



**Matthew R. Bernier**  
Senior Counsel  
Duke Energy Florida, LLC.

May 23, 2016

**VIA ELECTRONIC FILING**

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

Re: *Fuel and purchased power cost recovery clause with generating performance incentive factor; Docket No. 160001-EI*

Dear Ms. Stauffer:

Please find enclosed for electronic filing on behalf of Duke Energy Florida, LLC ("DEF"), DEF's Request for Confidential Classification filed in connection with its response to OPC's First Set of Interrogatories (Nos. 1-10). The filing includes the following:

- DEF's Request for Confidential Classification
- Slipsheet for confidential Exhibit A
- Redacted Exhibit B (two copies)
- Exhibit C (justification matrix), and
- Exhibit D (affidavit of Joseph McCallister)

DEF's confidential Exhibit A that accompanies the above-referenced filing has been submitted under separate cover.

Thank you for your assistance in this matter. Please feel free to call me at (850) 521-1428 should you have any questions concerning this filing.

Respectfully,

*s/Matthew R. Bernier*

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Matthew R. Bernier  
Senior Counsel  
[Matthew.Bernier@duke-energy.com](mailto:Matthew.Bernier@duke-energy.com)

MRB/mw  
Enclosures

**Duke Energy Florida, LLC**  
Docket No.: 160001  
**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished via electronic mail this 23<sup>rd</sup> day of May, 2016 to all parties of record as indicated below.

