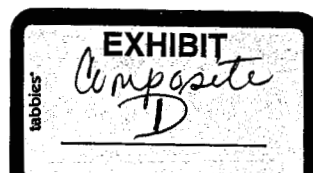
**AFFIDAVIT OF KENT FONVIELLE IN SUPPORT OF
PROGRESS ENERGY FLORIDA'S
FIRST REQUEST FOR CONFIDENTIAL CLASSIFICATION**

STATE OF NORTH CAROLINA

COUNTY OF WAKE

BEFORE ME, the undersigned authority duly authorized to administer oaths, personally appeared Kent Fonvielle, who being first duly sworn, on oath deposes and says that:

1. My name is Kent Fonvielle. I am over the age of 18 years old and have been authorized by Progress Energy Florida, Inc. (hereinafter "PEF" or the "Company") to give this affidavit in the above-styled proceeding on PEF's behalf and in support of PEF's First Request for Confidential Classification. The facts attested to in my affidavit are based upon my personal knowledge.
2. I am the Manager of Fuel Planning and Origination for PEF. In that capacity, I am responsible for long-term fuel planning and origination activities for PEF's coal, gas and oil fired generation in the Carolinas and Florida.
3. PEF is seeking confidential classification for portions of Exhibits KF-1 and KF-2 attached to my prefiled direct testimony. Exhibit KF-1 contains a Precedent Agreement, two Negotiated Rates Agreements for Natural Gas Transportation Service, and two Service Agreements entered into between Southeast Supply Header, LLC ("SESH") and PEF. These agreements are referred to herein collectively as the "SESH Pipeline Contracts." Exhibit



KF-2 contains the Estimated Total Annual Costs for the SESH Pipeline Project. The confidential information at issue is contained in Confidential Appendix A to PEF's First Request for Confidential Classification. PEF is requesting confidential classification of this information because it contains competitive confidential business information of both PEF and SESH.

4. PEF negotiates with potential fuel suppliers and transportation companies to obtain competitive contracts for fuel options that provide economic value to PEF and its customers. In order to obtain such contracts, however, PEF must be able to assure fuel suppliers and transportation companies that sensitive business information, such as the quantity and pricing terms of their contracts, will be kept confidential. PEF has kept confidential and has not publicly disclosed confidential contract terms such as quantity and pricing. Absent such measures, suppliers and transportation companies would run the risk that sensitive business information that they provided in their contracts with PEF would be made available to the public and, as a result, end up in possession of potential competitors. Faced with that risk, persons or companies who otherwise would contract with PEF might decide not to do so if PEF did not keep those terms of their contracts confidential. Without PEF's measures to maintain the confidentiality of sensitive terms in contracts between PEF and fuel suppliers and transportation contractors, the Company's efforts to obtain competitive fuel supply and transportation contracts would be undermined.

5. I have reviewed the documents and information for which I am listed as an affiant in Exhibit C and which are included in Exhibit A to PEF's First Request for Confidential Classification. The documents that PEF asserts to be confidential contain contractual and cost data and, in particular, information relating to the competitive interests of PEF and SESH. The disclosure of this information would impair the ability of PEF and SESH to contract on favorable

terms in the future. Specifically, PEF is providing contractual data that contains pricing information, non-price terms and conditions precedent. The particular contractual terms that PEF asserts to be confidential are not standard for all potential customers and contracts. Therefore, PEF had to negotiate the pricing, non-price terms and conditions precedent that are contained in the SESH Pipeline Contracts. PEF was able to negotiate favorable terms on behalf of its customers. The disclosure of PEF's contractual terms could have a detrimental effect on PEF's current and future negotiations with other potential customers and this, in turn, would impact PEF's ability to negotiate with SESH and other counterparties in future business dealings. The result would be to adversely affect PEF's competitive business interests. If such information were disclosed to PEF's competitors or potential fuel transportation companies, PEF's efforts to obtain competitive fuel transportation options that provide economic value to both PEF and its customers would be compromised.

6. Consistent with the provisions of the Florida Administrative Code, the confidential documents and materials should remain confidential for a period of eighteen (18) months. In addition, they should be returned to PEF as soon as the information is no longer necessary for the Commission to conduct its business so that PEF can continue to maintain the confidentiality of these documents.

7. Upon receipt of confidential information from fuel suppliers and transportation companies, strict procedures are established and followed to maintain the confidentiality of the terms of the documents, including restricting access to those persons who need the contract information to assist the Company, and restricting the number of, and access to the contract information and contracts. At no time since receiving the confidential information in the SESH Pipeline Contracts has the Company publicly disclosed that information or the

contracts. The Company has treated and continues to treat the contractual terms at issue as confidential.

