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STEVE CRISAFULLI
Speaker of the House of Representatives

September 23, 2015

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

Re: Docket No. 150001-EI

Dear Ms. Stauffer:

Please find enclosed for filing in the above referenced docket the Direct Testimony and Exhibits of Tarik Noriega. This filing is being made via the Florida Public Service Commission's Web Based Electronic Filing portal.

If you have any questions or concerns; please do not hesitate to contact me. Thank you for your assistance in this matter.

Sincerely,

Erik L. Sayler
Associate Public Counsel

ELS:bsr
cc: All parties of record

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Fuel and Purchased Power Cost Recovery Clause with Generating Performance Incentive Factor	)))))	DOCKET NO. 150001-EI FILED: September 23, 2015

DIRECT TESTIMONY AND EXHIBITS

OF

TARIK NORIEGA

ON BEHALF OF THE

OFFICE OF PUBLIC COUNSEL

TABLE OF CONTENTS

Exhibits

DIRECT TESTIMONY

OF

TARIK NORIEGA

On Behalf of the Office of Public Counsel

Before the

Florida Public Service Commission

Docket No. 150001-EI

I. EDUCATIONAL BACKGROUND AND EXPERIENCE

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Tarik Noriega. My business address is 111 W. Madison St., Suite 812, Tallahassee, FL 32399-1300.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by the Office of Public Counsel ("OPC") as a Legislative Analyst.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.

A. I graduated from the University of Central Florida with a Bachelor of Arts ("B.A.") degree in Economics in 1992. I earned a Master of Arts in Applied Economics ("M.A.A.E.") degree from the University of Central Florida in 1994.

Q. PLEASE DESCRIBE YOUR WORK EXPERIENCE.

A. In 1996, I began employment as a Regulatory Analyst with the Forecasting Section of

the Florida Public Service Commission ("PSC" or "Commission"), where I was responsible for evaluating electric utility load forecasts and reporting findings and conclusions during electric utility ten-year site plan reviews and power plant need determination proceedings. I also participated in several audits, designed consumer surveys, developed policy analysis projects, made presentations to the Commissioners, represented the agency in federal proceedings, and served as a bilingual (Spanish language) media liaison.

In 2005, I was hired as an Economist by the Florida House of Representatives, where I prepared bill analyses, tracked revenues and the fiscal impacts of legislation, participated in the Revenue Estimating Conference ("REC") process, analyzed economic trends, reviewed all relevant economic forecasts, and was a lead analyst in addressing emergency management, property tax, and local tax issues. In addition, I worked in the appropriations process and made recommendations regarding the PSC's budget.

In 2011, I began employment as a Research Economist in the Office of Tax Research at the Florida Department of Revenue, where I was the lead analyst in developing state documentary stamp tax and intangibles tax forecasts for the REC. I also prepared fiscal impacts for the REC and assisted in the development of the state's ad valorem tax forecast.

Since 2012, I have been working primarily as an Economist for OPC, where I provide technical support in rate cases and other docketed and undocketed matters before the PSC on behalf of Florida's utility customers.

Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN PROCEEDINGS BEFORE THE COMMISSION?

A. No, I have not.

II. TESTIMONY OVERVIEW

Q. ON WHOSE BEHALF ARE YOU FILING TESTIMONY IN THIS PROCEEDING?

A. I am testifying on behalf of OPC and the customers served by the four largest Florida investor-owned electric utilities ("IOUs" or "Companies").

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. The purpose of my testimony in this proceeding is to provide factual testimony related to the history of the fuel clause, mid-course corrections, and hedging. I also provide the results of the IOU hedging programs since 2002. Another OPC witness, Mr. Daniel J. Lawton, addresses some of the economic and regulatory policy issues surrounding the Companies' proposals to continue their natural gas financial hedging programs, as described in their 2016 Risk Management Plans. In addition, Mr. Lawton's testimony addresses the potential impacts of the Companies' hedging proposals on consumers, if approved by the Commission.

Q. WHAT MATERIALS DID YOU REVIEW AND RELY UPON FOR YOUR TESTIMONY?

A. As part of this year's Fuel and Purchased Power Cost Recovery Clause with Generating Performance Incentive Factor Docket ("Fuel Adjustment Clause" or "Fuel Docket"), I have reviewed past hedging true-up filings with the PSC in the Fuel Adjustment Clause by Duke Energy Florida ("Duke"), Florida Power & Light Company ("FPL"), Gulf Power Company ("Gulf"), and Tampa Electric Company ("TECO"), as well as these Companies' discovery responses related to hedging. I did not review any discovery responses or past hedging filings by Florida Public Utilities Company ("FPUC") because that utility does not hedge natural gas. I also reviewed prior Commission Fuel Adjustment Clause orders and hedging orders, and other information available in the public domain. When relying on various sources, I have referenced such sources in my testimony and/or attached these sources as Exhibits.

Q. WHAT IS THE PERIOD THAT YOU REVIEWED IN EVALUATING THE COMPANIES' NATURAL GAS HEDGING FILINGS?

A. I reviewed data for calendar years 2002 to 2014 and the 2015 projected data.

Q. DO YOU SPONSOR ANY EXHIBITS IN SUPPORT OF YOUR TESTIMONY?

A. Yes, I am sponsoring three Exhibits. Exhibit No. ____ (TN-1) includes my résumé. Exhibit No. ____ (TN-2), titled "IOU Natural Gas Hedging True-up Filings with the PSC", provides excerpts of the Companies' 2002-2014 natural gas hedging true-up filings. Exhibit No. ____ (TN-3), titled "IOU Natural Gas Hedging Results as Reported

in Discovery", provides the Companies' responses to OPC's discovery regarding natural gas hedging gains/losses for 2002-2014 and the 2015 projected gains/losses.

Q. HOW IS YOUR TESTIMONY ORGANIZED?

A. In Section III of my testimony, I address the history of the Fuel Adjustment Clause in Florida, including a brief overview of mid-course corrections.

Section IV provides a general overview of fuel price hedging and the PSC's 2002 and 2008 Hedging Orders.

Section V addresses my observations regarding the IOUs' natural gas hedging gains and losses since 2002.

Section VI provides my conclusion.

III. FUEL ADJUSTMENT CLAUSE BACKGROUND

Q. WHAT IS THE FUEL ADJUSTMENT CLAUSE?

A. The Fuel Adjustment Clause is a mechanism used by the Commission that allows the IOUs to recover "[p]rudently incurred fossil fuel-related expenses..."[1]

[1] Order No. 14546, issued July 8, 1985, in Docket No. 850001-EI-B, In re: Cost Recovery Methods for Fuel-Related Expenses, p. 2.

The origin, purpose, and history of the Fuel Adjustment Clause are thoroughly discussed in two Commission orders: Order No. 6357, issued November 26, 1974, in Docket No. 74680-CI, In re: General Investigation of Fuel Adjustment Clauses of Electric Companies, and Order No. PSC-11-0080-PAA-EI, issued January 31, 2011, in Docket No. 100404-EI, In re: Petition by Florida Power & Light Company to Recover Scherer Unit 4 Turbine Upgrade Costs Through Environmental Cost Recovery Clause or Fuel Cost Recovery Clause. Order No. 11-0080 summarized the Fuel Adjustment Clause as follows:

> The fuel [adjustment] clause is a regulatory tool designed to pass through to utility customers the costs associated with fuel purchases. The purpose is to prevent regulatory lag, which occurs when a utility incurs expenses but is not allowed to collect offsetting revenues until the regulatory body approves cost recovery. Regulatory lag has historically been a problem for utilities because of the volatility of fuel costs. ... Different states have addressed volatile fuel costs and the problem of regulatory lag in differing ways. Several jurisdictions, like Florida, have allowed recovery of fuel costs in a fuel adjustment clause, and in Florida the implementation of the fuel clause has changed and developed over the years.[2]

Q. ARE UTILITIES ALLOWED TO PROFIT ON THE FUEL COSTS RECOVERED THROUGH THE FUEL ADJUSTMENT CLAUSE?

A. No. As recognized in Order No. 6357, issued in 1974,"[i]t should be emphasized that a utility does not make a profit on its fuel costs."[3]

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[2] Order No. PSC-11-0080-PAA-EI, issued January 31, 2011, in Docket No. 100404-EI, In re: Petition by Florida Power & Light Company to Recover Scherer Unit 4 Turbine Upgrade Costs Through Environmental Cost Recovery Clause or Fuel Cost Recovery Clause, p. 6. *See also* footnote No. 15 of this Order for an additional description of the purpose of the Fuel Adjustment Clause, p. 8.

[3] Order No. 6357, issued November 26, 1974, in Docket No. 74680-CI, In re: General Investigation of Fuel Adjustment Clauses of Electric Companies, p. 2.

Q. WHEN DID THE COMMISSION BEGIN AUTHORIZING FUEL COST RECOVERY?

A. The practice of allowing cost recovery through a fuel adjustment mechanism began in the mid-1920s, predating the Commission's jurisdiction over regulated electric utilities, and has evolved over the past 90 years.[4]

Q. PLEASE DESCRIBE THE EVOLUTION OF THE FUEL COST RECOVERY PROCESS OVER TIME.

A. Utilities benefited from a monthly fuel adjustment mechanism from 1925 to 1951, prior to the PSC's oversight of regulated electric utilities. After the Legislature granted the Commission jurisdiction over regulated electric utilities in 1951, the utilities applied a Commission-approved formula and placed the resulting fuel charge on customers' bills. The Commission staff performed some auditing functions; however, no formal public hearing was held.[5]

That fuel adjustment mechanism changed in 1974 when customers became increasingly concerned over increased fuel charges as a result of the Organization of Petroleum Exporting Countries' ("OPEC's") oil embargo, which substantially increased the cost of oil.[6] Following an Attorney General Opinion which stated "that the practice of allowing changes in the fuel adjustment charges without a public hearing was illegal

[4] *See* Order No. 6357 at 2; *see also* Order No. PSC-11-0080-PAA-EI at 6.

[5] Order No. PSC-11-0080-PAA-EI at 6.

[6] Id.; *see also* Order No. 6357 at 1.

under Florida law..." (*See* 74 Op. Att'y. Gen. Fla. 309 (1974)), the Commission held its first fuel adjustment clause hearing.[7] At this hearing, a stipulation was approved that provided for a monthly hearing for all fuel adjustment clauses.[8] During the same 1974 proceeding, the Commission considered a recommendation on how to modify the clause and, as an incentive for utilities to optimize fuel costs, implemented a two-month lag between the filing for fuel clause recovery and the Commission's decision on cost recovery.[9]

However, because the amount of work involved in reviewing the information and the resulting lag time presented difficulties for the Commission, the utilities, customers, and intervenor parties alike, the Commission modified the clause once again in 1980.[10] By Order No. 9273, the Commission modified the recovery clauses to allow recovery on the projections of future fuel and fuel-related expenditures subject to a true-up hearing, during which the utilities' projected fuel expenditures were adjusted to recover only actual expenditures.[11]

[7] Order No. PSC-11-0080-PAA-EI at 6.

[8] Id.

[9] Id.

[10] Order No. 9273, issued March 7, 1980, in Docket No. 74680-CI, In re: General Investigation of Fuel Cost Recovery Clause. Consideration of Staff's Proposed Projected Fuel and Purchased Power Cost Recovery Clause with an Incentive Factor.

[11] Id.; *see also* Order No. 9451, issued July 15, 1980, in Docket No. 800119-EU, In re: Petition of Florida Power Corporation for Authority to Increase Its Retail Rates and Charges, p. 2.

By this Order, the PSC also modified its fuel adjustment hearings by changing the hearing schedule from once a month to every six months. In justifying its rationale, the Commission stated "there are certain advantages to adoption of the six month perojection (sic) period, such as overcoming the seasonal peaks and valleys which would otherwise offest (sic) the attempt to arrive at a levelized charge. We therefore find that a six month projection period should be used."[12] Once adopted, these semi-annual fuel adjustment hearings were held until 1998 when the PSC changed the frequency and timing of cost recovery hearings from semi-annual to annual.[13]

Q. WHY DID THE COMMISSION CHANGE THE FREQUENCY OF COST RECOVERY HEARINGS FROM SEMI-ANNUAL TO ANNUAL?

A. On March 17, 1998, the PSC held a workshop to receive comments from the IOUs and other interested parties regarding proposed changes to the frequency and timing of the four cost recovery clauses.[14] On May 19, 1998, the Commission issued Order No. PSC-98-0691-FOF-PU, which changed the frequency of fuel adjustment hearings from semi-annual to its current annual schedule. In this Order, the PSC found "that all components of the fuel clause for all investor-owned electric utilities should be prospectively calculated and set on a twelve-month projected basis at annual

[12] *See* Order No. 9273 at 6.

[13] Order No. PSC-98-0691-FOF-PU, issued May 19, 1998, in Docket No. 980269-PU, In re: Consideration of Change in Frequency and Timing of Hearings for Fuel and Purchased Power Cost Recovery Clause, Capacity Cost Recovery Clause, Generating Performance Incentive Factor, Energy Conservation Cost Recovery Clause, Purchased Gas Adjustment (PGA) True-up, and Environmental Cost Recovery Clause, p. 13.

[14] Id., p. 2.

hearings."[15] Also, the Commission stated that this change was "in the public interest" for the following reasons: (1) an annual fuel hearing will reduce the number of hearings days per year reserved for the fuel clause; (2) mid-course corrections may occur less frequently; and (3) an annual factor will provide customers with more certain and stable prices. When discussing that mid-course corrections may occur less frequently as a result of annual Fuel Adjustment Clause proceedings, the Commission stated that "fuel prices are currently less volatile and a higher probability exists that monthly over-recoveries and under-recoveries will be offset between annual fuel clause hearings. Hence, midcourse (sic) corrections may occur less frequently than previously surmised."[16]

Q. WHAT IS A MID-COURSE CORRECTION?

A. A mid-course correction is a mechanism set forth by a Commission rule adopted in 2010.[17] This rule requires utilities to seek a mid-course correction if there is a 10% or greater over/under-recovery in fuel cost recovery or capacity cost recovery factors, or to explain why a mid-course correction is not practical. However, the utilities can also request a mid-course correction without reaching the 10% threshold requiring Commission notification.[18]

[15] Id., p. 4.

[16] Id.

[17] Rule 25-6.0424, Florida Administrative Code.

[18] Id.

Q. HOW MANY MID-COURSE CORRECTIONS DID THE COMPANIES REQUEST DURING YOUR REVIEW PERIOD (2002 TO 2014)?

A. The IOUs requested 15 mid-course corrections from 2002 to 2014. According to their responses to OPC's discovery, FPL filed 6 mid-course corrections (3 for over-recoveries and 3 for under-recoveries), Gulf filed 3 (2 for over-recoveries and 1 for an under-recovery), and TECO filed 2 (1 for an over-recovery and 1 for an under-recovery).[19] According to its Commission Fuel Docket filings, Duke requested 4 mid-course corrections (2 for over-recoveries and 2 for under-recoveries).[20]

IV. FUEL PRICE HEDGING

Q. HAS THE COMMISSION INDICATED ITS INTENT FOR DEVELOPING A HEDGING PROGRAM IN FLORIDA?

A. Yes. In Order No. PSC-02-1484-FOF-EI (the "2002 Hedging Order"), issued October 30, 2002, the Commission stated that:

> The Proposed Resolution of Issues establishes a framework and direction for the Commission and the parties to follow with respect to risk management for fuel procurement. It provides for the filing of information in the form of risk management plans and as part of each IOU's final true-up filing in the fuel and purchased power cost recovery docket, which will allow the Commission and the parties to monitor each IOU's practices and transactions in this area. In addition, it

[19] *See* FPL's response to OPC Interrogatory No. 30; Gulf's response to OPC Interrogatory No. 6; and TECO's response to OPC Interrogatory No. 6.

[20] *See* Order No. PSC-02-0655-AS-EI, issued May 14, 2002, in Docket Nos. 000824-EI and 020001-EI, In re: Review of Florida Power Corporation's Earnings, Including Effects of Proposed Acquisition of Florida Power Corporation by Carolina Power & Light; Fuel and Purchased Power Cost Recovery Clause with Generating Performance Incentive Factor. *See* Order No. PSC-03-0382-PCO-EI, issued March 19, 2003, in Docket No. 030001-EI, In re: Fuel and Purchased Power Cost Recovery Clause with Generating Performance Incentive Factor. *See* Order No. PSC-08-0495-PCO-EI, issued August 5, 2008, in Docket No. 080001-EI, In re: Fuel and Purchased Power Cost Recovery Clause with Generating Performance Incentive Factor. *See* Order No. PSC-10-0738-FOF-EI, issued December 20, 2010, in Docket No. 100001-EI, In re: Fuel and Purchased Power Cost Recovery Clause with Generating Performance Incentive Factor.

maintains flexibility for each IOU to create the type of risk management program for fuel procurement that it finds most appropriate while allowing the Commission to retain the discretion to evaluate, and the parties the opportunity to address, the prudence of such programs at the appropriate time. Further, the Proposed Resolution of Issues appears to remove disincentives that may currently exist for IOUs to engage in hedging transactions that may create customer benefits by providing a cost recovery mechanism for prudently incurred hedging transaction costs, gains and losses, and incremental operating and maintenance expenses associated with new and expanded hedging programs.[21]

Q. HAS THE COMMISSION MODIFIED ITS INTENT FOR FUEL HEDGING IN FLORIDA OR PROVIDED HEDGING GUIDELINES?

A. Yes. In Order No. PSC-08-0667-PAA-EI (the "2008 Hedging Order"), issued October 8, 2008, the Commission established guiding principles that it recognized as appropriate to follow in reviewing plans and an IOU's hedging activities.[22] The first two guiding principles are:

a. The Commission finds that the purpose of hedging is to reduce the impact of volatility in the fuel adjustment charges paid by an IOU's customers, in the face of price volatility for the fuels (and fuel price-indexed purchased power energy costs) that the IOU must pay in order to provide electric service.

b. The Commission finds that a well-managed hedging program does not involve speculation or attempting to anticipate the most favorable point in time to place hedges. Its primary purpose is not to reduce an IOU's fuel costs paid over time, but rather to reduce the variability or volatility in fuel costs paid by customers over time.[23]

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[21] Order No. PSC-02-1484-FOF-EI, issued October 30, 2002, in Docket No. 011605-EI, In re: Review of Investor-owned Electric Utilities' Risk Management Policies and Procedures, p. 2.

[22] Order No. PSC-08-0667-PAA-EI, issued October 8, 2008, in Docket No. 080001-EI, In re: Fuel and Purchased Power Cost Recovery Clause with Generating Performance Incentive Factor. Note: the Commission clarified the 2002 Hedging Order in May 2008. *See* Order No. PSC-08-0316-PAA-EI, issued May 14, 2008, in Docket No. 080001-EI. In re: Fuel and Purchased Power Cost Recovery Clause with Generating Performance Incentive Factor.

[23] Order No. PSC-08-0667-PAA-EI, p. 16.

Q. ARE YOU AWARE OF ANY ORDERS THAT HAVE MODIFIED THE UNDERLYING BASIS FOR THE COMMISSION'S APPROVAL OF THE UTILITY HEDGING PROGRAMS?

A. No. I have been advised by counsel that neither the Woodford Project Order[24] nor the Natural Gas Reserves Investment Guidelines Order[25] modified the Commission's basic intent that utility hedging programs are designed to reduce fuel price volatility.

Q. DO ANY OF THE HEDGING ORDERS PRECLUDE ANY PARTY FROM PETITIONING FOR THE SUSPENSION OR TERMINATION OF THE FUEL HEDGING PROGRAM IN FLORIDA?

A. No, I have been advised by counsel that they do not.

V. OBSERVATIONS

Q. PLEASE SUMMARIZE YOUR OBSERVATIONS REGARDING THE COMPANIES' NATURAL GAS HEDGING GAINS AND LOSSES FOR THE PERIOD FROM 2002 TO 2014.

A. In order to ascertain the magnitude of the Companies' hedging gains or losses, I reviewed the Companies' hedging true-up filings with the Commission for every year from 2002 through 2014. These filings consisted of testimonies and exhibits, which included a summary of the Companies' hedging activities and indicated whether or not

[24] Order No. PSC-15-0038-FOF-EI, issued January 12, 2015, in Docket No. 150001-EI, In re: Fuel and Purchased Power Cost Recovery Clause with Generating Performance Incentive Factor.

[25] Order No. PSC-15-0284-FOF-EI, issued July 14, 2015, in Docket No. 150001-EI, In re: Fuel and Purchased Power Cost Recovery Clause with Generating Performance Incentive Factor.

the Companies achieved any gains or losses related to those hedging activities. My review of the Companies' hedging true-up filings shows that each of the IOUs experienced cumulative natural gas hedging losses from 2002 to 2014, which totaled $5,233,201,193 for all four Companies. In addition, my review of the Companies' responses to OPC's discovery for the same period shows cumulative natural gas hedging losses of $5,552,505,043.

Q. DID YOU COMPARE THE COMPANIES' NATURAL GAS HEDGING GAINS OR LOSSES FILED WITH THE COMMISSION IN THIS DOCKET WITH THE COMPANIES' RESPONSES TO OPC'S DISCOVERY?

A. Yes, I did. The Companies' natural gas hedging true-up filings with the PSC are attached as Exhibit TN-2, and the Companies' natural gas hedging discovery responses are attached as Exhibit TN-3. The natural gas hedging losses from 2002 to 2014 for the IOUs are summarized on Table 1 below:

Table 1 – Comparison of Natural Gas Hedging Commission Filings and Discovery Responses (2002-2014)[26]

IOU	Commission Filings (2002-2014)	Discovery Responses (2002-2014)	Difference Between Commission Filings and Discovery Responses	End Result
Duke	$ (1,233,387,898)	$ (1,267,848,634)	$ 34,460,736	Under-reported loss
FPL	$ (3,500,752,265)	$ (3,775,960,449)	$ 275,208,184	Under-reported loss
Gulf	$ (127,463,543)	$ (127,278,227)	$ (185,316)	Over-reported loss
TECO	$ (369,551,685)	$ (381,417,733)	$ 11,866,048	Under-reported loss
TOTALS	$ (5,231,155,391)	$ (5,552,505,043)	$ 321,349,652	N/A

Q. WHAT DID YOU OBSERVE?

A. For the most part, there were some minor discrepancies between the Companies' fuel clause hedging filings and the Companies' responses to OPC's hedging discovery. However, in at least once instance, the annual discrepancy for one of the IOUs exceeded $100 million dollars.

[26] *See* Exh. TN-2 and TN-3.