*s/Matthew R. Bernier*

\_\_\_\_\_  
Attorney

<p>Danijela Janjic Suzanne Brownless Office of General Counsel Florida Public Service Commission 2540 Shumard Oak Blvd. Tallahassee, FL 32399-0850 <a href="mailto:sbrownle@psc.state.fl.us">sbrownle@psc.state.fl.us</a> <a href="mailto:djanjic@psc.state.fl.us">djanjic@psc.state.fl.us</a></p> <p>James D. Beasley J. Jeffrey Wahlen Ashley M. Daniels Ausley McMullen Law Firm P.O. Box 391 Tallahassee, FL 32302 <a href="mailto:jbeasley@ausley.com">jbeasley@ausley.com</a> <a href="mailto:jwahlen@ausley.com">jwahlen@ausley.com</a> <a href="mailto:adaniels@ausley.com">adaniels@ausley.com</a></p> <p>Jeffrey A. Stone Russell A. Badders Steven R. Griffin Beggs &amp; Lane P.O. Box 12950 Pensacola, FL 32591 <a href="mailto:jas@beggslane.com">jas@beggslane.com</a> <a href="mailto:rab@beggslane.com">rab@beggslane.com</a> <a href="mailto:srg@beggslane.com">srg@beggslane.com</a></p> <p>James W. Brew Laura A. Wynn Stone Matheis Xenopoulos &amp; Brew 1025 Thomas Jefferson Street NW 8<sup>th</sup> Floor, West Tower Washington, DC 20007 <a href="mailto:jbrew@smxblaw.com">jbrew@smxblaw.com</a> <a href="mailto:law@smxblaw.com">law@smxblaw.com</a></p>	<p>Mike Cassel, Director Regulatory Affairs Florida Public Utilities Company 1750 S 14<sup>th</sup> Street, Suite 200 Fernandina Beach, FL 32034 <a href="mailto:mcassel@fpuc.com">mcassel@fpuc.com</a></p> <p>Robert L. McGee, Jr. Gulf Power Company One Energy Place Pensacola, FL 32520-0780 <a href="mailto:rlmcgee@southernco.com">rlmcgee@southernco.com</a></p> <p>Beth Keating Gunster, Yoakley &amp; Stewart, P.A. 215 South Monroe Street, Suite 601 Tallahassee, FL 32301 <a href="mailto:bkeating@gunster.com">bkeating@gunster.com</a></p> <p>Charles J. Rehwinkel / Erik Saylor J.R. Kelly / Patty Christensen / Tarik Noriega Office of Public Counsel c/o The Florida Legislature 111 W. Madison Street, Room 812 Tallahassee, FL 32399-1400 <a href="mailto:rehwinkel.charles@leg.state.fl.us">rehwinkel.charles@leg.state.fl.us</a> <a href="mailto:sayler.erik@leg.state.fl.us">sayler.erik@leg.state.fl.us</a> <a href="mailto:kelly.jr@leg.state.fl.us">kelly.jr@leg.state.fl.us</a> <a href="mailto:christensen.patty@leg.state.fl.us">christensen.patty@leg.state.fl.us</a> <a href="mailto:noriega.tarik@leg.state.fl.us">noriega.tarik@leg.state.fl.us</a></p> <p>Robert Scheffel Wright John T. LaVia, III c/o Gardner Law Firm 1300 Thomaswood Drive Tallahassee, FL 32308 <a href="mailto:schef@gbwlegal.com">schef@gbwlegal.com</a> <a href="mailto:jlavia@gbwlegal.com">jlavia@gbwlegal.com</a></p>	<p>Ms. Paula K. Brown Manager, Regulatory Coordination Tampa Electric Company P.O. Box 111 Tampa, FL 33601 <a href="mailto:regdept@tecoenergy.com">regdept@tecoenergy.com</a></p> <p>John Butler Maria Moncada Florida Power &amp; Light Company 700 Universe Boulevard (LAW/JB) Juno Beach, FL 33408-0420 <a href="mailto:john.butler@fpl.com">john.butler@fpl.com</a> <a href="mailto:maria.moncada@fpl.com">maria.moncada@fpl.com</a></p> <p>Kenneth Hoffman Florida Power &amp; Light Company 215 S. Monroe Street, Suite 810 Tallahassee, FL 32301-1858 <a href="mailto:ken.hoffman@fpl.com">ken.hoffman@fpl.com</a></p> <p>Jon C. Moyle, Jr. Moyle Law Firm, P.A. 118 North Gadsden Street Tallahassee, FL 32301 <a href="mailto:jmoyle@moylelaw.com">jmoyle@moylelaw.com</a></p> <p>Raoul G. Cantero, III White &amp; Case, LLP Southeast Financial Center, Suite 4900 200 South Biscayne Boulevard Miami, FL 33131-2352 <a href="mailto:rcantero@whitecase.com">rcantero@whitecase.com</a></p>
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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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In re: Fuel and purchased power cost  
recovery clause with generating performance  
incentive factor.

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Docket No. 160001-EI

Dated: May 23, 2016

**DUKE ENERGY FLORIDA LLC'S  
REQUEST FOR CONFIDENTIAL CLASSIFICATION**

Duke Energy Florida, LLC, (“DEF” or “Company”), pursuant to Section 366.093, Florida Statutes (“F.S.”), and Rule 25-22.006, Florida Administrative Code (“F.A.C.”), submits this Request for Confidential Classification for certain information provided in response to Citizen’s (“OPC”) First Request for Interrogatories (Nos. 1-10) submitted on May 23, 2016. In support of this Request, DEF states:

1. DEF’s responses to OPC’s First Set of Interrogatories, specifically questions 5, 6a, 7a, 7b, 7c, 7d, 7e and 10, is “proprietary confidential business information” under Section 366.093(3), Florida Statutes.

2. The following exhibits are included with this request:

(a) Sealed Composite Exhibit A is a package containing an unredacted copy of all the documents for which DEF seeks confidential treatment. Composite Exhibit A is being submitted separately in a sealed envelope labeled “CONFIDENTIAL.” In the unredacted version, the information asserted to be confidential is highlighted in yellow.

(b) Composite Exhibit B consists of two copies of redacted versions of the documents for which the Company requests confidential classification. The specific information for which confidential treatment is requested has been blocked out by opaque marker or other means.

(c) Exhibit C is a table which identifies by page and line the information for which DEF seeks confidential classification and the specific statutory bases for seeking confidential treatment.

