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: November 13, 2015

CITIZENS' POST-HEARING STATEMENT OF POSITIONS AND POST-HEARING BRIEF AND PROPOSED FINDINGS OF FACT

Pursuant to Order Nos. PSC-14-0084-PCO-EI and PSC-14-0667-PHO-EI, the Citizens of the State of Florida, by and through the Office of Public Counsel, hereby submit their Post-Hearing Statement of Positions and Post-Hearing Brief and Proposed Findings of Fact.

PRELIMINARY STATEMENT

The Office of Public Counsel has combined its Post-Hearing Statement of Positions and its Post-Hearing Brief into a single document. Each position statement will be set off with asterisks. The issues on which Citizens take no positions or which were stipulated have not been reflected in the Brief. Within this Brief, the Office of Public Counsel will be shortened to "OPC." OPC will refer to Duke Energy Florida, Inc. as "DEF"; Florida Power & Light Company as "FPL"; Florida Public Utilities Company as "FPUC"; Gulf Power Company as "Gulf"; and Tampa Electric Company as "TECO".

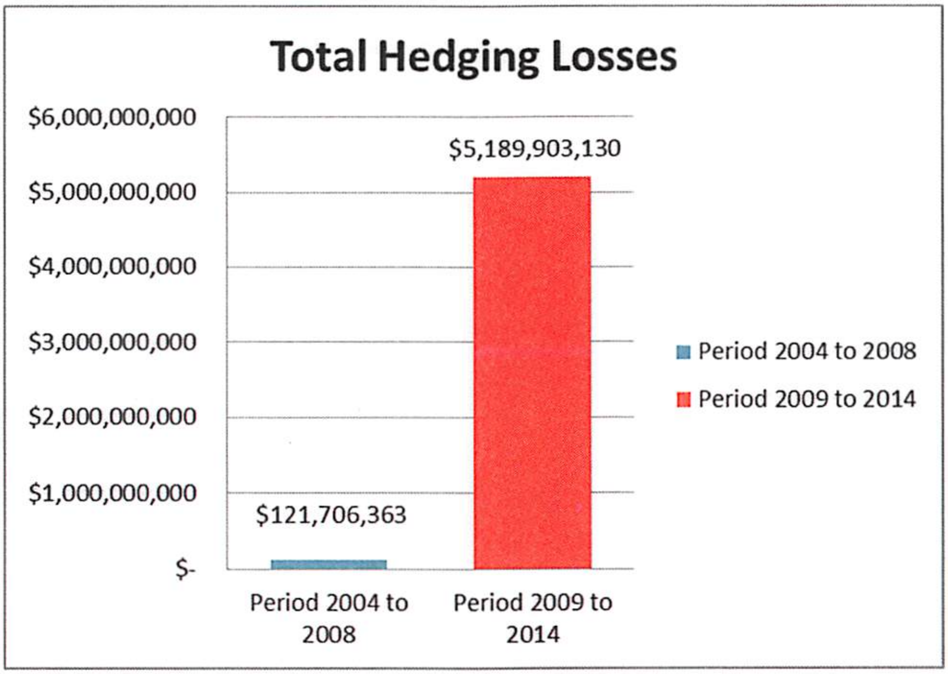
SUMMARY OF ARGUMENT

Hedging Issues 1D, 1E, 2B, 3B, 5B, & 6B

The financial hedging of natural gas should be discontinued or suspended at this time. It has served only to add unnecessary costs to the price customers pay for fuel on their utility bills. The evidence demonstrates that the attendant costs of financial hedging greatly outweigh any temporary benefits of fuel price volatility mitigation. The evidence demonstrates that the need for financial hedging of natural gas has dissipated since the program's inception in 2002. The Commission, utilities, and customers expected that hedging gains and losses would offset over time. However, it is now 2015 and hedging losses have continued to mount in a significant way. All the customer groups (representing residential, commercial, and industrial rate classes) are united in opposition to the continuation of financial hedging because of its extraordinary costs. The Commission should acknowledge the customers' united front and the overwhelming evidence against the continued financial hedging of natural gas and move to terminate it.

According to OPC witness Tarik Noriega, and since updated by the utility witnesses during the hearing, the cumulative financial hedging losses for all four investor-owned utilities ("IOUs") through 2015 are expected to exceed $6 billion. OPC has submitted Proposed Findings of Fact in Attachment A supporting the determination of these losses. Viewed in another way, in response to a question from a Commissioner regarding hedging costs, OPC calculated the cumulative hedging gains (losses) of all four IOUs for the periods 2004 to 2008 and 2009 to 2014 from the evidence in the record. For the period 2004 to 2008, the cumulative hedging costs/losses for the four companies were approximately $121.7 million. For the period 2009 to 2014, the cumulative hedging costs/losses ballooned to almost $5.2 billion – which is more than 42 times higher than the earlier period (or more than a 4,100 % increase) since 2009. This illustrates the unreasonably high costs of hedging paid by Florida's customers.[1]

[1] In response to a question from Commissioner Brisé. (H.E. 55 at 4, 17, 23; H.E. 105)



Given the enormous losses, the evidence demonstrates, not surprisingly, that natural gas prices and price volatility have been decreasing; and, as projected by the U.S. Energy Information Administration ("EIA"), these trends are expected to continue for the foreseeable future.

It is axiomatic that the utilities have the burden of proof to demonstrate that the customer benefits received by continuing natural gas financial hedging outweigh the billions of dollars of hedging costs paid by customers. However, none of the utilities have performed any type of cost-benefit analysis that demonstrates customers are better off with hedging than without it. The utilities merely speculate that volatility will continue and that it could someday adversely affect customers. Even so, the utilities do not forecast or attempt to predict volatility (the very thing hedging is designed to combat). Moreover, the evidence provided by OPC witnesses Noriega and Daniel J. Lawton unequivocally demonstrates that the attendant costs far outweigh any short-term benefits gained from mitigated price volatility. For these reasons alone, this Commission should find that the utilities have failed to meet their burden of proof and move to discontinue the financial hedging of natural gas.

Florida Public Utilities Company Issue 4A, 4B

In September 2014, this Commission approved a Stipulation and Settlement Agreement ("Settlement") entered into by FPUC and OPC resolving the pending base rate case that included a base rate freeze through at least December 2016. See, Order PSC-14-0517-S-EI, issued September 29, 2014 ("Order"). In this year's 2015 fuel proceeding, Florida Public Utilities Company ("FPUC") has – in violation of that Settlement agreement with OPC – requested fuel clause recovery for several costs, which are only recoverable through base rates. Specifically, FPUC requested, through the 2016 fuel factors, $107,333 in additional revenue for costs related to building a transmission line to FPL's substation. (H.E. 89) They also requested recovery through the 2016 fuel factors for consulting and legal fees, including $174,035 for 2015 and $397,000 in the 2016 projection. (TR 556-557, H.E. 33) These requests must be denied because the Settlement prohibits their recovery through the Fuel clause.