Q. PLEASE DESCRIBE THOSE DISCREPANCIES.

A. In general terms, the amount of the loss or gain reported to the Commission was sometimes different than what was reported in discovery. For example, in its Commission hedging true-up testimony from 2004-2010, TECO used approximate numbers, rounded to the nearest hundred thousand dollars; however, TECO used exact numbers in its response to OPC discovery. Also, in three instances the Companies' hedging losses were considered confidential, so I was unable to include those losses in Table 1 showing cumulative hedging losses. Additionally, there were some smaller differences between what was reported by Duke and Gulf, but those differences were rather minor in comparison to some of the larger discrepancies I found. Some of the specific discrepancies are discussed further below.

Q. DO YOU HAVE AN OPINION ON WHY THE COMPANIES HAD DISCREPANCIES BETWEEN THEIR COMMISSION HEDGING TRUE-UP FILINGS AND THEIR DISCOVERY RESPONSES?

A. No, I do not. My testimony is limited to reporting and summarizing the information submitted by the IOUs to the PSC and the discovery responses provided to OPC.

Q. YOU INDICATED THAT THERE WERE SOME LARGER DISCREPANCIES. WOULD YOU PLEASE DESCRIBE WHAT YOU OBSERVED?

A. For the years 2004 and 2005, it appears that FPL over-reported hedging gains. And, for the years 2006 and 2007, it appears that FPL under-reported hedging losses. There was also a smaller discrepancy for 2002 that was less than $1 million. Table 2 below

shows the larger discrepancies for FPL:

Table 2 – Comparison of FPL's Natural Gas Hedging Commission Filings and Discovery Responses (2004-2007)[27]

FPL	Commission Filings	Discovery Responses	Difference from PSC Filing	End Result
2004	$ 191,564,536[28]	$ 156,275,728	$ 35,288,808	Over-reported gain
2005	$ 519,388,788	$ 488,815,538	$ 30,573,250	Over-reported gain
2006	$ (416,637,197)	$ (487,636,397)	$ 70,999,200	Under-reported loss
2007	$ (799,268,428)	$ (918,863,078)	$ 119,594,650	Under-reported loss

Q. DO YOU HAVE AN OPINION ON WHY SOME GAINS WERE OVER-REPORTED AND SOME LOSSES WERE UNDER-REPORTED FOR THE YEARS 2004 THROUGH 2007, OR WHAT MIGHT HAVE CAUSED THOSE DISCREPANCIES?

A. No, I do not. Table 2 is based solely on a review of FPL's true-up hedging activities

[27] The Commission Filings column showing FPL's hedging gains (losses) was derived from the non-confidential testimony and exhibits of FPL witness Gerard J. Yupp filed in the Fuel Docket (*see* Exh. TN-2, pp. 44-55). The Discovery Responses column showing gains (losses) was obtained from FPL's response to OPC's Interrogatory No. 26 (*see* Exh. TN-3, pp. 11-12).

[28] This figure was provided on April 3, 2006, presumably to revise the original figure of $189,877,494 filed on April 1, 2005. However, the revised figure listed on Table 2 is still different from what FPL reported in its May 2015 discovery response.

filings for every year from 2002 through 2014, which are filed with the Commission on or around April 1 of each year. While it is possible that FPL corrected those larger discrepancies for the years 2004 through 2007, the Fuel Dockets contain hundreds of filings from the four IOUs, and I did not examine every Fuel Adjustment Clause filing to see if FPL had made corrections to its hedging true-up filings with the PSC for the years in question.

Q. WHAT ARE THE COMPANIES' PROJECTED NATURAL GAS HEDGING GAINS OR LOSSES FOR 2015?

A. In their discovery responses submitted in May 2015, each of the Companies projected a natural gas hedging loss for 2015. These projected losses are summarized in Table 3 below:

Table 3 – Projected 2015 Natural Gas Hedging Gains (Losses) For IOUs[29]

IOU	Projected Natural Gas Hedging Gains (Losses) (2015)
Duke	$ (196,900,000)
FPL	$ (382,000,000)
Gulf	$ (43,981,755)
TECO	$ (23,168,465)
TOTAL	$ (646,050,220)

[29] *See* Duke's Supplemental Response to OPC Interrogatory No. 5; FPL's Response to OPC Interrogatory No. 29; Gulf's Response to OPC Interrogatory No. 5; and TECO's Response to OPC Interrogatory No. 5 (*see* Exh. TN-3, pp. 5-6, 13, 18, and 24).

VI: CONCLUSION

Q. PLEASE SUMMARIZE YOUR CONCLUSION.

A. As a fact witness in this proceeding, my conclusion is that the facts confirm that the Companies' natural gas hedging programs have resulted in losses exceeding $5 billion for Florida customers from 2002 to 2014. In addition, losses are currently projected to exceed $600 million for 2015 alone.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing DIRECT TESTIMONY AND EXHIBITS OF TARIK NORIEGA has been furnished by electronic mail on this 23rd day of September, 2015, to the following:

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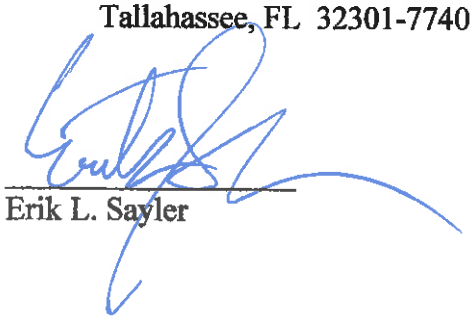

Erik L. Sayler

TARIK NORIEGA

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EXPERIENCE

The Florida Legislature – Office of Public Counsel — **Tallahassee, Florida**

Legislative Analyst — 2012 – Present

- Serve primarily as an Economist for the Office of Public Counsel (OPC), where I provide technical support in rate cases and other docketed and undocketed matters on behalf of Florida's utility customers.

State of Florida – Department of Revenue — **Tallahassee, Florida**

Research Economist — 2011 – 2012

- Served as an Economist in the Office of Tax Research, primarily as the lead analyst in developing the documentary stamp tax and intangibles tax forecasts for the Revenue Estimating Conference (REC). Assisted in developing the ad valorem tax forecast and prepared fiscal impacts for the REC.

The Florida Legislature – House of Representatives — **Tallahassee, Florida**

Economist — 2008 – 2010

- Served as the Economist for the Military & Local Affairs Policy Committee and the Economic Development & Community Affairs Policy Council, primarily as the lead analyst in reviewing emergency management issues, property tax and local tax issues, libraries and historical/cultural matters, and the sunset reviews for two state agencies. Prepared bill analyses and other documents.

Economist/Budget Analyst — 2006 – 2008

- Served as the Economist for the Jobs & Entrepreneurship Council and as the Budget Analyst for the Committee on Utilities & Telecommunications, primarily as the lead analyst in reviewing the budget of the Florida Public Service Commission (PSC). Provided the fiscal analysis for relevant Council and Committee legislation. Tracked REC data, analyzed economic trends, and prepared other Council and Committee documents requested by the members.

Economist — 2005 – 2006

- Served as the Economist for the Finance & Tax Committee and the Fiscal Council. Prepared bill analyses and other relevant Committee and Council documents. Tracked revenues and the fiscal impacts for all legislation referred to the Council. Participated in Revenue, Economic, and Demographic Estimating Conferences, analyzed economic trends, and reviewed all relevant economic forecasts.

State Of Florida – Public Service Commission **Tallahassee, Florida**

Regulatory Supervisor/Consultant 2003 – 2005

- Served as the only agency spokesperson handling both English and Spanish media requests. Reviewed PSC staff recommendations to the Commissioners and prepared the agency's response to critical issues attracting media interest. Prepared bilingual press releases and consumer bulletins. Taped bilingual radio and television interviews.

Regulatory Analyst 1996 – 2003

- Evaluated electric utility load forecasts and reported findings and conclusions to the Commission during electric utility ten-year site plan reviews and power plant need determination proceedings. Participated in several telecommunications audits and submitted findings and conclusions to lead auditors. Responsible for the development of several energy and telecommunications policy analysis projects. Designed telephone surveys about the electric, telecommunications, natural gas, water, and wastewater industries. Evaluated all survey data and reported the findings to the Commission and to the Florida Legislature. Monitored federal issues and represented the PSC in various proceedings.

EDUCATION

University Of Central Florida (U.C.F.) – Orlando, Florida 1988 – 1994

- 1994: Master of Arts in Applied Economics (M.A.A.E.)
- 1992: Bachelor of Arts (B.A.) in Economics; Minored in Psychology and English
- Coursework focused on quantitative methods, managerial economics, and money & banking

ACTIVITIES AND HONORS

- Member of Omicron Delta Epsilon, the International Honor Society in Economics (1993-present)
- Secretary of the Provost Advisory Committee – U.C.F. (1994)
- Member of the Dean's Leadership Council – College of Business Administration – U.C.F. (1993-1994)
- President of the U.C.F. Economics Club and the U.C.F. Chapter of Omicron Delta Epsilon (1993-1994)

Excerpts from
Duke Energy Florida's
Hedging Activity / True-up Filings
Years: 2002-2014

PROGRESS ENERGY FLORIDA

DOCKET NO. 030001-EI

Fuel and Capacity Cost Recovery
Final True-Up for the Period
January through December, 2002

DIRECT TESTIMONY OF PAMELA R. MURPHY

Q. Please state your name and business address.

A. My name is Pamela R. Murphy. My business address is P O. Box 1551, Raleigh, North Carolina 27602.

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

A. I am employed by Progress Energy Carolinas in the capacity of Director Gas & Oil Trading.

Q. Have your duties and responsibilities remained the same since you last testified in this proceeding?

A. Yes, my responsibilities for the procurement and trading of natural gas and oil on behalf of Progress Energy Florida (Progress Energy or the Company) have remained the same.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to (1) summarize the success of Progress Energy's Risk Management Plan for 2002, and (2) provide the hedging-

demand-side management and voltage reductions during the force majeure periods.

Q. What measures did Progress Energy undertake to minimize other risks identified in its Risk Management Plan?

A. Progress Energy continued to perform its daily management activities outlined in the Plan to monitor and, to the extent possible, mitigate risks to customers.

Q. Did Progress Energy follow the processes and guidelines outlined in the Plan?

A. Yes, all processes and guidelines were followed.

Q. What actions, including hedging activities, did Progress Energy take in 2002 to control the cost of fuel and wholesale power transactions?

A. With respect to natural gas, Progress Energy elected to enter into a zero-cost collar (a price floor and ceiling obtained at no cost) for 20,000 mmbtu per day supply of gas for the three-month period of December 2002 through February 2003. Although prices were within the collar in December and therefore had no effect on 2002 fuel costs, it provided savings of $198,800 over the remaining two months in 2003. Progress Energy also has one fixed price contract it acquired with the purchase of its Tiger Bay generating unit that resulted in an additional cost to the ratepayers of $2,098,791 in 2002. However, this contract has now turned around relative to the market, and currently has a projected net savings to customers through 2010 of approximately $33 million.

D. PEF purchased daily transmission on an as available basis to support economy purchases. In addition, PEF purchased 200 MWs of monthly transmission for the period May through October to improve diversity and availability of economic purchase opportunities.

E. Daily dispatch continues on an economic basis for its ratepayers. This dispatch is updated twice daily for next-day projected load forecasts. This process may, on occasion, deviate from economic dispatch due to operational problems at plant sites or forces beyond our control.

F. One coal supplier filed bankruptcy, however, there was no interruption of service

III. Monitoring of Industry Events

A. PEF continues to monitor the War with Iraq and its short- and long-term affects in the market, as well as the events leading up to the war.

B. Weekly gas storage injection/withdrawal amounts published by EIA are being followed to determine short- and long-term affects to future gas prices. In addition, rig counts are also followed to monitor the increase/decrease of drilling activity for replacement reserves.

C. Defaults by suppliers based on bankruptcies or announcements to exit the market are monitored by our credit section, as well as the respective front office personnel. For 2002, we have seen marketing companies like Dynegy, Aquila, Reliant, and El Paso either exit the business totally or reduce staff to return to its core business of managing its existing generation portfolio. Liquidity in the natural gas and power markets have been reduced by these events where major marketing companies have elected to exit the business line of "market making" activities.

IV. Price Risk Mitigation

A. Natural Gas – A zero cost collar was entered into for 20,000 mmbtu/day of natural gas supply for the period December 2002 through and including February 2003 which was not exercised in 2002. PEF has one (1) long-term fixed price contract that resulted in additional cost to ratepayers of $2,098,791. The mark-to-market on this fixed price contract for its remaining term is valued at approximately $33 million favorable for the ratepayers.

B. Wholesale Power – Savings from wholesale sales & purchases for 2002 were as follows:
   1. Sales $5,628,586
   2. Purchases $7,013,273

PROGRESS ENERGY FLORIDA

DOCKET NO. 040001-EI

Fuel and Capacity Cost Recovery
Final True-Up for the Period
January through December, 2003

DIRECT TESTIMONY OF PAMELA R. MURPHY

Q. Please state your name and business address.

A. My name is Pamela R. Murphy. My business address is P.O. Box 1551, Raleigh, North Carolina 27602.

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

A. I am employed by Progress Energy Carolinas in the capacity of Director, Gas & Oil Procurement & Logistics.

Q. Have your duties and responsibilities remained the same since you last testified in this proceeding?

A. Yes, my responsibilities for the procurement and trading of natural gas and oil on behalf of Progress Energy Florida (Progress Energy or the Company) have remained the same.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to summarize the results of Progress Energy's Risk Management Plan for 2003, and to provide the information required by Order No. PSC-02-1484-FOF-EI, which approved the resolution

Gulfstream Natural Gas and Florida Gas Transmission to use a portion of the excess gas in their pipelines until production resumed.

Q. What measures did Progress Energy undertake to minimize other risks identified in its Risk Management Plan?

A. Progress Energy continued to perform its daily management activities outlined in the Plan to monitor and, to the extent possible, mitigate risks to customers.

Q. Did Progress Energy follow the processes and guidelines outlined in the Plan?

A. Yes, all processes and guidelines were followed and no trading or credit violations occurred.

Q. What hedging activities did Progress Energy undertake for fuel and wholesale power?

A. Progress Energy did not hedge wholesale power and coal prices for 2003. However, the Company did make economic purchases as well as short-term wholesale power sales that resulted in overall savings to its customers of approximately $15.4 million. With respect to natural gas, Progress Energy met all of its hedging strategy objectives to 1) mitigate price risk and volatility, 2) provide gas price certainty, 3) maintain a diverse portfolio, and 4) enhance potential for ratepayer's savings. To that end, the following transactions were entered into by Progress Energy:

1.) A zero-cost collar for a 20,000 MMBtu per day supply of gas for the three-month period of December 2002 through February 2003. The contract was exercised in February 2003, resulting in savings to customers of $190,400.

2) For March 2003, Progress Energy elected to exercise a contractual option to convert a term purchase from index to daily pricing. This price conversion resulted in customer savings of $875,300.

3) Progress Energy had several fixed price contracts that resulted in savings to customers of $18,706,426. As of December 31, 2003, the fixed priced contracts had a favorable mark-to-market value through 2010 of approximately $61 million.

4) The Company exercised a contractual option to fix the price on various shipments of residual oil in 2003, which resulted in a net additional cost to customers of $1,229,174.

To summarize, the Company met its 2003 hedging objectives and provided total net savings to customers of $18,542,952, in addition to savings of approximately $15.4 million from economic power purchases and short-term off-system power sales.

Q. Does this conclude your testimony?

A. Yes, it does.

III. Monitoring of Industry Events

A. Weekly gas storage injection/withdrawal amounts published by EIA are being followed to determine short- and long-term effects to future gas prices. In addition, rig counts are also followed to monitor the increase/decrease of drilling activity for replacement reserves.

B. Defaults by suppliers based on bankruptcies or announcements to exit the market are monitored by our credit section, as well as the respective front office personnel. Industry events that occurred in 2002 have seen marketing companies like Dynegy, Aquila, Reliant, and El Paso either exit the business totally or reduce staff to return to its core business of managing its existing generation portfolio. As a result, liquidity in the natural gas and power markets have been reduced by these events where major marketing companies have elected to exit the business line of "market making" activities.

C. During the 3rd and 4th quarters, domestic and import coal prices began rising. To mitigate the potential additional cost to the ratepayer, PEF began purchasing some of their 2004 requirements early to meet its needs.

IV. Price Risk Mitigation

A. Natural Gas – Progress Energy met all of its hedging strategy objectives to 1) mitigate price risk and volatility, 2) provide gas price certainty, 3) maintain a diverse portfolio, and 4) provide potential for ratepayer's savings. Progress Energy elected to enter into a zero-cost collar for 20,000 MMBtu's per day supply of gas for the three-month period of December 2002 through February 2003. The contract was exercised in February 2003, resulting in a value to the ratepayers of $190,400. For March 2003, Progress Energy elected to exercise a contractual option to convert the price of a term deal from index to daily. This price conversion resulted in a savings to the ratepayers of $875,300. Progress Energy also had several fixed price contracts that resulted in stabilizing prices for a portion of its natural gas requirements for the ratepayers and provided an additional value to the ratepayers of $18,706,426. Additionally, as of December 31, 2003 the fixed priced contracts had a favorable mark-to-market value through 2010 of approximately $61 million.

B. Wholesale Power – Savings from wholesale sales & purchases for 2003 were as follows:
   1. Sales $9,844,761
   2. Purchases $5,544,500

C. Fuel Oil – For 2003, PEF exercised a contractual option to fix the price on 704,818 bbls of residual oil, which resulted in a net additional cost to customers of $1,229,174.

D. Total Value Created: $35,794,881

PROGRESS ENERGY FLORIDA

DOCKET NO. 050001-EI

Fuel and Capacity Cost Recovery
Final True-Up for the Period
January through December, 2004

DIRECT TESTIMONY OF PAMELA R. MURPHY

April 1, 2005

Q. Please state your name and business address.

A. My name is Pamela R. Murphy. My business address is P. O. Box 1551, Raleigh, North Carolina 27602.

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

A. I am employed by Progress Energy Carolinas in the capacity of Director, Gas & Oil Trading.

Q. Have your duties and responsibilities remained the same since you last testified in this proceeding?

A. Yes, my responsibilities for the procurement and trading of natural gas and oil on behalf of Progress Energy Florida (Progress Energy or the Company) have remained the same.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to summarize the results of Progress Energy's Risk Management Plan for 2004, and to provide the information required by Order No. PSC-02-1484-FOF-EI, which approved the resolution

Q. What measures did Progress Energy undertake to minimize other risks identified in its Risk Management Plan?

A. Progress Energy continued to perform its daily management activities outlined in the Plan to monitor and, to the extent possible, mitigate risks to customers.

Q. Did Progress Energy follow the processes and guidelines outlined in the Plan?

A. Yes, all processes and guidelines were followed and no trading or credit violations occurred.

Q. What hedging activities did Progress Energy undertake for fuel and wholesale power?

A. Progress Energy did not hedge wholesale power and coal prices for 2004. However, the Company did make economic purchases as well as wholesale power sales to third parties that resulted in overall savings to its customers of approximately $27.2 million. With respect to natural gas, Progress Energy met all of its hedging strategy objectives to 1) mitigate price risk and volatility, 2) provide gas price certainty, 3) maintain a diverse portfolio, and 4) provide potential for ratepayer's savings. To that end, the following transactions were entered into by Progress Energy:

1) Progress Energy had several fixed price contracts that resulted in additional savings to customers of approximately $51.06 million. As of December 31, 2004, the fixed priced contracts had a favorable marked-to-market value through 2010 of approximately $131 million.

2) The Company used financial swaps to fix the price on a portion of the residual oil used in 2004, which resulted in a net cost to customers of approximately $.76 million.

To summarize, the Company met its 2004 hedging objectives including the objective of providing a savings to the ratepayers. A total savings to customers of approximately $50.3 million was attained in addition to approximately $27.2 million in economic power purchases and excess power generation sales.

Q. Please describe Progress Energy's process for procuring natural gas, at market prices.

A. Progress Energy buys virtually all of its term natural gas at market index prices. The Company purchases most of its gas supply on either a short-term or long-term basis using a Request for Proposal process to identify suppliers that can meet the Company's needs. The resulting contracts identify market indices to establish daily or monthly gas prices. The Company also builds in price flexibility to be able to change a floating market index price to a fixed price for a certain amount of time to implement its phased hedging strategy to reduce price volatility for its ratepayers. Some supplies are purchased at a fixed price initially to hedge physical natural gas to execute PEF's hedging strategy mentioned above. For the most part, natural gas prices are determined by the market index at the location of the Progress Energy's receipt points to its firm transportation capacity. For example, gas purchased at FGT Zone 3 is priced based on either Platts Inside FERC, Gas Market Report, first of the month posting for

C. Coal – Multiple hurricanes and tropical storms impacting Florida and the Gulf of Mexico during the summer and fall interrupted the delivery of coal to Crystal River. This was managed by a combination of measures including utilizing inventory and purchasing coal in the spot market.

D. PEF purchased daily transmission on an as available basis to support economy purchases. In addition, PEF purchased a 100 MW annual transmission position, an additional 150 MW monthly transmission position for the period July through August, and a 50 MW monthly transmission position in October to improve diversity and availability of economic purchase opportunities.

E. Daily dispatch continues on an economic basis for its ratepayers. This dispatch is updated twice daily for next-day projected load forecasts. This process may, on occasion, deviate from economic dispatch due to operational problems at plant sites or forces beyond our control.

III. Monitoring of Industry Events

A. Weekly gas storage injection/withdrawal amounts published by Energy Information Administration (EIA) are being followed to determine short- and long-term effects to future gas prices. In addition, rig counts are also followed to monitor the increase/decrease of drilling activity for replacement reserves.

B. Weekly EIA oil inventory reports are being followed to determine short and long-term effects to future oil prices.

C. Defaults by suppliers based on bankruptcies or announcements to exit the market are monitored by our credit section, as well as the respective front office personnel.

D. Various daily coal price reports are being followed to determine the short and long-term effect to future coal prices. In additional, coal transportation costs are monitored.

IV. Price Risk Mitigation

A. Natural Gas – Progress Energy met all of its hedging strategy objectives to 1) mitigate price risk and volatility, 2) provide gas price certainty, 3) maintain a diverse portfolio, and 4) provide potential for ratepayer's savings. Progress Energy had several fixed price contracts that resulted in stabilizing prices for a portion of its natural gas requirements for the ratepayers and provided a savings to the ratepayers of $51,068,145. Additionally, as of December 31, 2004, the fixed priced contracts had a favorable marked-to-market value through 2010 of approximately $131 million.