(d) Exhibit D is an affidavit attesting to the confidential nature of information identified in this request.

3. As indicated in Exhibit C, the information for which DEF requests confidential classification is “proprietary confidential business information” within the meaning of Section 366.093(3), F.S. Specifically, the information at issue relates to competitively negotiated data, such as bid evaluations and fuel supply contracts, the disclosure of which would impair the efforts of the Company or its affiliates to negotiate fuel supply contracts on favorable terms. *See* § 366.093(3)(d), F.S.; Affidavit of Joseph McCallister at ¶ 5. Furthermore, the information at issue relates to the competitive interests of DEF and its fuel suppliers, the disclosure of which would impair their competitive businesses. *See* § 366.093(3)(e), F.S.; Affidavit of Joseph McCallister at ¶ 6. Accordingly, such information constitutes “proprietary confidential business information” which is exempt from disclosure under the Public Records Act pursuant to Section 366.093(1), F.S.

4. The information identified as Exhibit “A” is intended to be and is treated as confidential by the Company. *See* Affidavit of Joseph McCallister at ¶ 7. The information has not been disclosed to the public, and the Company has treated and continues to treat the information at issue as confidential. *See* Affidavit of Joseph McCallister at ¶ 7.

5. DEF requests that the information identified in Exhibit A be classified as “proprietary confidential business information” within the meaning of section 366.093(3), F.S., that the information remain confidential for a period of at least 18 months as provided in section 366.093(4) F.S., and that the information be returned as soon as it is no longer necessary for the Commission to conduct its business.

WHEREFORE, for the foregoing reasons, DEF respectfully requests that this Request for Confidential Classification be granted.

RESPECTFULLY SUBMITTED this 23<sup>rd</sup> day of May, 2016.

*s/Matthew R. Bernier*

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**Duke Energy Florida, Inc.**  
Docket No.: 160001  
**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished via electronic mail this 23<sup>rd</sup> day of May, 2016 to all parties of record as indicated below.

s/Matthew R. Bernier  
Attorney

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# Exhibit A

**“CONFIDENTIAL”**

(submitted under separate cover)

# **Exhibit B**

**REDACTED**



5. What is the average length of the Company's current natural gas hedging contracts?

**Answer:**

DEF has executed various individual natural gas hedging transactions for periods through December 31, 2018 consistent with its approved hedging plan. As of May 12, 2016, DEF has open natural gas hedging transactions that have not yet settled for various periods for the remainder of 2016, 2017, and 2018. The length of individual hedging transactions within each rolling time period are typical market hedging timeframes throughout the current hedging time periods. The duration of individual hedges are typically for periods of [REDACTED], the winter period of November through March which is [REDACTED] in duration, the summer period of April through October which is [REDACTED] in duration, and calendar periods which are [REDACTED] in duration. The average duration of open hedging transactions that have yet to settle within the periods of 2016, 2017, and 2018 is approximately [REDACTED].

**REDACTED**

6. From 2002 through the present,
- a. Please explain whether the average length of the Company's natural gas hedging contracts are becoming longer, shorter, or staying the same, and

**Answer:**

From 2002 through the present the average length of individual hedges was approximately [REDACTED] for all transactions which is similar to the [REDACTED] outlined in question 5.

7. Based upon the Company's Risk Management Plans and forecasted generation needs,
- a. What percentage of the projected natural gas burn for 2016 has been hedged?

**Answer:**

As of May 12, 2016, DEF has hedged approximately ■ percent of its current projections of 2016 natural gas burns.

- b. What percentage, if any, of the projected natural gas burn for 2017 has been hedged?

**Answer:**

As of May 12, 2016, DEF has hedged approximately ■ percent of its forecasted natural gas burns for calendar year 2017. The current market value of the hedges as of May 12, 2016 is a hedge cost of approximately \$47.8 million which will change over time based on changing market prices.

- c. What percentage, if any, of the projected natural gas burn for 2018 has been hedged?