The Settlement language contains a provision intended to prohibit circumvention of the base rate freeze which is unequivocal that the Company agreed it would not seek to, and could not, recover ". . . through cost recovery clauses increases in the magnitude of costs, incurred after implementation of the new base rates, of types or categories (including but not limited to, for example, investment in and maintenance of transmission assets) that have been traditionally and historically recovered through FPUC's base rates." See, Stipulation and Settlement dated August 29, 2014, Document No. 04856-14. Both the transmission interconnection project and the consultant and legal fees are the types of costs historically and traditionally recovered through base rates. As such, under the Settlement these costs are legally barred from recovery through the clauses.

Even in the absence of the Settlement, neither the transmission interconnection project nor the consultant and legal costs meet the criteria for fuel clause recovery set forth in Order No. 14546, issued July 8, 1985, in Docket No. 850001-EI ("Fuel Clause Order"). Neither the transmission interconnection project nor the consultant and legal costs can demonstrate that fuel savings to customers will occur in 2016 based on these expenditures. Moreover, the consultant and legal costs are fuel procurement and administrative costs that the Fuel Clause Order specifically states should be recovered in base rates.

Assuming, arguendo, the Settlement did not bar the transmission project costs and the consultant and legal costs, the mere assertion that these activities might result in fuel savings sometime in the future fails to meet the case-by-case criteria set forth in the Fuel Clause Order. The consulting and legal consulting costs are specifically categorized in the Fuel Clause Order as recoverable through base rates since these costs are fuel procurement and administrative type charges. Thus, an adjustment of $107,333 should be made to remove the revenue requirement for the transmission interconnection project from the fuel clause factors. In addition, an adjustment of $174,035 for estimated/actual 2015 and $397,000 for projected 2016 should be made to remove the consultant and legal costs from the fuel clause factors.

ISSUES AND POSITIONS

HEDGING ISSUES

<u>ISSUE 1D:</u> Is it in the consumers' best interest for the utilities to continue natural gas financial hedging activities?

OPC: *No. The facts and evidence adduced at the fuel clause hearing unequivocally demonstrate that it is not in the best interest of the customers for the Companies to continue natural gas financial hedging activities. Hedging is a net cost unnecessarily added to the price of fuel. Any perceived benefits received from hedging are vastly outweighed by the billions of dollars in costs paid by customers for this temporary benefit.*

<u>ARGUMENT:</u>

The Commission should discontinue natural gas financial hedging practices in the State of Florida by the IOUs. OPC submits that the testimonies of witnesses Noriega and Lawton provide compelling evidence that hedging is not in the best interests of electric utility customers in Florida. Even DEF witness Joseph McCallister conceded that hedging serves the interests of customers and not the interests of the utilities (i.e., hedging benefits customers), and that customer views and opinions on hedging are important for the Commission to consider. (TR 1006) Thus, the Commission should give great weight to the fact that all the customer representatives are unified in opposition to the continuance of natural gas hedging.

OPC witness Noriega reviewed the hedging gains (savings) and costs (losses) incurred since 2002 by the four Companies which financially hedge natural gas – DEF, FPL, Gulf, and TECO. (TR 800-806) From 2002 to 2015, the cumulative natural gas hedging losses for these Companies are $6,082,216,363 as demonstrated in the Proposed Findings of Fact (No. 11.), in Attachment A. (H.E. 55 at 4, 17, 23; H.E. 105; TR 415-416, 475, 686-687, 761) Included within that figure are the Companies' projected 2015 natural gas hedging losses, which exceed $646 million. (TR 805) If the natural gas financial hedging programs are allowed to continue, OPC believes that these losses are likely to continue and will further detrimentally impact the Companies' customers.

In 2002, the Commission approved a stipulation that allowed the Companies to participate in all types of hedging activities, including natural gas financial hedging. Order No. PSC-02-1484-FOF-EI. In the 2007 fuel clause final order, the Commission stated, "Hedging program[s] are designed to assist in managing the impacts of fuel price volatility. Within any given calendar period, hedging can result in gains or losses. *Over time, gains and losses generally are expected to offset one another*." Order No. PSC-08-0030-FOF-EI at 4 (emphasis added). In 2008, the Commission revisited the issue of hedging and stated that "hedging can reduce the volatility of fuel adjustment charges paid by customers and that a well-managed hedging program does not involve speculation. With fuel price hedging, the expectation is that gains and losses will cancel out over the long-run. . . . While price volatility is reduced, hedging is not expected to create long-run profits or losses." Order No. PSC-08-0667-PAA-EI at 9.

Unreasonable cumulative hedging losses exceed $6 billion

It is now 2015 and hedging losses are expected to exceed $6 billion. The Commission's own expectation – that over time hedging gains and losses would offset – has not resulted. OPC witness Lawton, relying upon data from the EIA, analyzed natural gas prices and price volatility for the period 1997 to 2015. (TR 843-861) The facts demonstrate that natural gas price volatility, along with the actual price of natural gas, is decreasing and has continued to decrease since the Commission's 2011 hedging workshop when hedging was last substantively examined. (TR 858-863) These trends are expected to continue for the foreseeable future. (TR 824, 867-871) Thus, the reasons and market conditions supporting the argument for natural gas financial hedging in 2002 and 2008 have changed, and no longer justify the continuation of these programs. The utility regulatory commissions in Nevada and Kentucky have already recognized these changes and have ended the financial hedging of natural gas for the utilities they regulate. (TR 863-866)

As testified by OPC witness Lawton, "[s]ince 2008, high levels of losses or lost opportunities, related to lower market prices relative to the hedged payment that have been part of a continuing trend over time, have resulted and should raise a red flag concerning the continuation of the hedging program and the costs borne by customers. Regulatory authorities should expect to see some losses in hedging for some years and possibly most years given ongoing program costs and the fact that financial hedging, like insurance protection, for price stability is not free. However, large and prolonged hedging losses should signal a re-evaluation of hedging programs in order to stem the tide of losses and costs to consumers." (TR 830) This testimony was not disputed by the utilities.

