



October 12, 2009

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VIA HAND DELIVERY

Ms. Ann Cole, Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: *Fuel and purchase power cost recovery clause and generating performance incentive factor; Docket No. 090001-EI*

Dear Ms. Cole:

Enclosed for filing in the above referenced docket on behalf of Progress Energy Florida, Inc. ("PEF") are the original and fifteen (15) copies of the following:

- Rebuttal Testimony of Joseph McCallister with Exhibit No. ____ (JM-1R), Exhibit No. ____ (JM-2R), and Exhibit No. ____ (JM-3R).

Thank you for your assistance in this matter. If you have any questions, please feel free to contact me at (727) 820-5184.

Sincerely,

John T. Burnett lms
John T. Burnett

JTB/lms
Enclosures

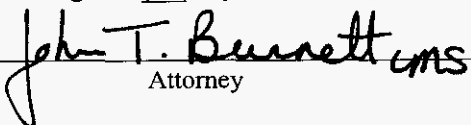
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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished via electronic mail (* hand delivery) to the following this 12th day of October, 2009.


Attorney

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PROGRESS ENERGY FLORIDA

DOCKET No. 090001-EI

**Fuel and Capacity Cost Recovery
January through December 2010**

**REBUTTAL TESTIMONY OF
JOSEPH MCCALLISTER**

October 12, 2009

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

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

4

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

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

8

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

10 A. Progress Energy Florida (PEF) is filing additional testimony to address the
11 testimony of Staff witness Ronald Mavrides and to clarify the findings
12 documented in the Audit Report for 2009 hedging activity dated September
13 11, 2009 which addresses the audit of PEF's hedging activities for Audit
14 Finding No. 1.

15

16 **Q. Are you sponsoring any exhibits to your testimony?**

17 A. Yes, I am sponsoring the following exhibits:

DOCUMENT NUMBER-DATE

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- 1 • Exhibit No. ____ (JM-1R) – 2008 / 2009 Forecasted and Actual Burn
2 Natural Gas Data;
- 3 • Exhibit No. ____ (JM-2R) – 2009 Forecasted and Actual Burn Light Oil
4 Data; and
- 5 • Exhibit No. ____ (JM-3R) – 2008 Forecasted and Actual Burn Heavy Oil
6 Data.

7

8 **Q. What are the clarifications you are making to the audit findings?**

9 A. With respect to Staff's Audit Finding No. 1, PEF would clarify that the
10 targeted hedging percentage ranges outlined in its Risk Management Plan
11 are based on calendar year forecasted burns (i.e. January through
12 December periods). PEF outlines that the targeted hedge percentages
13 ranges are based on forecasted burns for a calendar year period. PEF
14 performs periodic fuel forecast updates and monitors hedge percentages
15 over time. Actual fuel burns therefore are not known until after the fact and
16 thus actual hedge percentages may differ from hedge percentages based
17 on forecasts. In its 2009 Risk Management Plan, PEF outlines the volumes
18 that are hedged over time which are based on periodic forecasts and actual
19 hedge percentages at any given time can vary based on changes in
20 forecasted burns and actual burns that occur. In reviewing the findings by
21 the Staff, PEF recognizes that Staff may have used different periods as the
22 basis for their calculations that represented audit periods that are different
23 than the calendar year hedge percentage targets outlined in PEF's Risk
24 Management Plan. Outlined below is additional clarifying information for

1 Staff Audit Finding No. 1 related to natural gas, light oil and heavy oil.
2
3 Audit Finding No. 1 notes that for natural gas, hedge percentages for the
4 actual amount burned in 2008 and 2009 were 83% and 87%, respectively.
5 PEF did not exceed its targeted hedging percentage ranges for natural gas
6 as outlined its Risk Management Plan. This is shown in Exhibit No. ____
7 (JM-1R). PEF's actual natural gas hedge percentages based on net burns
8 for the calendar period of January 2008 through December 2008 were
9 approximately 76%. For the calendar period January 2009 through
10 December 2009, based on actual natural gas burns gas from January 2009
11 through August 2009, estimates for September 2009, and forecasts for
12 October 2009 through December 2009, PEF currently expects its calendar
13 year 2009 hedging percentage based on net burns for natural gas to be
14 approximately 79%. Thus, PEF did not exceed its targeted hedge
15 percentages for 2008 on a projected burn basis or an actual basis and
16 currently does not expect to exceed its targeted hedge percentage ranges
17 for estimated burns for 2009 as outlined in its Risk Management Plan.
18 Actual burns are not known until after the respective periods are complete
19 and as outlined in its Risk Management Plan, PEF executes its hedging
20 activities based on forecasted burns and was within its targeted hedge
21 percentage ranges for both 2008 and 2009 calendar year periods. This is
22 shown in Exhibit No. ____ (JM-1R).
23
24 With respect to light oil, PEF's minimum targeted hedge percentage for

