

Docket No. 140001-EI: Fuel and Purchased Power Cost Recovery Clause.
Gulf Power Company's Hedging Activities

Witness: **Direct Testimony of DEBRA M. DOBIAC**, Appearing on Behalf of the
Staff of the Florida Public Service Commission

Date Filed: September 12, 2014

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **COMMISSION STAFF**

3 **DIRECT TESTIMONY OF DEBRA M. DOBIAC**

4 **DOCKET NO. 140001-EI**

5 **SEPTEMBER 12, 2014**

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

7 A. My name is Debra M. Dobiac. My business address is 2540 Shumard Oak Boulevard,
8 Tallahassee, Florida, 32399.

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

10 A. I am employed by the Florida Public Service Commission as a Public Utilities Analyst
11 II in the Office of Auditing and Performance Analysis.

12 **Q. How long have you been employed by the Commission?**

13 A. I have been employed by the Commission since January 2008.

14 **Q. Briefly review your educational and professional background.**

15 A. I graduated with honors from Lakeland College in 1993 and have a Bachelor of Arts
16 degree in accounting. Prior to my work at the Commission, I worked for 6 years in internal
17 auditing at the Kohler Company and First American Title Insurance Company. I also have
18 approximately 12 years of experience as an accounting manager and controller.

19 **Q. Please describe your current responsibilities.**

20 A. Currently, I am a Public Utilities Analyst II with the responsibilities of managing
21 regulated utility financial audits. I am also responsible for creating audit work programs to
22 meet a specific audit purpose.

23 **Q. Have you presented testimony before this Commission or any other regulatory**
24 **agency?**

25 A. Yes. I testified in the Aqua Utilities Florida, Inc. Rate Case, Docket No. 080121-WS,

1 the Water Management Services, Inc. Rate Case, Docket No. 100104-WU, the Gulf Power
2 Company Rate Case, Docket No. 110138-EI, the Water Management Services, Inc. Rate Case,
3 Docket No. 110200-WU, the Gulf Power Company Fuel and Purchased Power Recovery
4 Clause, Docket No. 130001-EI, and the Gulf Power Company Rate Case, Docket No 130140-
5 EI.

6 **Q. What is the purpose of your testimony today?**

7 A. The purpose of my testimony is to sponsor the staff audit report of Gulf Power
8 Company (Gulf or Utility) which addresses the Utility's filing in Docket No. 140001-EI Fuel
9 and purchased power cost recovery clause for costs associated with its hedging activities. We
10 issued an audit report in this docket for the hedging activities on September 4, 2014. This
11 audit report is filed with my testimony and is identified as Exhibit DMD-1.

12 **Q. Was this audit prepared by you or under your direction?**

13 A. Yes, it was prepared under my direction.

14 **Q. Please describe the work you performed in this audit.**

15 A. I have separated the audit work into several categories.

16 Accounting Treatment

17 We obtained Gulf's supporting detail of the hedging settlements for the twelve months
18 ended July 31, 2014. The support documentation was traced to the general ledger transaction
19 detail. We verified that the hedging settlements are in compliance with the Risk Management
20 Plan and verified that the accounting treatment for hedging transactions and transactions costs
21 is consistent with Commission orders relating to hedging activities. No exceptions were
22 noted.

23 Gains and Losses

24 We traced the monthly balances of all hedging transactions from Gulf's Hedging
25 Information Reports to its settlement report and its general ledger for the period August 1,

1 2013 to July 31, 2014. We reviewed existing tolling agreements whereby the Utility's natural
2 gas is provided to generators under purchased power agreements. We recalculated the gains
3 and losses, traced the price to the settlement statement details, and compared the price to the
4 gas futures rates published by the New York Mercantile Exchange (NYMEX) Henry Hub Gas
5 futures contract rates. We compared these recalculated gains and losses with Gulf's journal
6 entries for realized gains and losses. No exceptions were noted.

7 Hedged Volume and Limits

8 We reviewed the quantity limits and authorizations. We also obtained Gulf's analysis
9 of the monthly percent of natural gas hedged in relation to natural gas burned for the twelve
10 months ended July 31, 2014, and compared them with the Utility's Risk Management Plan.
11 No exceptions were noted.