**Answer:**

As of May 12, 2016, DEF has hedged approximately ■ percent of its forecasted natural gas burns for calendar year 2018. The current market value of the hedges as of May 12, 2016, is a hedge savings of approximately \$0.2 million which will change over time based on changing market prices.

**REDACTED**

- d. What percentage, if any, of the projected natural gas burn for 2019 has been hedged?

**Answer:**

As of May 12, 2016, DEF has hedged approximately ■ percent of its forecasted natural gas burns for calendar year 2019.

- e. What percentage, if any, of the projected natural gas burn for 2020 has been hedged?

**Answer:**

As of May 12, 2016, DEF has hedged approximately ■ percent of its forecasted natural gas burns for calendar year 2020.

**REDACTED**

10. Please explain whether goal of reducing fuel price volatility is best accomplished by hedging natural gas for periods longer than 12 months, and if longer, how much longer.

**Answer:**

In summary, DEF believes continuing to hedge a portion of its forecasted natural gas needs at the lower proposed hedging percentages within the current 36-month tenor remains a reasonable approach to mitigate fuel cost volatility over time.

DEF believes having a rolling approach overtime that targets to have [REDACTED] hedged and [REDACTED] exposed to the market for the prompt year period (representing the most current rolling 1 to 12 month period) represents a balanced fuel procurement risk management approach that results in certainty for a portion of projected fuel costs while providing the customers an increased targeted percentage of exposure to the market. In addition, DEF believes continuing to hedge for the rolling periods beyond the rolling 12 months provides benefits by ensuring a consistent risk management execution approach over time and the gradual layering of hedging transactions to manage a portion of the fuel cost volatility given the risk of changing market conditions and prices, and providing a degree of cost risk mitigation from one fuel period to another. In summary, DEF's proposed hedging targets and tenor were based on a review of: 1) the overall percentage that natural gas makes up of DEF's fuel mix, 2) the continued uncertainty in future natural gas price levels over time, 3) the relative levels of current forward prices, and 4) maintaining a balanced approach to the management of fuel costs risk.

5. What is the average length of the Company's current natural gas hedging contracts?

**Answer:**

DEF has executed various individual natural gas hedging transactions for periods through December 31, 2018 consistent with its approved hedging plan. As of May 12, 2016, DEF has open natural gas hedging transactions that have not yet settled for various periods for the remainder of 2016, 2017, and 2018. The length of individual hedging transactions within each rolling time period are typical market hedging timeframes throughout the current hedging time periods. The duration of individual hedges are typically for periods of [REDACTED], the winter period of November through March which is [REDACTED] in duration, the summer period of April through October which is [REDACTED] in duration, and calendar periods which are [REDACTED] in duration. The average duration of open hedging transactions that have yet to settle within the periods of 2016, 2017, and 2018 is approximately [REDACTED].

**REDACTED**

6. From 2002 through the present,
- a. Please explain whether the average length of the Company's natural gas hedging contracts are becoming longer, shorter, or staying the same, and

**Answer:**

From 2002 through the present the average length of individual hedges was approximately [REDACTED] for all transactions which is similar to the [REDACTED] outlined in question 5.

7. Based upon the Company's Risk Management Plans and forecasted generation needs,
- a. What percentage of the projected natural gas burn for 2016 has been hedged?

**Answer:**

As of May 12, 2016, DEF has hedged approximately ■ percent of its current projections of 2016 natural gas burns.

- b. What percentage, if any, of the projected natural gas burn for 2017 has been hedged?

**Answer:**

As of May 12, 2016, DEF has hedged approximately ■ percent of its forecasted natural gas burns for calendar year 2017. The current market value of the hedges as of May 12, 2016 is a hedge cost of approximately \$47.8 million which will change over time based on changing market prices.

- c. What percentage, if any, of the projected natural gas burn for 2018 has been hedged?

