

APPEARANCES

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FOR FLORIDA POWER & LIGHT:

JOHN BUTLER
KENNETH HOFFMAN
MARIA MONCADA
TERRY KEITH
LYNN ADAMS

FOR TAMPA ELECTRIC COMPANY:

JAMES BEASLEY
ASHLEY DANIELS
BILLY STILES
PENELOPE RUSK

FOR GULF POWER:

RUSSELL BADDERS
SHANE BOYETT
RUSTY BALL

FOR DUKE ENERGY:

MATTHEW BERNIER
JOE McCALLISTER
JIM McCLAY

FOR OFFICE OF PUBLIC COUNSEL:

J.R. KELLY
CHARLES REHWINKEL
PATTY CHRISTENSEN

FOR PCS PHOSPHATE/WHITE SPRINGS:

LAURA WYNN

P R O C E E D I N G S

1
2 **MS. BROWNLESS:** Okay. It's 2:00. This is
3 Suzanne Brownless, and this is an informal meeting in
4 Docket No. 160001-EI, the fuel clause, for the purpose
5 of discussing options, process, and procedures for
6 possible changes to the hedging procedure to minimize
7 potential losses to customers. So we'd like to start
8 by identifying people on the call, and then we'll go
9 ahead and identify everybody at the table here. So I
10 hear people beeping in, so I'll wait a few more
11 minutes.

12 Okay. We'll just -- I'll just start with
13 the random utilities here. Who's on the call from
14 FP&L?

15 **MS. MONCADA:** Maria Moncada is on the call.

16 **MS. BROWNLESS:** Thank you, Maria.

17 Is there --

18 **MR. KEITH:** Terry Keith.

19 **MS. BROWNLESS:** I'm sorry. I didn't hear
20 that.

21 **MR. KEITH:** Terry Keith.

22 **MS. BROWNLESS:** Thank you. Anybody else from
23 FP&L? Okey-dokey.

24 **MS. MONCADA:** We might have folks trickling
25 in, Suzanne.

1 **MS. BROWNLESS:** That's fine, Maria.

2 **MS. MONCADA:** John Butler just walked in.

3 **MS. BROWNLESS:** Hey, John.

4 **MR. BUTLER:** Hello, Suzanne.

5 **MS. BROWNLESS:** Okay. We'll move on to TECO.

6 Mr. Beasley is here in person, and who else? Is
7 anybody on the phone.

8 **MS. RUSK:** This is Penelope Rusk on the line.

9 **MS. BROWNLESS:** I'm sorry?

10 **MR. BEASLEY:** Penelope Rusk.

11 **MS. BROWNLESS:** Okay. Can everybody hear me?

12 **MR. BUTLER:** Yes. We can hear you well.

13 Some of the other people not so much so.

14 **MS. BROWNLESS:** Okay. Well -- okay.

15 Let's see. Anybody else from TECO? So Gulf Power, is
16 there anybody from Gulf Power?

17 **MR. BADDERS:** Yes, Suzanne. This is Russell
18 Badders, and I have with me a couple of other folks
19 from Gulf and they may come and go, but right now I
20 have Shane Boyett and Rusty Ball with me.

21 **MS. BROWNLESS:** Thank you. And who else are
22 we missing? Duke. Mr. Bernier is here with us in
23 lovely person. Is there anybody else on the phone?

24 **MR. McCALLISTER:** Yeah, Joe McCallister and
25 Jim McClay are on the phone from Charlotte.

1 **MS. BROWNLESS:** Thank you. And is there
2 anybody else on the phone that I've missed, any of the
3 docket intervenors?

4 **MS. CHRISTENSEN:** Patty Christensen with the
5 Office of Public Counsel.

6 **MS. BROWNLESS:** Thank you, Patty.

7 **MS. WYNN:** Laura Wynn -- go ahead.

8 **MR. KELLY:** J. R. Kelly with the Office of
9 Public Counsel.

10 **MS. BROWNLESS:** Okay.