12 Separation of Duties

13 We reviewed the Utility's procedures for separating duties related to hedging
14 activities. There were no internal or external audits related to hedging activities. No
15 exceptions were noted.

16 **Q. Please review the audit findings in this audit report, Exhibit DMD-1.**

17 A. There were no findings in this audit related to hedging activities.

18 **Q. Does that conclude your testimony?**

19 A. Yes.

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State of Florida



Public Service Commission

Office of Auditing and Performance Analysis
Bureau of Auditing
Tallahassee District Office

Auditor's Report

Gulf Power Company
Hedging Activities

Twelve Months Ended July 31, 2014

Docket No. 140001-EI
Audit Control No. 14-083-1-1
August 21, 2014

Handwritten signature of Debra M. Dobiac in black ink.

Debra M. Dobiac
Audit Manager

Handwritten signature of Lynn M. Deamer in black ink.

Lynn M. Deamer
Reviewer

Table of Contents

Purpose.....	1
Objectives and Procedures.....	2
Audit Findings	
None.....	4

Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report to meet the agreed-upon objectives set forth by the Division of Accounting and Finance in its audit service request dated March 20, 2014. We have applied these procedures to the schedules prepared by Gulf Power Company in support of its filing for hedging activities in Docket No. 140001-EI.

This audit was performed following General Standards and Fieldwork Standards found in the AICPA Statements on Standards for Attestation Engagements. Our report is based on agreed-upon procedures. The report is intended only for internal Commission use.

Objectives and Procedures

Definitions

GPC or Utility refers to Gulf Power Company.

Accounting Treatment

Objectives: The objective was to determine whether the accounting treatment for futures, options, and swap contracts between GPC and its counterparties is consistent with Commission Order No. PSC-02-1484-FOF-EI, issued October 30, 2002, in Docket No. 011605-EI, and as clarified by Order No. PSC-08-0316-PAA-EI, issued May 14, 2008, and Order No. PSC-08-0667-PAA-EI, issued October 8, 2008, in Docket No. 080001-EI.

Procedures: We obtained GPC's supporting detail of the hedging settlements for the twelve months ended July 31, 2014. The support documentation was traced to the general ledger transaction detail. We verified that the hedging settlements are in compliance with the Risk Management Plan and verified that the accounting treatment for hedging transactions and transactions costs is consistent with Commission orders relating to hedging activities. No exceptions were noted.

Gains and Losses

Objectives: The objective was to determine whether the gains and losses associated with each financial hedging instrument that GPC implemented are in compliance with Commission Order Nos. PSC-02-1484-FOF-EI, PSC-08-0316-PAA-EI, and PSC-08-0667-PAA-EI relating to hedging activities.

Procedures: We traced the monthly balances of all hedging transactions from GPC's Hedging Information Reports to its settlement report and its general ledger for the period August 1, 2013 to July 31, 2014. We reviewed existing tolling agreements whereby the Utility's natural gas is provided to generators under purchased power agreements. We recalculated the gains and losses, traced the price to the settlement statement details, and compared the price to the gas futures rates published by the NYMEX Henry Hub gas futures contract rates. We compared these recalculated gains and losses with GPC's journal entries for realized gains and losses. No exceptions were noted.

Hedged Volume and Limits

Objectives: The objective was to determine whether the quantities of natural gas, residual oil, and purchased power are hedged within the limits (percentage range), as listed in the Utility's Risk Management Plan.

Procedures: We reviewed the quantity limits and authorizations. We also obtained GPC's analysis of the monthly percent of natural gas hedged in relation to natural gas burned for the twelve months ended July 31, 2014, and compared them with the Utility's Risk Management Plan. No exceptions were noted.

Separation of Duties

Objectives: The objectives were to review GPC's procedures for separating duties related to hedging activities for Front Office, Middle Office, and Back Office and internal and external audit work papers.

Procedures: We reviewed the Utility's procedures for separating duties related to hedging activities. There were no internal or external audits related to hedging activities. No exceptions were noted.

Audit Findings

None

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

DOCKET NO. 140001-EI

DATED: September 12, 2014

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that the testimony of DEBRA M. DOBIAC on behalf of the Florida Public Service Commission was filed with the Office of Commission Clerk, Florida Public Service Commission, and copies were furnished to the following, by electronic mail, on this 12th day of September, 2014.

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