1 2009 was established at 25%. As previously noted, this is based on
2 forecasted annual burns for a calendar period and does not match the
3 percentage used by staff to calculate the percentage of 23% noted in Audit
4 Finding No. 1. PEF was above its minimum targeted hedge percentage per
5 its Risk Management Plan for forecasted burns for 2009. Based on its
6 forecasted burns for 2009, PEF over time hedged up to approximately 30%
7 of its forecasted 2009 burns. This is shown in Exhibit No. ____ (JM-2R). For
8 the calendar period January 2009 through December 2009, based on
9 actual light oil burns for January 2009 through August 2009, estimates for
10 September 2009, and forecasts for October 2009 through December 2009,
11 PEF currently expects its calendar year 2009 hedged percentage for light
12 oil to be approximately 28% which is above the targeted minimum hedge
13 percentage of 25% outlined in its Risk Management Plan. Thus, PEF does
14 not expect to be below the minimum targeted hedging percentage for 2009.
15 PEF executes its hedging activities based on forecasted burns and was
16 above the minimum range for calendar year 2009 based on its forecasts
17 and was within its Risk Management Plan targeted hedge percentages for
18 2009. This is shown in Exhibit No. ____ (JM-2R).

19
20 PEF did not exceed its targeted hedging percentage ranges for heavy oil as
21 outlined in its Risk Management Plan. However, PEF actual hedged
22 percentage for the calendar year 2008 was higher than its target range.
23 Based on PEF's actual heavy oil burns for calendar year 2008, the hedge
24 percentage was approximately 91%. As previously noted, this is based on

1 calendar year period forecasted annual burns and PEF recognizes it does
2 not match the time period used by staff to calculate the percentage of 96%
3 noted in Audit Finding No. 1. The percentage of hedged volume will
4 increase from forecast if actual burns come in lower. PEF performs
5 periodic fuel forecasts and based on these forecasts, PEF was within its
6 Risk Management Plan targeted annual hedging ranges. This is shown in
7 Exhibit No. ____ (JM-3R). Based on actual burn data for 2008, PEF
8 experienced overall lower heavy oil burns versus the forecasts for 2008.
9 This was due primarily to PEF's being able to fuel switch a portion of its
10 higher priced heavy oil with more economic natural gas based on daily
11 market prices and conditions which resulted in lower heavy oil burns and
12 lower fuel costs. The forecasted burns versus actual burns for natural gas
13 and heavy oil are also shown on Exhibit No. ____ (JM-3R). Based on actual
14 daily economic fuel switching opportunities during the course of 2008,
15 actual burns for heavy oil came in lower than forecast and thus PEF actual
16 hedging percentage came in higher than its forecasts.

17
18 **Q. Does this conclude your testimony?**

19 **A. Yes.**

2008 / 2009 Summary - Forecasted and Actual Burn Natural Gas Data

GAS (MMBtu)	<i>July 07 FOF Forecasted</i>	<i>Hedge Volumes</i>	<i>Hedge %</i>	<i>Sep 07 FOF Forecasted</i>	<i>Hedge Volumes</i>	<i>Hedge %</i>	<i>Nov 07 FOF Forecasted</i>	<i>Hedge Volumes</i>	<i>Hedge %</i>	<i>Actual 2008 Hedge Volumes</i>	<i>Actual 2008 Burns</i>	<i>Actual % Hedge</i>
2008	<i>Burns for 2008*</i>	<i>7/2/2007</i>	<i>7/2/2007*</i>	<i>Burns 2008*</i>	<i>9/5/2007</i>	<i>9/5/2007</i>	<i>Burns 2008*</i>	<i>11/5/2007</i>	<i>11/5/2007</i>			
Total	99,462,800	61,396,678	62%	106,493,080	63,683,465	60%	115,159,838	70,718,911	61%	98,316,490	130,146,800	76%