**Answer:**

As of May 12, 2016, DEF has hedged approximately ■ percent of its forecasted natural gas burns for calendar year 2018. The current market value of the hedges as of May 12, 2016, is a hedge savings of approximately \$0.2 million which will change over time based on changing market prices.



**REDACTED**

- d. What percentage, if any, of the projected natural gas burn for 2019 has been hedged?

**Answer:**

As of May 12, 2016, DEF has hedged approximately ■ percent of its forecasted natural gas burns for calendar year 2019.

- e. What percentage, if any, of the projected natural gas burn for 2020 has been hedged?

**Answer:**

As of May 12, 2016, DEF has hedged approximately ■ percent of its forecasted natural gas burns for calendar year 2020.

**REDACTED**

10. Please explain whether goal of reducing fuel price volatility is best accomplished by hedging natural gas for periods longer than 12 months, and if longer, how much longer.

**Answer:**

In summary, DEF believes continuing to hedge a portion of its forecasted natural gas needs at the lower proposed hedging percentages within the current 36-month tenor remains a reasonable approach to mitigate fuel cost volatility over time.

DEF believes having a rolling approach overtime that targets to have [REDACTED] hedged and [REDACTED] exposed to the market for the prompt year period (representing the most current rolling 1 to 12 month period) represents a balanced fuel procurement risk management approach that results in certainty for a portion of projected fuel costs while providing the customers an increased targeted percentage of exposure to the market. In addition, DEF believes continuing to hedge for the rolling periods beyond the rolling 12 months provides benefits by ensuring a consistent risk management execution approach over time and the gradual layering of hedging transactions to manage a portion of the fuel cost volatility given the risk of changing market conditions and prices, and providing a degree of cost risk mitigation from one fuel period to another. In summary, DEF's proposed hedging targets and tenor were based on a review of: 1) the overall percentage that natural gas makes up of DEF's fuel mix, 2) the continued uncertainty in future natural gas price levels over time, 3) the relative levels of current forward prices, and 4) maintaining a balanced approach to the management of fuel costs risk.

**DUKE ENERGY FLORIDA  
Confidentiality Justification Matrix**

<b>DOCUMENT/RESPONSES</b>	<b>PAGE/LINE</b>	<b>JUSTIFICATION</b>
<p>DEF's Response to OPC's First Set of Interrogatories (Nos. 1-10)</p>	<p><b>Question 5:</b> the information after "of" and before "the", the information after "is" and before "in", the information after "is" and before "in" and the information after "are", before "in", and the information after "approximately".</p> <p><b>Question 6a:</b> the information after "approximately" and before "for all", after "the" and before "outlined".</p> <p><b>Question 7a:</b> the information after "approximately" and before "percent".</p> <p><b>Question 7b:</b> the information after "approximately" and before "percent".</p> <p><b>Question 7c:</b> the information after "approximately" and before "percent".</p> <p><b>Question 7d:</b> the information after "approximately" and before "percent".</p> <p><b>Question 7e:</b> the information after "approximately" and before "percent".</p> <p><b>Question 10:</b> the information after "have" and before "hedged and after "and" and before "exposed".</p>	<p>§366.093(3)(d), F.S. The document in question contains confidential information, the disclosure of which would impair DEF's efforts to contract for goods or services on favorable terms.</p> <p>§366.093(3)(e), F.S. The document in question contains confidential information relating to competitive business interests, the disclosure of which would impair the competitive business of the provider/owner of the information.</p>

# **Exhibit D**

## **AFFIDAVIT OF JOSEPH MCCALLISTER**

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

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In re: Fuel and purchased power cost  
recovery clause with generating  
performance incentive factor.

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Docket No. 160001-EI

Dated: May 23, 2016

**AFFIDAVIT OF JOSEPH McCALLISTER IN SUPPORT OF  
DUKE ENERGY FLORIDA'S  
REQUEST FOR CONFIDENTIAL CLASSIFICATION**

STATE OF NORTH CAROLINA

COUNTY OF MECKLENBURG

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

1. My name is Joseph McCallister. I am over the age of 18 years old and I have been authorized by Duke Energy Florida (hereinafter "DEF" or the "Company") to give this affidavit in the above-styled proceeding on DEF's behalf and in support of DEF's Request for Confidential Classification (the "Request"). The facts attested to in my affidavit are based upon my personal knowledge.

