

Robert L. McGee, Jr.  
Regulatory & Pricing Manager

One Energy Place  
Pensacola, Florida 32520-0780

Tel 850.444.6530  
Fax 850.444.6026  
RLMCGEE@southernco.com

FILED SEP 30, 2016  
DOCUMENT NO. 07897-16  
FPSC - COMMISSION CLERK



September 30, 2016

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

RE: Docket No. 160001-EI

Dear Ms. Stauffer:

Attached for electronic filing in the above-referenced docket is the prepared rebuttal testimony of H. R. Ball. Pursuant to the Order Establishing Procedure for this docket, a copy of this testimony prepared using Microsoft Word is being provided to Commission staff and all parties.

Sincerely,

A handwritten signature in blue ink that reads "Robert L. McGee, Jr." in a cursive style.

Robert L. McGee, Jr.  
Regulatory and Pricing Manager

md

Attachments

cc: Florida Public Service Commission  
Danijela Janjic, Office of the General Counsel (5 copies)  
Beggs and Lane  
Jeffrey A. Stone, Esq.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

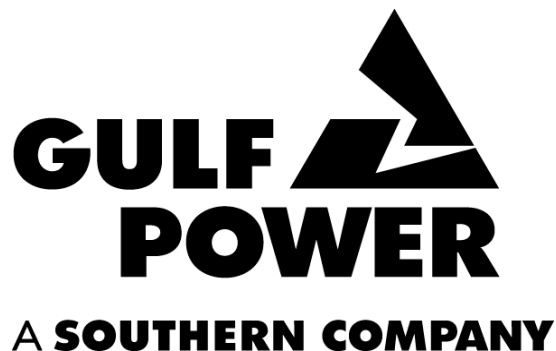
**FUEL AND PURCHASED POWER COST  
RECOVERY CLAUSE**

**Docket No. 160001-EI**

**PREPARED REBUTTAL TESTIMONY OF**

**H. R. Ball**

**Date of Filing: September 30, 2016**



1 GULF POWER COMPANY

2 Before the Florida Public Service Commission

3 Prepared Rebuttal Testimony of

4 H. R. Ball

5 Docket No. 160001-EI

6 Date of Filing: September 30, 2016

7 Q. Please state your name and business address.

8 A. My name is H. R. Ball. My business address is One Energy Place, Pensacola,  
9 Florida 32520-0335. I am the Fuel Manager for Gulf Power Company.

10 Q. Are you the same H. R. Ball who filed direct testimony in this docket?

11 A. Yes.

12 Q. What is the purpose of your rebuttal testimony in this docket?

13 A. The purpose of my testimony is to respond to the direct testimony of the Office of  
14 Public Counsel's Witness Daniel J. Lawton and Staff's Witnesses Mark Anthony  
15 Cicchetti and Michael A. Gettings.  
16

17 Q. Does Gulf agree with Witness Lawton's conclusions regarding the continuation of  
18 Gulf's natural gas financial hedging programs?  
19

20 A. No. Gulf believes that continued compliance with the Commission's existing  
21 hedging policy as embodied in the orders referenced by Mr. Cicchetti provides an  
22 appropriate fuel risk management tool for utilities to utilize to limit natural gas  
23 price volatility. Witness Lawton's testimony is largely the same as that which he  
24 offered in the 150001-EI docket. He provides no new information or analysis that  
25

1 would reasonably support a conclusion on this issue that differs from the  
2 conclusion reached by the Commission in the 150001-EI docket.

3  
4 Q. Please address the hedging policy alternative recommended by Staff Witness  
5 Michael A. Gettings.

6 A. Witness Gettings recommends the development and implementation of a risk-  
7 responsive hedging program. Witness Gettings provides only a general  
8 framework of a risk-responsive hedging program. Insufficient details have been  
9 provided about what parameters should be established, or how such a hedging  
10 plan could be implemented by the Commission. More information about the  
11 structure and implementation of a risk-responsive hedging program should be  
12 developed before the Commission considers changing its current hedging policy.  
13 Adoption of this type of hedging program would be a substantial change in the  
14 Commission's hedging policy.

