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March 6, 2017

VIA: ELECTRONIC FILING

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

Re: Analysis of IOU's hedging practices; Docket No. 170057-EI

Dear Ms. Stauffer:

Attached for filing in the above-styled matter is Tampa Electric Company's Post-Workshop Comments on Hedging.

Thank you for your assistance in connection with this matter.

Sincerely,

James D. Beasley

JDB/pp
Attachment

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Analysis of IOU's hedging practices.	)	DOCKET NO. 170057-EI
	)	FILED: March 6, 2017

TAMPA ELECTRIC COMPANY'S
POST-WORKSHOP COMMENTS ON HEDGING

Tampa Electric Company ("Tampa Electric" or "the company") submits the following Post-Workshop Comments, requested at the conclusion of the workshop conducted February 21, 2017:

Background

Financial hedging of natural gas purchases has been carefully studied by the Commission and approved as a reasonable and prudent measure for a number of years.

In 2002 the Commission issued an order[1] ("the Hedging Order") approving a proposed resolution of issues relating to financial hedging, between and among Florida Power & Light ("FPL"), Duke Energy Florida's "DEF" Predecessor, Gulf Power, Tampa Electric, OPC and FIPUG. The Hedging Order established a framework and direction for the Commission and the parties to follow with respect to risk management for fuel procurement. That framework, with some later modifications, constitutes the risk management policy and procedures the Commission follows today. In the Hedging Order, the Commission identified as the guiding objectives of their support for hedging price volatility mitigation without speculation or attempting to out-guess the market. Furthermore, the Commission noted that the resolution it approved appeared to remove disincentives that may have existed for IOUs to engage in financial hedging transactions that may create customer benefits by providing a cost recovery mechanism

[1] Order No. PSC-02-1484-FOF-EI, issued October 30, 2002 in Docket No. 011650-EI

for prudently incurred financial hedging transaction costs, gains and losses, and incremental operating and maintenance expenses associated with new and expanded hedging programs.

Order No. PSC-08-0316-PAA-EI[2] was the first of two clarifications in 2008 to the Hedging Order. This Order established a requirement that each IOU file a current-year, financial hedging review (Hedging Information Report) that provides actual hedging information for the period August 1 through July 31. The reporting requirement was established to enhance the Commission's tools for reviewing the prudence of the utilities' most recent financial hedging activities.

The Commission then entered Order No. PSC-08-0667-PAA-EI[3] in which it affirmed its long-term support for financial hedging. In reviewing FPL's guidelines for financial hedging, the Commission noted that hedging can reduce the volatility of fuel adjustment charges paid by customers and that a well-managed financial hedging program does not involve speculation. The Commission further noted that in the 2008 mid-course corrections for DEF, FPL and Gulf, hedging gains significantly reduced the projected under-recoveries. The Commission said that it had previously found that customers benefit from stable rates that allow the customers to budget for electric bills and hedging has contributed to the stability of fuel factors.

In its ruling in Order No. PSC-08-0667-PAA-EI, the Commission stated that by approving FPL's proposed guidelines, "we demonstrate our support for hedging." The Commission further stated:

> We find that utility hedging programs provide benefits to customers. By approving these guidelines we provide regulatory support and guidance regarding hedging programs.

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[2] Order No. PSC-08-0316-PAA-EI, issued May 14, 2008 in Docket No. 080001-EI
[3] Order No. PSC-08-0667-PAA-EI, issued October 8, 2008 in Docket No. 080001-EI

The benefits of hedging were highlighted in a management audit conducted by the Commission's Staff in 2008. Upon completion of the Staff's audits of IOU hedging activities, the management audit concluded:

> Overall, audit staff believes that the use of financial hedges for fuel purchases provides a benefit to utility customers. Each program is appropriately controlled, efficiently organized, and operates under a non-speculative format. There are areas of improvement, which are outlined later in each company's chapter. Generally, each company has successfully mitigated the price volatility for its customers. There have been years in which each company's hedging program provided a gain on its fuel cost, and years in which each program has incurred losses. This is to be expected. Hedging commodities involves the risk of higher prices at the expense of attempting to reduce price volatility. For each company, there is an acceptable level of risk tolerance between the two. Each utility must continue to gauge its customers' tolerance of the cost associated with hedging versus the benefits of reduced fuel cost volatility and any resulting rate increases.