OPC has included eleven Proposed Findings of fact contained in Attachment A. Pursuant to Section 120.569(2)(l) and 120.57(1)(b), Florida Statutes, OPC requests that the Commission adopt the proposed findings of fact based on the undisputed evidence in the record as cited for each Proposed Finding of Fact. These findings of fact are directly relevant to the policy relief requested by OPC ("[W]hether [the Commission] should continue to allow utilities to recover the costs of financial and physical hedging."), as acknowledged by the Commission. In its Order Granting Oral Argument and Denying Office of Public Counsel's Motion to Include Disputed Issues of Material Fact, Order No. PSC-15-0354-PCO-EI, the Commission stated at 5:

> In reviewing the additional proposed issues raised by FIPUG and comparing them to OPC's Issue Nos. 1-3, we agree with Commission staff that all of OPC's issues can be addressed in the two policy issues already in the docket: Issue Nos. 4 and 5 (renumbered Issue Nos.1D and 1E). That is, the facts that OPC seeks to have us vote on are actually arguments in support of its positions on Issue Nos. 1D and 1E: whether we should continue to allow utilities to recover the costs of financial and physical hedging. As pointed out by FPL, none of these facts are necessary to compute the fuel factor itself. The total net hedging gain or loss numbers do not affect the computation of the fuel factor. Traditionally, when this has occurred, we have stricken the issue. Striking these issues does not prohibit the parties from filing testimony regarding the net hedging gain or losses for 2002-2014, 2015, and the projected net hedging gains or losses for 2016. Nor does exclusion of these issues prohibit OPC, FIPUG or any other party from questioning each utility witness about the net hedging gains or losses for these periods. <u>With this information in the record, OPC is free to use this data in support of its position that hedging should be discontinued, which we will consider in our decision on that issue.</u>

(Emphasis added).

The attached Proposed Findings of Fact and the record supporting them are, as the Commission acknowledges, support for the policy decision that the OPC has asked the Commission to make. That decision should be that in light of the state of the natural gas market and the cumulative losses of $6,082,216,363, the natural gas financial hedging programs should be discontinued at this time. These facts directly support that outcome.

Fundamental changes in the natural gas market since 2002 necessitate cessation of hedging

First, each utility witness agreed that: (1) hedging costs are borne solely by the customers; (2) natural gas market conditions are different in 2015 than they were in 2002 when hedging began in Florida; (3) natural gas supplies have increased; (4) the addition of shale gas into the market has decreased the price of gas; and (5) they do not forecast fuel price volatility. (TR 416-418, 475-476, 686-689, 761-763) Therefore, the current conditions in the natural gas market and the outlook for future natural gas supplies and price are demonstrably different in 2015 from what they were in 2002.

Second, while there is no guarantee that temporary price spikes and volatility will not recur, the EIA's Annual Energy Outlook forecasts show plentiful supply and availability of natural gas, along with stable economic conditions. (TR 866) Each utility witness admitted that the introduction of shale gas into the natural gas market has increased gas supplies. (TR 417, 475, 687, 762-763) Since 2011, known natural gas reserves alone have increased by nearly 31 trillion cubic feet, or by 10% over and above the EIA's 2011 Annual Energy Outlook. (TR 858)

Third, the current natural gas market forecasts demonstrate that the prior justifications and reasons for past natural gas hedging efforts (e.g., price volatility mitigation, threats to market supply, other factors influencing demand) are no longer available as reasons to support the need to continue natural gas financial hedging activities. (TR 824)

Fourth, each utility agreed with OPC witness Lawton that fuel price volatility is trending downward. (TR 476, 687-689, 763, 968-969)[2] This decrease in price and volatility is due in large part to the increased production of natural gas obtained from domestic shale formations and other market conditions. (TR 835, 843-862) Customers are directly benefited by this decrease in price on the *unhedged* portion of natural gas. The problem is that the high percentages of hedged gas procurement have deprived the customers of even greater benefits. The *hedged* portion of the natural gas procurement has cost customers billions of dollars. (TR 802, 805-806, 809) Increases in the price of natural gas are projected to be gradual and steady in the long run. (TR 864)

[2] FPL witness Gerard J. Yupp initially disagreed that volatility was trending downward. TR 416-418. However, during cross examination on rebuttal, witness Yupp was shown Exhibit 130, which added a volatility trend line to his Exhibit GJY-8. He admitted that the trend line showed that price volatility was trending downward, thus undermining his earlier assertion that volatility was not decreasing. TR 968-969. He also testified that a trend line is not a good predictor of volatility. TR 999.

Cost-free alternative to hedging mitigates fuel price volatility experienced by customers

The stated "purpose of hedging is to reduce the impact of volatility in the fuel adjustment charges paid by an IOU's customers...." Order No. PSC-08-0667-PAA-EI at 16. However, there is a virtually cost-free way already available to customers to mitigate fuel price volatility. The Commission's *annual* fuel adjustment clause proceeding and mid-course correction rule already effectively, efficiently, and economically mitigate against and reduce fuel price volatility experienced by customers on their monthly bills. Unlike financial hedging, the annual fuel adjustment clause and mid-course correction rule do not result in enormous lost cost opportunities for customers, while still mitigating the impacts of fuel price volatility. (TR 509-510, 828-829, 905-906)

As testified by OPC witness Lawton, the Commission's annual resetting of the fuel factor has the effect of smoothing out price volatility within a 12-month period. (TR 828, 905) "The day-to-day changes in natural gas prices (price volatility) do not directly and immediately have an impact on the monthly rates consumers pay in their monthly electric bills." (TR 828-829) Further, DEF witness McCallister agreed that the annual fuel factor itself minimizes the day-to-day and month-to-month changes in the price of fuel so that the customer does not feel the impact of those fuel-price changes on their bills. (TR 509-510) An annual fuel factor understandably allows customers to budget for electricity costs. Thus, the price of natural gas can go up and down within that 12-month period without impacting customers' monthly rates. (TR 828) When combining that volatility-smoothing effect with the mid-course correction rule (which requires at least a 10% change in the fuel factor to be triggered), one then has an effective, efficient, and virtually cost-free way to mitigate fuel price volatility.

Hedging is an unreasonably expensive insurance policy against fuel price volatility

Hedging is analogous to an insurance policy that protects against future prices changes and volatility. (TR 826) In that analogy, the premium paid for this hedging insurance policy is the cost paid above and beyond the market price of natural gas. The customers understand that, within any given calendar period, hedging can result in gains or losses. However, the customers, utilities, and the Commission were under the expectation that "*Over time, [hedging] gains and losses generally are expected to offset one another.*" Order No. PSC-08-0030-FOF-EI at 4 (emphasis added). To date, the customers have paid approximately $6 billion in premiums and the gains and losses are nowhere close to offsetting each other. Moreover, there is no expectation that the utilities' hedging programs can beat the market in order to dig out of this $6 billion hole. (TR 802, 805-806, 809)

It is the utilities' burden to demonstrate that the customer benefits of continuing natural gas financial hedging (to decrease fuel price volatility) outweigh the costs evidenced by the cumulative $6 billion in customer costs paid since 2002. If financial hedging is an insurance policy against fuel price volatility, then $6 billion is an unacceptable premium paid by the customers to protect against a risk that is decreasing and is already sufficiently mitigated by the annual fuel adjustment clause mechanism and mid-course correction rule.

