

Docket No. 20170001-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 18, 2017

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **COMMISSION STAFF**

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

4 **DOCKET NO. 20170001-EI**

5 **SEPTEMBER 18, 2017**

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. 20130001-EI, 20140001-EI, 20150001-EI, and 20160001-EI.

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

1 A. The purpose of my testimony is to sponsor the staff auditor's report of Duke Energy
2 Florida, LLC (DEF or Utility) which addresses the Utility's filing in Docket No. 20170001-EI,
3 Fuel and Purchased Power Cost Recovery Clause, for costs associated with its hedging
4 activities. We issued an auditor's report in this docket for the hedging activities on September
5 15, 2017. This 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 We obtained DEF's supporting detail of the hedging settlements for the 12 months
12 ended July 31, 2017. The support documentation was reconciled to the general ledger
13 transaction detail. We verified that the accounting treatment for hedging transactions and
14 transaction costs is consistent with Commission orders relating to hedging activities. No
15 exceptions were noted.

16 Gains and Losses

17 We reconciled the monthly balances of hedging transactions from DEF's Hedging
18 Details Report for the period August 1, 2016, through July 31, 2017, to its Hedging Summary
19 by Commodity Reports for 2016 and 2017. We reviewed existing tolling agreements whereby
20 the Utility's natural gas is provided to generators under purchased power agreements. We
21 selected 22 natural gas hedging transactions from August 2016 through July 2017 as a sample.
22 We reconciled the selected samples from the Hedging Details Report to the third-party
23 confirmation notices and contracts. We reconciled the gains and losses to the Utility's journal
24 entries. We compared the price on the confirmation notice to the price published by the
25 NYMEX Henry Hub gas futures contract rates. No exceptions were noted.

1 Hedged Volume and Limits

2 We reviewed the quantity limits and authorizations for all hedged fuel types.
3 Compliance with the 2016 Risk Management Plan was tested in Docket 20160001-EI. The
4 2017 Risk Management Plan was withdrawn by the Utility. No exceptions were noted.

5 Separation of Duties

6 We reviewed the Utility's procedures for separating duties related to hedging
7 activities. We reviewed the Utility Audit Services Department's evaluations for the 12
8 months ending December 31, 2016, for the Regulated Fuels Inventory Management Process
9 and the Regulated Trading Cycle. There was no external audit on hedging activities during
10 the test period. No exceptions were noted.

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

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

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

14 A. Yes.

15

16

17

18

19

20

21

22

23

24

25

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, 2017

**Docket No. 20170001-EI
Audit Control No. 2017-048-2-1
September 6, 2017**

A handwritten signature in black ink, appearing to read "Simon O. Ojada", written over a horizontal line.

**Simon O. Ojada
Audit Manager**

A handwritten signature in black ink, appearing to read "Intesar Terkawi", written over a horizontal line.

**Intesar Terkawi
Reviewer**

Table of Contents

Purpose..... 1
Objectives and Procedures..... 2
Audit Findings
None..... 4

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 13, 2017. We applied these procedures to the schedules prepared by Duke Energy Florida, LLC in support of its filing for hedging activities in Docket No. 20170001-EI for the twelve months ended July 31, 2017.

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-2002-1484-FOF-EI, issued October 30, 2002, in Docket No. 20011605-EI, and as clarified by Order No. PSC-2008-0316-PAA-EI, issued May 14, 2008, and Order No. PSC-2008-0667-PAA-EI, issued October 8, 2008, in Docket No. 20080001-EI.

Procedures: We obtained DEF's supporting detail of the hedging settlements for the 12 months ended July 31, 2017. The support documentation was reconciled to the general ledger transaction detail. We verified 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-2002-1484-FOF-EI, PSC-2008-0316-PAA-EI, and PSC-2008-0667-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, 2016, through July 31, 2017, to its Hedging Summary by Commodity Reports for 2016 and 2017. We reviewed existing tolling agreements whereby the Utility's natural gas is provided to generators under purchased power agreements. We selected 22 natural gas hedging transactions from August 2016 through July 2017 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. Compliance with the 2016 Risk Management Plan was tested in Docket 20160001-EI. The 2017 Risk Management Plan was withdrawn by the Utility. 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, 2016, 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. 20170001-EI

DATED: September 18, 2017

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 18th day of September, 2017.

John Butler/Maria Jose Moncada
Florida Power & Light Company
700 Universe Blvd. (LAW/JB)
Juno Beach, FL 33408
John.Butler@fpl.com
Maria.Moncada@fpl.com

Ken Hoffman
Florida Power & Light Company
215 S. Monroe Street, Suite 810
Tallahassee, Florida 32301-1858
Ken.Hoffman@fpl.com

James Beasley./J. Jeffrey Wahlen/
Ashley M. Daniels
Ausley & McMullen
Post Office Box 391
Tallahassee, Florida 32302
jbeasley@ausley.com
jwahlen@ausley.com
adaniels@ausley.com

Ms. Paula K. Brown
Tampa Electric Company
Post Office Box 111
Tampa, Florida 33601
regdept@tecoenergy.com

Matthew Bernier
106 East College Avenue, Suite 800
Tallahassee, Florida 32301
Matthew.bernier@duke-energy.com

Dianne M. Triplett
299 First Avenue North
St. Petersburg, Florida 33701
Diane.triplett@duke-energy.com

Jon C. Moyle, Jr.
Moyle Law Firm, P.A.
118 North Gadsden Street
Tallahassee, FL 32301
jmoyle@moylelaw.com

Russell A. Badders/Steven R. Griffin
Beggs & Lane
Post Office Box 12950
Pensacola, Florida 32591-2950
rab@beggslane.com
srg@beggslane.com

CERTIFICATE OF SERVICE
DOCKET NO. 20170001-EI
PAGE 2

Jeffrey A. Stone/Rhonda J. Alexander
Gulf Power Company
One Energy Place
Pensacola, Florida 32520-0780
jastone@southernco.com
rjalexad@southernco.com

J.R. Kelly/Patricia A. Christensen/Charles J.
Rehwinkel/Erik L. Sayler
Office of Public Counsel
111 W. Madison Street, Room 812
Tallahassee, Florida 32399
Kelly.jr@leg.state.fl.us
Christensen.patty@leg.state.fl.us
Rehwinkel.charles@leg.state.fl.us
Sayler.erik@leg.state.fl.us

Beth Keating
Gunster, Yoakley & Stewart, P.A.
215 South Monroe Street, Suite 601
Tallahassee, Florida 32301
bkeating@gunster.com

Mike Cassel
Florida Public Utilities Company
1750 S. 14th Street, Suite 200
Fernandina Beach, Florida 32034
mcassel@fpuc.com

James W. Brew/Laura A. Wynn
Stone Mattheis Xenopoulos & Brew, P.C.
1025 Thomas Jefferson Street, NW
Eighth Floor, West Tower
Washington, DC 20007-5201
jbrew@smxblaw.com
law@smxblaw.com

Robert Scheffel Wright/John T. LaVia, III
Gardner Bist Wiener Wadsworth Bowden Bush
Dee LaVia & Wright, P.A.
1300 Thomaswood Drive
Tallahassee, Florida 32308
schef@gbwlegal.com
jlavia@gbwlegal.com

/s/ Suzanne Brownless

SUZANNE BROWNLESS
Special Counsel, Office of the General Counsel

FLORIDA PUBLIC SERVICE COMMISSION
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850
(850) 413-6199
sbrownle@psc.state.fl.us