Through its initial approval of the proposed resolutions in 2001 and later, through subsequent orders clarifying the Commission view on Hedging, the Commission and its staff recognized the benefits of financial hedging and the impact on the utilities' customers. Additionally, the Commission has carefully monitored and evaluated the conduct of each IOU's financial hedging activities with no noted suggestion of imprudence.

Recent Criticisms of the Current Hedging Model

Financial hedging of natural gas purchases in Florida has come under fire given the magnitude of losses resulting from the downward trend in natural gas prices that has occurred in recent years.

It is very doubtful we would be seeing criticisms of financial hedging if natural gas prices were rising. It is only because prices have declined more than the prices built into the utilities' hedging programs that we see opposition to the current hedging model. It is important to put the

issue in context. All customers have benefitted from the decline of natural gas prices. The issue raised by intervenors and others is that customers haven't also received the difference between the hedged prices and the lower market prices. That is a natural consequence of a financial hedging program. Had prices been rising over time, our hedging programs would have protected customers from having to pay the amount by which higher market prices exceeded the hedged prices.

As a consequence of the gradual decline in natural gas prices in recent years and settlement losses resulting from that decline, issues were raised in the 2016 fuel adjustment docket regarding whether the current hedging model should be modified or terminated. Those issues were set to be heard in the November 2016 fuel adjustment hearing. Staff witness Gettings filed testimony on September 23, 2016 on behalf of the Commission's Staff proposing a new risk responsive hedging model. Witness Lawton filed testimony on behalf of OPC in that proceeding on September 23, 2016 advocating the cessation of financial hedging of natural gas unless circumstances change substantially.

On October 24, 2016 electric investor-owned utilities DEF, Gulf and Tampa Electric, collectively the IOUs, OPC, the Florida Industrial Power Users Group ("FIPUG") and the Florida Retail Federation ("FRF") jointly entered into a Stipulation and Agreement ("Agreement"). Under the terms of the Agreement, the IOUs agreed to put in place a 100% moratorium on any new hedges, effective immediately upon the Commission's approval of the Agreement with that moratorium extending through calendar year 2017. The Agreement further called for a workshop or workshops, as soon as practicable to consider all alternatives to prospectively resolving the hedging issues, including but not limited to the Gettings approach, a reduction in the current levels of hedging and hedging durations, use of different financial

products, or the termination of financial hedging altogether. The stated goal was either establishing a basis for the IOUs to present risk management plans for 2018 that all stakeholders could agree upon or not object to, or reaching some other mutually agreeable resolution of the hedging issues identified in Docket No. 160001-EI. The Agreement was approved by the Commission on December 5, 2016, with the issuance of Order No. PSC-16-0547-FOF-EI.

Gettings Hedging Proposal

Labeled a risk responsive risk management plan, the main difference of the Gettings proposal from current utility RM plans is the use of a Value-at-Risk (VaR) model to determine when to execute new hedges as well as when to liquidate, or protect with options, hedges currently held. The Gettings proposal requires each company to choose a tolerance for cost increases and a separate tolerance for hedge losses, and to formulate a strategy of prescribed responses to defend those tolerances against changing risk conditions in the market. Through daily modeling and monitoring, the company is expected to react to volatility changes in the market by placing or liquidating fixed price swaps. The company may also need to protect against swap losses, choosing to liquidate swaps or using offsetting hedge tools such as put options. Since swaps are a required component of the Gettings proposal, settlement losses[4] will occur, and the proposal attempts to mitigate those losses in the contingent stage of the program, described below.

