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090001-EI

# Exhibit B

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ECR   1    
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DOCUMENT NUMBER-DATE

8018 AUG-4 8

FPSC-COMMISSION CLERK

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Progress Energy Florida  
Schedule E12 - Capacity and Nuclear Costs  
Calculation of Estimated/Actual True-up  
For the Year 2009

Docket No. 090001-EI  
Exhibit\_\_MO-1, Part 2  
Page 2 of 2

Contract Data:

Name	Start Date	Expiration Date	Type	Purchase/Sal	MW
1 Auburndale Power Partners, L.P. (AUBRDLFC)	Jan-95	Dec-13	QF	Purch	17.00
2 Auburndale Power Partners, L.P. (AUBSET)	Aug-94	Dec-13	QF	Purch	114.18
3 Lake County (LAKCOUNT)	Jan-95	Jun-14	QF	Purch	12.75
4 Lake Cogen Limited (LAKORDER)	Jul-93	Jul-13	QF	Purch	110.00
5 Metro-Dade County (METRDADE)	Nov-91	Nov-13	QF	Purch	43.00
6 Orange Cogen (ORANGECCO)	Jul-95	Dec-24	QF	Purch	74.00
7 Orlando Cogen Limited (ORLACOGL)	Sep-93	Dec-23	QF	Purch	79.20
8 Pasco Cogen Limited (PASCOGL)	Jul-93	Dec-08	QF	Purch	109.00
9 Pasco County Resource Recovery (PASCOUNT)	Jan-95	Dec-24	QF	Purch	23.00
10 Pinellas County Resource Recovery (PINCOUNT)	Jan-95	Dec-24	QF	Purch	54.75
11 Polk Power Partners, L. P. (MULBERRY/ROYSTER)	Aug-94	Aug-24	QF	Purch	115.00
12 Wheelabrator Ridge Energy, Inc. (RIDGEGEN)	Aug-94	Dec-23	QF	Purch	39.60
13 UPS Purchase - Southern	Jul-88	May-10	Other	Purch	414.00
14 TECO Power Purchase	Mar-93	Feb-11	Other	Purch	70.00
15 Schedule H Capacity - New Smyrna Beach	Nov-85	(1)	Other	Sale	
16 Schedule H Capacity - Reedy Creek Improvement Dist	Sep-89	(2)	Other	Sale	
17 Chattahoochee	Oct-02	Dec 17	Other	Purch	
18 Reliant - Osceola	Oct-07	Feb-09	Other	Purch	
19 Shady Hills	Apr 07	Apr 24	Other	Purch	

(1) The New Smyrna Beach (NSB) Schedule H contract is in effect until cancelled by either Progress Energy Florida or NSB upon 1 year's written notice.  
(2) The Reedy Creek Improvement District Schedule H contract is 5 years with 1 year renewal increments.

DOCUMENT NUMBER - DATE  
08018 AUG-4 8

**Progress Energy Florida, Inc.**  
**Risk Management Plan for**  
**Fuel Procurement and Wholesale Power Purchases**  
**For 2010**

As required by Order No. PSC-02-1484-FOF-EI in Docket No. 011605-EI, Progress Energy Florida, Inc (PEF) is submitting its 2010 Risk Management Plan for review by the Florida Public Service Commission. The Risk Management Plan includes the required items as outlined in Attachment A of Order No. PSC-02-1484-FOF-EI and specifically items 1 through 9, and items 13 through 15 as set forth in Exhibit TFB-4 to the prefiled testimony of Todd F. Bohrmann of Docket No. 011605-EI.

Several groups play key roles in the management, monitoring, and analyzing of the activities outlined in PEF's Risk Management Plan. These groups include Fuels and Power Optimization (FPO), Enterprise Risk Management which includes Corporate Credit and Risk Analytics and Reporting, Back Office, Accounting, Regulatory Contracts and Fuel Accounting, Financial Services, Audit Services, and IT Development and Support. The activities supported by these groups include procuring competitive priced fuel, performing asset optimization and portfolio management, executing PEF's hedging strategy, monitoring and reporting against established limits for credit, hedging, performing credit evaluations and monitoring credit and default exposure, performing deal validation, volume actualization, preparing transaction confirmations, preparing journal entries to account for fuel and power related activities, performing billing and payments under the various fuel and purchased power contracts, performing audits, and maintaining and supporting systems that are used.

PEF's current fuel burn and economy purchase and sales activity projections for 2010 based on the July 2009 Fuels and Operation Forecast are as follows:

**Coal**

Based on current projections, PEF is forecasted to burn approximately [REDACTED] [REDACTED] tons of coal in 2010. PEF's forecasted coal requirements for 2010 will be purchased primarily under term coal supply agreements. The coal supply will be delivered to PEF's plants via railroad and barge transportation agreements. Spot purchases will be made as needed.