11 **MS. WYNN:** I'm Laura Wynn with Stone,
12 Matheis, Xenopoulos & Brew.

13 **MS. BROWNLESS:** Okey-doke. Anybody else from
14 --

15 **MR. BARRETT:** Michael Barrett from --

16 **MS. BROWNLESS:** I'm sorry. Go ahead.
17 Okay. We'll go ahead and introduce the
18 people that are here. Suzanne Brownless with
19 Commission staff.

20 **MR. VILAFRATE:** John Villafrate with
21 Commission staff.

22 **MR. LESTER:** Pete Lester, staff.

23 **MR. MAUREY:** Andrew Maurey, Commission staff.

24 **MR. HOFFMAN:** Ken Hoffman with FPL, and Lynn
25 Adams is here from FPL.

1 **MR. BERNIER:** Matt Bernier with Duke Energy.

2 **MR. BEASLEY:** Jim Beasley for Tampa Electric.

3 Also Ashley Daniels and Billy Stiles are here with me.

4 **MS. BROWNLESS:** Thank you. And at this time
5 I'll turn it over to Andrew Maurey.

6 **MR. MAUREY:** I want to thank you for
7 participating in this informal meeting today. I hope
8 you won't hold it against us for holding the meeting on
9 Friday afternoon.

10 As you know, natural gas represents a
11 significant percentage of the state's fuel generation
12 mix, and this percentage is expected to increase over
13 time. Because of the significant dependence on natural
14 gas to generate electricity, fuel hedging has been part
15 of the IOUs' fuel procurement program since 2002.

16 As many of you know, fuel hedging was a
17 contentious issue in the last fuel docket. That's why
18 we're here today. Hedging has tended to be a tool to
19 limit the impact of price volatility of the rates paid
20 by customers over time. In some years there have been
21 significant benefits; however, in other years there
22 have been undesirable outcomes.

23 At the Agenda Conference in December, you
24 heard support for continued hedging activities;
25 however, you also heard frustration over the lack of

1 options or alternatives for modifying these programs as
2 circumstances change.

3 During the last fuel hearing, the record was
4 limited to either ending the programs outright or
5 maintaining the status quo. There was very little, if
6 any, record for alternatives, what changes could be
7 made to the programs, how these changes would be
8 implemented, and what the impact of these changes might
9 be.

10 During the discussion and in the motion
11 approving the continuation of hedging activities, staff
12 was instructed to reach out to the stakeholders to
13 engage in discussion and deliberation on options,
14 process, procedure to explore whatever may be available
15 for consideration in the future to possible modify
16 these programs to minimize the potential for
17 undesirable outcomes going forward. The purpose of
18 today's meeting is to hear from the stakeholders
19 regarding what options or alternatives they believe may
20 be available for future consideration by the
21 Commission. To memorialize this conversation, we are
22 having the meeting transcribed.

23 At this point, I want to give each party an
24 opportunity to address what staff has just said and to
25 give their view on possible options or alternatives.

1 We'll start out with the IOUs, with FPL first, followed
2 by Duke Energy, then Tampa Electric, and finally Gulf.
3 After the IOUs, we want to give each intervening party
4 an opportunity to speak on these matters. I think I
5 heard OPC and representatives of White Springs here,
6 but I did not recognize FIPUG or FRF, okay, so OPC and
7 White Springs. I want to turn it over to FPL at this
8 time.

9 **MR. BUTLER:** Thank you, Andrew, I think.

10 Ken, do you want me to speak or do you want to?

11 **MR. HOFFMAN:** No. If you would, John, lead
12 us off.

