

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Analysis of IOUs' hedging practices.

DOCKET NO. 170057-EI  
ORDER NO. PSC-17-0239-PCO-EI  
ISSUED: June 21, 2017

ORDER PARTIALLY DENYING MOTION TO AMEND STAFF ISSUES LIST

On February 28, 2017, this docket was opened by Commission staff to analyze the natural gas hedging practices of Florida's generating electric investor-owned utilities (IOUs)<sup>1</sup> in order to determine whether natural gas hedging should be continued and if so, whether any changes should be made to current hedging practices. This docket has been set for hearing on September 27 and 28, 2017.

On May 18, 2017, Commission staff circulated a proposed issues list for this docket containing the following issues:

- Issue 1: Is it in the consumers' best interest for the utilities to continue natural gas financial hedging activities?
- Issue 2: If hedging is determined to be in the customers' best interest, what changes, if any, should be made to the manner in which electric utilities conduct their natural gas financial hedging activities?
- Issue 3: If changes are made to the conduct of natural gas financial hedging activities, what regulatory implementation process is appropriate?
- Issue 4: Should a hedging opt-out tariff be offered for each IOU's large demand customer classes?
- Issue 5: Should this docket be closed?

On May 31, 2017, the Sierra Club filed a Motion to Amend the Staff Issues List (Motion) requesting that three issues be added to the Commission staff May 18<sup>th</sup> issue list:

- Issue 1A: What other measures are available to mitigate customer exposure to price volatility in natural gas markets?
- Issue 1B: Does financial hedging represent the least cost means of mitigating the risk of natural gas price increases?
- Issue 1C: What is the appropriate standard for the Commission to apply when determining whether to allow the IOUs to continue engaging in natural gas financial hedging?

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<sup>1</sup> Florida Power & Light Company; Duke Energy Florida, LLC; Tampa Electric Company; and Gulf Power Company.

The IOUs oppose the inclusion of Issues 1A and 1B on the grounds that they can be addressed fully within Issue 1, and take no position on the inclusion of Issue 1C. The Office of Public Counsel supports the inclusion of Issues 1A and 1B and takes no position on the inclusion of Issue 1C. The Florida Industrial Power Users Group and PSC Phosphate-White Springs take no position with regard to the inclusion of any of the issues.

Historically Commission practice has been to exclude separately stating specific issues that can be fully addressed within a broader issue. All parties, even the Sierra Club, acknowledge that Issues 1A and 1B can be addressed within Issue 1. Issue 1 has been worded to allow extensive discussion of the numerous facts and rationales which support either continuing or discontinuing financial natural gas hedging. When closely examined, the Sierra Club's Issues 1A and 1B are actually arguments for discontinuing hedging, i.e., that there are other, less expensive means of mitigating natural gas price volatility. A Commission vote on these issues is not required in order to resolve the larger, policy issue contained in Issue 1: whether natural gas financial hedging should be continued. To the extent that the Sierra Club is concerned that unless there are separate issues Commissioners will not carefully consider their testimony and arguments, I can assure them that will not be the case. For these reasons, the Sierra Club's motion to include Issues 1A and 1B is denied.

Issue 1C addresses the legal standard to be used in setting Commission policy on hedging. While it can be argued that the "consumers' best interest" language of Issue 1 states the applicable legal standard to be applied, inclusion of Issue 1C will clarify this point. Therefore, Issue 1C will be renumbered and included as a separate legal issue rephrased as follows: "What is the appropriate legal standard for the Commission to apply when determining whether to allow the IOUs to continue engaging in natural gas financial hedging?" Attachment A incorporates my rulings with regard to the Sierra Club's motion and states the issues to be litigated in this docket as of this date.

Based on the foregoing, it is

ORDERED by Ronald A. Brisé, as Prehearing Officer, that the Sierra Club's Motion to Amend Staff Issues List is hereby partially granted and partially denied as stated on Attachment A to this order.

By ORDER of Commissioner Ronald A. Brisé, as Prehearing Officer, this 21st day  
of June, 2017.



RONALD A. BRISÉ  
Commissioner and Prehearing Officer  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399  
(850) 413-6770  
www.floridapsc.com

Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: (1) reconsideration within 10 days pursuant to Rule 25-22.0376, Florida Administrative Code; or (2) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. A motion for reconsideration shall be filed with the Office of Commission Clerk, in the form prescribed by Rule 25-22.0376, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.

ATTACHMENT A

- Issue 1: What is the appropriate legal standard for the Commission to apply when determining whether to allow the IOUs to continue engaging in natural gas financial hedging activities?
- Issue 2: Is it in the consumers' best interest for the utilities to continue natural gas financial hedging activities?
- Issue 3: If hedging is determined to be in the customers' best interest, what changes, if any, should be made to the manner in which electric utilities conduct their natural gas financial hedging activities?
- Issue 4: If changes are made to the conduct of natural gas financial hedging activities, what regulatory implementation process is appropriate?
- Issue 5: Should a hedging opt-out tariff be offered for each IOU's large demand customer classes?
- Issue 6: Should this docket be closed?