15  
16 Q. Did Witness Gettings discuss specific examples of risk-responsive hedging  
17 programs being utilized by regulated investor owned utilities?

18 A. No. He stated, "[t]here is the regulated investor-owned utility segment which  
19 most often deploys targeted-volume hedge accumulation programs like those  
20 reflected in the 2017 RMPs." From this statement it appears that risk-responsive  
21 hedging programs have not been approved for regulated investor owned utilities.

22  
23 Q. Is there an incremental cost to implementing a risk-responsive hedging program?

24 A. Yes. Based on a preliminary review of the general program as outlined by  
25 Witness Gettings, there would be additional time and resource costs to Gulf and

1 likely to the Commission. The proposed risk-responsive hedging program would  
2 require additional analysis work to be performed, weekly documentation, the  
3 development and implementation of new internal governance procedures, and  
4 additional regulatory filings and audits. The lack of details around exactly what a  
5 risk-responsive hedging program would look like and how it would be  
6 implemented makes estimating these additional costs very difficult at this point,  
7 but any such incremental costs should be recovered in the fuel cost recovery  
8 docket.

9  
10 Q. Do you agree with Witness Cicchetti's recommendation that the modifications  
11 requested by Gulf in its Risk Management Plan (RMP) in Docket No. 160096-EI  
12 and implemented in its 2017 RMP filed in Docket No. 160001-EI be approved?

13 A. Yes. Mr. Cicchetti acknowledged that it may be difficult to implement a risk-  
14 responsive program as suggested by Mr. Gettings in 2017 and therefore  
15 recommended approval of Gulf's 2017 RMP as an interim measure. We agree  
16 with Mr. Cicchetti's assessment. Our proposed plan for 2017 meets the  
17 Commission's current hedging policy and should be approved.

18  
19 Q Mr. Ball, does this conclude your rebuttal testimony.

20 A Yes.

21  
22  
23  
24  
25

AFFIDAVIT

STATE OF FLORIDA     )  
  )  
COUNTY OF ESCAMBIA    )

Docket No. 160001-EI

Before me, the undersigned authority, personally appeared Herbert R. Ball, who being first duly sworn, deposes and says that he is the Fuel Services Manager for Gulf Power Company, a Florida corporation, that the foregoing is true and correct to the best of his knowledge, information and belief. He is personally known to me.

  
\_\_\_\_\_  
Herbert R. Ball  
Fuel Services Manager

Sworn to and subscribed before me this 29<sup>th</sup> day of September, 2016.

  
\_\_\_\_\_  
Notary Public, State of Florida at Large

 **MELISSA DARNES**  
MY COMMISSION # FF 912698  
EXPIRES: December 17, 2019  
Bonded Thru Budget Notary Services

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: **Fuel and Purchased Power Cost** )  
**Recovery Clause with Generating** )  
**Performance Incentive Factor** )

Docket No.: **160001-EI**

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true copy of the foregoing was furnished by electronic mail this 30th, day of September, 2016 to the following:

Florida Public Utilities Company  
Florida Division of Chesapeake  
Utilities Corp  
Mike Cassel, Director  
Regulatory and Governmental Affairs  
1750 SW 14<sup>th</sup> Street, Suite 200  
Fernandina Beach, FL 32034  
[mcassel@fpuc.com](mailto:mcassel@fpuc.com)

PCS Phosphate – White Springs  
c/o Stone Mattheis Xenopoulos  
& Brew, P.C.  
James W. Brew/Laura A. Wynn  
Eighth Floor, West Tower  
1025 Thomas Jefferson St, NW  
Washington, DC 20007  
[jbrew@smxblaw.com](mailto:jbrew@smxblaw.com)  
[law@smxblaw.com](mailto:law@smxblaw.com)

Duke Energy Florida  
John T. Burnett  
Dianne M. Triplett  
299 First Avenue North  
St. Petersburg, FL 33701  
[Dianne.triplett@duke-energy.com](mailto:Dianne.triplett@duke-energy.com)  
[John.burnett@duke-energy.com](mailto:John.burnett@duke-energy.com)