B. Wholesale Power – Savings from wholesale sales & purchases for 2004 were as follows:
   1. Sales - $5,330,652
   2. Purchases - $21,833,340

PROGRESS ENERGY FLORIDA

DOCKET NO. 060001-EI

Fuel and Capacity Cost Recovery
Final True-Up for the Period
January through December, 2005

DIRECT TESTIMONY OF PAMELA R. MURPHY

April 1, 2006

Q. Please state your name and business address.

A. My name is Pamela R. Murphy. My business address is P. O. Box 1551, Raleigh, North Carolina 27602.

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

A. I am employed by Progress Energy Carolinas, Inc., as Director, Gas & Oil Trading.

Q. Have your duties and responsibilities remained the same since you last testified in this proceeding?

A. Yes, my responsibilities for the procurement and trading of natural gas and oil on behalf of Progress Energy Florida (PEF or the Company) have remained the same.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to summarize the results of PEF's Risk Management Plan for 2005, and to provide the information required by Order No. PSC-02-1484-FOF-EI, which approved the resolution of the

Q. What measures did PEF undertake to minimize other risks identified in its Risk Management Plan?

A. PEF continued to perform its daily management activities outlined in the Plan to monitor and, to the extent possible, mitigate risks to its customers.

Q. Did PEF follow the processes and guidelines outlined in the Plan?

A. Yes, all processes and guidelines were followed.

Q. What hedging activities did PEF undertake for fuel and wholesale power?

A. PEF did not hedge wholesale power for 2005. With regard to coal prices, PEF did secure coal under fixed price term contracts for 2005. PEF did make economic purchases, as well as wholesale power sales to third parties that resulted in overall savings to customers of approximately $46 million. With respect to natural gas, PEF met all of its hedging strategy objectives to: 1) mitigate price risk and volatility, 2) provide gas price certainty, 3) maintain a diverse portfolio, and 4) provide potential for ratepayer savings. To that end, the following transactions were entered into by the Company:

1) PEF had several fixed price contracts that resulted in additional savings to customers of approximately $121.7 million. As of December 31, 2005, these fixed priced contracts had a favorable marked-to-market value through 2010 of approximately $519.7 million.

2) The Company used financial swaps to fix the price on a portion of the residual oil used in 2005 that resulted in a net savings to customers of approximately $70.3 million.

To summarize, PEF met its 2005 hedging objectives including the objective of providing a savings to ratepayers. A total savings to customers of approximately $192 million was attained in addition to approximately $46 million in economic power purchases and excess power generation sales.

Q. Please describe PEF's process for procuring natural gas at market prices.

A. PEF buys virtually all of its term natural gas at market index prices. It purchases most of its gas supply on either a short-term or long-term basis using a Request for Proposal process to identify suppliers that can meet the Company's needs. The resulting contracts identify market indices to establish daily or monthly gas prices. The Company also builds in price flexibility to be able to change a floating market index price to a fixed price for a certain amount of time to implement its phased hedging strategy to reduce price volatility for its ratepayers. Some supplies are purchased at a fixed price initially to hedge physical natural gas to execute PEF's hedging strategy mentioned above. For the most part, natural gas prices are determined by the market index at the location of the PEF's receipt points to its firm transportation capacity. For example, gas purchased at FGT Zone 3 is priced based on either Platts Inside FERC, Gas Market Report, first of the month posting for FGT Zone 3 or Platts Gas Daily, daily price survey midpoint for the day of flow for FGT Zone 3.

Progress Energy Florida, Inc.
Docket No. 060001-EI
Witness: Murphy
Exhibit No. PRM-1T
Sheet 3 of 3

IV. Price Risk Mitigation

A. Natural Gas – PEF met all of its hedging strategy objectives to: 1) mitigate price risk and volatility, 2) provide gas price certainty, 3) maintain a diverse portfolio, and 4) provide potential for ratepayer savings. PEF had several fixed price contracts that resulted in stabilizing prices for a portion of its natural gas requirements, and provided a savings to the ratepayers of $121.7 million. Additionally, as of December 31, 2005, physical and financial hedged contracts had a favorable marked-to-market value through 2010 of approximately $519.7 million.

B. Wholesale Power – Savings from wholesale sales and purchases for 2005 were as follows:
   1. Sales - $1.7 million
   2. Purchases - $45.6 million

C. Fuel Oil – For 2005, PEF financially hedged the price of residual fuel oil which resulted in a net savings to customers of $70.3 million.

D. Total Value Created: $239.3 million

V. Process and Guidelines

A. The Mid Office ensures compliance with internal audit, corporate risk policies, procedures and guidelines, Sarbanes-Oxley (Sarbox), FAS 133 and process requirements of the Regulatory, Tax and Treasury groups, by providing appropriate and periodic analysis and reporting. Mid Office provides reports to middle and upper management. Mid Office also provides daily reporting of marked-to-market and stress testing on all gas and oil hedging activities.

B. Audit Services continues to provide the services outlines in the Plan for fuel and wholesale power purchases. Their audits in 2005 included various aspects related to compliance, trading and procurement and operational perspectives for portfolio management, fuel procurement and wholesale power purchases. The audits completed in 2005 had no major findings.

C. PEF natural gas, fuel oil, and wholesale power processes and procedures continue to be refined as part of our overall effort to improve business practices.

D. The guidelines referenced in the Plan have been adhered to in 2005.

ORIGINAL

PROGRESS ENERGY FLORIDA

DOCKET NO. 070001-EI

Fuel and Capacity Cost Recovery
Final True-Up for the Period
January through December, 2006

DIRECT TESTIMONY OF JOSEPH MCCALLISTER

April 2, 2007

Q. Please state your name and business address.

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

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

A. I am employed by Progress Energy Carolinas in the capacity of Director, Gas & Oil Trading.

MP
OM 5
TR Dg
CR D
CL 1
PC
RCA 1
SCR
SGA
SEC
OTH

Q. Have your duties and responsibilities remained the same since you last testified in this proceeding?

A. Yes, my responsibilities for the procurement and trading of natural gas and oil on behalf of Progress Energy Florida (PEF or the Company) have remained the same.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to summarize the results of PEF's hedging activity for 2006 and to provide the information required by Order No. PSC-

02-1484-FOF-EI which approved the resolution of the hedging related issues pending before the Commission in Docket No. 011605-EI.

Q. Have you prepared exhibits to your testimony?

A. Yes. I have attached exhibit JM-1T which summarizes hedging information for 2006.

Q. What are the primary objectives of PEF's hedging strategy?

A. The primary objectives of PEF's hedging strategy are to mitigate fuel price risk and volatility and provide greater price certainty to PEF's customers.

Q. What hedging activities did PEF undertake during 2006 for fuel and wholesale power.

A. PEF continued to perform the daily management activities outlined in its Risk Management Plan and executed physical and financial transactions in accordance with established company risk management guidelines. With respect to hedging natural gas prices for 2006, PEF had fixed price physical contracts and financial instruments that resulted in net fuel cost savings to customers of approximately $62.1 million. With respect to hedging heavy and light oil prices for 2006, PEF had fixed price financial instruments that resulted in net fuel costs savings to customers of approximately $56.9 million. In total, the gas and oil hedging activity for 2006 resulted in net fuel cost savings to customers of approximately $119 million. In addition, during 2006 PEF made economic energy purchases and wholesale power sales to third parties that resulted in additional savings to customers of $24.4 million and $2 million, respectively.

PROGRESS ENERGY FLORIDA

DOCKET NO. 080001-EI

Fuel and Capacity Cost Recovery
Final True-Up for the Period
January through December 2007

DIRECT TESTIMONY OF JOSEPH MCCALLISTER

April 3, 2008

Q. Please state your name and business address.

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

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

A. I am employed by Progress Energy Carolinas in the capacity of Director, Gas & Oil Trading.

Q. Have your duties and responsibilities remained the same since you last testified in this proceeding?

A. Yes, my responsibilities for the procurement and trading of natural gas and oil on behalf of Progress Energy Florida (PEF or the Company) have remained the same.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to summarize the results of PEF's hedging activity for 2007 and to provide the information required by Order No. PSC-02-1484-FOF-EI which approved the resolution of the hedging related issues pending before the Commission in Docket No. 011605-EI.

Q. Have you prepared exhibits to your testimony?

A. Yes. I have attached exhibit JM-1T which summarizes hedging information for 2007.

Q. What are the primary objectives of PEF's hedging strategy?

A. The objectives of PEF's hedging strategy are to mitigate fuel price risk and volatility and provide a greater degree of price certainty to PEF's customers.

Q. What hedging activities did PEF undertake during 2007 for fuel and wholesale power and what were the results?

A. PEF continued to perform the activities outlined in its Risk Management Plan and executed physical and financial transactions in accordance with established company risk management guidelines. With respect to hedging activities that were executed over time for 2007 to reduce the price risk and volatility associated with a portion of PEF's natural gas, heavy oil and light oil burns, PEF executed fixed price physical contracts for natural gas and financial instruments for natural gas, heavy oil and light oil that resulted in net fuel costs of approximately $15.1 million. For the period 2002 through 2007, PEF's natural gas and fuel oil hedges have provided net fuel savings of approximately $361 million. Although PEF's hedging activity has achieved significant fuel savings to date, the objectives are to reduce price risk and volatility and provide a greater degree of price certainty for its customers. As a result, there will be periods when realized hedge losses occur. In addition, during 2007, PEF made economic energy purchases and wholesale power sales to third parties that resulted in additional savings of approximately $24.3 million and $2.6 million, respectively.

Q. Does this conclude your testimony?

A. Yes

REDACTED

Progress Energy Florida, Inc.
Docket No. 080001-EI
Witness: McCallister
Exhibit No. ____ (JM-1T)

PROGRESS ENERGY FLORIDA, INC.

Hedging information provided as part of the 2007 Fuel Clause Final True-up Filing as required by Order no. PSC-02-1484-FOF-EI, Issued October 30, 2002 in Docket No. 011605-EI

Hedging Instrument	Fuel Type	Total 2007 Volume Hedged	Avg Period of Hedge	Total Cost of Hedge	Total Gain/(Loss) of Hedge	
OTC Financial Instruments	Heavy Oil	[redacted]				1
OTC Financial Instruments	Light Oil					2
OTC Financial Instruments	Natural Gas					3
Fixed Physical Price Contracts	Natural Gas					4
Total Net Savings (Costs) for 2007					**($15,074,486)**	

PROGRESS ENERGY FLORIDA

DOCKET NO. 090001-EI

Fuel and Capacity Cost Recovery
Final True-Up for the Period
January through December 2008

DIRECT TESTIMONY OF JOSEPH MCCALLISTER

April 3, 2009

Q. Please state your name and business address.

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

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

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

Q. Have your duties and responsibilities remained the same since you last testified in this proceeding?

A. Yes. My responsibilities for the procurement and trading of natural gas and oil on behalf of Progress Energy Florida (PEF or the Company) have remained the same. In March 2009, I assumed responsibility for Power Trading.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to summarize the results of PEF's hedging activity for 2008 and to provide the information required by Order No. PSC-02-1484-FOF-EI and clarified in PSC-08-0667-PPA-EI.

REDACTED

Progress Energy Florida
Hedging Information

Natural Gas

Year	Savings/(Cost) on Hedges: Financial	Physical	Total	Hedged Volumes (MMBtu's): Financial	Physical	Total Hedged	Actual Burn (Generation & Tolling)	Hedged Burns*	% Hedged with Financial	% Hedged with Physical
Jan-08	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[illegible]	64%	85%	15%
Feb-08	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[illegible]	64%	83%	17%
Mar-08	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[illegible]	60%	86%	14%
Apr-08	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[illegible]	59%	79%	21%
May-08	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[illegible]	64%	86%	14%
Jun-08	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[illegible]	66%	88%	12%
Jul-08	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[illegible]	74%	89%	11%
Aug-08	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[illegible]	73%	90%	10%
Sep-08	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[illegible]	67%	89%	11%
Oct-08	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[illegible]	83%	90%	10%
Nov-08	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[illegible]	102%	89%	11%
Dec-08	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[illegible]	121%	86%	14%
YTD 2008	[redacted]	[redacted]	[illegible]	[redacted]	[redacted]	[illegible]	[illegible]	78%	88%	12%

#6 Oil

Year	Savings/(Cost) on Hedges: Financial	Physical	Total	Hedged Volumes (Barrels): Financial	Physical	Total Hedged	Actual Burn (Generation)	Hedged Burns*	% Hedged with Financial	% Hedged with Physical
Jan-08	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[illegible]	66%	100%	0%
Feb-08	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[illegible]	96%	100%	0%
Mar-08	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[illegible]	114%	100%	0%
Apr-08	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	314,800	56%	100%	0%
May-08	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	406,400	79%	100%	0%
Jun-08	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	500,200	71%	100%	0%
Jul-08	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	362,800	141%	100%	0%
Aug-08	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	316,800	137%	100%	0%
Sep-08	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	480,000	116%	100%	0%
Oct-08	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	364,300	69%	100%	0%
Nov-08	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	340,800	75%	100%	0%
Dec-08	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	230,000	70%	100%	0%
YTD 2008	[redacted]	[redacted]	$106,527,853	[redacted]	[redacted]	3,920,000	4,296,800	81%	100%	0%

#2 Oil

Year	Savings/(Cost) on Hedges: Financial	Physical	Total	Hedged Volumes (Barrels): Financial	Physical	Total Hedged	Actual Burn (Generation)	Hedged Burns*	% Hedged with Financial	% Hedged with Physical
Jan-08	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	17,600	0%	0%	0%
Feb-08	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	11,400	0%	0%	0%
Mar-08	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	16,800	0%	0%	0%
Apr-08	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	47,900	52%	100%	0%
May-08	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	41,700	60%	100%	0%
Jun-08	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	38,800	69%	100%	0%
Jul-08	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	35,600	107%	100%	0%
Aug-08	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	78,600	83%	100%	0%
Sep-08	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	27,800	144%	100%	0%
Oct-08	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	25,700	0%	0%	0%
Nov-08	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	17,300	0%	0%	0%
Dec-08	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	17,000	0%	0%	0%
YTD 2008	[redacted]	[redacted]	[illegible]	[redacted]	[redacted]	250,000	372,000	67%	100%	0%

Storage

Year	Savings/(Cost) on Hedges: Financial	Physical	Total	Hedged Volumes (MMBtu's): Financial	Physical	Total Hedged	Actual Injections	Hedged Injections	% Hedged with Financial	% Hedged with Physical
May-08	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	784,403	99%	100%	0%
Jun-08	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	377,819	20%	100%	0%
YTD 2008	[redacted]	[redacted]	$3,755,308	[redacted]	[redacted]	850,000	1,162,222	73%	100%	0%

Note: * Percentage hedged is based on plant burns

PROGRESS ENERGY FLORIDA

DOCKET NO. 100001-EI

Fuel and Capacity Cost Recovery
Final True-Up for the Period
January through December 2009

DIRECT TESTIMONY OF JOSEPH MCCALLISTER

April 1, 2010

Q. Please state your name and business address.

A. My name is Joseph McCallister. My business address is 100 E. Davie Street, Raleigh, North Carolina 27601.

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

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

Q. Have your duties and responsibilities remained the same since you last testified in this proceeding?

A. Yes. My responsibilities for the Gas, Oil and Power section activities within the Fuels and Power Optimization Department have remained the same.

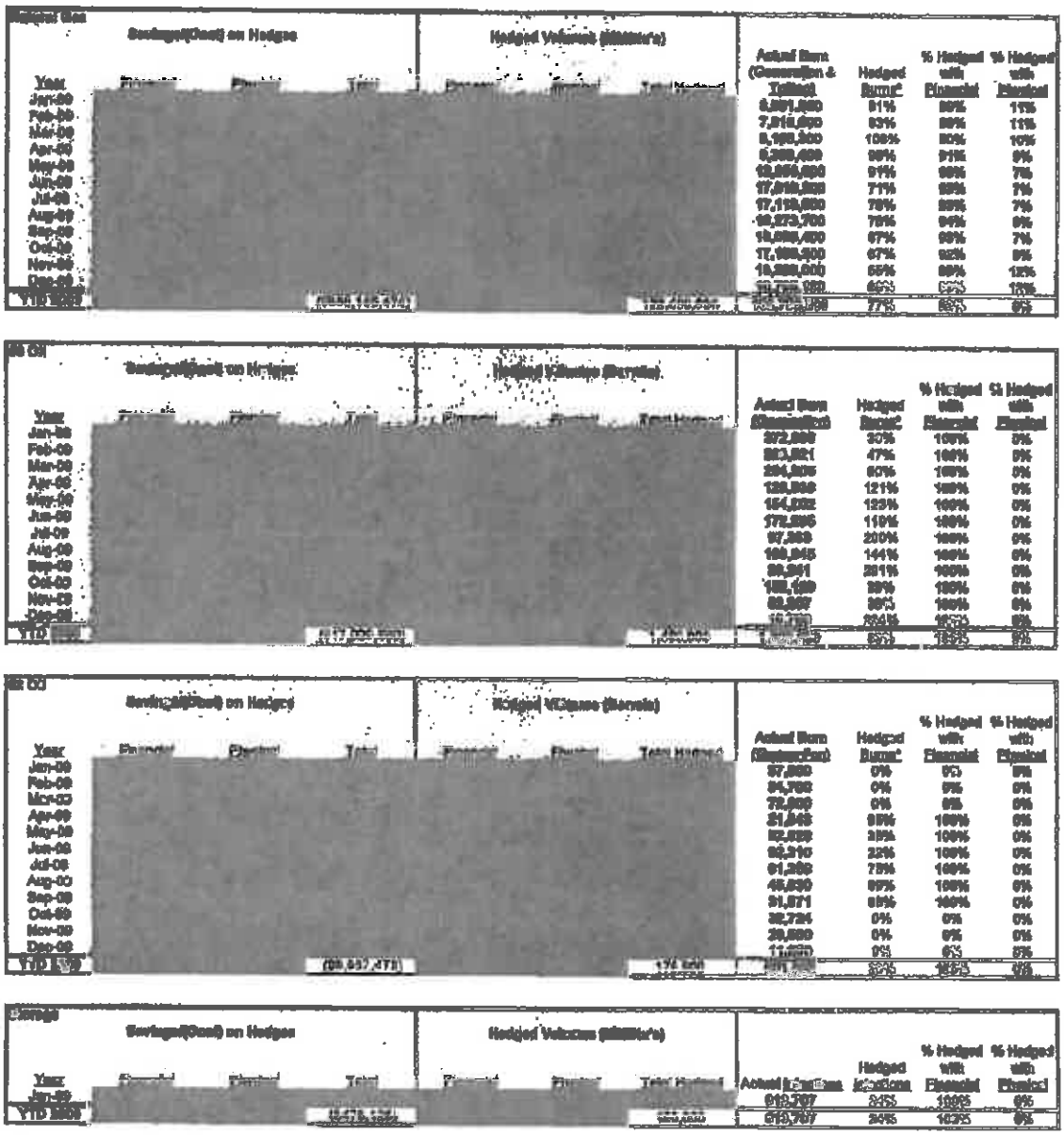
Q. What is the purpose of your testimony?

A. The purpose of my testimony is to summarize the results of PEF's hedging activity for 2009 and to provide the information required by Order No. PSC-02-1484-FOF-EI and clarified in PSC-08-0667-PPA-EI.

REDACTED

Docket No. 100001-EI
Witness: McCallister
Exhibit No. ___ (JM-1T)
Summarized Hedging Information (2002-2009)
Page 2 of 2

Progress Energy Florida
Hedging Information



Note: * Percentage hedged is based on plant burns

COM 5
APA 1
ECR
GCL 1
RAD 1
SSC
ADM
OPC
CLK 1

PROGRESS ENERGY FLORIDA

DOCKET NO. 110001-EI

Fuel and Capacity Cost Recovery
Final True-Up for the Period
January through December 2010

DIRECT TESTIMONY OF JOSEPH MCCALLISTER

April 1, 2011

Q. Please state your name and business address.

A. My name is Joseph McCallister. My business address is 100 E. Davie Street, Raleigh, North Carolina 27601.

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

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

Q. Have your duties and responsibilities remained the same since you last testified in this proceeding?

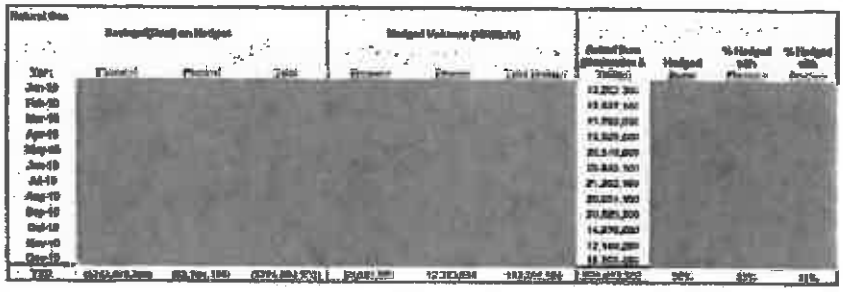
A. Yes. My responsibilities for the Gas, Oil and Power section activities within the Fuels and Power Optimization Department have remained the same.

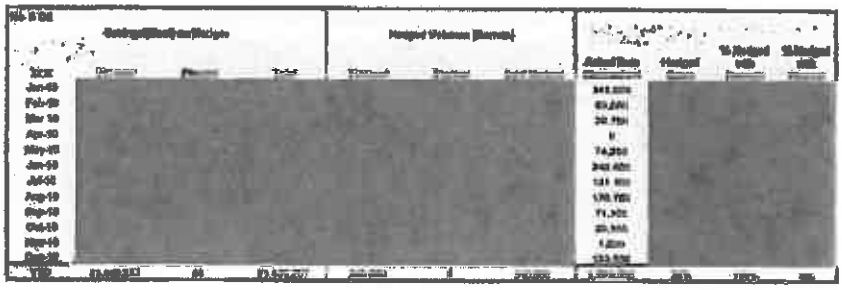
Q. Please briefly describe your work experience.