The Gettings proposal includes four stages in which natural gas hedges will be executed. The first is labeled programmatic hedging, and it requires a relatively low percentage of expected natural gas consumption to be hedged with fixed price swaps, the same instruments utilized in the utility hedging risk management plans that are currently under a moratorium. Each utility

[4] Settlement losses occur when a portion of expected natural gas consumption is purchased at a projected price that is hedged and therefore locked in by using financial swaps, and market prices for that period then decrease. Although customers still benefit when market prices for natural gas decline, the settlement loss represents how much lower the cost of natural gas would have been if 100 percent of consumption were purchased at the now-lower market prices, instead of hedged.

would choose a quantity and forward time period, e.g., one year, or two years, for the execution of these swaps. Programmatic swaps are executed throughout the calendar year regardless of market conditions. During the January 10, 2017 workshop, Mr. Gettings stated that the programmatic hedging phase limits the volume of swaps required to be put on during the defensive phase.

Under the defensive phase of the Gettings program, the company would execute swaps after the VaR model shows a utility-chosen cost tolerance is breached. The defensive phase protects against price increases using fixed price swaps. The company must set up the VaR model and determine appropriate confidence intervals for its analysis, set the selected number and level of cost tolerance thresholds and predetermine the maximum percentage of projected natural gas consumption to hedge using defensive hedges. During periods when price volatility is higher, the VaR model is expected to show a greater risk of portfolio cost increases and decreases. When the potential cost increase exceeds the cost tolerance, the utility would be expected to purchase additional swaps to bring its exposure below the cost tolerance again.

The contingent phase of the Gettings program would be initiated after the VaR model indicates a defined hedge loss tolerance has been breached. In this phase, the utility would be expected to suspend new hedges, execute put options to constrain hedge loss potential, or unwind existing swaps when the VaR model shows a loss tolerance is breached. The contingent phase attempts to limit the settlement losses of the fixed price swaps during declining-price markets. The loss tolerance and option premium budget to defend it are predetermined.

During the January 10, 2017 workshop, Mr. Gettings acknowledged that it is possible for both defensive and contingent strategies to be triggered by the VaR model when market volatility is high, and Mr. Gettings said the company would need to decide ahead of time which strategy

should control in those instances. This decision point would be important as choosing the wrong strategy (e.g. executing the contingent phase while prices subsequently continue to rise sharply) could cost ratepayers significant dollars and expose the company to the risk of second-guessing by interested parties.

The discretionary phase of the Gettings model involves executing hedges when prices are deemed attractive. Mr. Gettings does not necessarily encourage this type of hedging, but does not preclude it. Discretionary hedging would apply a utility's market view to decisions about hedging. Tampa Electric does not support discretionary hedging since it seems ripe for speculation or criticisms in which other parties second-guess hedging outcomes based on knowledge that can only be known in hindsight.

2017 Hedging Workshops

On January 10, 2017 representatives from the IOUs, Staff and intervenors attended an informal workshop at the Commission. The subject of the workshop was a presentation about the hedging proposal recommended by Staff witness Gettings in his testimony filed in the 2016 fuel docket. Mr. Gettings described his model, analysis results, and details of his proposal and answered questions from the companies and intervenors. The purpose of Mr. Gettings four-stage hedging proposal is to mitigate price volatility while limiting hedging losses. This workshop was followed by individual meetings with the utilities and intervenors having opportunities to explore Mr. Gettings model through questions and interaction.

A further workshop was scheduled for February 21, 2017 to allow the parties to provide feedback on the Staff proposal as well as alternative hedging proposals. The utilities presented a joint hedging proposal to use out-of-the-money ("OTM") call options instead of the previously employed swaps, as an effective method of achieving price volatility mitigation that is

significantly less complex than the Gettings risk-responsive proposal and at the same time allowing customers to participate in downward market price movements as opposed to sustaining settlement losses. Each of the IOUs provided an analysis of the costs and potential effectiveness of the OTM call option hedging strategy and answered questions about their analyses and the proposed implementation of this strategy.

The IOUs' Proposal

The IOUs propose to purchase OTM call options to hedge a defined percentage of expected natural gas burn, at a defined price level (+X%) above the then-expected market prices of natural gas, for a defined forward period.

> *Definition*: An OTM call option is a financial instrument that requires the purchaser to pay an upfront premium in return for the ability to receive payment if the future price of an underlying asset rises above a strike price that is higher than the current market for that asset.