13 **MR. BUTLER:** Okay. Actually, Andrew and
14 Suzanne, we are coming to this I think probably more in
15 a position to listen than propose. We have an open
16 mind. We would be willing to consider, you know,
17 modifications to the hedging program and hedging plans
18 if it makes sense to do so. In our view, they've been
19 working well. We think that in a period of
20 historically low gas prices that it may not be a great
21 idea to scale them back, kind of points that we had
22 made at the hearing on it. But by the same token,
23 we're not, you know, we're not opposed to progress if
24 there is indeed a path that can lead to a better
25 outcome. And obviously one of the things that seems to

1 be characteristic of almost any modification we would
2 make to the program, at least if it's of the nature of
3 scaling it back, is that you trade off the extent to
4 which one protects against future price hikes in gas
5 commodity prices for somewhat less exposure to the
6 possibility of losses or expenses if prices fall.

7 And so I guess so far what we've heard and
8 seen considered is mostly a matter of trading off and
9 getting the right balance. I think we are -- we, FPL,
10 are in a pretty good position in terms of that balance
11 now. As you know, we are not anywhere close to
12 100 percent hedged and no plans to be so, but if there
13 is a consensus that can emerge on some other balance as
14 being appropriate and it seems reasonable to us, we're
15 not opposed to hearing that out.

16 **MR. MAUREY:** Thank you, John.

17 I'll turn to Duke Energy Florida.

18 **MR. BERNIER:** Sure. Thanks, Andrew. This is
19 Matt from Duke. I think for the large part we'd agree
20 with what we heard John just say. I think that we
21 would agree that the hedging programs have achieved the
22 goal that they are seeking to achieve. While we
23 recognize that in certain years, in the last couple
24 with the decrease in price there have been larger
25 costs. We're open to ideas for tweaking the programs.

1 I know that we've batted around internally some, you
2 know, some ideas. I don't know that we came prepared
3 to, you know, really propose anything at this point,
4 but we would be more than happy to hear anybody's ideas
5 and consider them, and that's about where we are at
6 this point.

7 **MR. MAUREY:** Thank you.

8 Tampa Electric.

9 **MR. BEASLEY:** Yes. Jim Beasley for Tampa
10 Electric. Andrew, thank you. We appreciate the
11 opportunity to be here participating in this with you
12 all.

13 I think John and Matt have pretty much
14 summarized where Tampa Electric is on this. We don't
15 have any specific proposals. We're certainly open to
16 listen to other concerns and are happy to participate
17 and leave it at that.

18 **MR. MAUREY:** Thank you.

19 Gulf Power.

20 **MR. BADDERS:** Yeah. Hey, good afternoon.
21 This is Russell Badders, and like the three that came
22 before me, we're open to consider any tweaks that
23 someone may have to offer. We really don't have
24 anything that we're putting forth on the table, but,
25 again, we're willing to listen to what others may have

1 and consider them.

2 **MR. MAUREY:** All right. Thank you.

3 Office of Public Counsel.

4 **MR. REHWINKEL:** Yeah. Andrew, Charles
5 Rehwinkel, Public Counsel. We're here in attendance
6 and observing. Our position is we adhere to our
7 position at the hearing. No hedging is what we think
8 ought to be. The market ought to dictate prices.
9 We're not here to negotiate or collaborate a number or
10 a tweak. We adhere to our position.

11 And we think that the "Airlines' Gamble on
12 Fuel Price Costly" headline in *USA Today* last week was
13 a good lesson for the Commission, and this cautionary
14 tale is what ought to be looked at. So that's our
15 comments.

16 **MR. MAUREY:** Thank you.

17 Was there a representative for White Springs
18 on the line?

19 **MS. WYNN:** Hi, yes. Laura Wynn. I think
20 right now we're just participating and open to hear
21 what's going on in the session. Thank you.

22 **MR. MAUREY:** Is there anyone else that would
23 like to comment on this topic?

24 (No response.)

25 All right. I want to thank everyone for your

1 participation today. As you recall, in addition to
2 continued support for hedging, you also heard
3 frustration that the record that the Commission had
4 didn't offer sufficient space for the Commission to
5 delve into this important policy issue. If the issue
6 of hedging comes before the Commission again, that lack
7 of record will not be repeated. If the stakeholders do
8 not provide options or alternatives, staff will sponsor
9 testimony on the matter.