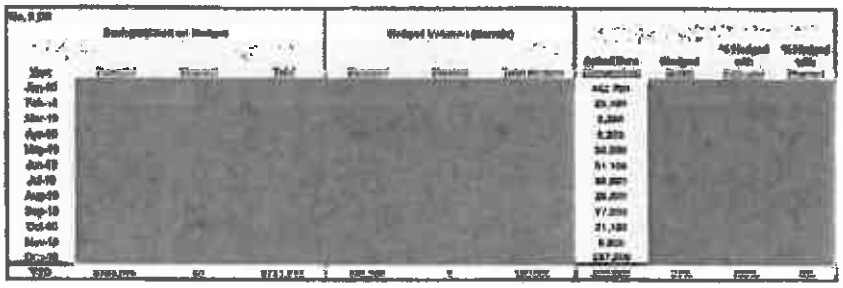
A. I joined Progress Energy Service Company in 2003. Prior to my current position, I served as the Director of Portfolio and Market Risk Assessment in the Treasury and Enterprise Risk Management Department through mid 2006, and the Director of Gas and Oil Trading from mid 2006 through early 2009. Prior to joining Progress Energy, I

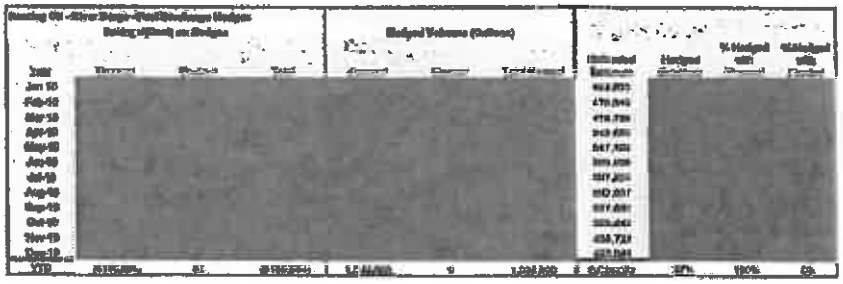
Progress Energy Florida
Natural Gas and Oil Hedging Detail - Redacted

REDACTED









Docket No. 110001-EI
Witness: McCallister
Exhibit No. ___ (JM-1T)
Page 2 of 16

Hedging Summary by Commodity for 2010

PROGRESS ENERGY FLORIDA

DOCKET NO. 120001-EI

Fuel and Capacity Cost Recovery
Final True-Up for the Period
January through December 2011

DIRECT TESTIMONY OF JOSEPH MCCALLISTER

April 2, 2012

Q. Please state your name and business address.

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

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

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

Q. Have your duties and responsibilities remained the same since you last testified in this proceeding?

A. Yes. My responsibilities for the Gas, Oil and Power section activities within the Fuels and Power Optimization Department have remained the same.

Q. Please briefly describe your work experience.

A. I joined Progress Energy Service Company in 2003. Prior to my current position, I served as the Director of Portfolio and Market Risk Assessment through mid 2006, and the Director of Gas and Oil Trading from mid 2006 through early 2009. Prior to joining Progress Energy, I spent approximately 10 years in management positions at energy

Docket No. 110001-EI
Witness: McCallister
Exhibit No. ___ (JM-1T)
Hedging Summary by Commodity for 2011
Page 2 of 17

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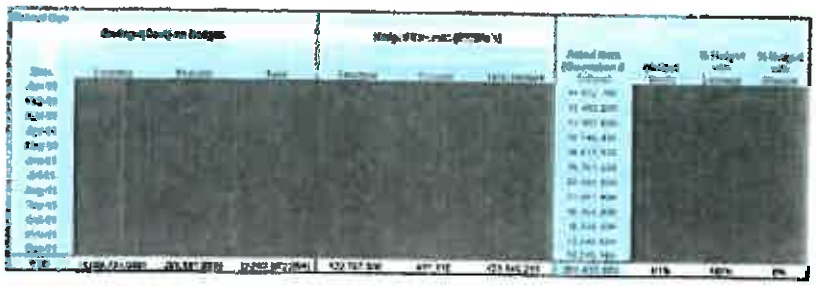
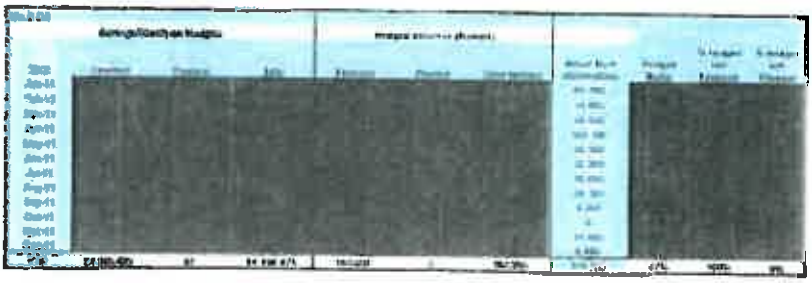
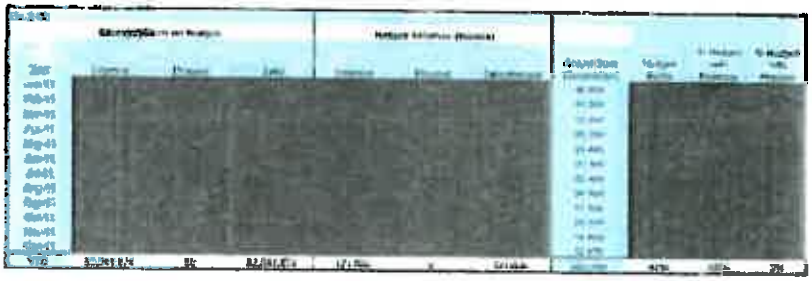
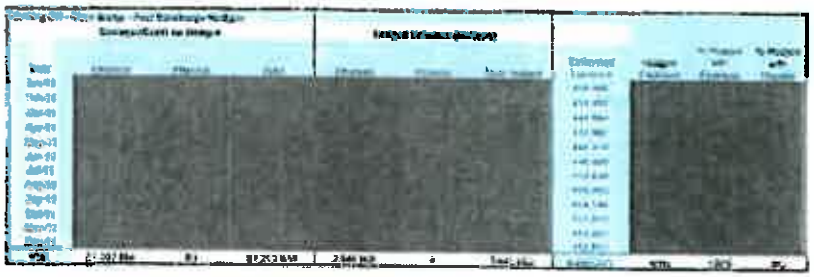
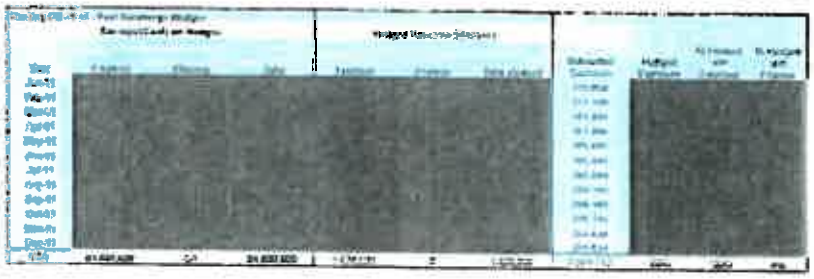










PROGRESS ENERGY FLORIDA

DOCKET NO. 130001-EI

Fuel and Capacity Cost Recovery
Final True-Up for the Period
January through December 2012

DIRECT TESTIMONY OF JOSEPH MCCALLISTER

REDACTED

April 5, 2013

Q. Please state your name and business address.

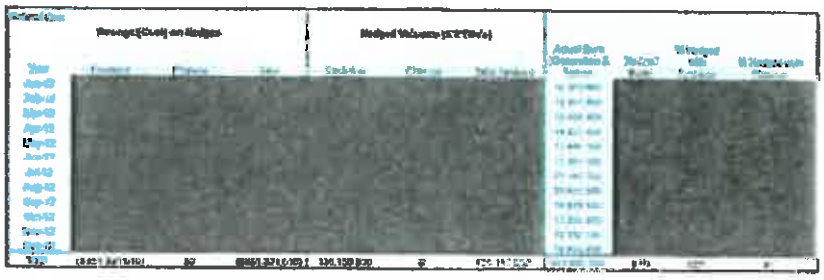
A. My name is Joseph McCallister. My business address is 526 South Church Street, Charlotte, North Carolina 28202.

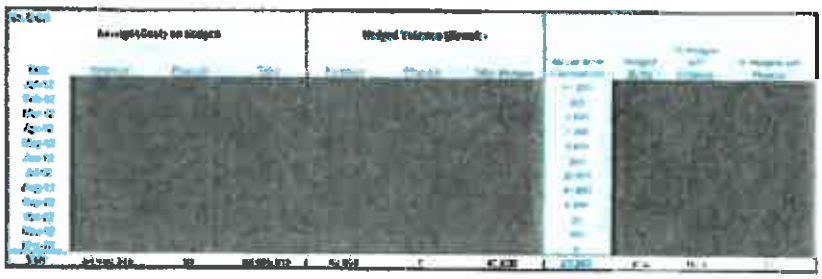
Q. By whom are you employed and in what capacity?

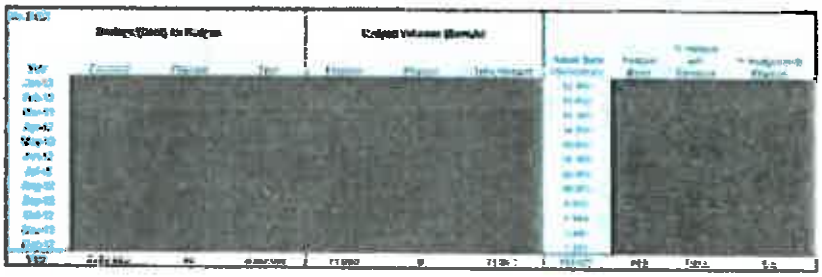
A. I work for Progress Energy Carolinas, an affiliate company of Progress Energy Florida, Inc. ("PEF", "Petitioner" or "Company") as Director, Gas Oil and Power. I am responsible for the natural gas, fuel oil and emission group activities in the Fuel Procurement Section of the Systems Optimization Department for the Duke Energy regulated generation fleet. This group is responsible for the natural gas and fuel oil acquisition and transportation needed to support the generation needs for Duke Energy Indiana, Duke Energy Kentucky, Duke Energy Carolinas, Progress Energy Carolinas and Progress Energy Florida. In addition, this group is responsible for the emission allowance ("EA") position management for Duke Energy Indiana, Duke Energy Kentucky, Duke Energy Carolinas, Progress Energy Carolina and Progress Energy Florida.

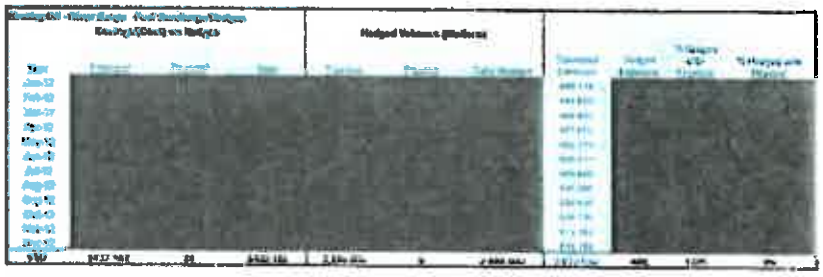
REDACTED

Progress Energy Florida
Natural Gas and Oil Hedging Detail









FILED MAR 28, 2014
DOCUMENT NO 01377-14
FPSC - COMMISSION CLERK

DUKE ENERGY FLORIDA

DOCKET NO. 140001-EI

Fuel and Capacity Cost Recovery
Final True-Up for the Period
January through December 2013

DIRECT TESTIMONY OF
James McClay

March 28, 2014

Q. Please state your name and business address.

A. My name is James McClay. My business address is 526 South Church Street, Charlotte, North Carolina 28202.

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

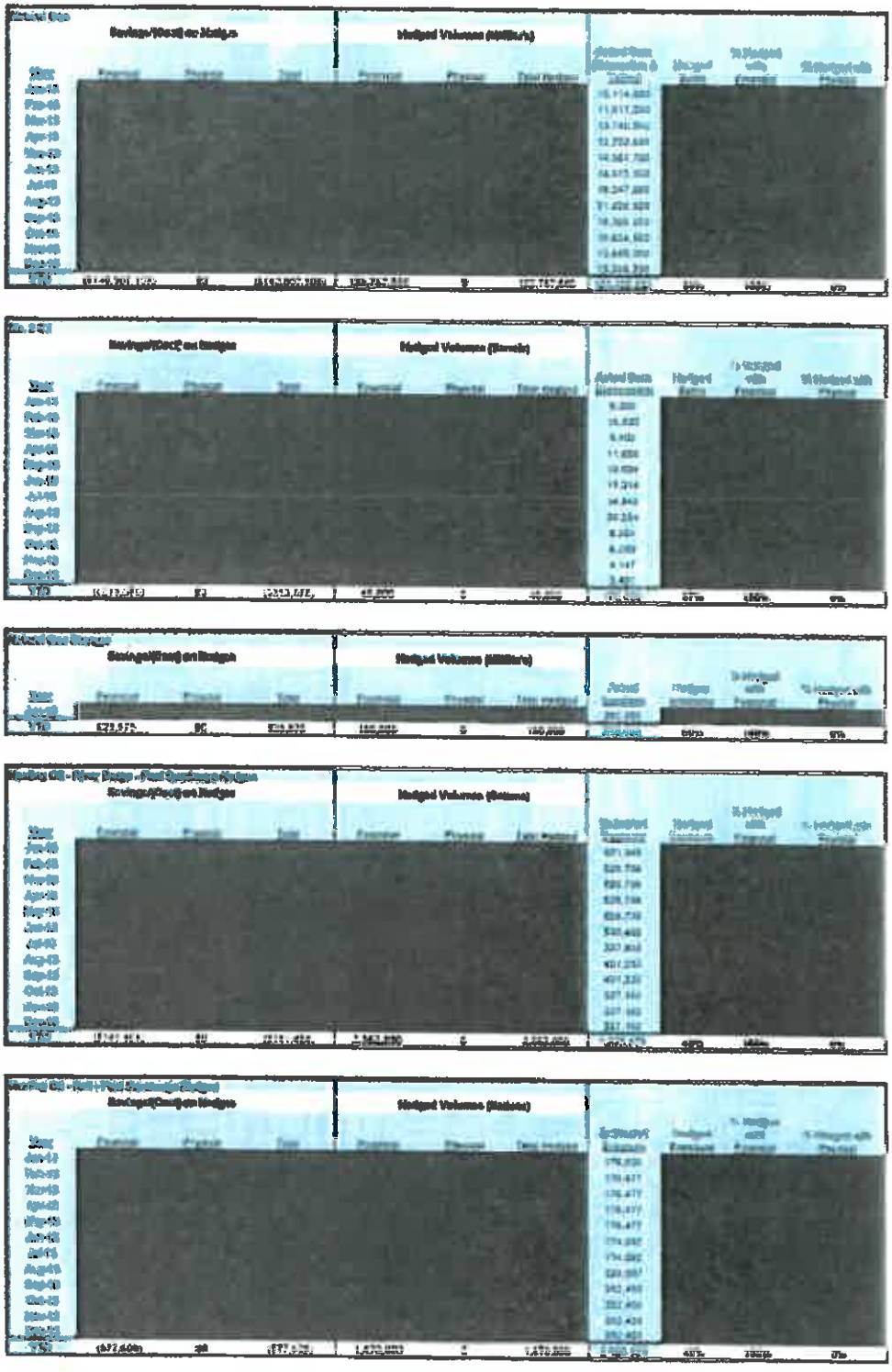
A. I work for Duke Energy Carolinas (DEC) an affiliate company of Duke Energy Florida, Inc. ("DEF", "Petitioner" or "Company") as the Manager of Gas Trading. I manage the natural gas group procurement, scheduling and hedging activities in the Fuel Procurement Section of the Systems Optimization Department for the Duke Energy regulated generation fleet. This group is responsible for the natural gas procurement and scheduling needed to support the gas generation needs for Duke Energy Indiana, Duke Energy Kentucky, Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida.

COM 5
AFD 4
APA 1
ECO 1
ENG 1
GCL 1
IDM 1
TEL
CLK 1 CR GCP

Q. Have you testified before in this proceeding?

A. No

Duke Energy Florida **REDACTED**
Natural Gas and Oil Hedging Detail



DUKE ENERGY FLORIDA

DOCKET NO. 150001-EI

Fuel and Capacity Cost Recovery
Final True-Up for the Period
January through December 2014

DIRECT TESTIMONY OF JOSEPH MCCALLISTER

April 7, 2015

Q. Please state your name and business address.

A. My name is Joseph McCallister. My business address is 526 South Church Street, Charlotte, North Carolina 28202.

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

A. I work for Duke Energy Progress an affiliate company of Duke Energy Florida, Inc. ("DEF", "Petitioner" or "Company") as the Director, Natural Gas Oil and Emissions. I am responsible for the natural gas, fuel oil and emission group activities in the Fuel Procurement Section of the Systems Optimization Department for the Duke Energy regulated generation fleet. This group is responsible for the natural gas and fuel oil acquisition and transportation needed to support the generation needs for Duke Energy Indiana, Duke Energy Kentucky, Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida. In addition, this group is responsible for the emission allowance ("EA") position management for Duke Energy

Duke Energy Florida
Natural Gas and Oil Hedging Data

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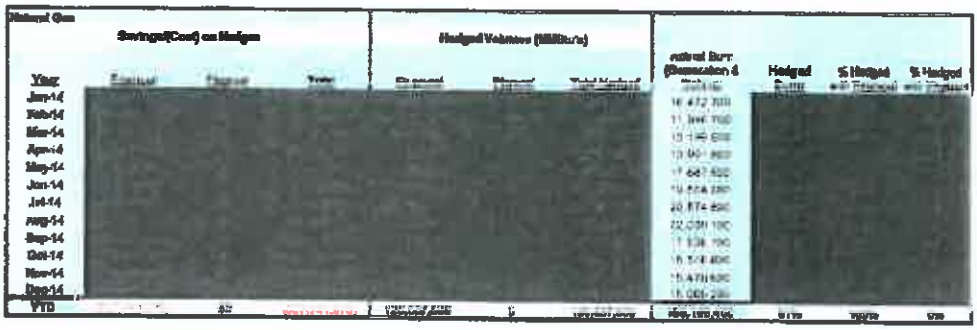

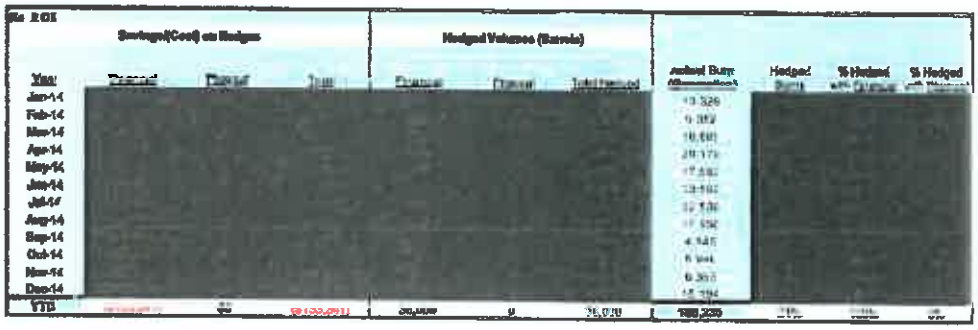

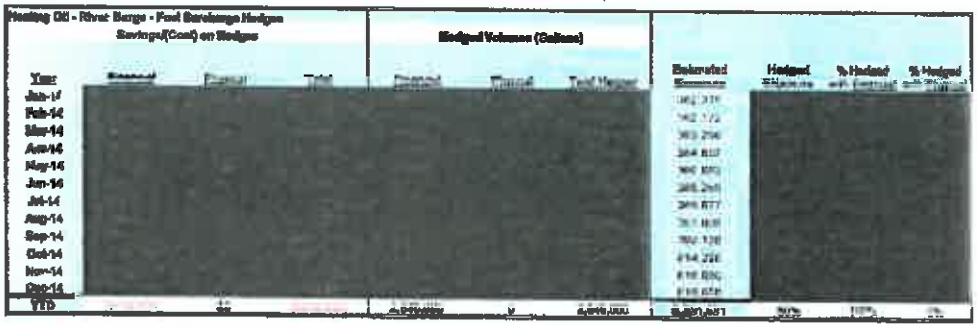

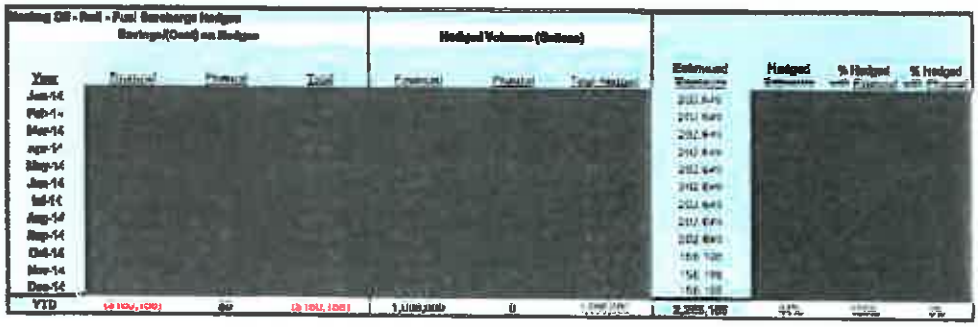

Excerpts from
Florida Power & Light Company's
Hedging Activity / True-up Filings
Years: 2002-2014

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 030001-EI
FLORIDA POWER & LIGHT COMPANY

APRIL 1, 2003

IN RE: LEVELIZED FUEL COST RECOVERY AND CAPACITY COST RECOVERY FINAL TRUE-UP

JANUARY 2002 THROUGH DECEMBER 2002

TESTIMONY & EXHIBITS OF:

G. YUPP

Resolution of Issues in Docket 011605-EI approved by the Commission per Order No. PSC-02-1484-FOF-EI, which states:

> "5. Each investor-owned utility shall provide, as part of its final true-up filing in the fuel and purchased power cost recovery docket, the following information: (1) the volumes of each fuel the utility actually hedged using a fixed price contract or instrument; (2) the types of hedging instruments the utility used, and the volume and type of fuel associated with each type of instrument; (3) the average period of each hedge; and (4) the actual total cost (e.g. fees, commissions, options premiums, futures gains and losses, swaps settlements) associated with using each type of hedging instrument".

Q. Are you sponsoring an exhibit for this proceeding?

A. Yes. It consists of the following document:

GJY-1: 2002 Hedging Activity

Q. Please describe FPL's hedging objectives and summarize FPL's 2002 hedging activity.

A. FPL's fuel procurement strategy aims to benefit FPL's customers by

reducing fuel price volatility, and to the extent possible, mitigating fuel price increases, while maintaining the opportunity to take advantage of price decreases in the marketplace. During 2002, FPL primarily relied upon fixed price transactions to hedge its fuel portfolio. Financial swaps were utilized as a method of improving and/or protecting FPL's fixed price positions. FPL also engaged in option hedges to help mitigate the risk of fuel price increases. Additionally, FPL utilized natural gas storage to ensure the reliable delivery of fuel during significant storm events in the latter half of the year. FPL's 2002 hedging activities were successful in delivering greater price certainty, as well as $47 million in fuel savings for FPL's customers. This total includes $14.5 million in natural gas savings, $31.8 million in fuel oil savings and $.7 million in power option premiums. The savings and gains associated with the energy component of the power options are included in FPL's monthly filing of A-Schedules. The fixed price positions generated the largest percentage of savings due to the fact that the overall trend of the fuel markets was up after the positions were taken. FPL is pleased that its 2002 hedging activities resulted in these savings. However, it is important to recognize that generating savings is not the only objective of hedging. The primary objective of hedging is to reduce fuel price volatility. FPL engages in hedging to protect its customers from significant exposure to volatility in the fuel and

power markets. FPL considers its hedging activities to be a success if they result in volatility control even if this occasionally means higher prices to customers than would have been the case without hedging.