Addressing potential threats to shale gas production

When asked about the potential risks associated with shale gas production, OPC witness Lawton testified that: (1) the environmental concerns with fracking have been put to rest by various government studies; (2) the earthquake issues were due to the disposal of wastewater, not to fracking itself; and (3) he did not believe there would be any serious regulatory impediments to shale gas production. He also added that, although anything is possible, serious regulatory impediments were not probable. (TR 908-909)

OPC witness Lawton agreed that reducing volatility is important, but questioned the enormous costs associated with it. He shared the example of how TECO's hedging activity reduced fuel price volatility from 2010 to 2014 by one percent (1%), yet the program cost its customers approximately $150 million. (TR 895) OPC witness Lawton testified that he did not try to predict future volatility; however, when one examines the indicia of what is projected to occur in the gas markets and the anticipated decline in volatility, one could expect lower volatility. (TR 885-886) Thus, the question remains, is mitigating volatility worth the enormous costs? The answer for the customers is a resounding "No".

Conclusion

OPC submits that the natural gas financial hedging programs should be reevaluated and that, based upon the current and projected natural gas markets, the Commission should move to terminate the natural gas financial hedging programs. The $6 billion in lost opportunity costs since 2002 is too high a premium for customers to pay when they are already receiving the benefits of the annual resetting of the fuel factor and the mid-course correction rule, which already mitigate fuel price volatility. It is no longer reasonable or prudent to allow hedging costs to be passed along to Florida's customers through the fuel clause, and the facts and evidence adduced at the 2015 fuel clause hearing demonstrated that hedging should be ended in Florida.

For all these reasons, the Commission should: (1) deny the Companies' Risk Management Plans as these relate to natural gas financial hedging activities; and (2) suspend and end the practice of natural gas financial hedging. The hedging transactions currently in place pursuant to Commission-approved Risk Management Plans should be allowed to settle; however, the

Commission should direct the Companies not to enter into any additional financial hedging transactions until such time as the Companies prove that financial hedging would provide a net benefit to the customers, and without the enormous downside costs experienced by the customers since 2002.

OPC takes no position on other hedging activities described in the Companies' proposed 2016 Risk Management Plans. However, to the extent that these other activities would authorize the hedging of natural gas, the plans should be rejected.

ISSUE 1E: What changes, if any, should be made to the manner in which electric utilities conduct their natural gas financial hedging activities?

OPC: *The natural gas financial hedging activities of the Companies should be discontinued. The facts and the evidence adduced at the fuel clause hearing unequivocally demonstrate that the Commission should deny the Companies' Risk Management Plans as they relate to natural gas financial hedging activities and the Commission should suspend and end the practice of natural gas financial hedging.*

ARGUMENT:

The Commission should order the Companies to cease natural gas financial hedging activities. All current hedging contracts should be allowed to expire on their settlement date.

ISSUE 2B: Should the Commission approve DEF's 2016 Risk Management Plan?

OPC: *No. The Risk Management Plan should not be approved as filed inasmuch as it would authorize the company to continue the financial hedging of natural gas. Incorporate by reference OPC's arguments for Issues 1D & 1E.*

ISSUE 3B: Should the Commission approve FPL's 2016 Risk Management Plan?

OPC: *No. The Risk Management Plan should not be approved as filed inasmuch as it would authorize the company to continue the financial hedging of natural gas. Incorporate by reference OPC's arguments for Issues 1D & 1E.*

ISSUE 4A: Should FPUC be permitted to recover the cost (depreciation expense, taxes, and return on investment) of building a transmission line to FPL's substation located in its Northeast Division through the fuel recovery clause?

OPC: *No. Transmission costs are traditionally and historically recovered through base rates, not the fuel clause, and are not fossil fuel-related costs. Therefore, FPUC's request for fuel clause recovery violates the Company's base rate case Settlement. Further, FPUC's argument that the transmission costs should be recovered as 2016 fuel costs should be rejected since any potential "fuel savings" cannot occur in 2016 because the current PPA does not expire until 2017 and this plant will not go into service until the end of 2017. The $107,333 revenue requirement impact should be removed from the 2016 projected fuel factor calculation.

ARGUMENT:

FPUC's request to charge customers an additional $107,333 of base rate revenue requirements in the 2016 fuel factors for costs related to building a transmission line to FPL's substation must be denied for two reasons. (H.E. 89) First, FPUC voluntarily entered into a rate case Stipulation and Settlement approved by Order PSC-14-0517-S-EI, issued September 29, 2014, wherein the company expressly agreed to not seek recovery of items, such as the transmission interconnection project, through the fuel clause which are traditionally and historically recovered in base rates. This request for recovery through the fuel clause of the transmission interconnection costs has been made in this year's 2016 projection testimony, a year after the Settlement prohibiting such a request was executed. This is a case of first impression, as FPUC has never sought transmission investment recovery through the fuel clause. In fact, no utility has sought recovery for this type of base rate items through the fuel clause. All have similar base rate freeze anti-circumvention provisions in their settlement agreements that are now in effect.[3]

[3] See, Order No. PSC-13-0023-S-EI, issued January 14, 2013, in Docket No. 120015-EI; Order No. PSC-13-0443-FOF-EI, issued September 30, 2013, in Docket No. 130040-EI; PSC-13-0598-FOF-EI, issued November 12, 2013, in Docket No. 130208-EI; PSC-13-0670-S-EI, issued December 19, 2103, in Docket No. 130140-EI.

Second, this transmission interconnection project is not going to be placed into service sooner than late 2017, and therefore cannot generate savings before then. Thus, it fails to meet the criteria set forth in Order No. 14546 for appropriate fuel cost recovery in 2016.

Settlement

Last year, this Commission approved a Stipulation and Settlement Agreement entered into by FPUC and OPC resolving the pending base rate case. See, Order PSC-14-0517-S-EI, issued September 29, 2014 (Order). After reviewing the Settlement and pleadings, and hearing the arguments of the parties' respective counsels, the Commission found that ". . . when taken as a whole, this Settlement is in the ratepayers' best interests, meets the need for reliable electric service and price stability in a balanced manner, and establishes fair, just, and reasonable rates." Order at p. 1. Further, the Commission found the Settlement to be in the public interest. Order at p. 2. The Settlement rates were approved to take effect with the first billing cycle in November 2014. Order at p. 3. The terms and conditions of the Settlement were approved and incorporated by reference into the Order. See, Order at p. 3. The Settlement and Order are binding on both FPUC and OPC, and each has the right to enforce the provisions of the Settlement.

