

BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 120303-EI

PETITION FOR APPROVAL FOR AN  
ACCOUNTING ORDER TO RECORD IN  
A REGULATORY ASSET OR LIABILITY  
THE UNREALIZED AND REALIZED  
GAINS AND LOSSES RESULTING FROM  
FINANCIAL ACCOUNTING REQUIREMENTS  
RELATED TO INTEREST RATE  
DERIVATIVE AGREEMENTS, PROGRESS  
ENERGY FLORIDA, INC.

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PROCEEDINGS: COMMISSION CONFERENCE  
ITEM NO. 8

COMMISSIONERS  
PARTICIPATING: CHAIRMAN RONALD A. BRISÉ  
COMMISSIONER LISA POLAK EDGAR  
COMMISSIONER ART GRAHAM  
COMMISSIONER EDUARDO E. BALBIS

DATE: Tuesday, April 9, 2013

PLACE: Betty Easley Conference Center  
Room 148  
4075 Esplanade Way  
Tallahassee, Florida

REPORTED BY: JANE FAUROT, RPR  
Official FPSC Reporter  
(850) 413-6732

1                                   **P R O C E E D I N G S**

2                   **CHAIRMAN BRISÉ:** Now we are moving on to Item  
3 Number 8.

4                   Staff, if you can introduce the item.

5                   **MS. BULLARD:** Good morning, Commissioners. I  
6 am Hope Bullard with Commission staff.

7                   Item 8 is staff's recommendation addressing  
8 whether Progress Energy should be permitted an  
9 accounting order to record in the regulatory asset or  
10 liability account the unrealized and realized gains and  
11 losses related to interest rate derivatives.

12                   Representatives from the utility, Progress  
13 Energy Florida, is available to answer any questions  
14 from the Commission, as well as staff is ready for any  
15 questions the Commission may have.

16                   **CHAIRMAN BRISÉ:** All right. Thank you.

17                   I understand that Progress would like to be  
18 heard, particularly on Issue Number 2.

19                   **MS. TRIPLETT:** Yes. Thank you, Mr. Chairman.

20                   Dianne Triplett on behalf of Progress Energy  
21 Florida. And with me is Márcia Olivier, the Manager of  
22 Retail Riders and Rate Cases. I'm going to start, and  
23 then if y'all have questions that are given to numbers  
24 at all, I would look to Ms. Olivier to assist with that.

25                   We do agree with all of the staff

1 recommendation. We think it did an excellent job,  
2 except for just one reporting requirement, and that is  
3 on Page 6 under Issue 2, and it's basically the second  
4 sentence of the recommendation. The recommendation  
5 requires that we would track both the ineffective and  
6 the effective portions of the realized and unrealized  
7 gains and losses. And the purpose of bringing this  
8 petition was to avoid some pretty burdensome  
9 documentation associated with tracking the ineffective  
10 portions of those realized gains and losses, and this  
11 requirement to track them going forward would  
12 essentially negate the purpose of the petition in the  
13 first place.

14 And so we would request that going forward we  
15 would track them on a combined basis, so we would still  
16 track the realized and unrealized gains, we just  
17 wouldn't separate out the ineffective portion. And we  
18 would note that the ineffective portion is a very small  
19 percentage of the overall interest rate hedges that  
20 we're tracking.

21 And, in addition, if staff had a question in  
22 the future about a particular transaction, we could go  
23 back and perform the necessary calculations to show the  
24 ineffective portion, we would just request that it not  
25 be required of us for every transaction on a routine

1 basis.

2 That was all, so we are available to answer  
3 any questions.

4 **CHAIRMAN BRISÉ:** Okay. We will hear from  
5 staff.

6 **MR. MAUREY:** Andrew Maurey, Commission staff.  
7 We spoke with the company this morning. Staff is  
8 comfortable with that request, given the de minimis  
9 amount and the fact that we can go back and capture that  
10 ineffective piece if it becomes an issue in the future.

11 **CHAIRMAN BRISÉ:** Okay. Commissioner Balbis.

12 **COMMISSIONER BALBIS:** Thank you. I have a  
13 question for Mr. Maurey. I understand that the  
14 ineffective portion of it is de minimis at this time. I  
15 think two to three percent.

16 **MR. MAUREY:** That's correct.

17 **COMMISSIONER BALBIS:** What assurances do we  
18 have that if that becomes a larger percentage of it,  
19 that staff will become aware of it and able to track  
20 that effectively and bring it back to us if needed?

21 **MR. MAUREY:** The company will continue to  
22 track the effective/ineffective portion and file it with  
23 its consummation report each year, which it does in  
24 conjunction with its security application. If we did  
25 see a large movement in those costs, we could pursue

1 that and get the detail on what portion of it was  
2 effective and ineffective.

3 This recommendation is really focused on the  
4 treatment of the ineffective piece going forward. The  
5 way the effective portion is treated today and will be  
6 treated in the future if this accounting order is  
7 granted won't change.

8 **COMMISSIONER BALBIS:** Okay. That satisfies  
9 the concerns that I have. And I don't know if that  
10 requires --

11 **CHAIRMAN BRISÉ:** Modification.

12 **COMMISSIONER BALBIS:** Yes, I believe it does  
13 modify staff's recommendation on Issues 2.

14 **MR. MAUREY:** We have a suggestion for that.  
15 On Page 6 in the first sentence under the recommendation  
16 heading insert the word combined, after  
17 effective/ineffective portions combined. And we will  
18 work with the attorneys to make sure that the ability to  
19 go back and capture that piece in the future is  
20 articulated in the order.

21 **MS. TRIPLETT:** That is agreeable to Progress  
22 Energy Florida. Thank you.

23 **CHAIRMAN BRISÉ:** All right. Thank you.

24 So do we have a motion on all items?

25 **COMMISSIONER BALBIS:** Yes, Mr. Chairman. With

1 that modification as noted, I move staff's  
2 recommendation on Issues 1, 2, and 3.

3 **CHAIRMAN BRISÉ:** Okay. It has been moved. It  
4 has been seconded. Any further comments? Seeing none,  
5 all in favor say aye.

6 (Vote taken.)

7 **CHAIRMAN BRISÉ:** Thank you.

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1 STATE OF FLORIDA )

2 : CERTIFICATE OF REPORTER

3 COUNTY OF LEON )

4  
5 I, JANE FAUROT, RPR, Chief, Hearing Reporter  
6 Services Section, FPSC Division of Commission Clerk, do  
7 hereby certify that the foregoing proceeding was heard  
8 at the time and place herein stated.

9 IT IS FURTHER CERTIFIED that I  
10 stenographically reported the said proceedings; that  
11 the same has been transcribed under my direct  
12 supervision; and that this transcript constitutes a  
13 true transcription of my notes of said proceedings.

14 I FURTHER CERTIFY that I am not a relative,  
15 employee, attorney or counsel of any of the parties,  
16 nor am I a relative or employee of any of the parties'  
17 attorney or counsel connected with the action, nor am I  
18 financially interested in the action.

19 DATED THIS 17th day of April, <sup>2013</sup>~~2011~~. *JF*

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