10 Some of the initial ideas that staff has been
11 discussing internally include possibly setting a cap on
12 the relative percentage or duration of hedges,
13 revisiting the components of the risk management plan,
14 requiring the engagement of an independent third party
15 to review the sufficiency and reasonableness of hedging
16 programs every few years and, finally, consider what
17 other states are implementing or considering to
18 implement to address these same concerns, issues.

19 **MR. BUTLER:** Hey, Andrew?

20 **MR. MAUREY:** Yes.

21 **MR. BUTLER:** You might -- a question for you
22 on the second of the two that you mentioned there,
23 revisiting components of the hedging program, any
24 thoughts you can share on what you might have in mind
25 with respect to that?

1 **MR. MAUREY:** Not as I sit before you today.

2 It was -- we talked about what options, alternatives we
3 could explore for addressing the issue raised by the
4 Commission -- or raised by the parties and considered
5 by the Commission, and these were some of the ideas.
6 We -- that would take further review.

7 **MR. BUTLER:** Okay. I just -- I mean, we've
8 talked about, you know, a little bit on the record and
9 I think we will probably continue to have dialogue like
10 that on the cap idea you mentioned. I just -- if there
11 was something specifically in the components of the
12 program that you were thinking about might need
13 revisiting, we'd welcome now or, you know, if you have
14 information on it later and want to share it with us,
15 obviously we will give it careful consideration.

16 **MR. MAUREY:** I appreciate that.

17 All right. We have nothing else to go over
18 today. We will schedule something similar to this in
19 the future where we'll talk amongst ourselves about it.
20 You heard the same comments at that Agenda Conference
21 that staff did, and we want to be prepared to address
22 those matters.

23 I'll turn it back over to Suzanne.

24 **MS. BROWNLESS:** That's all I have. Is there
25 anything that anybody on the call would like to say?

1 Now is your chance before we adjourn. Any other
2 comments from anybody else here? Charles.

3 **MR. REHWINKEL:** I'll make one other comment
4 for the Public Counsel's Office just along the lines of
5 what Andrew said. We're considering whether to raise
6 this issue annually. So at the appropriate time when
7 we have Issue ID in the docket, we'll have that
8 discussion with the parties and staff, so.

9 **MS. BROWNLESS:** Thank you, Charles.

10 **MR. REHWINKEL:** But we haven't made a
11 decision on it, but it's something we're considering.

12 **MS. BROWNLESS:** Would anybody else like to
13 make any further comments?

14 **MR. HOFFMAN:** This is Ken Hoffman with
15 Florida Power & Light. I think that staff has given us
16 some good input in terms of where we may be heading.

17 At the Agenda Conference in December, I think
18 I can probably speak on behalf of all of the IOUs that
19 we heard the comments, we listened closely. But as we
20 move forward this year, I mean, there was -- I think
21 that there was -- there were a number of comments at
22 that Agenda Conference around sort of the lack of a
23 record if they wanted to -- if Commissioners, certain
24 Commissioners wanted to consider alternatives. And I
25 think as we move forward, since we don't have a

1 decision at this point to move away from hedging, I
2 think that we should be, kind of be looking at it from
3 the standpoint of, first of all, whether there should
4 be any changes in the hedging. I think that that
5 remains the first question.

6 And then the second question may be, if so,
7 and then Public Counsel or an intervenor may have some
8 ideas or suggestions, staff may have suggestions along
9 the lines that you sort of generally described.

10 **MS. BROWNLESS:** Thank you. Unless there are
11 any other comments from anyone on the phone, we will
12 adjourn. Thank you so much. Have a lovely Friday and
13 a great weekend.

14 (Proceeding concluded at 2:18 p.m.)
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1 STATE OF FLORIDA)
2 COUNTY OF LEON) : CERTIFICATE OF REPORTER

3
4 I, LINDA BOLES, CRR, RPR, Official Commission
5 Reporter, do hereby certify that the foregoing
6 proceeding was heard at the time and place herein
7 stated.

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

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

18 DATED THIS 11th day of February, 2016.

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