Paragraph VI. Other Cost Recovery, on page 4 of the Settlement, specifically provides the following:

> Except as provided in this Agreement, it is the intent of the Parties in this Paragraph VI that FPUC not be allowed to recover through cost recovery clauses increases in the magnitude of costs, incurred after implementation of the new base rates, of types or categories (**including** but not limited to, for example, **investment in** and maintenance of **transmission assets**) that have been traditionally and historically recovered through FPUC's base rates.

Settlement at p. 4 (Emphasis added). This base rate freeze anti-circumvention provision is a hard fought customer-protection aspect of the Settlement language which makes it abundantly clear that the Company agreed not to recover transmission projects through the fuel clause. It must be enforced if the Settlement is to have any meaning and the public is to have confidence that the base rate freeze is meaningful. The Company may try to argue that the Settlement would permit fuel clause recovery of this type of cost ". . . which the Legislature and Commission determine are clause recoverable. . . ." after the approval of the Settlement. However, this Settlement clause language is immediately followed by the express and unequivocal prohibition against FPUC being allowed to recover traditionally and historically base rate items such as transmission investments in the clauses. The clear intent of the language is that FPUC is barred from even seeking recovery and trying to change the status quo (e.g. "traditionally and historically recovered"). No other utility has established a "tradition" or "history" of recovery of these types of transmission costs and FPUC is prohibited from starting a new tradition by the Settlement language to which they agreed. When these paragraphs are read together, it is clear that FPUC could seek clause recovery of normally base rate type items if there were circumstances where the Commission had made a clause-eligible determination for normal base rate costs (i.e. post-9/11 security costs), but not at FPUC's initiation. No such determination exists in Commission orders.

Moreover, during cross-examination, FPUC witness Cutshaw acknowledged that recovery of transmission rate base costs through base rates is normal utility regulatory practice in Florida. (TR 616) He further confirmed that the only transmission and distribution costs recovered through the fuel clause are associated with purchased power. (TR 615-616) FPUC witness Young confirmed that FPUC's own transmission investment was not being recovered through the fuel clauses. (TR 577) Regardless of the merits of this project, FPUC made an agreement and should be required to adhere to the terms of the agreement. Thus, the Commission, by enforcing the terms of the Settlement and its Order, must deny recovery of this transmission project through the fuel clause. FPUC must use the other mechanisms allowed by the Settlement to recover the costs of this project. The Commission must enforce the provisions of the Settlement. It is a bilateral agreement between two equal parties that involves an agreement by the customers to give up certain positions in exchange for – among other things – a base rate freeze that must be afforded substantive meaning by the Commission if the settlement is not to result in a sham. Ignoring the express language would render the *quid pro quo* of the 2014 FPUC Settlement (and others with similar provisions) illusory and ultimately contrary to the public interest. The anti-circumvention provision must be enforced.

Fuel Clause Order No. 14546 (Fuel Clause Order)

FPUC's request for fuel clause recovery is based on Order No. 14546 which is the Order that set forth the criteria for fuel clause recovery. The Fuel Clause Order permits:

> Fossil fuel-related costs normally recovered through base rates but which were not recognized or anticipated in the cost levels used to determine current base rates and which, if expended, will result in fuel savings to customers. Recovery of such costs should be made on a case by case basis after Commission approval.

Order No. 14546 at p. 5.

Assuming that FPUC had not waived its right to make this type of request (which it did in the Settlement), the initial criteria is whether the costs to be recovered are fossil fuel-related. There is no argument that this is a transmission project to interconnect with FPL's system. (TR 593-595) As a transmission and distribution company only, FPUC purchases power from base load providers (Jacksonville Electric Authority ("JEA") and Gulf Power). (TR 589-590) Thus, FPUC does not purchase any fossil fuel directly. At best, FPUC only incurs fossil fuel related costs when engaged in purchasing power, not adding new transmission projects, even if the new transmission would allow for different purchase power arrangements. Further, FPUC witness Cutshaw stated that the FPL interconnection will provide redundancy for the Northeast Division. (TR 624) Adding redundancy in the system is a reliability-related cost not a fossil fuel-related cost.

In addition, the demonstrative "fuel savings" identified in H.E. 34 are speculative at this point in time and not firm as required by the ". . . will result in fuel savings to customers" language required by Order 14546. As witness Cutshaw acknowledged, the transmission project will not be placed into service until the end of 2017. (TR 603) Moreover, the purchase power agreement ("PPA") with JEA is an exclusive wholesale power arrangement that does not expire until December 31, 2017. (H.E. 90, TR 604) Thus, there can be no "fuel savings" in 2016 that would off-set the transmission costs in the 2016 projections. In addition, any "fuel savings" quantified in Exhibit CDY-3 for 2016 are pure speculation. As noted above, the JEA PPA is exclusive until the end of 2017, and no new PPA has been negotiated to date. It cannot be known what actual rate will be in effect two years from now. Without an actual rate, fuel savings or increases based on the actual PPA in effect as of January 1, 2018 are unknown and speculative. Witness Cutshaw acknowledged that the fuel savings cannot be specifically defined until future agreements are completed. (TR 596)

FPUC also insinuated that if fuel clause recovery was not permitted, the overall project would either be reevaluated or it would take much longer to place into service. (TR 612-613) The OPC would also observe that the complement to any such veiled threat is that if there are benefits to customers of the magnitude that FPUC suggests in sworn testimony, the Commission could certainly evaluate the prudence of a Company decision not to proceed as well. Witness Cutshaw did concede that there are more than two years before the transmission interconnection would go into service. (TR 614) He also conceded that sometime in the next year, the Company could file a base rate case with a 2017 test year and ask for recovery of construction work in progress (CWIP) for the transmission rate base for this project. (TR 616-617) This would effectively mean that the Company would not forgo the opportunity to fully recover its investment in the transmission assets. Witness Cutshaw further acknowledged that FPUC was not averse to having a general rate case before the Commission. (TR 617)

It should be noted that if the Company is earning within its authorized rate of return, the Company is recovering its base rate costs. (TR 560) It is expected that the actual costs including expense levels will be different from the projected costs level that were used to set base rates. (TR 560-561) It is also expected that the different components that go into base rates including expenses, will change over time. (TR 561) Witness Young agreed that if the Company is earning below its authorized range, they have the option of petitioning for a base rate increase. (TR 560) Further, the August 29, 2014 Settlement would allow the Company to file a base rate increase. See, Settlement at p. 5.