As an additional note, FPL engaged in residual fuel oil hedging in November and December of 2002 by building fuel oil inventories to ensure adequate supply to meet the projected needs of FPL's customers, as well as, price protection given the heightening tensions in the Middle East. The results of this decision have proven to be very positive, however the data is not shown in Exhibit GJY-1 because the savings are realized in 2003. These results will be shown in FPL's 2003 filing.

Q. Does your Document GJY-1 provide the detail on FPL's 2002 hedging activities required by Item 5 of the Resolution of Issues?

A. Yes.

Q. Does this conclude your testimony?

A. Yes, it does.

Exhibit GJY-1
2002 Hedging Activity

FPL NATURAL GAS PROCUREMENT

Instrument	Volume Purchases	Sales	Option Premiums	Savings
2002 Hedging Activity Totals:				
FIXED PRICE TRANSACTIONS				
STORAGE				
PHYSICAL POWER OPTIONS				
SWAPS				
SWING SWAPS				
OVER-THE-COUNTER OPTIONS				
GAS OPTIONS				
FUTURES				
BROKER FEES				
AVERAGE PERIOD OF HEDGE (Days) - PHYSICAL				
AVERAGE PERIOD OF HEDGE (Days) - FINANCIAL				

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 040001-EI
FLORIDA POWER & LIGHT COMPANY

APRIL 1, 2004

IN RE: LEVELIZED FUEL COST RECOVERY AND CAPACITY COST RECOVERY

HEDGING ACTIVITY
JANUARY 2003 THROUGH DECEMBER 2003

TESTIMONY & EXHIBITS OF:

G. J. YUPP

CONFIDENTIAL

FPL NATURAL GAS PROCUREMENT

PERIOD	INSTRUMENT	VOLUME PURCHASES	VOLUME SALES	OPTION PREMIUMS	GAIN/(LOSS)
TOTAL YEAR 2003	FIXED PRICE TRANSACTIONS				
	STORAGE				
	OIL INVENTORY HEDGE				
	PHYSICAL POWER OPTION PREMIUMS				
	PHYSICAL POWER (EXERCISED OPTIONS)				
	SWAPS				
	SWING SWAPS				
	OVER-THE-COUNTER OPTIONS				
	BROKER FEES				
	AVERAGE PERIOD OF HEDGE (Days) - PHYSICAL				
	AVERAGE PERIOD OF HEDGE (Days) - FINANCIAL				

Note: Natural gas option premiums are not included in the Gain/(Loss) figures. Natural gas option premiums are noted separately.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 050001-EI
FLORIDA POWER & LIGHT COMPANY

APRIL 1, 2005

IN RE: LEVELIZED FUEL COST RECOVERY AND CAPACITY COST RECOVERY

HEDGING ACTIVITY
JANUARY 2004 THROUGH DECEMBER 2004

TESTIMONY & EXHIBITS OF:

G. J. YUPP

CONFIDENTIAL

	A	B	C	D	E	F
1			FPL NATURAL GAS PROCUREMENT			
2			VOLUME			
3	PERIOD	INSTRUMENT	PURCHASES	SALES	OPTION PREMIUMS	GAIN/(LOSS)
4	TOTAL YEAR 2004	FIXED PRICE TRANSACTIONS	[redacted]			
5		STORAGE				
6		PHYSICAL POWER OPTION PREMIUMS				
7		PHYSICAL POWER (EXERCISED OPTIONS)				
8		SWAPS				
9		SWING SWAPS				
10		OVER-THE-COUNTER OPTIONS				
11		BROKER FEES				
12						$ [redacted]
13						
14		AVERAGE PERIOD OF HEDGE (Days) - PHYSICAL	[redacted]			
15		AVERAGE PERIOD OF HEDGE (Days) - FINANCIAL		[redacted]		

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Docket No. 150001-EI
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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 060001-EI
FLORIDA POWER & LIGHT COMPANY

APRIL 3, 2006

IN RE: LEVELIZED FUEL COST RECOVERY AND CAPACITY COST RECOVERY

HEDGING ACTIVITY JANUARY 2005 THROUGH DECEMBER 2005

TESTIMONY & EXHIBITS OF:

G. J. YUPP

CONFIDENTIAL

	A	B	C	D	E	F
1			FPL NATURAL GAS PROCUREMENT			
2			VOLUME			
3	PERIOD	INSTRUMENT	PURCHASES	SALES	OPTION PREMIUMS	GAIN/(LOSS)
4	TOTAL YEAR 2005	FIXED PRICE TRANSACTIONS	[redacted]			
5		STORAGE				
6		PHYSICAL POWER OPTION PREMIUMS				
7		PHYSICAL POWER (EXERCISED OPTIONS)				
8		SWAPS				
9		SWING SWAPS				
10		OVER-THE-COUNTER OPTIONS				
11		BROKER FEES				
12						$ 519,356,786
13						
14		AVERAGE PERIOD OF HEDGE (Days) - PHYSICAL	[redacted]			
15		AVERAGE PERIOD OF HEDGE (Days) - FINANCIAL				

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	A	B	C	D	E	F
1				FPL NATURAL GAS PROCUREMENT		
2			VOLUME			
3	PERIOD	INSTRUMENT	PURCHASES	SALES	OPTION PREMIUMS	GAIN/(LOSS)
4	TOTAL YEAR 2004	FIXED PRICE TRANSACTIONS	[redacted]			
5		STORAGE				
6		PHYSICAL POWER OPTION PREMIUMS				
7		PHYSICAL POWER (EXERCISED OPTIONS)				
8		SWAPS				
9		SWING SWAPS				
10		OVER-THE-COUNTER OPTIONS				
11		BROKER FEES				
12						$ 191,564,536
13						
14		AVERAGE PERIOD OF HEDGE (Days) - PHYSICAL	[redacted]			
15		AVERAGE PERIOD OF HEDGE (Days) - FINANCIAL				

GJY-2
Docket No. 060001-EI
FPL Witness: Gerard Yupp
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April 3, 2006

Docket No. 150001-EI
IOU Natural Gas Hedging
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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 070001-EI
FLORIDA POWER & LIGHT COMPANY

APRIL 2, 2007

IN RE: LEVELIZED FUEL COST RECOVERY AND CAPACITY COST RECOVERY

HEDGING ACTIVITY JANUARY 2006 THROUGH DECEMBER 2006

TESTIMONY & EXHIBITS OF:

G. J. YUPP

CMP ____
COM 5
CTR Orig
ECR 0
GCL 1
OPC ____
RCA 1
SCR ____
SGA ____
SEC ____
OTH ____

CONFIDENTIAL

	A	B	C	D	E	F
1			FPL NATURAL GAS PROCUREMENT			
2			VOLUME			
3	PERIOD	INSTRUMENT	PURCHASES	SALES	OPTION PREMIUMS	GAIN/(LOSS)
4	TOTAL YEAR 2006	FIXED PRICE TRANSACTIONS	[redacted]			
5		STORAGE				
6		PHYSICAL POWER OPTION PREMIUMS				
7		PHYSICAL POWER (EXERCISED OPTIONS)				
8		SWAPS				
9		SWING SWAPS				
10		OVER-THE-COUNTER OPTIONS				
11		BROKER FEES				
12						$ (416,637,197)
13						
14						
15		AVERAGE PERIOD OF HEDGE (Days) - FINANCIAL	[redacted]			

GJY-1
Docket No. 070001-EI
FPL Witness: Gerard Yupp
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IOU Natural Gas Hedging
True-up Filings with the PSC
Exhibit No. ___ TN-2
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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 080001-EI
FLORIDA POWER & LIGHT COMPANY

APRIL 3, 2008

IN RE: LEVELIZED FUEL COST RECOVERY AND CAPACITY COST RECOVERY

HEDGING ACTIVITY JANUARY 2007 THROUGH DECEMBER 2007

TESTIMONY & EXHIBITS OF:

G. J. YUPP

Accordingly, the primary objective of FPL's hedging program is to reduce fuel price volatility, thereby helping to deliver greater price certainty to FPL's customers. FPL does not execute speculative hedging strategies aimed at "out guessing" the market in the hopes of potentially returning savings to FPL's customers. FPL has implemented a well-disciplined, well-defined and controlled hedging program that is executed in compliance with FPL's risk management policies and procedures.

Q. Please summarize FPL's 2007 hedging activities.

A. FPL hedged its fuel portfolio for 2007 utilizing a mix of options and fixed price transactions. An option is a hedging instrument that gives the buyer the right, but not the obligation, to buy (call) or sell (put) a set commodity volume at a specific price for a specific period of time. The buyer of an option pays a premium to hold this right. A fixed price transaction allows a buyer to lock in the price of a commodity for a set volume over a set period of time.

Natural gas prices continually trended lower after FPL executed its hedges for 2007. Compared to 2006, natural gas prices remained relatively stable throughout 2007 due primarily to mild winter weather, above average natural gas storage levels and a relatively inactive hurricane season. Actual monthly settlement prices on the NYMEX ranged from a high of $7.59 per MMBtu (June 2007) to a

low of $5.43 per MMBtu (September 2007). Including option premiums, FPL's 2007 natural gas hedging activities resulted in losses of $799.3 million.

United States Gulf Coast (USGC) heavy fuel oil and New York Harbor (NYH) heavy fuel oil trended lower for a period of time after FPL executed its hedges for 2007. Mild winter weather and a consistent buildup of U.S. crude oil stocks that peaked in June 2007 contributed to the downward trend. This trend reversed itself beginning in the third quarter as U.S. crude oil stocks experienced significant draws and the U.S. dollar began to weaken. Heavy fuel oil prices began a steady upward climb starting in the late summer through the end of the year. For reference, USGC and NYH heavy fuel oil prices were approximately $37 per barrel in January 2007. By September, prices were approximately $60 per barrel and finished the year in December at approximately $72 per barrel. Ultimately, FPL's heavy fuel oil hedges for 2007, including option premiums, resulted in losses of $56.5 million as the gains realized during the fourth quarter did not fully offset the losses realized during the earlier part of the year when prices were trending lower.

On a cumulative basis, from inception through 2007, FPL's expanded hedging program has resulted in net losses of

approximately $384.8 million. While the cumulative impact of FPL's hedging program will vary and, at times, may show either net savings or net losses, FPL expects that the cumulative, long-term impact of its hedging program will not result in significant savings or losses to FPL's customers. In fact, given current market conditions, FPL currently projects that by the end of 2008, the cumulative impact of its hedging program will be essentially "flat" from a gain/loss perspective.

Q. Does your Exhibit GJY-1 provide the detail on FPL's 2007 hedging activities required by Item 5 of the Resolution of Issues?

A. Yes.

Q. Does this conclude your testimony?

A. Yes, it does.

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	A	B	C	D	E	F
1				FPL NATURAL GAS PROCUREMENT		
2			VOLUME			
3	PERIOD	INSTRUMENT	PURCHASES	SALES	OPTION PREMIUMS	GAIN/(LOSS)
4	TOTAL YEAR 2007	FIXED PRICE TRANSACTIONS	[redacted]			
5		PHYSICAL POWER OPTION PREMIUMS				
6		PHYSICAL POWER (EXERCISED OPTIONS)				
7		SWAPS				
8		SWING SWAPS				
9		OVER-THE-COUNTER OPTIONS				
10		BROKER FEES				
11						
12						$ (799,288,426)
13						
14		AVERAGE PERIOD OF HEDGE (Days) - FINANCIAL	[redacted]			

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FPL Witness: Gerard Yupp
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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 090001-EI
FLORIDA POWER & LIGHT COMPANY

APRIL 3, 2009

IN RE: LEVELIZED FUEL COST RECOVERY AND CAPACITY COST RECOVERY

HEDGING ACTIVITY JANUARY 2008 THROUGH DECEMBER 2008

COM 5
ECR
GCL 2
OPC
RCP 1
SSC
SGA 1
ADM
CLK C. Reporter

TESTIMONY & EXHIBITS OF:

G. J. YUPP

CONFIDENTIAL

	A	B	C	D	E	F
1			FPL NATURAL GAS PROCUREMENT			
2			VOLUME (MMBTU)			
3	PERIOD	INSTRUMENT	PURCHASES	SALES	OPTION PREMIUMS	GAIN/(LOSS)
4	YEAR-TO-DATE	FIXED PRICE TRANSACTIONS	[redacted]			
5	(JAN - DEC)	SWAPS				
6	2008	SWING SWAPS				
7		OVER-THE-COUNTER OPTIONS				
8		BROKER FEES				
9						$ 100,709,736
10						
11						
12	AVERAGE PERIOD OF HEDGE (Days) - FINANCIAL		[redacted]			

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FPL Witness: Gerard Yupp
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IOU Natural Gas Hedging
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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 100001-EI
FLORIDA POWER & LIGHT COMPANY

APRIL 1, 2010

IN RE: LEVELIZED FUEL COST RECOVERY AND CAPACITY COST RECOVERY

HEDGING ACTIVITY
JANUARY 2009 THROUGH DECEMBER 2009

COM 5
APA 1
ECR 6a
GCL 1
RAD 1
SSC
ADM
OPC
CLK 1

TESTIMONY & EXHIBITS OF:

G. J. YUPP

CONFIDENTIAL

	A	B	C	D	E	F
1			FPL NATURAL GAS PROCUREMENT			
2			VOLUME (MMBTU)			
3	PERIOD	INSTRUMENT	PURCHASES	SALES	OPTION PREMIUMS	GAIN/(LOSS)
4	YEAR-TO-DATE	FIXED PRICE TRANSACTIONS	[redacted]			
5	(JAN - DEC)	SWAPS				
6	2009	SWING SWAPS				
7		OVER-THE-COUNTER OPTIONS				
8		BROKER FEES				$ (1,990,895,829)
9						
10						
11						
12	AVERAGE PERIOD OF HEDGE (Days) - FINANCIAL		[redacted]			

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Docket No. 100001-EI
FPL Witness: Gerard Yupp
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April 1, 2010

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IOU Natural Gas Hedging
True-up Filings with the PSC
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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 110001-EI
FLORIDA POWER & LIGHT COMPANY

APRIL 1, 2011

IN RE: LEVELIZED FUEL COST RECOVERY AND CAPACITY COST RECOVERY

AUGUST THROUGH DECEMBER 2010 HEDGING ACTIVITY TRUE-UP REPORT

TESTIMONY & EXHIBITS OF:

G. J. YUPP

COM 5
APA 1
ECR 6
GCL 1
RAD 1
SSC
ADM
OPC
CLK 1

CONFIDENTIAL

	A	B	C	D	E	F
1			FPL NATURAL GAS PROCUREMENT			
2			VOLUME (BMBTU)			
3	PERIOD	INSTRUMENT	PURCHASES	SALES	OPTION PREMIUMS	GAIN/(LOSS)
4	YEAR-TO-DATE	SWAPS				
5	(JAN - DEC)	SWING SWAPS				
6	2010	OVER-THE-COUNTER OPTIONS				
7		BROKER FEES				
8						$ (509,147,045)
9						
10						
11	AVERAGE PERIOD OF HEDGE (Days) - FINANCIAL					

GJY-1
Docket No. 110001-EI
FPL Witness: Gerard Yupp
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April 1, 2011

Docket No. 150001-EI
IOU Natural Gas Hedging
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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 120001-EI
FLORIDA POWER & LIGHT COMPANY

APRIL 2, 2012

IN RE: LEVELIZED FUEL COST RECOVERY AND CAPACITY COST RECOVERY

AUGUST 2011 THROUGH DECEMBER 2011 HEDGING ACTIVITY TRUE-UP REPORT

TESTIMONY & EXHIBITS OF:

G. J. YUPP

CONFIDENTIAL

	A	B	C	D	E	F
1			FPL NATURAL GAS PROCUREMENT			
2			VOLUME (MMBTU)			
3	PERIOD	INSTRUMENT	PURCHASES	SALES	OPTION PREMIUMS	SAVINGS/(COSTS)
4	YEAR-TO-DATE (JAN - DEC) 2011	FIXED PRICE TRANSACTIONS	[redacted]			
5		SWAPS				
6		SWING SWAPS				
7		OVER-THE-COUNTER OPTIONS				
8		BROKER FEES				
9						$ (404,239,340)
10						
11						
12		AVERAGE PERIOD OF HEDGE (Days) - FINANCIAL	[redacted]			

GJY-1
Docket No. 120001-EI
FPL Witness: Gerard J. Yupp
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April 2, 2012

Docket No. 150001-EI
IOU Natural Gas Hedging
True-up Filings with the PSC
Exhibit No.___TN-2
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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 130001-EI
FLORIDA POWER & LIGHT COMPANY

APRIL 5, 2013

IN RE: LEVELIZED FUEL COST RECOVERY AND CAPACITY COST RECOVERY

AUGUST 2012 THROUGH DECEMBER 2012 HEDGING ACTIVITY TRUE-UP REPORT

REDACTED

TESTIMONY & EXHIBITS OF:

GERARD J. YUPP

CONFIDENTIAL

	A	B	C	D	E	F
1			FPL NATURAL GAS PROCUREMENT			
2			VOLUME (MMBTU)			
3	PERIOD	INSTRUMENT	PURCHASES	SALES	OPTION PREMIUMS	SAVINGS/(COSTS)
4	YEAR-TO-DATE (JAN - DEC) 2012	FIXED PRICE TRANSACTIONS	[redacted]	[redacted]	[redacted]	[redacted]
5		SWAPS				
6		SWING SWAPS				
7		OVER-THE-COUNTER OPTIONS				
8		BROKER FEES				
9						$ (671,812,795)
10						
11						
12	AVERAGE PERIOD OF HEDGE (Days) - FINANCIAL		[redacted]			

GJY-1
Docket No. 130001-EI
FPL Witness: Gerard J. Yupp
Page 1
April 5, 2013

Docket No. 150001-EI
IOU Natural Gas Hedging
True-up Filings with the PSC
Exhibit No.___ TN-2
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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 140001-EI
FLORIDA POWER & LIGHT COMPANY

MARCH 28, 2014

IN RE: LEVELIZED FUEL COST RECOVERY AND CAPACITY COST RECOVERY

AUGUST 2013 THROUGH DECEMBER 2013 HEDGING ACTIVITY TRUE-UP REPORT

TESTIMONY & EXHIBITS OF:

GERARD J. YUPP

CONFIDENTIAL

	A	B	C	D	E	F
1			FPL NATURAL GAS PROCUREMENT			
2			VOLUME (MMBTU)			
3	PERIOD	INSTRUMENT	PURCHASES	SALES	OPTION PREMIUMS	SAVINGS/(COSTS)
4	YEAR-TO-DATE (JAN - DEC) 2013	FIXED PRICE TRANSACTIONS	[redacted]	[redacted]	[redacted]	[redacted]
5		SWAPS				
6		SWING SWAPS				
7		OVER-THE-COUNTER OPTIONS				
8		BROKER FEES				
9						$ 18,253,045
10						
11						
12		AVERAGE PERIOD OF HEDGE (Days) - FINANCIAL	[redacted]			

GJY-2
Docket No. 140001-EI
FPL Witness: Gerard J. Yupp
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March 28, 2014

Docket No. 150001-EI
IOU Natural Gas Hedging
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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 150001-EI
FLORIDA POWER & LIGHT COMPANY

APRIL 7, 2015

IN RE: LEVELIZED FUEL COST RECOVERY AND CAPACITY COST RECOVERY

AUGUST 2014 THROUGH DECEMBER 2014 HEDGING ACTIVITY TRUE-UP REPORT

TESTIMONY & EXHIBITS OF:

GERARD J. YUPP

CONFIDENTIAL

	A	B	C	D	E	F
1			FPL NATURAL GAS PROCUREMENT			
2			VOLUME (MMBTU)			
3	PERIOD	INSTRUMENT	PURCHASES	SALES	OPTION PREMIUMS	SAVINGS/(COSTS)
4	YEAR-TO-DATE (JAN - DEC) 2014	FIXED PRICE TRANSACTIONS	[redacted]			
5		SWAPS				
6		SWING SWAPS				
7		OVER-THE-COUNTER OPTIONS				
8		BROKER FEES				
9						$ 116,639,265
10						
11						
12		AVERAGE PERIOD OF HEDGE (Days) - FINANCIAL	[redacted]			

GJY-2
Docket No. 150001-EI
FPL Witness: Gerard J. Yupp
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Docket No. 150001-EI
IOU Natural Gas Hedging
True-up Filings with the PSC
Exhibit No. ___ TN-2
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Excerpts from
Gulf Power Company's
Hedging Activity / True-up Filings
Years: 2002-2014

GULF POWER COMPANY

Before the Florida Public Service Commission
Prepared Direct Testimony & Exhibit of
H. R. Ball
Docket No. 030001-EI
Date of Filing: April 1, 2003

November and December of 2002 using fixed price financial swaps.

Q. What types of hedging instruments were used by Gulf Power Company and what type and volume of fuel was hedged by each type of instrument?

A. Natural gas was hedged using financial swaps that fixed the price of gas to a certain price. These swaps settled against either a NYMEX Last Day price or Gas Daily price. The entire amount (1,050,000 MMBTU) of gas hedged was hedged using these financial instruments as reflected on Schedule 2 of my exhibit.

Q. What was the average period of each hedge?

A. One month.

Q. What was the actual total cost (e.g., fees, commissions, option premiums, futures gains and losses, swap settlements) associated with each type of hedging instrument?

A. Schedule 2 in my exhibit consists of a table of all natural gas hedge transactions and associated costs. No fees, commissions, or option premiums were paid. Gulf's 2002 hedging program resulted in a net financial gain of $238,750.

Q. Were there any other significant developments in Gulf's fuel procurement program during the period?

A. No.

GULF POWER COMPANY

Before the Florida Public Service Commission
Prepared Direct Testimony & Exhibit of
H. R. Ball
Docket No. 040001-EI
Date of Filing: April 1, 2004

A SOUTHERN COMPANY

Q. What types of hedging instruments were used by Gulf Power Company and what type and volume of fuel was hedged by each type of instrument?

A. Natural gas was hedged using financial swaps that fixed the price of gas to a certain price. These swaps settled against either a NYMEX Last Day price or Gas Daily price. The entire amount (7,400,000 MMBTU) of gas hedged was hedged using these financial instruments as reflected on Schedule 2 of my exhibit.