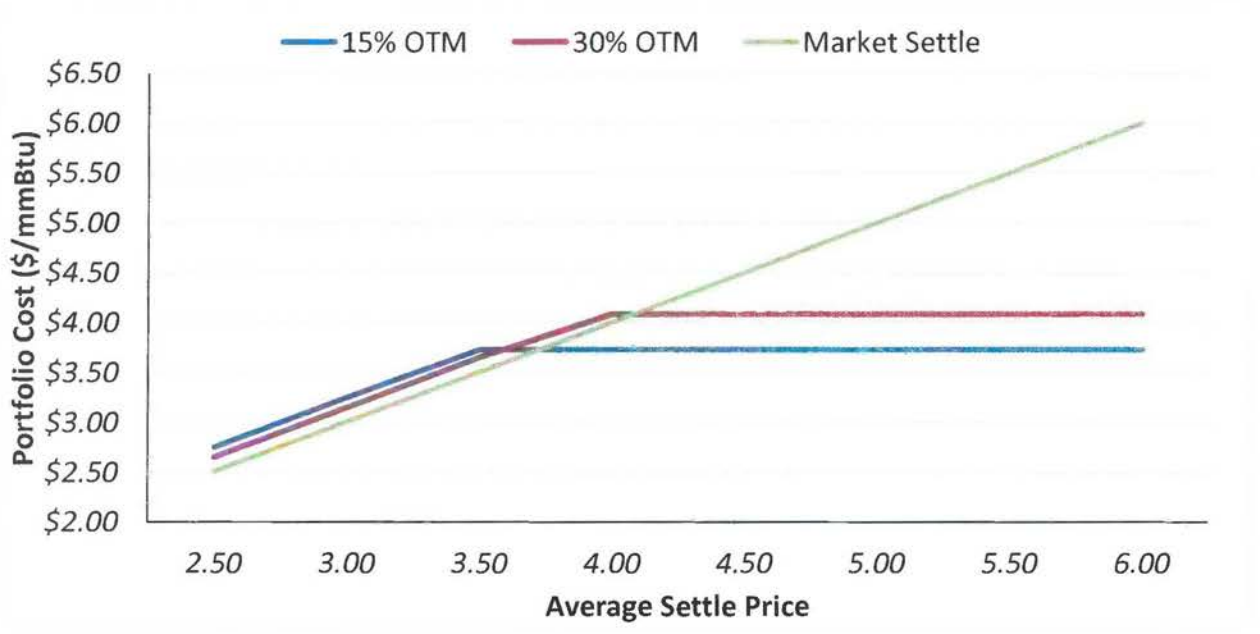
OTM call options are a risk-responsive natural gas hedging alternative with the following characteristics:

- Options provide financial protection against a defined level of upward movement in natural gas market prices.
- Options expiring in the money provide protection from natural gas market price increases.
- Options expiring out of the money do not result in any additional costs other than the option premium.
- Option costs are "insurance premiums" for their protection against price spikes.
- Customers have 100% participation in downside price movements when market prices of natural gas decline.

- OTM call options do not result in settlement losses when market prices of natural gas decrease.

How OTM Call Options Work

OTM call options decrease the utility's average cost of natural gas when market prices have risen above the strike price of options purchased; this is called being "in the money." The financial payout from the options offsets some of the total fuel costs incurred due to the higher market price of fuel. When market prices remain below the strike price of the OTM call options, they expire "out of the money." In this situation, the sunk costs of the option premiums are the only cost incurred for the hedge. There are no settlement losses associated with the options, as there would be with fixed price swaps. The following chart illustrates how OTM call options limit customers' exposure to large price increases by comparing portfolio cost with 100% of volume hedged with call options set at strike prices 15% and 30% above the market price at time of purchase (12 months ahead) to an unhedged portfolio that pays market price for 100% of natural gas volume. The break points in the red and blue lines demonstrate how cost increases are limited when market prices (average settle price on the horizontal axis) exceed the strike prices of the options.



When market prices remain below option strike prices, the portfolio cost is increased by the option premium cost, compared to market. The portfolio cost is limited when market prices are higher, and options expire in the money. For the 15% and 30% strike scenarios, option premiums are estimated to be $10-18 million for 2018 hedges, based on indicative prices as of February 2017, and will provide significant savings compared to the market when prices increase. For example, if natural gas prices increased to an average of $6.00 per mmBtu for the year, customers would save approximately $165 million with the use of 15% OTM call options or $139 million if 30% OTM options were used. This is shown in the table below.