The Company's June 30, 2015, surveillance report showed the Company was earning 3.62% on an average FPUC adjusted basis. (TR 606, H.E. 124) Schedule 4, reflecting the FPUC's capital structure, showed that the low point of the range was 5.4%. (TR 606-607, H.E. 124) While the FPUC adjusted return was below the bottom of the authorized range as of June 30, 2015, two items have had a significant impact on the Company's revenue. First, FPUC had an "Impairment of Long-Lived Assets" in 2015 of $1,267,750 related to the allocated capital costs associated with its customer billing system. (TR 607, H.E. 125) This impairment loss was included in operating expenses in its income statement for the year-ended December 31, 2014. (TR 607-608, H.E. 125) Second, the net operating income reported as of June 30, 2015, does not include the impact of four additional months of increased revenues associated with the base rate increase per the Settlement that went into effect starting November 1, 2014. The Settlement allowed FPUC to increase its annual base rate revenues by $3.75 million. Order at p. 2. On an average basis, the incremental monthly revenue impact of the base rate case (Settlement) is approximately $312,500. Thus, the four remaining months of 2015 should reflect the additional revenues associated with the remaining $1.25 million impact of the Settlement revenue increase not recognized in the June 30, 2015 surveillance report. Even though FPUC reported earning less than its authorized range as of June 30, 2015, it is unlikely that the Company will continue to under-earn as of December 31, 2015, because of the offsetting impact of eliminating the 2014 impairment loss write-off of $1.267 million and reflecting the $1.25 million in additional base rate revenues. Even if the Company continues to under-earn as of December 2015, it has the option of filing a base rate case. Accordingly, there is an appropriate mechanism for recovery of the interconnection project assuming it is prudent.

Finally, even if the requested costs were not barred by the Commission's order approving the settlement agreement and even if the requested costs were appropriate for recovery through the Fuel Charge at all, the proposed transmission assets cannot be and will not be used and useful before 2018. No benefits to customers can accrue before 2018. Therefore, allowing recovery through FPUC's Fuel Cost Recovery Charges in 2016 would violate the most fundamental principles of utility ratemaking as well as Section 366.06(1), Florida Statutes, which requires that, in fixing a utility's rates, the Commission must determine the legitimate costs of utility property that is "actually used and useful" in providing service to customers. FPUC's witness Mark Cutshaw agreed that FPUC has the ability to file a general rate case to seek recovery of these costs in time for them to be recovered when the project comes into service in January 2018. (TR 616-617)

Conclusion

Fuel cost recovery of this project is prohibited by the Settlement. Moreover, the transmission interconnect project is not appropriately considered for fuel clause recovery under the Fuel Clause Order case–by-case exception. Additionally, even if the transmission project may result in fuel savings sometime in the future, that is insufficient to justify violating the Settlement and allowing recovery of non-fuel related costs through the fuel clause. Thus, an adjustment of $107,333 should be made to remove the revenue requirement for the transmission interconnection project from the fuel clause factors.

ISSUE 4B: Should FPUC's request to recover consulting and legal fees through the fuel clause be approved?

OPC: *No. The requested consulting and legal fees are not fossil fuel-related costs recoverable through the fuel clause. FPUC's request to recover these costs in the fuel clause violates the Company's rate case Settlement pursuant to Order PSC-14-0517-S-EI. Further, consulting and legal costs related to generation opportunities and fuel procurement administration costs, pursuant to Order No. 14546, are more appropriately recovered through base rates. Moreover, FPUC's argument that its consulting and legal fees for generation opportunities may produce fuel savings and, as such, should be recovered as 2016 fuel costs, should be rejected, as no "fuel savings" will occur in 2016.

ARGUMENT:

FPUC requested that consulting and legal fees be recovered in the fuel clause. FPUC included $174,035 for "special costs" in its 2015 actual/estimate testimony on Schedule E-1b. According to FPUC's response to Staff Interrogatory No. 8(a) and (b), "special costs" include the costs of contracted consulting services and legal services ($169,457) and taxes ($4,578) not being recovered in base rates. (H.E. 33) While there is not a similar type of projected line item for 2016, FPUC witness Young confirmed that the consulting and legal costs included in the 2016 projection is $397,000. (TR 556-557) These consulting and legal costs are inappropriate for clause recovery.

First, as noted in the previous issue, FPUC voluntarily entered into a rate case Settlement approved by Order PSC-14-0517-S-EI, issued September 29, 2014, wherein they agreed to not seek recovery of items such as these types of consulting and legal fees through the fuel clause which are traditionally and historically recovered in base rates. Second, the consulting and legal costs are generic and not related to a specific project or activity, and therefore cannot be linked on a case-by-case basis to any fuel savings generated by a specific project or activity. Thus, they fail to meet the criteria set forth in Order No. 14546.

Settlement

As noted in the previous issue, this Commission approved the Settlement last year entered into by FPUC and OPC which resolved the pending base rate case and included a base rate freeze through at least December 2016. See, Order PSC-14-0517-S-EI, issued September 29, 2014 ("Order"). After reviewing the Settlement and pleadings, and hearing the arguments of the parties' counsels, the Commission found that ". . .when taken as a whole, this Settlement is in the ratepayers' best interests, meets the need for reliable electric service and price stability in a balanced manner, and establishes fair, just, and reasonable rates." Order at p. 1. Further, the Commission found the Settlement to be in the public interest. Order at p. 2 The Settlement rates were approved to take effect with the first billing cycle in November 2014. Order at p. 3. The terms and conditions of the Settlement were approved and incorporated by reference into the Order. See, Order at p. 3.

Paragraph VI. Other Cost Recovery, on page 4 on the Settlement, specifically provides the following:

> Except as provided in this Agreement, it is the intent of the Parties in this Paragraph VI that FPUC not be allowed to recover through cost recovery clauses increases in the magnitude of costs, incurred after implementation of the new base rates, of types or categories (including but not limited to, for example, investment in and maintenance of transmission assets) that have been traditionally and historically recovered through FPUC's base rates.

The Settlement language is clear that FPUC is barred from even seeking recovery in the fuel clause for costs of types or categories that have been traditionally and historically recovered through FPUC's base rates. Of course, the same base rate freeze anti-circumvention provision would likewise prohibit them from being recovered through the clause as well.

Some of the requested consulting and legal costs are for activities that are clearly related to seeking new generation opportunities. (H.E. 89) Since FPUC is a transmission and distribution company, it does not have its own recovery history for recovery of consulting and legal generation-related costs. FPUC has the burden to demonstrate that these types of costs are fuel clause recoverable and failed to put forth any evidence to contravene that proposition that the Commission has historically and traditionally treated consulting and legal generation-related costs as base rate items.[4] Since FPUC does not have its own recovery history for these types of consulting and legal costs, it is appropriate to treat consulting and legal generation-related costs in

[4] The Fuel Clause Order set the policy guidelines for fuel clause recovery. The Fuel Clause Order stated that prudently incurred fossil fuel-related expenses which are subject to volatile changes should be recovered through the fuel clause, and all other fossil fuel-related costs should be recovered through base rates. Order No. 14546 at p. 2. While the case by case exceptions to this policy have been made over the course of the clauses, it nevertheless follows that generally non-fossil fuel-related costs are also recovered in base rates.

the same manner that these costs have been historically and traditionally treated for other regulated electric companies (i.e., recovery through base rates).