Q. What was the actual total cost (e.g., fees, commissions, option premiums, futures gains and losses, swap settlements) associated with each type of hedging instrument?

A. Schedule 2 of my exhibit consists of a table of all natural gas hedge transactions and associated costs. No fees, commissions, or option premiums were paid. Gulf's 2003 hedging program resulted in a net financial gain of $4,847,268 (settlement gains less support costs from lines 2 and 3 of Schedule A-1 period-to-date).

Q. Did fuel procurement activity during the period in question follow Gulf Power's Risk Management Plan for Fuel Procurement filed with the Florida Public Service Commission on September 20, 2002?

A. Yes, Gulf Power's fuel strategy in 2003 complied with the Risk Management Plan and the actual results achieved compared favorably with the projected results in the plan. Supply of all fuel types and associated transportation to Gulf's generating plants are secured through

GULF POWER COMPANY

Before the Florida Public Service Commission
Prepared Direct Testimony & Exhibit of
H. R. Ball
Docket No. 050001-EI
Date of Filing: March 1, 2005

Q. What types of hedging instruments were used by Gulf Power Company and what type and volume of fuel was hedged by each type of instrument?

A. Natural gas was hedged using financial swaps that fixed the price of gas to a certain price. These swaps settled against either a NYMEX Last Day price or Gas Daily price. The entire amount (8,750,000 MMBTU) of gas hedged was hedged using these financial instruments as reflected on Schedule 2 of my exhibit.

Q. What was the actual total cost (e.g., fees, commissions, option premiums, futures gains and losses, swap settlements) associated with each type of hedging instrument?

A. Schedule 2 of my exhibit consists of a table of all natural gas hedge transactions and associated costs. No fees, commissions, or option premiums were paid. Gulf's 2004 hedging program resulted in a net financial gain of $6,631,043 (settlement gains less support costs from lines 2 and 3 of Schedule A-1 December period-to-date).

Q. Did fuel procurement activity during the period in question follow Gulf Power's Risk Management Plan for Fuel Procurement filed with the Florida Public Service Commission on April 1, 2004?

A. Yes, Gulf Power's fuel strategy in 2004 complied with the Risk Management Plan, and the actual results achieved compared favorably with the projected results in the plan. Supply of all fuel types and associated transportation to Gulf's generating plants are secured through

GULF POWER COMPANY

Before the Florida Public Service Commission
Prepared Direct Testimony & Exhibit of
H. R. Ball
Docket No. 060001-EI
Date of Filing: March 1, 2006

GULF POWER
A SOUTHERN COMPANY

Q. What was the actual total cost (e.g., fees, commissions, option premiums, futures gains and losses, swap settlements) associated with each type of hedging instrument?

A. Schedule 2 of my exhibit consists of a table of all natural gas hedge transactions and associated costs. No fees, commissions, or option premiums were paid. Gulf's 2005 hedging program resulted in a net financial gain of $22,528,337 (settlement gains less support costs from lines 2 and 3 of Schedule A-1 December period-to-date).

Q. Did fuel procurement activity during the period in question follow Gulf Power's Risk Management Plan for Fuel Procurement filed with the Florida Public Service Commission on April 1, 2005?

A. Yes, Gulf Power's fuel strategy in 2005 complied with the Risk Management Plan, and the actual results achieved compared favorably with the projected results in the plan. Supply of all fuel types and associated transportation to Gulf's generating plants are secured through a combination of long term contracts and spot purchase orders as specified in the plan. The result was that Gulf's generating plants had an adequate supply of fuel available at all times to meet the electric generation demands of its customers. Fuel cost volatility was mitigated by compliance with the Risk Management Plan. In 2005, Gulf's average cost of fuel consumed was $2.88 per MMBTU. This was 5.11% higher than the original projection of $2.74 per MMBTU. However, the actual cost of fuel was reduced to $2.73 per MMBTU when gas hedging and other fuel cost credits are considered. Gulf was able to hold per unit fuel costs to

ORIGINAL

GULF POWER COMPANY

Before the Florida Public Service Commission
Prepared Direct Testimony & Exhibit of
H. R. Ball
Docket No. 070001-EI
Date of Filing: March 1, 2007

hedged was hedged using these financial instruments as reflected on Schedule 2 of my exhibit.

Q. What was the actual total cost (e.g., fees, commissions, option premiums, futures gains and losses, swap settlements) associated with each type of hedging instrument?

A. Schedule 2 of my exhibit consists of a table of all natural gas hedge transactions and associated costs. No fees, commissions, or option premiums were paid. Gulf's 2006 hedging program resulted in a net financial loss of $18,820,316 (hedging settlement costs plus support costs from lines 2 and 3 of Schedule A-1, December period-to-date).

Q. Did fuel procurement activity during the period in question follow Gulf Power's Risk Management Plan for Fuel Procurement filed with the Florida Public Service Commission on April 3, 2006?

A. Yes, Gulf Power's fuel strategy in 2006 complied with the Risk Management Plan, and the actual results achieved compared favorably with the projected results in the plan. Supply of all fuel types and associated transportation to Gulf's generating plants are secured through a combination of long term contracts and spot purchase orders as specified in the plan. The result was that Gulf's generating plants had an adequate supply of fuel available at all times to meet the electric generation demands of its customers. Fuel cost volatility was mitigated by compliance with the Risk Management Plan. Since Gulf purchases physical natural gas requirements at market price, the objective of the financial hedging program is to reduce upside price risk to Gulf's

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GULF POWER COMPANY

Before the Florida Public Service Commission
Prepared Direct Testimony & Exhibit of
H. R. Ball
Docket No. 080001-EI
Date of Filing: March 3, 2008

Q. What was the actual total cost (e.g., fees, commissions, option premiums, futures gains and losses, swap settlements) associated with each type of hedging instrument for the period January 2007 through December 2007?

A. Schedule 5 of my exhibit consists of a table of all natural gas hedge transactions and associated costs. No fees, commissions, or option premiums were paid. Gulf's 2007 hedging program resulted in a net financial loss of $9,197,433 as shown on line 2 of Schedule A-1, period-to-date, for the month of December 2007 included in Appendix 1 of Witness Martin's exhibit.

Q. Were there any other significant developments in Gulf's fuel procurement program during the period?

A. No.

Q. During the period January 2007 through December 2007 how did Gulf Power Company's recoverable fuel cost of power sold compare with the projection?

A. Gulf's recoverable fuel cost of power sold for the period is ($142,153,994) or 30.18% below the projected amount of ($203,587,000). Total kilowatt hours of power sales were (5,145,225,509) KWH compared to estimated sales of (5,676,099,000) KWH, or 9.35% below projections. The resulting average fuel cost of power sold was 2.76 cents per KWH or 22.97% below the projected amount of 3.59 cents per KWH. This information is from

GULF POWER COMPANY

Before the Florida Public Service Commission
Prepared Direct Testimony & Exhibit of
H. R. Ball
Docket No. 090001-EI
Date of Filing: March 9, 2009

GULF POWER

A SOUTHERN COMPANY

Q. What types of hedging instruments were used by Gulf Power Company, and what type and volume of fuel was hedged by each type of instrument?

A. Natural gas was hedged primarily using financial swaps that fixed the price of gas to a certain price. The total volume of gas hedged using financial swaps was 7,520,000 MMBTU. These swaps settled against either a NYMEX Last Day price or Gas Daily price. Gulf participated in one option deal during the period for a total volume of 15,533 MMBTU. Schedule 5 of my exhibit shows all natural gas hedge transactions incurred since the mid-year hedging report was filed with the Commission on August 14, 2008. The type of hedging instrument used for each transaction is shown on this exhibit.

Q. What was the actual total cost (e.g., fees, commissions, option premiums, futures gains and losses, swap settlements) associated with each type of hedging instrument for the period January 2008 through December 2008?

A. No fees, commissions, or premiums were paid by Gulf on the financial swap hedge transactions during this period. An option premium of $4,035.91 was paid for the one option transaction which resulted in a total gain of $9,283.96 or a net gain of $5,248.05. Schedule 5 of my exhibit also shows the associated costs that were incurred for each hedge transaction since the mid-year hedging report was filed with the Commission on August 14, 2008. Gulf's 2008 hedging program resulted in a net financial loss of $1,737,726 as shown on line 2 of Schedule A-1, period-to-date, for the month of December 2008 included in Appendix 1 of

Witness Dodd's exhibit.

Q. Were there any other significant developments in Gulf's fuel procurement program during the period?

A. No.

Q. During the period January 2008 through December 2008 how did Gulf Power Company's recoverable fuel cost of power sold compare with the projection?

A. Gulf's recoverable fuel cost of power sold for the period is ($130,690,405) or 42.97% below the projected amount of ($229,165,000). Total kilowatt hours of power sales were (3,932,205,166) KWH compared to estimated sales of (5,115,402,000) KWH, or 23.13% below projections. The resulting average fuel cost of power sold was 3.3236 cents per KWH or 25.81% below the projected amount of 4.4799 cents per KWH. This information is from Schedule A-1, period-to-date, for the month of December 2008 included in Appendix 1 of Witness Dodd's exhibit.

Q. What are the reasons for the difference between Gulf's actual fuel cost of power sold and the projection?

A. The lower total credit to fuel expense from power sales is attributed to a lower amount of KWH sold and lower replacement fuel costs than originally projected. Below budget prices for natural gas and a higher percentage of sales from lower-cost coal-fired generation during off peak periods reduced the fuel reimbursement rate (cents per KWH) paid to Gulf for power sales.

GULF POWER COMPANY

Before the Florida Public Service Commission
Prepared Direct Testimony & Exhibit of
H. R. Ball
Docket No. 100001-EI
Date of Filing: March 12, 2010

38% of Gulf's 26,579,547 MMBTU of actual gas burn for generation during the period.

Q. What types of hedging instruments were used by Gulf Power Company, and what type and volume of fuel was hedged by each type of instrument?

A. Natural gas was hedged primarily using financial swaps that fixed the price of gas to a certain price. The total volume of gas hedged using financial swaps was 10,030,000 MMBTU. These swaps settled against either a NYMEX Last Day price or Gas Daily price. Schedule 5 of my exhibit shows all natural gas hedge transactions incurred since the mid-year hedging report was filed with the Commission on August 14, 2009. The type of hedging instrument used for each transaction is shown on this exhibit.

Q. What was the actual total cost (e.g., fees, commissions, option premiums, futures gains and losses, swap settlements) associated with each type of hedging instrument for the period January 2009 through December 2009?

A. No fees, commissions, or premiums were paid by Gulf on the financial swap hedge transactions during this period. Schedule 5 of my exhibit also shows the associated costs that were incurred for each hedge transaction since the mid-year hedging report was filed with the Commission on August 14, 2009. Gulf's 2009 hedging program resulted in a net financial loss of $51,232,251 as shown on line 2 of Schedule A-1, period-to-date, for the month of December 2009 included in Appendix 1 of Witness Dodd's exhibit.

GULF POWER COMPANY

Before the Florida Public Service Commission
Prepared Direct Testimony & Exhibit of
H. R. Ball
Docket No. 110001-EI
Date of Filing: March 1, 2011

Q. What types of hedging instruments were used by Gulf Power Company, and what type and volume of fuel was hedged by each type of instrument?

A. Natural gas was hedged primarily using financial swaps that fixed the price of gas to a certain price. The total volume of gas hedged using financial swaps was 6,750,000 MMBTU. These swaps settled against either a NYMEX Last Day price or Gas Daily price.

Q. What was the actual total cost (e.g., fees, commissions, option premiums, futures gains and losses, swap settlements) associated with each type of hedging instrument for the period January 2010 through December 2010?

A. No fees, commissions, or premiums were paid by Gulf on the financial swap hedge transactions during this period. Gulf's 2010 hedging program resulted in a net financial loss of $19,667,161 as shown on line 2 of Schedule A-1, period-to-date, for the month of December 2010 included in Appendix 1 of Witness Dodd's exhibit.

Q. Was Gulf Power prudent in commencing and continuing litigation against Coalsales II, LLC for breach of contract?

A. Yes. Gulf Power prudently initiated and pursued litigation against Coalsales II, LLC (Coalsales) to remedy Coalsales' default under its coal supply agreement with Gulf based on the reasonable expectation that this litigation would result in reduced fuel costs for Gulf's retail customers. After informal efforts to negotiate a reasonable settlement of the coal supply contract dispute with Coalsales failed, Gulf filed a complaint with the U.S. District Court for the Northern District of Florida on June 22, 2006, (Schedule 5) against Coalsales

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FUEL COST AND PURCHASED POWER COST RECOVERY CLAUSE

Docket No. 120001-EI

PREPARED DIRECT TESTIMONY AND EXHIBIT OF H. R. BALL

ACTUAL TRUE-UP FOR THE PERIOD:

JANUARY – DECEMBER 2011 (Fuel)

JANUARY – DECEMBER 2011 (Capacity)

DATE OF FILING: March 1, 2012

GULF POWER

A SOUTHERN COMPANY

Q. What was the actual total cost (e.g., fees, commissions, option premiums, futures gains and losses, swap settlements) associated with each type of hedging instrument for the period January 2011 through December 2011?

A. No fees, commissions, or premiums were paid by Gulf on the financial hedge transactions during this period. Gulf's 2011 hedging program resulted in a net financial loss of $15,444,523 as shown on line 2 of Schedule A-1, period-to-date, for the month of December 2011 included in Appendix 1 of Witness Dodd's exhibit. The settlements of Gulf's swap contracts resulted in a net loss of $15,135,963 and the settlement of Gulf's option contracts resulted in a net loss of $308,560 during the period.

Q. What is the current status of Gulf Power's litigation against Coalsales II, LLC for breach of contract?

A. As previously reported, Gulf filed a complaint with the U.S. District Court for the Northern District of Florida on June 22, 2006, against Coalsales for breach of contract. On September 30, 2009, the court issued its order granting Gulf's motion for partial summary judgment and denying Coalsales' motion for summary judgment on the breach of contract issue. The issue of Gulf's damages was heard by the court without a jury in February 2010. On September 30, 2010, the court issued an order initially ruling in favor of Coalsales on the question of damages. That order was later rescinded in response to Gulf's Motion to Alter or Amend Judgment, or Alternatively, for Relief from Judgment. In July 2011, the court granted Gulf's motion after finding that the cover coal purchases by Gulf in 2007 were reasonable and scheduled another evidentiary hearing on August 25, 2011 to address the issue of Gulf's 2007 cover damages. In September 2011,

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FUEL COST AND PURCHASED POWER COST RECOVERY CLAUSE

PREPARED DIRECT TESTIMONY AND EXHIBIT OF H. R. BALL

Date of Filing: March 1, 2013
Docket No. 130001-EI

GULF POWER

A SOUTHERN COMPANY

Q. What types of hedging instruments were used by Gulf Power Company, and what type and volume of fuel was hedged by each type of instrument?

A. Natural gas was hedged using a combination of financial swap contracts that fixed the price of gas to a certain price and option contracts. The option contracts consisted entirely of "costless collars" which established a floor and ceiling price between which the actual price would float. The option contracts settle only if the actual NYMEX last day price was outside the bounds of the collar. The total volume of gas hedged using financial swap contracts was 23,550,000 MMBTU and the total volume of gas hedged using option contracts was 2,660,000 MMBTU. These swaps settled against either a NYMEX Last Day price or Gas Daily price.

Q. What was the actual total cost (e.g., fees, commissions, option premiums, futures gains and losses, swap settlements) associated with each type of hedging instrument for the period January 2012 through December 2012?

A. No fees, commissions, or premiums were paid by Gulf on the financial hedge transactions during this period. Gulf's 2012 hedging program resulted in a net financial loss of $32,865,554 as shown on line 2 of Schedule A-1, period-to-date, for the month of December 2012 included in Appendix 1 of Witness Dodd's exhibit. The settlements of Gulf's swap contracts resulted in a net loss of $30,798,584 and the settlement of Gulf's option contracts resulted in a net loss of $2,066,970 during the period.

GULF POWER COMPANY

Before the Florida Public Service Commission

Prepared Direct Testimony & Exhibit of H. R. Ball Docket No. 140001-EI

Date of Filing: March 3, 2014

Q. What was the actual total cost (e.g., fees, commissions, option premiums, futures gains and losses, swap settlements) associated with each type of hedging instrument for the period January 2013 through December 2013?

A. No fees, commissions, or premiums were paid by Gulf on the financial hedge transactions during this period. Gulf's 2013 hedging program resulted in a net financial loss of $14,654,866 as shown on line 2 of Schedule A-1, period-to-date, for the month of December 2013 included in Appendix 1 of Witness Dodd's exhibit.

Q. Were there any other significant developments in Gulf's fuel procurement program during the period?

A. No.

Q. During the period January 2013 through December 2013 how did Gulf Power Company's recoverable fuel cost of power sold compare with the projection?

A. Gulf's recoverable fuel cost of power sold for the period is ($94,695,182) or 0.56% above the projected amount of ($94,164,000). Total kilowatt hours of power sales were (4,918,616,357) KWH compared to estimated sales of (2,892,370,000) KWH, or 70.05% above projections. The resulting average fuel cost of power sold was 1.9252 cents per KWH or 40.86% below the projected amount of 3.2556 cents per KWH. This information is from Schedule A-1, period-to-date, for the month of December 2013 included in Appendix 1 of Witness Dodd's exhibit.

GULF POWER COMPANY

Before the Florida Public Service Commission
Prepared Direct Testimony & Exhibit of
H. R. Ball
Docket No. 150001-EI
Date of Filing: March 3, 2015

A SOUTHERN COMPANY

Q. What was the actual total cost (e.g., fees, commissions, option premiums, futures gains and losses, swap settlements) associated with each type of hedging instrument for the period January 2014 through December 2014?

A. No fees, commissions, or premiums were paid by Gulf on the financial hedge transactions during this period. Gulf's 2014 hedging program resulted in a net financial gain of $1,910,889 as shown on line 2 of Schedule A-1, period-to-date, for the month of December 2014 included in Appendix 1 of Witness Boyett's exhibit.

Q. Were there any other significant developments in Gulf's fuel procurement program during the period?

A. No.

Q. During the period January 2014 through December 2014 how did Gulf Power Company's recoverable fuel cost of power sold compare with the projection?

A. Gulf's recoverable fuel cost of power sold for the period is ($126,131,992) or 39.49% above the projected amount of ($90,423,400). Total kilowatt hours of power sales were (5,515,215,215) kWh compared to estimated sales of (2,769,857,000) kWh, or 99.12% above projections. The resulting average fuel cost of power sold was 2.2870 cents per kWh or 29.95% below the projected amount of 3.2646 cents per kWh. This information is from Schedule A-1, period-to-date, for the month of December 2014 included in Appendix 1 of Witness Boyett's exhibit.

Excerpts from
Tampa Electric Company's
Hedging Activity / True-up Filings
Years: 2002-2014

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 030001-EI
IN RE: FUEL & PURCHASED POWER COST RECOVERY
AND
CAPACITY COST RECOVERY

FINAL TRUE-UP
JANUARY 2002 THROUGH DECEMBER 2002

TESTIMONY AND EXHIBIT
OF
JOANN T. WEHLE

management report, which describes the outcome of its 2002 risk management activities. As that report indicates, Tampa Electric's hedging activities during 2002 produced a net savings of $34.6 million for Tampa Electric's customers.

Q. Did the company conduct incremental hedging activities in 2002?

A. Yes, the company hedged the price of natural gas in 2002, using over-the-counter swaps in the months of July, August and September.

Q. What were the results of the company's incremental hedging activities?

A. Incremental natural gas hedging activities protected Tampa Electric's customers from unforeseen increases in the price of natural gas. The net cost of that protection in 2002 was a $203,500 loss when the instrument prices were compared to market prices.

Q. What were the costs associated with these transactions?

A. The transaction costs associated with the swaps were

BEFORE THE

FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 040001-EI

IN RE: FUEL & PURCHASED POWER COST RECOVERY

AND

CAPACITY COST RECOVERY

FINAL TRUE-UP

JANUARY 2003 THROUGH DECEMBER 2003

TESTIMONY AND EXHIBIT

OF

JOANN T. WEHLE

middle and back office structure consistent with industry standard concepts and 5) began the acquisition and implementation of a hedging information system. Furthermore, the company utilized a variety of financial hedging instruments including swaps, swing swaps, collars and options.

Q. What were the results of the company's incremental hedging activities?

A. The incremental hedging activities enhanced Tampa Electric's hedging processes, procedures, controls and capabilities. As a result, natural gas hedging activities protected Tampa Electric's customers from price volatility on [redacted] of the natural gas used in the company's plants.

Q. What were the costs associated with these transactions?

A. The net cost of that price protection in 2003 was a [redacted] when the instrument prices were compared to market prices on settled positions. The transaction costs associated with these transactions were embedded in the commodity price of the natural gas.

TECO
TAMPA ELECTRIC

BEFORE THE

FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 050001-EI

IN RE: FUEL & PURCHASED POWER COST RECOVERY

AND

CAPACITY COST RECOVERY

FINAL TRUE-UP

JANUARY 2004 THROUGH DECEMBER 2004

TESTIMONY AND EXHIBIT

OF

JOANN T. WEHLE

CONFIDENTIAL

management report filed on April 1, 2005.

Q. Did Tampa Electric implement a hedging information system?

A. Yes, as planned Tampa Electric implemented Sungard's Nucleus Risk Management System ("Nucleus") and booked the first month of transactions in April 2004.

Q. What capabilities does Nucleus provide?

A. Nucleus records all natural gas hedging transactions and calculates risk management reports common to the industry. In addition, Nucleus supports sound hedging practices with its contract management separation of duties, credit tracking, transaction limits, deal confirmation, and business report generation functions. The Nucleus system also records all physical natural gas transactions. By consolidating physical transactions and financial natural gas hedging transactions into the Nucleus system Tampa Electric has improved contract, credit management and risk exposure analysis.

Q. What were the results of the company's incremental hedging activities in 2004?

CONFIDENTIAL

A. The incremental hedging activities enhanced Tampa Electric's hedging processes, procedures, controls and capabilities. As a result, natural gas hedging activities protected Tampa Electric's customers from price volatility on 51 percent of the natural gas used in the company's plants. The net result of natural gas hedging activity in 2004 was a savings of $8.4 million, when the instrument prices were compared to market prices on settled positions.

Q. Did the company use financial hedges for other commodities in 2004?

A. No, Tampa Electric did not use financial hedges for other commodities because of its fuel mix. Historically, Tampa Electric has primarily relied on coal as a boiler fuel. The price of coal is relatively stable compared to the prices of oil and natural gas. In addition, there are no financial hedging instruments for the types of coal the company uses. Tampa Electric consumes a small amount of oil, making price hedging somewhat impractical; therefore the company did not use financial hedges for oil. The company did not use financial hedges for wholesale energy transactions because a liquid, published market does not exist in Florida.