Theoretical Market Settle Price ($/mmBtu)	Unhedged Natural Gas Expense ($)	15% OTM Call Options* ($/mmBtu)	15% OTM Call Options* ($)	30% OTM Call Options* ($/mmBtu)	30% OTM Call Options* ($)
2.50	180,880,275	2.75	198,612,502	2.64	191,313,847
3.00	217,056,330	3.25	234,788,557	3.14	227,489,902
3.50	253,232,385	3.72	269,487,049	3.64	263,665,957
4.00	289,408,440	3.72	269,487,049	4.08	295,025,979
4.50	325,584,495	3.72	269,487,049	4.08	295,025,979
5.00	361,760,550	3.72	269,487,049	4.08	295,025,979
5.50	397,936,605	3.72	269,487,049	4.08	295,025,979
6.00	434,112,660	3.72	269,487,049	4.08	295,025,979

* 100% of projected burn hedged, 1 year hedged, option premiums included in cost

Hedging for a smaller price increase (i.e., placing hedges at strike prices that result in less exposure to price increases) – the 15% OTM scenario – is more expensive than hedging against a greater price increase – the 30% OTM scenario. Market volatility and underlying price level variations will cause changes in option premium payments, and option premium costs increase as market volatility increases, time-forward of the option increases, and as the option strike price declines.

Tampa Electric compared its actual results using the previous swap approach to an approach that utilized 30% OTM call options for 90 percent of expected natural gas usage from 2005 through 2016. The OTM call option hedging was simulated using historical data and laying hedges for only one year into the future. In virtually every year, the OTM call options performed better than the swap approach; and in many years by a sizeable difference. As shown in the table below, over the entire 12-year period of the comparison, the OTM call option approach was approximately $336 million less expensive than the previous swap approach. While swaps may

be more effective at mitigating price volatility overall, the OTM call options strategy is more effective at mitigating risk of price increases while allowing customers greater participation in the market when natural gas prices are declining.

	Previous Swap Program ($)	30% OTM Option Proposal ($)	Difference ($)
2005	53,231,770	59,937,177	6,705,407
2006	(54,482,120)	(9,849,134)	44,632,986
2007	(59,691,520)	(49,825,107)	9,866,413
2008	18,147,375	(11,485,999)	(29,633,374)
2009	(193,185,985)	(30,692,292)	162,493,693
2010	(67,840,710)	(27,561,549)	40,279,161
2011	(33,889,480)	(12,723,142)	21,166,338
2012	(61,518,120)	(6,566,356)	54,951,764
2013	(3,256,370)	(8,181,402)	(4,925,032)
2014	15,615,785	(3,245,652)	(18,861,437)
2015	(39,842,325)	(3,756,058)	36,086,267
2016	(19,333,375)	(5,401,428)	13,931,947
Total	(446,045,075)	(109,350,943)	336,694,132

While Mr. Gettings responded to the utility proposal by stating that OTM call options would be far too expensive to implement and more expensive than utilizing his proposal, our analysis does not suggest this. The proposed OTM call option approach out-performed the previous swap program for the period from 2005 through 2016, in which there were periods of high market price volatility and periods of relative price stability. Furthermore, the company expects the OTM call option proposal to achieve equal or better results than the Gettings

proposal in most years, given that the Gettings model relies heavily upon the use of fixed price swaps with their associated potential settlement losses.

Although a small amount of fixed-price swaps purchased under previous years' Commission-approved Risk Management Plans are and will be left in place, no additional swaps are expected to be used if the utility OTM call option proposal is approved.

In implementing the IOUs' proposal Tampa Electric will specify the percentage of expected natural gas burn to be hedged, the percentage price increase (strike prices) for which call options will be purchased, and the forward time period for which natural gas prices will be hedged in its annual Risk Management Plan and submit it for pre-approval by the FPSC. The company will provide an options premium budget, or cap, to be approved by the FPSC and specify actions the utility will take if market conditions change such that the approved budget is exhausted before the option purchases approved in the risk management plan can be completed. Option premium costs will be recovered through the fuel clause as a component of fuel expense.