The generation-related activities of the consultants and law firms are described below. Several of the consultants' costs are related to generic CHP (combustion, heat and power) activities (Sterling Energy, Golder, Christensen, and Stinson). (H.E. 89) Witness Young confirmed CHP projects are generation-related, comparable to FPUC's Eight Flags project. (TR 547) Similarly, some of the consulting and legal costs relate to seeking solar/photovoltaic opportunities (Passero and Christensen) which are essentially electric generation. (H.E. 89) Also, several of the consultant and legal costs are for co-generation opportunities (Pierpont and Gunster) which are also generation related. (H.E. 89) Since these activities are clearly related to generation activities that have been historically and traditionally recovered through base rates, FPUC's request for fuel clause recovery should be denied. FPUC is merely seeking to circumvent the base rate freeze to which they agreed. The anti-circumvention provision prohibits this.

To the extent the Company has argued that similar consulting and legal expenses have been recovered in the 2012, 2013, and 2014 fuel clause factors, a close review of FPUC witness Young's true-up testimony shows that that is not the case. (TR 522-523) The prior requested recovery for consulting or legal fees were related to a specific project. The legal and consulting costs for development, negotiation, and regulatory approval were specifically related to the Rayonier renewable energy PPA contract which was completed in early 2012. (TR 522, 523) The Rayonier PPA contract had specific rates that were lower than the existing PPA with JEA resulting in actual fuel savings. Further, there had been no FPUC company specific issues in the 120001-EI, 130001-EI, or 140001-EI dockets whereby the Commission specifically approved recovery of the consulting and legal fees related to the Rayonier Project or other generic consulting and legal costs.

See, Order No. PSC-12-0664-FOF-EI, issued December 21, 2012, Order No. PSC-13-0665-FOF-EI, December 18, 2013, Order No. PSC-14-0701-FOF-EI, December 19, 2014. In fact, in witness Young's true-up testimony filed in this year's proceeding for 2014, after a description of the consulting and legal activities (similar to the projection testimony description discussed above), the Company is essentially now asking for fuel clause recovery. Witness Young asks that ". . . consistent with past Commission precedent, these fuel-related cost should be deemed appropriately recoverable through the fuel clause." (TR 522)

Moreover, the last time the Commission specifically addressed an FPUC request to include legal and consulting fees other than Rayonier project was for the development of Time of Use ("TOU") and Interruptible Rates in the 2012 docket. Even though the legal and consulting fees associated with developing the TOU and Interruptible Rates were for a specific project, there were no discernable fuel savings that could be associated with the activities. In that docket, FPUC agreed to remove these costs from the fuel clause and a regulatory asset was established (which was to be recovered through base rates). See, Order No. PSC-12-0664-FOF-EI at p. 8.

While consulting and legal fees directly related to PPAs with discernable fuel savings have been requested and permitted for fuel clause recovery on a limited basis, generic legal and consulting activities have not been specifically identified and allowed to be recovered through the fuel clause. To the extent generic-type legal and consulting fees were included in the 2015 projects, the requested amounts were not identified nor was a clear policy statement made through the identification of a company specific issue. See, Order No. PSC-14-0701-FOF-EI at p. 6. The Settlement language clearly excludes recovery for these types of generation-related and otherwise generic consulting and legal costs, since these types of costs have been historically and traditionally recovered in base rates.

Fuel Clause Order No. 14546 (Fuel Clause Order)

FPUC's request for fuel clause recovery is based on Order No. 14546 which is the Order that set forth the criteria for fuel clause recovery. The Fuel Clause Order permits:

> Fossil fuel-related costs normally recovered through base rates but which were not recognized or anticipated in the cost levels used to determine current base rates and which, if expended, will result in fuel savings to customers. Recovery of such costs should be made on a case by case basis after Commission approval.

Order No. 14556 at p. 5. Assuming that FPUC had not negotiated away its right to make this type of request through the base rate freeze anti-circumvention provision in the Settlement, the initial criteria of whether the costs, if expended, will result in fuel savings to customers, has not been met. As noted above, the activities for the legal and consulting costs included in 2015 and 2016 are generic descriptions not related to any specific projects. Witness Young could not identify in his testimony or exhibits where any fuel savings related to the requested consulting and legal costs were included in the 2015 and 2016 filings. (TR 548-559) At best, the Company is speculating that these consulting and legal activities will result in fuel savings as illustrated by witness Young's affirmative response to his counsel's question regarding "anticipated" savings. (TR 576) While witness Young confirmed that some of the consultant and legal activities "produced" savings (TR 577-578), he could not identify any specific "fuel savings". (TR 548-559) The Fuel Clause Order requires a showing that fuel savings to customers will result due to the expenditures, and FPUC has failed to make even a *prima facia* showing of meeting that standard. Essentially, there is no evidence to back up FPUC's bald assertion that customer savings will be produced.

Finally, Order 14546 specifically excludes fuel procurement administrative charges from fuel clause recovery despite being fossil fuel-related. Order No. 14556 at p. 3. The Fuel Clause Order states:

> Fuel Procurement Administrative Charges. Each of the utilities have staffs responsible for fuel procurement, and the costs associated with fuel procurement and administration do not bear a significant relationship to the volume or price of fuel purchases. These costs are relatively fixed and are not volatile; they are more appropriately recovered through base rates.

Order No. 14556 at p. 3 FPUC witness Young testified that ". . . .these costs are not tied to the Company's internal staff involvement in fuel and purchase power procurement and administration. Instead, these costs are associated with external contracts which consequently, tend to be more volatile depending on the issue." (TR 530) FPUC is essentially conceding in its testimony that these outside consulting and legal fees are fuel procurement and administration charges or costs. It also appears that FPUC is engaging outside consultants and legal firms to fulfill some of their fuel procurement activities. (H.E. 89) As such, these procurement and administrative charges for outside consultant and legal costs should be recovered through base rates pursuant to the Fuel Clause Order and the Settlement. While these outside consulting costs may vary from year to year, this variation is not related to fuel purchase price or volume volatility. FPUC did not meet its burden of showing that such administrative procurement costs were volatile. No evidence whatsoever was presented. Rather, the variation based on the descriptions of the requested consulting and legal costs suggests that FPUC has changed its basic operational philosophy. (H.E. 89) It appears that FPUC is looking to expand into limited electric generation activities, which as noted above are historically and traditionally recovered through base rates. (H.E. 89)

Conclusion

As addressed in the transmission issue, OPC asks the Commission to uphold the fair bargain that was reached between the parties to the Settlement and approved as being in the public interest. The base rate freeze anti-circumvention provision must be enforced. The public interest is not served when a utility agrees to a base rate freeze and then tries to evade the deal it made by stuffing all manner of base rate costs into the annual clause recovery process. This is precisely what FPUC is asking permission to do. For the sanctity of the settlement process and the Commission's own order approving the settlement, the base rate costs should be left to base rate recovery. If FPUC needs base rate relief, it can seek it under the terms of the Settlement it negotiated with OPC and that the Commission approved. As noted above, it will not likely be in a position of needing it given its current earnings situation.