GAS (MMBtu)	<i>July 08 FOF Forecasted</i>	<i>Hedge Volumes</i>	<i>Hedge %</i>	<i>Aug 08 FOF Forecasted</i>	<i>Hedge Volumes</i>	<i>Hedge %</i>	<i>Nov 08 FOF Forecasted</i>	<i>Hedge Volumes</i>	<i>Hedge %</i>	<i>Actual 2009 Hedge Volumes**</i>	<i>Actual 2009 Burns***</i>	<i>Actual % Hedge ***</i>
2009	<i>Burns for 2009*</i>	<i>7/7/2008</i>	<i>7/7/2008*</i>	<i>Burns 2009*</i>	<i>8/22/2008</i>	<i>8/22/2008</i>	<i>Burns 2009*</i>	<i>11/4/2008</i>	<i>11/4/2008</i>			
Total	158,922,119	83,770,163	53%	166,193,601	97,392,898	59%	153,044,014	117,934,178	77%	122,444,385	155,869,630	79%

* Data obtained from the respective PEF Fuel and Operations Forecast (FOF)

** January 2009 through October 2009 is actual hedges, November 2009 and December 2009 hedge volumes is current position

*** January 2009 through August 2009 is actual burns, September 2009 is based on estimates from preliminary data for the month. October 2009 through December 2009 is based on September 2009 Fuel Forecast

2009 Summary - Forecasted and Actual Burn Light Oil Data

2 Oil (MMBtu) 2009	July 08 FOF	Hedge	Hedge %	Aug 08 FOF	Hedge	Hedge %	Nov 08 FOF	Hedge	Hedge %	Actual 2009	Actual 2009	Actual % Hedge
	Forecasted Burns for 2009*	Volumes 7/7/2008	7/7/2008*	Forecasted Burns 2009*	Volumes 8/22/2008	8/22/2008	Forecasted Burns 2009*	Volumes 11/4/2008	11/4/2008	Hedge Volumes**	Burns***	***
Total	685,360	160,000	23%	680,803	175,000	26%	574,006	175,000	30%	175,000	629,747	28%

* Data obtained from the respective PEF Fuel and Operations Forecast (FOF)

** January 2009 through September 2009 is actual hedges, October 2009 through December 2009 hedge volumes is current position

*** January 2009 through August 2009 is actual burns, September 2009 is based on estimates from preliminary data for the month. October 2009 through December 2009 is based on September 2009 Fuel Forecast

2008 Summary - Forecasted and Actual Burn Heavy Oil Data

GAS (MMBtu) 2008	July 07 FOF Forecasted	Hedge Volumes	Hedge %	Sep 07 FOF Forecasted	Hedge Volumes	Hedge %	Nov 07 FOF Forecasted	Hedge Volumes	Hedge %	Actual 2008 Hedge	Actual 2008 Burns	Actual % Hedge
	Burns for 2008*	7/2/2007	7/2/2007*	Burns 2008*	9/5/2007	9/5/2007	Burns 2008*	11/5/2007	11/5/2007	Volumes		
Total	99,462,800	61,396,678	62%	106,493,080	63,683,465	60%	115,159,838	70,718,911	61%	98,316,490	130,146,800	76%

6 OIL (Barrels) 2008	July 07 FOF Forecasted	Hedge Volumes	Hedge %	Sep 07 FOF Forecasted	Hedge Volumes	Hedge %	Nov 07 FOF Forecasted	Hedge Volumes	Hedge %	Actual 2008 Hedge	Actual Burns	Actual % Hedge
	Burns for 2008*	7/2/2007	7/2/2007	Burns 2008*	9/5/2007	9/5/2007	Burns	11/5/2007	11/5/2007	Volumes		
Total	7,169,993	3,352,590	47%	6,986,296	3,443,108	49%	6,522,314	3,492,589	54%	3,920,000	4,287,587	91%

* Data obtained from the respective PEF Fuel and Operations Forecast (FOF)