Difficulties with the Gettings Proposal

Tampa Electric is primarily concerned with the degree of complexity of Mr. Gettings model, the lack of specificity about how the model would be implemented as well as the cost of implementation.

The Gettings proposal requires daily monitoring and decision-making about whether to add or eliminate hedge positions, based on the results of a VaR model the utility must maintain. Tampa Electric has concerns about how to manage the model, how long it would take to react to changes in the model analytics, and how to defend this model and resulting decisions from later criticisms or second-guessing if outcomes are deemed unfavorable.

The Gettings proposal involves the use of a complex model with significant administrative and implementation costs. The necessary knowledge and systems to audit and review the utility programs is substantial. The program includes multiple decision points and utility discretion, including triggers for simultaneous defensive and contingent hedging.

Tampa Electric believes the OTM call option proposal is a much simpler method to achieve the same goals achieved by the staff proposal. The OTM call option proposal will mitigate upward price spikes, and it will be less expensive when compared to swaps settlement losses under certain market conditions, as has been shown when applying the method to the previous 12 years of data. It will provide that protection with a zero-dollar limit on settlement losses, a much lower limit on settlement losses than would be achieved under the Gettings proposal. Mr. Gettings introduced the concept of an "efficient frontier" for the aspects of risk reduction and cost-effectiveness. However, these two aspects cannot be assessed in a vacuum. Other important aspects such as implementation timeline and costs, ongoing model complexity and administration, and ease of reporting and monitoring must be carefully considered. This raises the question of the appropriate balance to achieve cost-effective hedging. Tampa Electric does not believe it is in customers' best interests to spend additional money and time implementing a more complex methodology such as the Gettings proposal, when the OTM call option proposal is likely to yield very similar results over time. Tampa Electric believes the OTM call options proposal strikes the right balance of protection against price spikes, zero exposure to settlement losses, and reasonable option premium costs for that price spike protection. Tampa Electric has a final and very important concern about the Gettings model. The Gettings model is vaguely defined and leaves its interpretation and implementation far too open; and it would call for implementation decision making at various undefined points moving

forward. This is very disconcerting to Tampa Electric and would make it virtually impossible for the Commission, in the regulatory review process, to ascertain whether the model has been complied with.

Advantages of the OTM Call Option Hedging Strategy Alternative

The IOUs' proposed OTM call option strategy will achieve the goals of eliminating hedging settlement losses associated with the previous financial model for hedging natural gas purchases while at the same time providing continued protection of its customers from price spikes in the natural gas market.

The OTM call option model will certainly be easier to administer than the Gettings model. It will also be quicker to implement. During the course of the hedging workshops it appeared the IOUs would require up to two years to implement the Gettings model whereas the OTM call option model could be implemented promptly after receiving Commission approval. The Gettings model also requires daily monitoring and decision-making about whether to add or eliminate hedge positions, based on the results of a VaR model the utility must maintain. Tampa Electric has concerns about how to manage the model, how long it would take to react to changes in the model analytics, and how to defend this model and resulting decisions from later criticisms or second-guessing if outcomes are deemed unfavorable.

The OTM call option strategy will not require the costly system additions and modifications and additional personnel required to implement and administer the Gettings model. The OTM call option strategy will result in easier tracking and reporting and, therefore, less expensive implementation and administrative costs, when compared to the Gettings model.

The OTM call option model will require fewer guidelines from the Commission than the Gettings model. It will also be easier to revisit and modify or disassemble if it is shown not to be

working as designed. All of these factors strongly suggest that the Commission would be well advised to authorize the IOUs to implement the OTM call option model over the more complex Gettings model.

The OTM call option proposal will not allow settlement losses for fixed price swaps. The Gettings model will continue to utilize the fixed price swaps that have been criticized in the utility programs for leading to settlement losses when the market experience is a period of sustained decreasing prices; therefore, the Gettings model will result in swap settlement losses. As the companies discussed at the February 21, 2017 workshop, the results of back testing showed the OTM call option model to be a less costly alternative to the Gettings model in many years. The OTM call option model is also less costly than the fixed price swaps hedging model during a period of declining market prices.