Florida Power & Light Company  
John T. Butler  
Maria J. Moncada  
700 Universe Boulevard (LAW/JB)  
Juno Beach, FL 33408-0420  
[John.Butler@fpl.com](mailto:John.Butler@fpl.com)  
[Maria.moncada@fpl.com](mailto:Maria.moncada@fpl.com)

Florida Power & Light Company  
Kenneth Hoffman  
215 South Monroe Street,  
Suite 810  
Tallahassee, FL 32301-1858  
[Ken.Hoffman@fpl.com](mailto:Ken.Hoffman@fpl.com)

Ausley Law Firm  
James D. Beasley  
J. Jeffrey Wahlen  
Ashley M. Daniels  
Post Office Box 391  
Tallahassee, FL 32302  
[jbeasley@ausley.com](mailto:jbeasley@ausley.com)  
[adaniels@ausley.com](mailto:adaniels@ausley.com)  
[jwahlen@ausley.com](mailto:jwahlen@ausley.com)

Gunster Law Firm  
Beth Keating  
215 South Monroe Street, Suite 601  
Tallahassee, FL 32301-1839  
[bkeating@gunster.com](mailto:bkeating@gunster.com)

Office of Public Counsel  
Patricia A. Christensen  
Associate Public Counsel  
c/o The Florida Legislature  
111 W. Madison Street, Room 812  
Tallahassee, FL 32399-1400  
[Christensen.patty@leg.state.fl.us](mailto:Christensen.patty@leg.state.fl.us)  
[Sayler.erik@leg.state.fl.us](mailto:Sayler.erik@leg.state.fl.us)

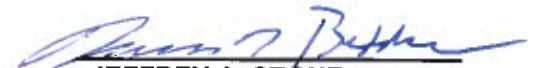
Duke Energy Florida, Inc.  
Matthew R. Bernier  
Cameron Cooper  
106 East College Avenue,  
Suite 800  
Tallahassee, FL 32301-7740  
[Matthew.bernier@duke-energy.com](mailto:Matthew.bernier@duke-energy.com)  
[Cameron.Cooper@duke-energy.com](mailto:Cameron.Cooper@duke-energy.com)

Florida Industrial Power Users Group  
c/o Moyle Law Firm  
Jon C. Moyle, Jr.  
118 North Gadsden Street  
Tallahassee, FL 32301  
[jmoyle@moylelaw.com](mailto:jmoyle@moylelaw.com)

Tampa Electric Company  
Ms. Paula K. Brown, Manager  
Regulatory Coordination  
P. O. Box 111  
Tampa, FL 33601-0111  
[Regdept@tecoenergy.com](mailto:Regdept@tecoenergy.com)

Office of the General Counsel  
Suzanne Brownless  
Danijela Janjic  
2540 Shumard Oak Blvd  
Tallahassee, FL 32399-0850  
[djanjic@psc.state.fl.us](mailto:djanjic@psc.state.fl.us)  
[sbrownle@psc.state.fl.us](mailto:sbrownle@psc.state.fl.us)  
[tefarley@psc.state.fl.us](mailto:tefarley@psc.state.fl.us)  
[ASoete@psc.state.fl.us](mailto:ASoete@psc.state.fl.us)

Florida Retail Federation  
Robert Scheffel Wright  
John T. LaVia  
c/o Gardner Law Firm  
1300 Thomaswood Drive  
Tallahassee, FL 32308  
[schef@gbwlegal.com](mailto:schef@gbwlegal.com)  
[jlavia@gbwlegal.com](mailto:jlavia@gbwlegal.com)



**JEFFREY A. STONE**

Florida Bar No. 325953

[jas@beggslane.com](mailto:jas@beggslane.com)

**RUSSELL A. BADDERS**

Florida Bar No. 007455

[rab@beggslane.com](mailto:rab@beggslane.com)

**STEVEN R. GRIFFIN**

Florida Bar No. 0627569

[srg@beggslane.com](mailto:srg@beggslane.com)

**BEGGS & LANE**

P. O. Box 12950

Pensacola FL 32591-2950

(850) 432-2451

**Attorneys for Gulf Power**