Moreover, while ultimately the types of projects associated with the requested consulting and legal fees may produce benefits for customers, they also may not necessarily reduce fuel costs. Consulting and legal fees which are generation-related costs, along with fuel procurement and administrative related costs, are not considered fuel clause recoverable fossil fuel-related costs. Moreover, these types of costs have been historically and traditionally recovered in base rates. Thus, under the Settlement which was voluntarily entered into by FPUC, these costs should not be permitted to be recovered in fuel. Moreover, the requested consultant and legal costs do not qualify for fuel clause recovery pursuant to the case-by-case criteria, or under the exclusion of the fuel procurement and administrative charges in the Fuel Clause Order. Thus, consulting and legal fees of $174,035 for the 2015 estimated/actual costs and $397,000 for the 2016 projection costs should be removed from recovery in the fuel clause factors.

<u>ISSUE 5B</u>: Should the Commission approve Gulf's 2016 Risk Management Plan?

OPC: *No. The Risk Management Plan should not be approved as filed inasmuch as it would authorize the company to continue the financial hedging of natural gas. Incorporate by reference OPC's arguments for Issues 1D & 1E.*

<u>ISSUE 6B</u>: Should the Commission approve TECO's 2016 Risk Management Plan?

OPC: *No. The Risk Management Plan should not be approved as filed inasmuch as it would authorize the company to continue the financial hedging of natural gas. Incorporate by reference OPC's arguments for Issues 1D & 1E.*

Respectfully submitted,

J.R. Kelly
Public Counsel

Patricia A. Christensen
Erik L. Sayler
Charles J. Rehwinkel
John J. Truitt
Office of Public Counsel
c/o The Florida Legislature
111 West Madison Street, Room 812
Tallahassee, Florida 32399-1400
(850) 488-9330
Attorneys for Florida's Citizens

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing Citizens' Post-Hearing Statement of Positions and Post-Hearing Brief and Proposed Findings of Fact has been furnished by electronic mail on this 13th day of November, 2015, to the following:

Martha Barrera/Suzanne Brownless
Kyesha Mapp/John Villafrate
Danijela Janjic
Office of General Counsel
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

James Beasley
Jeffrey Wahlen
Ashley Daniels
Ausley Law Firm
P.O. Box 391
Tallahassee, FL 32302

Jon C. Moyle, Jr.
c/o Moyle Law Firm
118 North Gadsden Street
Tallahassee, FL 32301

Mike Cassel
Florida Public Utilities Company
1750 S.W. 14th Street, Suite 200
Fernandina Beach, FL 32034

John T. Butler
Florida Power & Light Company
700 Universe Boulevard
Juno Beach, FL 33408-0420

Beth Keating
Gunster Law Firm
215 South Monroe St., Suite 601
Tallahassee, FL 32301-1839

Ken Hoffman
Florida Power & Light Company
215 South Monroe St., Suite 810
Tallahassee, FL 32301-1858

Dianne M. Triplett
Duke Energy Florida, Inc.
299 First Avenue North
St. Petersburg, FL 33701

Robert L. McGee, Jr.
Gulf Power Company
One Energy Place
Pensacola, FL 32520-0780

Jeffrey A. Stone
Russell Badders
Steve Griffin
Beggs & Lane Law Firm
P.O. Box 12950
Pensacola, FL 32591

Robert Scheffel Wright
John T. LaVia
Gardner Law Firm
1300 Thomaswood Drive
Tallahassee, FL 32308

James W. Brew/Owen J. Kopon/
Laura A. Wynn
Brickfield Law Firm
Eighth Floor, West Tower
1025 Thomas Jefferson St., NW
Washington, DC 20007

Paula K. Brown
Tampa Electric Company
Regulatory Affairs
P.O. Box 111
Tampa, FL 33601-0111

Raoul G. Cantero
Southern Financial Center, Suite 4900
200 South Biscayne Boulevard
Miami, Florida 33131-2352

Matthew R. Bernier
Duke Energy Florida, Inc.
106 E. College Ave., Suite 800
Tallahassee, FL 32301-7740

Patricia A. Christensen
Associate Public Counsel

ATTACHMENT A

PROPOSED FINDINGS OF FACT

Pursuant to Sections 120.57(1)(b) and 120.569(2)(l), Florida Statutes, OPC submits the following proposed findings of fact with the record citation(s) supporting them:

1. The cumulative net losses or gains for DEF for the years 2002-2014 for natural gas financial hedging are a loss of $1,267,848,634. EXH 55 at 4.

2. The projected cumulative net loss or gain for DEF for the year 2015 for natural gas financial hedging is a loss of $215,000,000. TR 475.

3. The cumulative net losses or gains for FPL for the years 2002-2014 for natural gas financial hedging are a loss of $3,516,671,769. EXH 105.

4. The projected cumulative net loss or gain for FPL for the year 2015 for natural gas financial hedging is a loss of $490,000,000. TR 415-416.

5. The cumulative net losses or gains for Gulf for the years 2002-2014 for natural gas financial hedging are a loss of $127,278,227. EXH 55 at 17.

6. The projected cumulative net loss or gain for Gulf for the year 2015 for natural gas financial hedging is a loss of $44,000,000. TR 686-687.

7. The cumulative net losses or gains for TECO for the years 2002-2014 for natural gas financial hedging are a loss of $381,417,733. EXH 55 at 23.

8. The projected cumulative net loss or gain for TECO for the year 2015 for natural gas financial hedging is a loss of $40,000,000. TR 761.

9. For DEF, FPL, Gulf, and TECO combined, the cumulative net losses or gains for the years 2002-2014 for natural gas financial hedging are a loss of $5,293,216,363. EXH 55 at 4, 17, 23; EXH 105.

10. For DEF, FPL, Gulf, and TECO combined, the projected cumulative net losses or gains for the year 2015 for natural gas financial hedging are a loss of $789,000,000. TR 415-416, 475, 686-687, 761.

11. For DEF, FPL, Gulf, and TECO combined, the historical and projected cumulative net losses or gains for the years 2002-2015 for natural gas financial hedging are a loss of $6,082,216,363. EXH 55 at 4, 17, 23; EXH 105; TR 415-416, 475, 686-687, 761.