8. This concludes my affidavit.

Further affiant sayeth not.

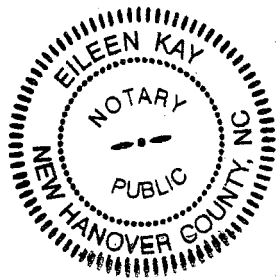
Dated this 2nd day of January, 2007.

Kent Fonvielle

(Signature)

Kent Fonvielle
Manager of Fuel Planning and Origination
Progress Energy Service Company, LLC
410 South Wilmington Street
Raleigh, NC 27601

THE FOREGOING INSTRUMENT was sworn and subscribed to me this 29 day of Dec, 2006 by Kent Fonvielle. He is personally known to me, or has produced his NC drivers license or his _____ as identification.



Eileen Kay

(Signature)

EILEEN KAY

(Printed Name)

(AFFIX NOTARIAL SEAL)

NOTARY PUBLIC, STATE OF NC

9-23-2007

(Commission Expiration Date)

(Serial Number, If Any)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Progress Energy Florida, Inc.'s)
Petition for Approval of Southeast Supply)
Header long-term fuel transportation)
contracts.)

Docket No. 060793-EI
Filed: January 2, 2007

**AFFIDAVIT OF DAVID A. SHAMMO IN SUPPORT OF
PROGRESS ENERGY FLORIDA'S
FIRST REQUEST FOR CONFIDENTIAL CLASSIFICATION**

STATE OF TEXAS

COUNTY OF HARRIS

BEFORE ME, the undersigned authority duly authorized to administer oaths, personally appeared David A. Shammo, who being first duly sworn, on oath deposes and says that:

1. My name is David A. Shammo. I am over the age of 18 years old and have been authorized by Southeast Supply Header, LLC ("SESH") to give this affidavit in the above-styled proceeding in support of Progress Energy Florida, Inc.'s ("PEF") First Request for Confidential Classification. The facts attested to in my affidavit are based upon my personal knowledge.

2. I am the Vice President, Marketing for Duke Energy Southeast Supply Header, LLC, the Operator of SESH. In that capacity, I am responsible for, among other things, the negotiation and administration of contracts for the provision of natural gas transportation service by SESH.

3. PEF is seeking confidential classification for portions of Exhibits KF-1 and KF-2 attached to the prefiled direct testimony of PEF witness Kent Fonvielle. The confidential information at issue is contained in Confidential Appendix A to PEF's First Request for Confidential Classification.

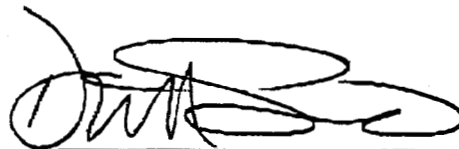
4. SESH has specifically requested that PEF maintain as confidential certain contract terms reflected in the Precedent Agreement, and the two Negotiated Rates Agreements for Natural Gas Transportation Service, (referred to collectively as the "SESH Pipeline Contracts"). The redacted contractual terms constitute sensitive, confidential business information that could adversely affect the competitive business interest of SESH if that information and those terms were disclosed to the general public. Specifically, SESH provides natural gas transportation services in a highly competitive environment. Certain of the terms at which SESH will provide transportation of natural gas are specifically negotiated for each transaction. If the details which have been redacted from the SESH Pipeline Contracts were disclosed to SESH's competitors or customers, SESH could be placed at a disadvantage in future negotiations, which would have an adverse impact on SESH.

5. At no time has the Company publicly disclosed that information. The Company has treated and continues to treat the information at issue as confidential.

6. This concludes my affidavit.

Further affiant sayeth not.

Dated this 2nd day of January, 2007.



(Signature)

David A. Shammo
Vice President, Marketing
Duke Energy Southeast Supply Header, LLC
The Operator of SESH
5400 Westheimer Court
Houston, TX 77056

THE FOREGOING INSTRUMENT was sworn and subscribed to me this 2nd day of January, 2007 by David A. Shammo. He is personally known to me, or has produced his drivers license as identification.

Cloresta Larson
(Signature)

CLORESTA LARSON
(Printed Name)

NOTARY PUBLIC, STATE OF TEXAS

August 16, 2008
(Commission Expiration Date)

(Serial Number, If Any)