Finally, utilizing OTM call options is a non-speculative approach to hedging that can be readily implemented and is straightforward to audit. And, since the Commission will be approving the budget for call option premiums, all parties will be aware of the maximum total cost for the price spike protection provided.

It Would Not be Prudent to Expand the Under-recovery Collection Time Frame

A potential spreading of significant under-recoveries over a two-year time period was discussed at the February 21 workshop. Such an approach could have a reverse effect and cause utility customers to incur even greater utility bills if a deferred under-recovery happens to coincide with a further significant under-recovery in the year which that deferred under-recovery would be collected. This would only compound the adverse impact on customers, contrary to the goal of prudent hedging practice.

A Hedging Opt-Out Provision Would Be Inappropriate

During the course of the February 21, 2017 workshop FIPUG reasserted a previously requested option to opt out of hedging. That effort ignores several important considerations. First of all, if hedging is a desirable tool to mitigate against natural gas price volatility, it provides this desirable trait to all customers, not just certain customer classes. Moreover, an opt out program for industrial customers would be confusing and costly to administer. IOUs do not purchase generation fuel for particular classes of customers, but do so collectively for all customers. Such a change would require costly system, reporting, and accounting changes. It would be difficult to administer a program where customers in different rate classes were charged different fuel rates based on a decision to opt-in or opt-out of hedging year by year. Since hedges have typically been placed, one, two or even three years ahead of the period in which fuel costs are incurred, there would need to be a significant lag when a customer decided to change their hedging status. This would make an opt-out program even more cumbersome to track and administer. Finally, if the IOUs' proposed OTM call option hedging strategy is approved, it will eliminate settlement losses associated with the previous hedging model that is subject to the current moratorium and replace it with a less expensive strategy that is also able to mitigate the effects of price increases. The magnitude of recent settlement losses is the chief criticism FIPUG has raised regarding the financial swaps hedging model currently in moratorium. Approval of the OTM call option model will eliminate the basis for that criticism.

Conclusion

Tampa Electric recommends that financial hedging of expected natural gas consumption continue through non-speculative OTM call options. The company requests that the Commission approve the IOUs' hedging proposal described above and decline to accept the Gettings risk-

responsive hedging program because it would cause delay, greater expenses and uncertainty in implementation.

ISSUES TO BE DECIDED

Issue 1A: **Is it in the consumers' best interest for the utilities to continue natural gas financial hedging activities?**

TECO: Yes. Hedging activities have long been recognized by the Commission to provide customer protections against natural gas price volatility. The IOUs' proposed OTM call option hedging strategy will continue to provide protection from price spikes while eliminating the risk of hedging settlement losses in a declining natural gas market.

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

TECO: The hedging strategy currently subject to moratorium should be replaced by the OTM call option strategy proposed by Tampa Electric and the other IOUs. Implementation of that strategy should achieve the dual goals of protecting utility customers from natural gas price spikes while at the same time allowing customers to enjoy benefits associated with declining natural gas prices and avoid hedging settlement losses that in recent years have been associated with the previous hedging model. It will do this while avoiding the complexity, significant additional costs and delay associated with the Gettings model.

Issue 2: **If changes are made to the manner in which electric utilities conduct their natural gas financial hedging activities, what regulatory implementation process should be followed?**

TECO: Tampa Electric would be capable of implementing the IOUs' proposed OTM call option hedging program in a prompt fashion upon approval of that program by the Commission. This could be accompanied by reasonable reporting requirements,

e.g., the schedule already in place for annual audit and review and approval of the previous risk management plans, testimony and reports in the fuel docket.

WHEREFORE, Tampa Electric submits the foregoing Post-Workshop Comments in this matter and urges the adoption of the IOUs' proposed OTM call option hedging strategy as the replacement for the swaps-based hedging model currently in moratorium.

DATED this 6th day of March 2017.

Respectfully submitted,

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ATTORNEYS FOR TAMPA ELECTRIC COMPANY

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing Post-Workshop Comments, filed on behalf of Tampa Electric Company, has been furnished by electronic delivery on this 6th day of March 2017, to the following:

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