### **Heavy Oil**

Based on current projections, PEF is forecasted to burn approximately [REDACTED] barrels of heavy oil in 2010. PEF's forecasted heavy oil requirements for 2010 will be purchased primarily under term supply agreements with flexible volume provisions at indexed market prices. Spot market purchases will be made as needed.

### **Light Oil**

Based on current projections, PEF is forecasted to burn approximately [REDACTED] barrels of light oil in 2010. PEF's forecasted light fuel oil requirements for 2010 will be purchased under term supply agreements with flexible volume provisions at indexed market prices. Spot market purchases will be made as needed.

### **Natural Gas**

Based on current projections, PEF is forecasted to burn approximately [REDACTED] of natural gas in 2010 that is comprised of approximately [REDACTED] at PEF's generating plants and [REDACTED] at gas tolling purchased power facilities where PEF has the responsibility to purchase the natural gas. Estimates of usage at gas tolling facilities are generated through the normal course of the production cost modeling process. A majority of PEF's forecasted natural gas requirements for 2010 will be purchased primarily under term supply agreements that are based on market index pricing. In addition, daily and monthly purchases of natural gas will be made as needed.

### **Economy Power Purchases and Sales**

Based on current projections, PEF is forecasted to purchase approximately [REDACTED] of economy power and sell approximately [REDACTED] of economy power in 2010. PEF actively seeks to purchase and sell economy power as opportunities arise based on market prices, dispatch costs, and available transmission capacity.

### **Item 1. Identify the company's overall quantitative and qualitative Risk Management Plan Objectives.**

PEF's overall Risk Management Plan Objectives for 2010 are to effectively manage its overall fuel and purchased power costs for its customers by engaging in competitive fuel procurement practices and activities, performing active asset optimization and portfolio management activities, and continuing to execute the company's hedging program which over time will reduce the impacts of fuel price risk and volatility.

**Item 2. Identify the minimum quantity of fuel to be hedged for 2010 and the activities to be executed.**

PEF's target hedge percentages for calendar year 2010 burns are to hedge between [REDACTED] and [REDACTED] of its forecasted annual natural gas and heavy oil burns. The annual hedging targets that makeup PEF's hedging strategy were developed and formalized over time as PEF's overall hedging activity evolved and expanded through reviews by various groups including Enterprise Risk Management (ERM), Fuels, Accounting, Regulatory Planning, and the applicable Risk Committees. The target annual ranges are outlined in the Progress Energy Florida Fuels and Power Optimization Risk Management Guidelines, which are reviewed to ensure the Guidelines meet the Company's objectives and provide oversight and independent checks and controls, meet the intent of the Hedging Order, and are appropriate based on on-going market conditions. Included in the natural gas burn projections for 2010 are estimates of natural gas burns at PEF's owned generation facilities and two gas tolling purchased power agreements where PEF has the responsibility for purchasing the natural gas. The tolling power purchase facilities are Shady Hills and Vandolah. A gas tolling purchased power agreement is where the buyer has the right to all or a portion of the seller's generation resource via a contractual relationship. For the right to utilize the seller's generation resource, the buyer generally will pay the seller a negotiated monthly capacity payment and variable operation and maintenance costs per MWhr based on actual usage. The natural gas volumes associated with tolling purchased power agreements are included in PEF's natural gas usage forecasts and the annual hedge targets for natural gas.

With respect to light oil, PEF will hedge at least [REDACTED] of its forecasted annual light oil burns over time for 2010. Light oil has lower annual hedging targets than natural gas and heavy oil because actual light oil fuel burns can experience greater deviations due to, but not limited to, economics, load deviations, and purchase power opportunities. In addition to continuing to hedge a percentage of its annual forecasted natural gas and fuel oil burns, PEF expects to begin executing oil product financial hedges to hedge a portion of the oil related fuel surcharge embedded in the coal railroad and barge transportation in 2010. The FPSC approved this activity in Docket 080649-EI, Order No. PSC-09-0349-CO-EI.

The annual hedging targets for each of the respective periods in the Risk Guidelines provide the basis for executing the company's long-term strategy of layering in fixed price transactions over time for a portion of forecasted annual fuel burns. This allows PEF to monitor periodic fuel forecast updates and to move from one calendar period to another more effectively. The volumes that are hedged over time are based on periodic forecasts based on these updated forecasts. Actual hedge percentages can come in higher or lower than targets as a result of actual versus forecasted fuel burns.

