

Docket No. 160001-EI
Duke Energy Florida, LLC
Fuel and Purchased Power Cost Recovery Clause
Hedging Activities

Witness: Direct Testimony of SIMON O. OJADA
Appearing on Behalf of the Staff of the Florida Public Service Commission

Date Filed: September 23, 2016

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **COMMISSION STAFF**

3 **DIRECT TESTIMONY OF SIMON O. OJADA**

4 **DOCKET NO. 160001-EI**

5 **September 23, 2016**

6

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

8 A. My name is Simon O. Ojada. My business address is 1313 N. Tampa Street, Suite
9 220, Tampa, Florida 33602.

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

11 A. I am employed by the Florida Public Service Commission (FPSC or Commission) as a
12 Public Utility Analyst in the Office of Auditing and Performance Analysis. I have been
13 employed by the Commission since April 1997.

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

15 A. I received a Bachelor of Science degree from the University of South Florida with a
16 major in Finance in 1991, a Bachelor of Science Degree from Florida Metropolitan University
17 with a major in Accounting in 1994, and a Master of Business Administration with a
18 concentration in Accounting in 1997.

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

20 A. My responsibilities consist of planning and conducting utility audits of manual and
21 automated accounting systems for historical and forecasted data.

22 **Q. Have you previously presented testimony before this Commission?**

23 A. Yes. I filed testimony in the Fuel and Purchased Power Cost Recovery Clause, Docket
24 Nos. 130001-EI, 140001-EI, and 150001-EI.

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

1 A. The purpose of my testimony is to sponsor the staff audit report of Duke Energy
2 Florida, LLC (DEF or Utility) which addresses the Utility's filing in Docket No. 160001-EI,
3 Fuel and Purchased Power Cost Recovery Clause, for costs associated with its hedging
4 activities. We issued an audit report in this docket for the hedging activities on September 16,
5 2016. This audit report is filed with my testimony and is identified as Exhibit (SOO-1).

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

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

8 **Q. Please describe the work performed in this audit.**

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

10 Accounting Treatment

11 I reviewed DEF's supporting detail of the hedging settlements for the twelve months
12 ended July 31, 2016. I verified the monthly balances of hedging transactions from DEF's
13 Hedging Details Report for the period August 1, 2015 to July 31, 2016 to its Hedging
14 Summary by Commodity Reports for 2015 and 2016 to the general ledger. No exceptions
15 were noted.

16 Gains and Losses

17 I selected 20 natural gas hedging transactions from August 2015 through July 2016 as
18 a sample. I reconciled the selected samples from the Hedging Details Reports to the third-
19 party confirmation notices and contracts. I reconciled the gains and losses to the Utility's
20 journal entries. I compared the price on the confirmation notice to the price published by the
21 NYMEX Henry Hub gas futures contract rates. No exceptions were noted.

22 Hedged Volume and Limits

23 I obtained and reviewed DEF's Risk Management Plan. I reviewed the quantity limits
24 and authorizations for all hedged fuel types. No exceptions were noted.

25 Separation of Duties

1 I reviewed DEF's written procedures for separation of duties related to hedging
2 activities. There were no internal or external audits related to hedging activities. No exceptions
3 were noted.

4 **Q. Please review the audit findings in this audit report.**

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

6 **Q. Does this conclude your testimony?**

7 A. Yes.

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State of Florida



Public Service Commission

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

Auditor's Report

Duke Energy Florida, LLC
Hedging Activities

Twelve Months Ended July 31, 2016

Docket No. 160001-EI
Audit Control No. 16-068-2-1
September 7, 2016

A blue ink signature of Simon O. Ojada, written in a cursive style, positioned above a horizontal line.

Simon O. Ojada
Audit Manager

A blue ink signature of Linda Hill, written in a cursive style, positioned above a horizontal line.

Linda Hill
Reviewer

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Purpose

To: Florida Public Service Commission

We performed the procedures described later in this report to meet the objectives set forth by the Division of Accounting and Finance in its audit service request dated February 26, 2016. We applied these procedures to the schedules prepared by Duke Energy Florida, LLC in support of its filing for hedging activities in Docket No. 160001-EI for the twelve months ended July 31, 2016.

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

Objectives and Procedures

General

Definition

DEF or Utility refers to Duke Energy Florida, LLC.

Accounting Treatment

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

Procedures: We obtained DEF's supporting detail of the hedging settlements for the 12 months ended July 31, 2016. The support documentation was reconciled to the general ledger transaction detail. We verified that the hedging settlements were in compliance with the Risk Management Plan and that the accounting treatment for hedging transactions and transaction costs is consistent with Commission orders relating to hedging activities. No exceptions were noted.

Gains and Losses

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

Procedures: We reconciled the monthly balances of hedging transactions from DEF's Hedging Details Report for the period August 1, 2015, through July 31, 2016, to its Hedging Summary by Commodity Reports for 2015 and 2016. We reviewed existing tolling agreements whereby the Utility's natural gas is provided to generators under purchased power agreements. We selected 20 natural gas hedging transactions from August 2015 through July 2016 as a sample. We reconciled the selected samples from the Hedging Details Report to the third-party confirmation notices and contracts. We reconciled the gains and losses to the Utility's journal entries. We compared the price on the confirmation notice to the price published by the NYMEX Henry Hub gas futures contract rates. No exceptions were noted.

Hedged Volume and Limits

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

Procedures: We reviewed the quantity limits and authorizations for all hedged fuel types. We obtained DEF's analysis of the monthly percent of fuel hedged in relation to fuel burned for the 12 months ended July 31, 2016, and compared them with the Utility's Risk Management Plan. No exceptions were noted.

Separation of Duties

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

Procedures: We reviewed the Utility's procedures for separating duties related to hedging activities. We reviewed the Utility Audit Services Department's evaluations for the 12 months ending December 31, 2015, for the Regulated Fuels Inventory Management Process and the Regulated Trading Cycle. There was no external audit on hedging activities during the test period. No exceptions were noted.

Audit Findings

None

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

DOCKET NO. 160001-EI

DATED: September 23, 2016

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that the testimony of Simon O. Ojada on behalf of the staff of the Florida Public Service Commission was electronically filed with the Office of Commission Clerk, Florida Public Service Commission, and copies were furnished to the following, by electronic mail, on this 23rd day of September, 2016.

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