TECO
TAMPA ELECTRIC

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 060001-EI
IN RE: FUEL & PURCHASED POWER COST RECOVERY
AND
CAPACITY COST RECOVERY

FINAL TRUE-UP
JANUARY 2005 THROUGH DECEMBER 2005

TESTIMONY AND EXHIBIT
OF
JOANN T. WEHLE

tracking, transaction limits, deal confirmation, and business report generation functions. The Nucleus system also records all physical natural gas transactions. By consolidating physical transactions and financial natural gas hedging transactions into the Nucleus system Tampa Electric has improved contract, credit management and risk exposure analysis.

Q. What were the results of the company's incremental hedging activities in 2005?

A. Tampa Electric's incremental natural gas hedging activities protected customers from price volatility for [redacted] of the natural gas used in the company's generating stations. The net result of natural gas hedging activity in 2005 was a savings of $53.2 million, when the instrument prices were compared to market prices on settled positions.

Q. Did the company use financial hedges for other commodities in 2005?

A. No, Tampa Electric did not use financial hedges for other commodities because of its fuel mix. Historically, Tampa Electric has primarily relied on coal as a boiler fuel.

TAMPA ELECTRIC

BEFORE THE

FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 070001-EI

IN RE: FUEL & PURCHASED POWER COST RECOVERY

AND

CAPACITY COST RECOVERY

FINAL TRUE-UP

JANUARY 2006 THROUGH DECEMBER 2006

TESTIMONY AND EXHIBIT

OF

JOANN T. WEHLE

arrangement with Bay Gas Storage. In 2006, Tampa Electric implemented additional physical hedging for natural gas by increasing storage capacity to 225,000 MMBtu. The storage provides Tampa Electric with improved access to "intraday" natural gas to meet operational needs, provides improved hurricane coverage, allows the company to cost-effectively manage swings in gas supply needs during extreme weather conditions, weekends and holidays.

Q. Does Tampa Electric use a hedging information system?

A. Yes, Tampa Electric continues to use Sungard's Nucleus Risk Management System ("Nucleus"). Nucleus supports sound hedging practices with its contract management, separation of duties, credit tracking, transaction limits, deal confirmation, and business report generation functions. The Nucleus system records all financial natural gas hedging transactions, and the system calculates risk management reports. Nucleus is also used for contract, credit management and risk exposure analysis.

Q. What were the results of the company's incremental hedging activities in 2006?

A. Tampa Electric's incremental natural gas hedging activities protected customers from price volatility for [redacted] of the natural gas used in the company's generating stations. The net result of natural gas hedging activity in 2006 was a loss of $54 million, when the instrument prices were compared to market prices on settled positions.

Q. Did the company use financial hedges for other commodities in 2006?

A. No, Tampa Electric did not use financial hedges for other commodities primarily because of its fuel mix.

Tampa Electric's generation is comprised mostly of coal and natural gas. The price of coal is relatively stable compared to the prices of oil and natural gas. In addition, financial hedging instruments for the primary coal Tampa Electric burns, high sulfur Illinois Basin coal, do not exist.

Tampa Electric consumes a small amount of oil. However, its low and erratic usage pattern makes price hedging of oil consumption impractical; therefore, the company did not use financial hedges for oil.

TECO
TAMPA ELECTRIC

REDACTED

BEFORE THE

FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 080001-EI

IN RE: FUEL & PURCHASED POWER COST RECOVERY

AND

CAPACITY COST RECOVERY

REDACTED

FINAL TRUE-UP

JANUARY 2007 THROUGH DECEMBER 2007

TESTIMONY

OF

JOANN T. WEHLE

REDACTED

generation functions. The Nucleus system records all financial natural gas hedging transactions, and the system calculates risk management reports. Nucleus is also used for contract, credit management and risk exposure analysis.

Q. What were the results of the company's incremental hedging activities in 2007?

A. Tampa Electric's incremental natural gas hedging activities protected customers from price volatility for [redacted] of the natural gas used in the company's generating stations. The net result of natural gas hedging activity in 2007 was a loss of $60 million, when the instrument prices were compared to market prices on settled positions.

Q. Did the company use financial hedges for other commodities in 2007?

A. No, Tampa Electric did not use financial hedges for other commodities primarily because of its fuel mix.

Tampa Electric's generation is comprised mostly of coal and natural gas. Though the price of coal has

TECO
TAMPA ELECTRIC

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 090001-EI
IN RE: FUEL & PURCHASED POWER COST RECOVERY
AND
CAPACITY COST RECOVERY

REDACTED

FINAL TRUE-UP
JANUARY 2008 THROUGH DECEMBER 2008

TESTIMONY
OF
JOANN T. WEHLE

effective in the summer of 2008.

Q. Does Tampa Electric use a hedging information system?

A. Yes, Tampa Electric continues to use Sungard's Nucleus Risk Management System ("Nucleus"). Nucleus supports sound hedging practices with its contract management, separation of duties, credit tracking, transaction limits, deal confirmation, and business report generation functions. The Nucleus system records all financial natural gas hedging transactions, and the system calculates risk management reports. Nucleus is also used for contract, credit management and risk exposure analysis.

Q. What were the results of the company's incremental hedging activities in 2008?

A. Tampa Electric's incremental natural gas hedging activities protected customers from price volatility for [redacted] percent of the natural gas used in the company's generating stations. The net result of natural gas hedging activity in 2008 was a gain of approximately $18.1 million, when the instrument prices were compared to market prices on settled positions.

TECO
TAMPA ELECTRIC

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 100001-EI
IN RE: FUEL & PURCHASED POWER COST RECOVERY
AND
CAPACITY COST RECOVERY

REDACTED

FINAL TRUE-UP
JANUARY 2009 THROUGH DECEMBER 2009

TESTIMONY
OF
JOANN T. WEHLE

REDACTED

also used for contract, credit management and risk exposure analysis.

Q. What were the results of the company's incremental hedging activities in 2009?

A. Tampa Electric's incremental natural gas hedging activities protected customers from price volatility for [redacted] percent of the natural gas used in the company's generating stations. As previously mentioned, The net result of natural gas hedging activity in 2009 was a loss of approximately $184 million, when the instrument prices were compared to market prices on settled positions.

Q. Did the company use financial hedges for other commodities in 2009?

A. No, Tampa Electric did not use financial hedges for other commodities primarily because of its fuel mix.

Tampa Electric's generation is comprised mostly of coal and natural gas. Though the price of coal has increased, it is relatively stable compared to the prices of oil and natural gas. In addition, financial

TECO
TAMPA ELECTRIC

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 110001-EI
IN RE: FUEL & PURCHASED POWER COST RECOVERY
AND
CAPACITY COST RECOVERY

2010 FINAL TRUE-UP
TESTIMONY AND EXHIBITS

BRENT CALDWELL

FILED APRIL 1, 2011

COM 5
APA +
ECR 16
GCL +
RAD +
SSC —
ADM —
OPC
CLK CF.RPR

Mobile, Alabama. All of these actions enhance the effectiveness of Tampa Electric's gas supply portfolio.

Q. Does Tampa Electric use a hedging information system?

A. Yes, Tampa Electric continues to use Sungard's Nucleus Risk Management System ("Nucleus"). Nucleus supports sound hedging practices with its contract management, separation of duties, credit tracking, transaction limits, deal confirmation and business report generation functions. The Nucleus system records all financial natural gas hedging transactions, and the system calculates risk management reports. Nucleus is also used for contract, credit management and risk exposure analysis.

Q. What were the results of the company's incremental hedging activities in 2010?

A. The net result of natural gas hedging activity in 2010 was a loss of approximately $68 million when the instrument prices were compared to market prices on settled positions.

Q. Did the company use financial hedges for other commodities in 2010?

TECO
TAMPA ELECTRIC

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 120001-EI
IN RE: FUEL & PURCHASED POWER COST RECOVERY
AND
CAPACITY COST RECOVERY

REDACTED

2011 FINAL HEDGING ACTIVITY TRUE-UP

TESTIMONY AND EXHIBIT

J. BRENT CALDWELL

FILED: APRIL 2, 2012

A. Unless otherwise indicated, the source of the data is the books and records of Tampa Electric. The books and records are kept in the regular course of business in accordance with generally accepted accounting principles and practices, and provisions of the Uniform System of Accounts as prescribed by this Commission.

Q. What were the results of Tampa Electric's risk management activities in 2011?

A. As outlined in Tampa Electric's 2011 Hedging Activity True-up, filed as an exhibit to this testimony, the company follows a non-speculative risk management strategy to reduce fuel price volatility while maintaining a reliable supply of fuel. In particular, Tampa Electric established a financial hedging program to limit its exposure to spikes in the price of natural gas. Over time, this program has been enhanced as Tampa Electric's gas needs have evolved and grown. All enhancements have been reviewed and approved by the company's Risk Authorization Committee.

The report indicates that Tampa Electric's 2011 hedging activities resulted in a net loss of approximately $34 million. Tampa Electric followed the plan objective of

reducing price volatility while maintaining a reliable fuel supply. A decrease in natural gas prices began in the middle of 2008 due to lower demand as a result of the recession as well as from increased supply from non-conventional, shale gas production. Natural gas prices continue to stay at a low price due to this supply surplus and have been further reduced by mild temperatures nationally.

Q. Does Tampa Electric implement physical hedges for natural gas?

A. No, Tampa Electric does not hedge natural gas pricing through physical gas supply contracts. However, Tampa Electric does hedge its supply through diversification. In addition to financial hedging, Tampa Electric uses a variety of sources, delivery methods, inventory locations and contractual terms to enhance the company's supply reliability and flexibility to cost-effectively meet changing operational needs.

Tampa Electric continually pursues new creditworthy counterparties and maintains contracts for gas supplies from various regions and on different pipelines. The company also contracts for pipeline capacity to access

Tampa Electric
2011 Natural Gas Hedging Activity True-Up

	Type of Hedge	Mark-to-Market Saving/(Loss)	Hedged Volume (MMBTU)	Consumption (MMBTU)	Percent Hedged	Budget Price	Hedge Price	Settle Price
Jan-11	Swaps	$ (2,755,160)		3,416,729				$4.22
Feb-11	Swaps	$ (2,815,820)		3,445,899				$4.32
Mar-11	Swaps	$ (4,590,870)		4,780,417				$3.79
Apr-11	Swaps	$ (2,813,260)		4,157,849				$4.24
May-11	Swaps	$ (1,693,800)		5,215,809				$4.38
Jun-11	Swaps	$ (1,777,830)		5,305,183				$4.33
Jul-11	Swaps	$ (1,633,460)		6,274,000				$4.36
Aug-11	Swaps	$ (1,614,900)		6,287,822				$4.37
Sep-11	Swaps	$ (3,269,690)		6,092,720				$3.86
Oct-11	Swaps	$ (3,601,560)		5,258,042				$3.76
Nov-11	Swaps	$ (3,471,310)		3,510,780				$3.62
Dec-11	Swaps	$ (3,952,320)		2,542,025				$3.36
Total		$ (33,699,480)		56,286,515				

Consistent with Tampa Electric's non-speculative risk management plan objective, Tampa Electric's natural gas hedging plan provided price stability and certainty during 2011. The losses for 2011 are due to a reduction in the price of natural gas during 2011. The price decline was driven primarily by a supply surplus due to higher supply from non-conventional production of shale gas and reduced demand due to mild weather and continued economic weakness.

To enhance its physical reliability of gas supply, Tampa Electric has increased its natural gas storage capabilities since summer 2005. In 2011, the total storage capacity increased to 1,250,000 MMBtu. The storage provides Tampa Electric with improved access to "intraday" natural gas when an operational need arises, provides improved hurricane coverage, and can be used to cost-effectively manage swings in gas supply needs during extreme weather conditions, weekends and holidays.

Tampa Electric also continues to improve its physical access to natural gas supply by diversifying its receipt points along the Gulf Coast and other areas when opportunities arise.

In summary, financial hedging activities for natural gas resulted in a net loss of approximately $34 million in 2011; however, Tampa Electric was successful in reducing price uncertainty and maintaining fuel supply reliability for customers for both its physical and financial hedges.

TECO
TAMPA ELECTRIC

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 130001-EI
IN RE: FUEL & PURCHASED POWER COST RECOVERY
AND
CAPACITY COST RECOVERY

2012 HEDGING ACTIVITY TRUE-UP

TESTIMONY AND EXHIBIT

J. BRENT CALDWELL

FILED: APRIL 5, 2013

Q. What is the source of the data you present in your testimony in this proceeding?

A. Unless otherwise indicated, the source of the data is the books and records of Tampa Electric. The books and records are kept in the regular course of business in accordance with generally accepted accounting principles and practices, and provisions of the Uniform System of Accounts as prescribed by this Commission.

Q. What were the results of Tampa Electric's risk management activities in 2012?

A. As outlined in Tampa Electric's 2012 Hedging Activity True-up, filed as an exhibit to this testimony, the company follows a non-speculative risk management strategy to reduce fuel price volatility while maintaining a reliable supply of fuel. In particular, Tampa Electric established a financial hedging program to limit its exposure to spikes in the price of natural gas. Over time, this program has been enhanced as Tampa Electric's gas needs have evolved and grown. All enhancements have been reviewed and approved by the company's Risk Authorization Committee.

The report indicates that Tampa Electric's 2012 hedging

activities resulted in a net loss of approximately $61.5 million. Tampa Electric followed the plan objective of reducing price volatility while maintaining a reliable fuel supply. Natural gas prices declined in 2012 due to lower demand as a result of the ongoing economic downturn as well as from an abundance of natural gas supply from non-conventional, shale gas production.

Q. Does Tampa Electric implement physical hedges for natural gas?

A. No, Tampa Electric does not hedge natural gas pricing through physical gas supply contracts. However, Tampa Electric does hedge its supply through diversification. In addition to financial hedging, Tampa Electric uses a variety of sources, delivery methods, inventory locations and contractual terms to enhance the company's supply reliability and flexibility to cost-effectively meet changing operational needs.

Tampa Electric continually pursues new creditworthy counterparties and maintains contracts for gas supplies from various regions and on different pipelines. The company also contracts for pipeline capacity to access non-conventional shale gas production which is less

REDACTED

DOCKET NO. 130001-EI
2012 HEDGING ACTIVITY TRUE-UP
EXHIBIT NO.____ (JBC-1)
DOCUMENT NO. 1
PAGE 3 OF 6

Tampa Electric
Natural Gas Risk Management Activities
January 1, 2012 through December 31, 2012

	Type of Hedge	Mark-to-Market Saving/(Loss)	Hedged Volume (MMBTU)	Consumption (MMBTU)	Percent Hedged	Budget Price	Hedge Price	Settle Price
Jan-12	Swaps	$(4,285,540)		3,135,497				$3.08
Feb-12	Swaps	$(5,183,010)		2,530,912				$2.68
Mar-12	Swaps	$(4,650,960)		3,187,972				$2.45
Apr-12	Swaps	$(7,270,405)		5,450,966				$2.19
May-12	Swaps	$(7,706,695)		6,810,671				$2.04
Jun-12	Swaps	$(7,164,500)		7,036,403				$2.43
Jul-12	Swaps	$(6,117,660)		6,916,527				$2.77
Aug-12	Swaps	$(5,496,660)		6,806,105				$3.01
Sep-12	Swaps	$(6,371,670)		6,984,744				$2.69
Oct-12	Swaps	$(4,050,300)		4,373,632				$3.02
Nov-12	Swaps	$(1,744,870)		2,714,208				$3.47
Dec-12	Swaps	$(1,496,760)		3,445,415				$3.70
Total		$(61,518,120)		67,395,052				

Consistent with Tampa Electric's non-speculative risk management plan objective, Tampa Electric's natural gas hedging plan provided price stability and certainty during 2012. The losses for 2012 are due to a reduction in the price of natural gas during 2012. The price decline was driven primarily by a supply surplus due to higher supply from non-conventional production of shale gas and reduced demand due to mild weather and continued economic weakness.

Tampa Electric maintains natural gas storage capacity of 1,250,000 MMBtu in order to enhance its physical reliability of gas supply. The storage provides Tampa Electric with improved access to "intraday" natural gas when an operational need arises, provides improved hurricane coverage, and can be used to cost-effectively manage swings in gas supply needs during extreme weather conditions, weekends, holidays and unplanned power plant outages.

Tampa Electric also continues to improve its physical access to natural gas supply by diversifying its receipt points along the Gulf Coast and other areas when opportunities arise.

In summary, financial hedging activities for natural gas resulted in a net loss of approximately $61.5 million in 2012; however, Tampa Electric was successful in reducing price uncertainty and maintaining fuel supply reliability for customers for both its physical and financial hedges.

TAMPA ELECTRIC

BEFORE THE

FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 140001-EI

IN RE: FUEL & PURCHASED POWER COST RECOVERY

AND

CAPACITY COST RECOVERY

2013 HEDGING ACTIVITY TRUE-UP

TESTIMONY AND EXHIBIT

J. BRENT CALDWELL

FILED: MARCH 28, 2014

Q. What is the source of the data you present in your testimony in this proceeding?

A. Unless otherwise indicated, the source of the data is the books and records of Tampa Electric. The books and records are kept in the regular course of business in accordance with generally accepted accounting principles and practices, and provisions of the Uniform System of Accounts as prescribed by this Commission.

Q. What were the results of Tampa Electric's risk management activities in 2013?

A. As outlined in Tampa Electric's 2013 Hedging Activity True-up, filed as an exhibit to this testimony, the company follows a non-speculative risk management strategy to reduce fuel price volatility while maintaining a reliable supply of fuel. In particular, Tampa Electric established a financial hedging program to limit customers' exposure to spikes in the price of natural gas. Over time, this program has been enhanced as Tampa Electric's gas needs have evolved and grown. All enhancements have been reviewed and approved by the company's Risk Authorization Committee.

The report indicates that Tampa Electric's 2013 hedging activities resulted in a net loss of approximately $3.3 million. Tampa Electric followed the plan objective of reducing price volatility while maintaining a reliable fuel supply. Natural gas prices declined in 2013 due to lower demand as a result of the mild winter of 2012/2013, ongoing economic softness, and an abundance of natural gas supply from non-conventional, shale gas production.

Q. Does Tampa Electric implement physical hedges for natural gas?

A. No, Tampa Electric does not hedge natural gas pricing through physical gas supply contracts. Tampa Electric does hedge its natural gas supply through diversification. Tampa Electric also physically hedges its supply through the use of a variety of sources, delivery methods, inventory locations and contractual terms to enhance the company's supply reliability and flexibility to cost-effectively meet changing operational needs.

Tampa Electric continually pursues new creditworthy counterparties and maintains contracts for gas supplies

Tampa Electric Company
Natural Gas Hedging Activities
January 1, 2013 through December 31, 2013

Contract	Type of Hedge	Mark-to-Market Savings/(Loss)	Hedged Volume (MMBtu)	Consumption (MMBtu)	Percent Hedged	Budget Price	Hedge Price	Settle Price
Jan-13	Swap	($1,482,130)		4,355,857				$3.35
Feb-13	Swap	($1,744,180)		5,362,808				$3.23
Mar-13	Swap	($828,170)		3,761,758				$3.43
Apr-13	Swap	$1,127,945		4,873,898				$3.98
May-13	Swap	$1,794,365		5,474,303				$4.15
Jun-13	Swap	$1,902,130		6,500,554				$4.15
Jul-13	Swap	($190,245)		4,881,959				$3.71
Aug-13	Swap	($1,208,040)		5,620,214				$3.46
Sep-13	Swap	($710,690)		5,251,411				$3.57
Oct-13	Swap	($871,990)		4,622,892				$3.50
Nov-13	Swap	($756,725)		3,467,202				$3.50
Dec-13	Swap	($288,670)		3,243,907				$3.82
Total		($3,256,370)		57,416,563				

Consistent with Tampa Electric's non-speculative risk management plan objective, Tampa Electric's natural gas hedging plan provided price stability and certainty during 2013. For 2013, the calendar year net position for natural gas hedges was slightly above the closing price of natural gas, resulting in a mark-to-market net loss of $3.3 million. The closing price was less than the fixed hedge price primarily due to a reduction in the price of natural gas during 2013. The price decline was driven primarily by a supply surplus due to higher supply from non-conventional production of shale gas and reduced demand due to mild weather and continued economic weakness.

Tampa Electric maintains natural gas storage capacity of 1,250,000 MMBtu in order to enhance its physical reliability of gas supply. The storage provides Tampa Electric with improved access to "intraday" natural gas when an operational need arises, provides improved hurricane coverage, and can be used to cost-effectively manage swings in gas supply needs during extreme weather conditions, weekends, holidays and unplanned power plant outages.

Tampa Electric also continues to improve its physical access to natural gas supply by diversifying its receipt points along the Gulf Coast and other areas when opportunities arise.

TAMPA ELECTRIC

BEFORE THE

FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 150001-EI

IN RE: FUEL & PURCHASED POWER COST RECOVERY

AND

CAPACITY COST RECOVERY

2014 HEDGING ACTIVITY TRUE-UP

TESTIMONY AND EXHIBIT

J. BRENT CALDWELL

FILED: APRIL 7, 2015

direction and supervision. This report explains the company's risk management activities and results for the calendar year 2014.

Q. What is the source of the data you present in your testimony in this proceeding?

A. Unless otherwise indicated, the source of the data is the books and records of Tampa Electric. The books and records are kept in the regular course of business in accordance with generally accepted accounting principles and practices, and provisions of the Uniform System of Accounts as prescribed by this Commission.

Q. What were the results of Tampa Electric's risk management activities in 2014?

A. As outlined in Tampa Electric's 2014 Hedging Activity True-up, filed as an exhibit to this testimony, the company follows a non-speculative risk management strategy to reduce fuel price volatility while maintaining a reliable supply of fuel. In particular, Tampa Electric established a financial hedging program to limit customers' exposure to spikes in the price of natural gas. Over time, this program has been enhanced

as Tampa Electric's gas needs have evolved and grown. All enhancements have been reviewed and approved by the company's Risk Authorization Committee.

The report indicates that Tampa Electric's 2014 hedging activities resulted in a net gain of approximately $15.6 million. Tampa Electric followed the plan objective of reducing price volatility while maintaining a reliable fuel supply. Natural gas prices increased in early 2014 as a result of the significant inclement weather and resulting impact on coal deliveries and inventories during the winter of 2013/2014. Following that rise, the continuing abundance of natural gas supply from non-conventional, shale gas production has allowed natural gas prices to decrease again.