2. I am the Director of Natural Gas, Oil and Emissions in the Fuel Procurement Department. This section is responsible for natural gas, fuel oil and emission allowance activity for the Duke Energy Indiana ("DEI"), Duke Energy Kentucky ("DEK"), Duke Energy Carolinas ("DEC"), Duke Energy Progress ("DEP"), and DEF Systems.

3. As the Director of Natural Gas, Oil and Emissions, I am responsible, along with the other members of the section, for the management of the gas and oil procurement, transportation, hedging activities and administration of gas and oil contracts with various suppliers for DEI's, DEK's, DEC's, DEF's and DEP's electrical power generation facilities.

4. DEF is seeking confidential classification for certain responses to OPC's First Set of Interrogatories (Nos. 1-10), specifically questions 5, 6, 7a through 7e, and 10, submitted on May 23, 2016. The confidential information at issue is contained in confidential Exhibit A to DEF's Request and is outlined in DEF's Justification Matrix that is attached to DEF's Request as Exhibit C. DEF is requesting confidential classification of this information because it contains sensitive business information, the disclosure of which would impair the Company's efforts to contract for goods or services on favorable terms.

5. DEF negotiates with potential fuel suppliers to obtain competitive contracts for fuel options that provide value to DEF and its customers. In order to obtain such contracts, however, DEF must be able to assure fuel suppliers that sensitive business information, such as bid evaluations, pricing, and quantities of fuel, will be kept confidential. With respect to the information at issue in this Request, DEF has kept confidential and has not publicly disclosed confidential information pertaining to the RFP bid evaluations for coal, natural gas, natural gas storage, and light oil. Absent such measures, suppliers would run the risk that sensitive business information that they provided in their bids/contracts with DEF 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 DEF might decide not to do so if DEF did not keep specific information confidential. Without DEF's measures to maintain the confidentiality of sensitive terms in contracts between DEF and fuel suppliers, the Company's efforts to obtain competitive fuel supply contracts could be undermined.

6. Additionally, the disclosure of confidential information in the RFP bid evaluations, could adversely impact DEF's competitive business interests. If such information was disclosed to DEF's competitors, DEF's efforts to obtain competitive fuel supply options that provide economic value to both DEF and its customers could be compromised by DEF's competitors changing their consumption or purchasing behavior within the relevant markets.

7. Upon receipt of confidential information from fuel suppliers, and with its own confidential information, strict procedures are established and followed to maintain the confidentiality of the terms of the documents and information provided, including restricting access to those persons who need the information to assist the Company, and restricting the number of, and access to the information and contracts. At no time since receiving the contracts and information in question has the Company publicly disclosed that information. The Company has treated and continues to treat the information and contracts at issue as confidential.

8. This concludes my affidavit.

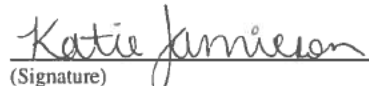
Further affiant sayeth not.

Dated the 17 day of May, 2016.



(Signature)  
Joseph McCallister  
Director – Natural Gas, Oil and Emissions  
Fuels Procurement Department  
Duke Energy  
526 South Church  
Charlotte, NC 28202

THE FOREGOING INSTRUMENT was sworn to and subscribed before me this 17 day of May, 2016 by Joseph McCallister. He is personally known to me, or has produced his \_\_\_\_\_ driver's license, or his \_\_\_\_\_ as identification.



(Signature)  
Katie Jamieson

(Printed Name)  
NOTARY PUBLIC, STATE OF NC

June 14, 2016  
(Commission Expiration Date)

\_\_\_\_\_  
(Serial Number, If Any)

(AFFIX NOTARIAL SEAL)