**REDACTED**

PEF Fuels & Power Optimization Risk  
Management Guidelines  
(ERM-SUBS-00015)

(25 pages)

Regulated Fuels Hedging Portfolio

**Attachment B**

**REDACTED**

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

*All figures as of: 6/30/2009*

**Progress Energy Florida, Inc.**

*\$ in millions*

Commodity	Total
<b>Gas<sup>A</sup></b>	
Fixed Price Physical	
Fixed Swaps	
Financial Options	
<b>Oil<sup>B</sup></b>	
Fixed Swaps No.6	
Financial Options No.6	
Fixed Swaps No.2	
Financial Options No.2	
<b>Coal<sup>D</sup></b>	
Fixed Priced	
Collar Priced	
Market Priced	
<b>Ammonia<sup>E</sup></b>	
	\$ -
<b>PEF Total</b>	

Notes

[Redacted Notes]

**REDACTED**

PEF Collateral Report

(2 pages)

**Attachment D**

Risk Management Policy

Overview

[REDACTED]

[REDACTED]

[REDACTED]

Risk Management Committee

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Risk Management Policy

Risk Management Tools

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

**REDACTED**

Risk Management Committee Guidelines

(5 pages)

**REDACTED**

Fuels and Power Optimization Credit  
Risk Management Guidelines

(13 pages)

**Attachment G**

**Progress Energy Florida Guidelines and Procedures**

**REDACTED**

Document Number	Document Title	Document Purpose
ERM-SUBS-00015	PEF Fuels & Power Optimization Risk Management Guidelines	
ERM-SUBS-00020	Fuels and Power Optimization Credit Risk Management Guidelines	
MKT-FPOX-00023	FPO Trader Authorization Procedure	
MKT-FPOF-00052	FPO - PEF Short-Term Gas Procurement Process	
MKT-FPOF-00053	FPO - PEF Natural Gas Trade Ticket Process	
MKT-FPOF-00057	FPO - PEF Short-Term Transportation Capacity Process	
MKT-FPOF-00058	FPO - PEF Term Gas Supply and Transportation Policy	
MKT-FPOF-00073	FPO - PEF Long-Term Gas Supply Process	
MKT-FPOF-00081	FPO - PEF Short-Term Gas RFP Process	
MKT-FPOF-00087	FPO - PEF Long-Term Oil Procurement & RFP Process	
MKT-FPOF-00088	FPO - Spot Market PEF Oil Procurement Process	
MKT-FPOX-00041	FPO No. 2 & 6 Financial Oil Hedging Trade Ticket Process	
MCP-FFDX-00005	Coal Procurement Procedures	
MCP-FFDX-00003	Coal Sampling and Weighing Procedure	
ACT-SUBS-00002	Progress Energy Corporate Approval Level Policy	
MKT-FPOX-00016	FPO Power Trading Deal Confirmation Procedure	
MKT-RCOD-00025	RCO Credit Monitoring Procedure	
MKT-FPOF-00075	FPO - PEF Gas Trading Procedure for Off-Premise Transactions	
MKT-FPOF-00047	FPO - PEF Natural Gas Physical Monthly Setup Process	
MKT-SUBS-00026	Mid-Term Marketing Compliance Guidelines	
MKT-FPOX-00028	FPO Energy Trade Ticket Process	
MKT-FPOX-00033	FPO WebTrader Physical Deal Entry Process	
MKT-FPOX-00035	FPO - Power Real Time Trading Process	
MKT-RCOD-00062	RCO Physical Deal Scheduling	
MKT-FPOX-00090	FPO Operational Communications	
N/A	Risk Management Policy	
RMC -1	Risk Management Committee Guidelines	
ACT-SUBS-00080	Commodity Index Price Reporting	

ACT-SUBS-000318	RCO and Regulated Fuel New Product Approval Process
MCP-FFDX-00004	Reagent Procurement Procedure
MCP-FPOX-00001	Coal Combustion Products Reuse Procedure
ADM-FFDX-00001	Freeze Conditioning of Coal Shipments
ADM-SUBS-00046	Fuelworx User Access & Security
MKT-FPOF-00051	PEF - Natural Gas Scheduling Process
MKT-FPOF-00082	FPO PEF SO2 Emissions Trading Process
MKT-FPOF-00083	FPO PEF Emissions Deal Ticket Process
MKT-FPOF-00084	FPO PEF Seasonal and Annual NOx Emissions Trading Process
MKT-FPOX-00045	FPO Long-Term Firm Transportation Capacity Process
MKT-FPOX-00055	FPO Oil Procurement Procedure for Off-Premise Transactions
MKT-FPOX-00061	FPO Trader Authorization Removal Procedure
MKT-FPOX-00032	FPO Zai*Net Option Deal Entry and Exercise Process
MKT-RCOD-00017	RCO Financial Electricity Trading Deal Execution and Capture Procedures
MKT-RCOD-00029	RCO Forward Sale Procedure for Excess Generation
EMG-PGNF-00002	Fuel Oil Emergency Procedure - PEF
ERM-FPOF-00004	Fuels and Power Optimization Florida Credit Line Violation
ERM-FPOF-00007	Fuels and Power Optimization Florida Credit reporting procedure

Note: These policies and procedures are as of July 1, 2009