Q. Does Tampa Electric implement physical hedges for natural gas?

A. No, Tampa Electric does not hedge natural gas pricing through physical gas supply contracts. Tampa Electric does hedge its natural gas supply through diversification. Tampa Electric also physically hedges its supply through the use of a variety of sources, delivery methods, inventory locations and contractual

Tampa Electric Company
Natural Gas Hedging Activities
January 1, 2014 through December 31, 2014

Contract	Type of Hedge	Realized Gain/(Loss)	Hedged Volume (MMBtu)	Consumption (MMBtu)	Percent Hedged	Budget Price	Hedge Price	Settle Price
January 2014	Swap	$1,087,285		3,388,832				$4.41
February 2014	Swap	$4,942,700		3,157,628				$5.56
March 2014	Swap	$2,232,670		4,603,963				$4.86
April 2014	Swap	$1,791,450		4,973,592				$4.58
May 2014	Swap	$2,668,620		5,530,263				$4.80
June 2014	Swap	$2,677,190		5,480,316				$4.62
July 2014	Swap	$1,903,555		5,467,277				$4.40
August 2014	Swap	($382,010)		5,971,293				$3.81
September 2014	Swap	($770,010)		5,411,089				$3.96
October 2014	Swap	$43,200		4,697,477				$3.98
November 2014	Swap	($806,615)		2,776,256				$3.73
December 2014	Swap	$347,750		2,638,561				$4.26
		$15,816,785		54,096,745				

Consistent with Tampa Electric's non-speculative risk management plan objective, Tampa Electric's natural gas hedging plan provided price stability and certainty during 2014. For 2014, the calendar year net position for natural gas hedges was slightly below the closing price of natural gas, resulting in a mark-to-market net gain of $15.6 million. The closing price was above the fixed hedge price primarily due to an increase in demand for natural gas following the colder than normal weather for the winter of 2013/2014.

Tampa Electric maintains natural gas storage capacity of 1,500,000 MMBtu in order to enhance its physical reliability of gas supply. The storage provides Tampa Electric with improved access to "intraday" natural gas when an operational need arises, provides improved hurricane coverage, and can be used to cost-effectively manage swings in gas supply needs during extreme weather conditions, weekends, holidays and unplanned power plant outages.

Tampa Electric also continues to improve its physical access to natural gas supply by diversifying its receipt points along the Gulf Coast and other areas when opportunities arise.

In summary, financial hedging activities for natural gas resulted in a net gain of approximately $15.6 million in 2014; more importantly, Tampa Electric was

Duke Energy Florida's Responses to Office of Public Counsel's First Set of Interrogatories Nos. 2, 5

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Fuel and purchased power cost recovery clause with generating performance incentive factor.	DOCKET NO. 150001-EI DATED: September 11, 2015

DUKE ENERGY FLORIDA'S AMENDED RESPONSE TO CITIZENS' FIRST SET OF INTERROGATORIES (NOS. 1-13)

Duke Energy Florida, LLC ("DEF"), amends its response to the Citizens of the State of Florida, through the Office of the Public Counsel's ("Citizens" or "OPC") First Set of Interrogatories to DEF (Nos. 1-13), specifically question 2 as follows:

GENERAL RESPONSES AND OBJECTIONS

DEF incorporates and restates its General Responses and Objections to Citizen's First Set of Interrogatories (Nos. 1-13), filed on May 12, 2015, as if those responses and objections were fully set forth herein.

Annual and cumulative hedging results

2. For each of the years from 2002 through 2014, what was the annual gain or loss on each type of commodity hedged by the Company (referenced in the Company's answer to Interrogatory No. 25), as part of this response, what was the total net annual gain or loss for all the commodities hedged during that year? Please respond using a table format similar to the one below and add additional columns for hedged commodities.

	Natural Gas Gain (loss)	**Oil** Gain (loss)	**Other Commodities** Gain (loss)	**Total Net Hedging** Gain (loss)

2002				
2003				
2004				
2005				
2006				
2007				
2008				
2009				
2010				
2011				
2012				
2013				
2014				
Total				

Answer:

DEF restates and incorporates its objections to this request filed on May 12, 2015. Subject to and without waiving these objections, please see an amended attachment bearing bates number DEF-15FL-FUEL-00267.

Docket No. 150001
DEF's Amended Response to OPC's 1st Rogs (1-13)
Q2
DEF-15FL-FUEL-00267

	Natural Gas Savings (Cost)	#6 Oil Savings (Cost)	#2 Oil Savings (Cost)	River Barge/Rail Fuel Surcharge Savings (Cost)	Natural Gas Storage Savings (Cost)	Total Net Hedging Savings (Cost)
	See Note 1				See Note 1	
2002	($2,098,791)	($1,533,222)	$0	$0	$0	($3,632,013)
2003	$19,772,126	($1,229,174)	$0	$0	$0	$18,542,952
2004	$51,068,145	($758,433)	$0	$0	$0	$50,309,712
2005	$121,672,401	$70,386,665	$0	$0	$0	$192,059,066
2006	$62,066,818	$58,539,042	($1,606,710)	$0	$0	$118,999,150
2007	($34,399,955)	$18,382,023	$943,446	$0	$0	($15,074,486)
2008	$116,935,706	$106,527,933	$13,035,568	$0	$3,268,288	$239,767,495
2009	($556,149,474)	($17,029,960)	($9,937,473)	$0	($478,125)	($583,595,032)
2010	($285,863,553)	$3,400,207	$783,615	($237,316)	($13,125)	($281,930,172)
2011	($240,882,264)	$4,356,425	$3,044,674	$2,240,474	$6,750	($231,233,941)
2012	($351,321,610)	$4,456,315	$382,080	$908,953	($205,913)	($345,780,175)
2013	($140,907,108)	$0	($213,675)	($219,072)	$25,575	($141,314,280)
2014	($27,741,075)	$0	($133,341)	($594,097)	$3,225	($28,465,288)

Note 1:

DEF is revising its response to OPC's First Set of Interrogatories question 2. The Natural Gas Storage amounts have been removed from the Natural Gas Savings (Cost) totals for the years 2008 through 2014 and placed in a column called Natural Gas Storage Savings (Cost). The Total Net Hedging Savings (Cost) totals for this table have not changed. The Natural Gas Storage amounts were moved to the Natural Gas Storage Savings Cost Column and were included in DEF's original response submitted on May 26, 2015.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Fuel and purchased power cost recovery clause with generating performance incentive factor.	DOCKET NO. 150001-EI DATED: June 8, 2015

DUKE ENERGY FLORIDA'S RESPONSES TO
CITIZENS' FIRST SET OF INTERROGATORIES (NOS. 1-13)

Duke Energy Florida, Inc. ("DEF"), responds to the Citizens of the State of Florida, through the Office of the Public Counsel's ("Citizens" or "OPC") First Set of Interrogatories to DEF (Nos. 1-13), specifically question 5 as follows:

GENERAL RESPONSES AND OBJECTIONS

DEF incorporates and restates its General Responses and Objections to Citizen's First Set of Interrogatories (Nos. 1-13), filed on May 12, 2015, as if those responses and objections were fully set forth herein.

5. Based on the financial or physical hedging positions the Company currently maintains, and in light of the recent forecasted decreases in the price of natural gas, (See e.g., DUKE's March 25, 2015 Petition for Mid-Course Correction) and the most current forward curves utilized by the Company in its day-to-day business:

   a. Does the Company anticipate reporting a hedging gain or loss for the first quarter of 2015, and if so, what is the projected amount of the anticipated hedging gain or loss?

Answer:

DEF is estimating a net hedge cost of approximately of $36.5 million for the first quarter of 2015.

b. Does the Company anticipate reporting hedging a gain or loss for calendar year 2015, and if so, what is the projected amount of the anticipated hedging gain or loss?

Answer:

DEF is estimating a net hedge cost for the calendar year of 2015 of approximately $196.9 million based on May 4, 2015 closing market prices.

AFFIDAVIT

STATE OF NORTH CAROLINA

COUNTY OF MECKLENBURG

Before me, the undersigned authority, on this 20 day of May, 2015, personally appeared **JOSEPH MCCALLISTER**, who

(X) is personally known to me, or

( ) produced _____ as identification and who,

acknowledged before me that he provided the answers to Interrogatory Numbers 1, 2, 4 and 5 of Citizens' First Set of Interrogatories to Duke Energy Florida, Inc.(Nos. 1-13) in Docket No. 150001-EI and the responses are true and correct to the best of his knowledge.

Signature

Joseph McCallister

Printed name

Director Gas, Oil & Emissions

Title

KATIE JAMIESON
Notary Public
Mecklenburg County
NORTH CAROLINA

Katie Jamieson

Notary Public
State of North Carolina

My commission Expires: June 14, 2016

Florida Power & Light Company's Responses to Office of Public Counsel's Fourth Set of Interrogatories Nos. 26, 29

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Fuel and purchase power cost recovery clause with generating performance incentive factor	Docket No: 150001-EI Date: May 26, 2015

FLORIDA POWER & LIGHT COMPANY'S RESPONSES TO THE OFFICE OF PUBLIC COUNSEL'S FOURTH SET OF INTERROGATORIES (Nos. 25-37)

Florida Power & Light Company ("FPL"), pursuant to Rule 1.340, Florida Rules of Civil Procedure, Rule 28-106.206, Florida Administrative Code, Order No. PSC-15-0096-PCO-EI, and Amended Order No. PSC-15-0169-PCO-EI, submits the following Objections and Responses to the Citizens of the State of Florida, through the Office of Public Counsel's ("OPC") Fourth Set of Interrogatories (Nos. 25-37).

1. FPL adopts and incorporates by reference, as though fully restated herein, all general objections and specific objections set forth in its Objections to OPC's Fourth Set of Interrogatories (Nos. 25-37) dated May 13, 2015. FPL's responses are without waiver of those prior objections.

2. Attached hereto are FPL's answers to OPC's Fourth Set of Interrogatories (Nos. 25-37), consistent with its prior objections, together with the affidavits of the person providing the answers.

Respectfully submitted this 26th day of May 2015.

R. Wade Litchfield, Esq.
Vice President and General Counsel
John T. Butler, Esq.
Assistant General Counsel-Regulatory
Maria J. Moncada, Esq.
Principal Attorney
Florida Power & Light Company
700 Universe Boulevard
Juno Beach, FL 33408
Telephone: (561) 304-5795
Facsimile: (561) 691-7135

By: *s/ Maria Jose Moncada*
Maria Jose Moncada
Fla. Bar No. 0773301

Florida Power & Light Company
Docket No. 150001-EI
OPC's 4th Set of Interrogatories
Interrogatory No. 26
Page 1 of 1

Q.

Annual and cumulative hedging results

For each of the years from 2002 through 2014, what was the annual gain or loss on each type of commodity hedged by the Company (referenced in the Company's answer to Interrogatory No. 25), as part of this response, what was the total net annual gain or loss for all the commodities hedged during that year? Please respond using a table format similar to the one below and add additional columns for hedged commodities.

A.

Please refer to the FPL Hedging Results table, Attachment I, included in response to this request.

FPL HEDGING RESULTS				
	Natural Gas Gain(Loss)	Heavy Oil Gain(Loss)	Electricity Gain(Loss)	Total Hedging Gain(Loss)
2002	15,100,709	31,484,206	689,576	47,274,491
2003	(19,352,985)	26,547,034	5,094,480	12,288,529
2004	156,275,728	53,360,782	3,864,571	213,501,081
2005	488,815,538	102,249,149	3,363,088	594,427,775
2006	(487,636,397)	(52,001,140)	0	(539,637,537)
2007	(918,863,078)	(82,325,643)	0	(1,001,188,721)
2008	100,709,736	267,554,705	0	368,264,441
2009	(1,660,695,829)	(62,901,236)	0	(1,723,597,065)
2010	(509,147,046)	8,917,158	0	(500,229,888)
2011	(404,239,340)	16,580,894	0	(387,658,446)
2012	(671,819,795)	2,677,666	0	(669,142,129)
2013	18,253,045	(710,650)	0	17,542,395
2014	116,639,265	0	0	116,639,265

Florida Power & Light Company
Docket No. 150001-EI
OPC's 4th Set of Interrogatories
Interrogatory No. 29
Page 1 of 1

Q.

Based on the financial or physical hedging positions the Company currently maintains, and in light of the recent forecasted decreases in the price of natural gas, (See e.g., FPL's March 25, 2015 Petition for Mid-Course Correction) and the most current forward curves utilized by the Company in its day-to-day business:

a. Does the Company anticipate reporting a hedging gain or loss for the first quarter of 2015, and if so, what is the projected amount of the anticipated hedging gain or loss?

b. Does the Company anticipate reporting hedging a gain or loss for calendar year 2015, and if so, what is the projected amount of the anticipated hedging gain or loss?

A.

a. Due to the recent decline in natural gas prices, FPL anticipates reporting hedging costs of approximately $81,978,525 for the first quarter of 2015. At the same time, FPL's strategy of hedging only a portion of the projected natural gas burn has provided the opportunity for customers to benefit from these price decreases in the marketplace. Customers are currently benefitting from the Company's unhedged natural gas purchases, executed at comparatively low prices so far this year.

b. Based on the May 18, 2015 Henry Hub natural gas forward curve, FPL currently projects to report hedging costs of approximately $382 million for 2015.

AFFIDAVIT

STATE OF FLORIDA)

COUNTY OF PALM BEACH)

I hereby certify that on this 26 day of May 2015 before me, an officer duly authorized in the State and County aforesaid to take acknowledgments, personally appeared Gerard J. Yupp, who is personally known to me, and he acknowledged before me that he provided the answers to interrogatory number(s) 25 through 26 and 28 through 29 from **CITIZENS FOURTH SET OF INTERROGATORIES TO FLORIDA POWER & LIGHT (NOS. 25-37)** in Docket No. 150001-EI, and that the responses are true and correct based on his personal knowledge.

Gerard J. Yupp

In Witness Whereof, I have hereunto set my hand and seal in the State and County aforesaid as of this 26 day of May, 2015.

Notary Public
State of Florida, at Large

My Commission Expires:

MARITZA MIRANDA-WISE
MY COMMISSION # FF 002868
EXPIRES: May 30, 2017
Bonded Thru Notary Public Underwriters

Gulf Power Company's Responses to Office of Public Counsel's First Set of Interrogatories Nos. 2, 5

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Fuel and Purchased Power Cost Recovery) Clause with Generating Performance) Incentive Factor.)	Docket No. 150001-EI

GULF POWER COMPANY'S RESPONSES TO
CITIZENS' FIRST SET OF INTERROGATORIES (NOS. 1-13)

GULF POWER COMPANY ("Gulf Power", "Gulf", or "the Company"), by and through its undersigned counsel, hereby submits the Company's responses to Citizens' First Set of Interrogatories (Nos. 1-13) on the following pages.

Respectfully submitted by electronic mail the 22nd day of May, 2015.

JEFFREY A. STONE
Florida Bar No. 325953
RUSSELL A. BADDERS
Florida Bar No. 007455
STEVEN R. GRIFFIN
Florida Bar No. 0627569
BEGGS & LANE
P. O. Box 12950
Pensacola FL 32591-2950
(850) 432-2451
Attorneys for Gulf Power Company

Citizens' First Set of Interrogatories
GULF POWER COMPANY
Docket No. 150001-EI
May 22, 2015
Item No. 2
Page 1 of 1

Annual and cumulative hedging results

2. For each of the years from 2002 through 2014, what was the annual gain or loss on each type of commodity hedged by the Company (referenced in the Company's answer to Interrogatory No. 25), as part of this response, what was the total net annual gain or loss for all the commodities hedged during that year? Please respond using a table format similar to the one below and add additional columns for hedged commodities.

ANSWER:

	Natural Gas Gain (loss) $	**Oil** Gain (loss) $	**Other Commodities** Gain (loss) $	**Total Net Hedging** Gain (loss) $
2002	238,750	n/a	n/a	238,750
2003	4,862,077	n/a	n/a	4,862,077
2004	6,652,157	n/a	n/a	6,652,157
2005	22,571,976	n/a	n/a	22,571,976
2006	(18,714,562)	n/a	n/a	(18,714,562)
2007	(9,197,433)	n/a	n/a	(9,197,433)
2008	(1,737,726)	n/a	n/a	(1,737,726)
2009	(51,232,251)	n/a	n/a	(51,232,251)
2010	(19,667,161)	n/a	n/a	(19,667,161)
2011	(15,444,523)	n/a	n/a	(15,444,523)
2012	(32,865,554)	n/a	n/a	(32,865,554)
2013	(14,654,866)	n/a	n/a	(14,654,866)
2014	1,910,889	n/a	n/a	1,910,889
Total	(127,278,227)	n/a	n/a	(127,278,227)

Citizens' First Set of Interrogatories
GULF POWER COMPANY
Docket No. 150001-EI
May 22, 2015
Item No. 5
Page 1 of 1

5. Based on the financial or physical hedging positions the Company currently maintains, and in light of the recent forecasted decreases in the price of natural gas, (See e.g., GULF's March 25, 2015 Petition for Mid-Course Correction) and the most current forward curves utilized by the Company in its day-to-day business:
   a. Does the Company anticipate reporting a hedging gain or loss for the first quarter of 2015, and if so, what is the projected amount of the anticipated hedging gain or loss?
   b. Does the Company anticipate reporting hedging a gain or loss for calendar year 2015, and if so, what is the projected amount of the anticipated hedging gain or loss?

ANSWER:

a. Gulf reported a net hedging loss of $10,675,160 for the first quarter of 2015.

b. Gulf anticipates reporting a net hedging loss for calendar year 2015. As of March 31, 2015 the projected hedging loss for 2015 was $43,981,755.

AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

Docket No. 150001-EI

Before me the undersigned authority, personally appeared Susan D. Ritenour, Corporate Secretary, Treasurer, and Corporate Planning Manager of Gulf Power Company, and who on behalf of said corporation, being first duly sworn, deposes, and says that pursuant to Rule 1.340(a), Florida Rules of Civil Procedure, she verifies that the foregoing answers to the interrogatories are submitted on behalf of said corporation, and that the foregoing constitute true and correct answers to the best of her knowledge, information, and belief based on the information provided by others in the course of business. She is personally known to me.

Susan D. Ritenour

Susan D. Ritenour
Corporate Secretary, Treasurer and
Corporate Planning Manager

Sworn to and subscribed before me this 20th day of May, 2015.

Melissa A. Darnes

Notary Public, State of Florida at Large

MELISSA A. DARNES
MY COMMISSION # EE 150873
EXPIRES: December 17, 2015
Bonded Thru Budget Notary Services

Tampa Electric Company's Responses to Office of Public Counsel's First Set of Interrogatories Nos. 2, 5

BEFORE THE

FLORIDA PUBLIC SERVICE COMMISSION

In re: Fuel and Purchased Power Cost Recovery Clause with Generating Performance Incentive Factor	))))	DOCKET NO. 150001-EI FILED: MAY 26, 2015

TAMPA ELECTRIC COMPANY'S

ANSWERS TO FIRST SET OF INTERROGATORIES (NOS. 1-13)

OF

OFFICE OF PUBLIC COUNCIL

Tampa Electric files this its Answers to Interrogatories (Nos. 1-13) propounded and served on April 23, 2015 by the Florida Public Service Commission Staff.

TAMPA ELECTRIC COMPANY
DOCKET NO. 150001-EI
OPC'S FIRST SET OF
INTERROGATORIES
INTERROGATORY NO. 2
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2. For each of the years from 2002 through 2014, what was the annual gain or loss on each type of commodity hedged by the Company (referenced in the Company's answer to Interrogatory No. 25), as part of this response, what was the total net annual gain or loss for all the commodities hedged during that year? Please respond using a table format similar to the one below and add additional columns for hedged commodities.

	Natural Gas Gain (loss)	**Oil** Gain (loss)	**Other Commodities** Gain (loss)	**Total Net Hedging** Gain (loss)
2002				
2003				
2004				
2005				
2006				
2007				
2008				
2009				
2010				
2011				
2012				
2013				
2014				
Total				

A. The requested information is provided in the table on the following page. Tampa Electric does not use financial hedges for oil or other commodities.

TAMPA ELECTRIC COMPANY
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	Natural Gas Gain (loss)	Oil Gain (loss)	Other Commodities Gain (loss)	Total Net Hedging Gain (loss)
2002	($203,500)	0	0	($203,500)
2003	($2,758,028)	0	0	($2,758,028)
2004	$8,413,170	0	0	$8,413,170
2005	$53,231,770	0	0	$53,231,770
2006	($54,482,120)	0	0	($54,482,120)
2007	($59,691,520)	0	0	($59,691,520)
2008	$18,147,375	0	0	$18,147,375
2009	($193,185,985)	0	0	($193,185,985)
2010	($67,840,710)	0	0	($67,840,710)
2011	($33,889,480)	0	0	($33,889,480)
2012	($61,518,120)	0	0	($61,518,120)
2013	($3,256,370)	0	0	($3,256,370)
2014	$15,615,785	0	0	$15,615,785

TAMPA ELECTRIC COMPANY
DOCKET NO. 150001-EI
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INTERROGATORIES
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5. Based on the financial or physical hedging positions the Company currently maintains, and in light of the recent forecasted decreases in the price of natural gas, (See e.g., TECO's March 25, 2015 Petition for Mid-Course Correction) and the most current forward curves utilized by the Company in its day-to-day business:

   a. Does the Company anticipate reporting a hedging gain or loss for the first quarter of 2015, and if so, what is the projected amount of the anticipated hedging gain or loss?

   b. Does the Company anticipate reporting hedging a gain or loss for calendar year 2015, and if so, what is the projected amount of the anticipated hedging gain or loss?

A. a. Tampa Electric did not file a petition for mid-course correction on March 25, 2015, as the question states. For the first quarter of 2015, Tampa Electric expects a loss of $9,365,645.

   b. Based on the closing prices of the New York Mercantile Exchange natural gas futures contracts for January 2015 through December 2015, the current hedges have a projected cumulative mark-to-market loss of $23,168,465. However, the ultimate settle price for each month may be higher or lower than the current closing price, and the company will not know the actual impact until the end of the year.

AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF HILLSBOROUGH)

Before me the undersigned authority personally appeared Penelope Rusk who deposed and said that she is a Manager, Rates, Tampa Electric Company, and that the individuals listed in Tampa Electric Company's response to OPC's First Set of Interrogatories, (Nos. 1-13) prepared or assisted with the responses to these interrogatories to the best of her information and belief.

Dated at Tampa, Florida this 26th day of May, 2015.

Penelope Rusk

Sworn to and subscribed before me this 26TH day of May, 2015.

Notary Public State of Florida
Tison C Vega
My Commission EE 165415
Expires 02/01/2016

My Commission expires