

Docket No. 20170001-EI
Tampa Electric Company
Fuel and Purchased Power Cost Recovery Clause
Hedging Activities

Witness: Direct Testimony of INTESAR TERKAWI
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 INTESAR TERKAWI**

4 **DOCKET NO. 20170001-EI**

5 **SEPTEMBER 18, 2017**

6

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

8 A. My name is Intesar Terkawi. My business address is 1313 N. Tampa Street, Suite 220,
9 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 October 2001.

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

15 A. In 1995, I received a Master Degree of Arts with a major in Communications from the
16 University of Central Florida. In 2001, I received a Bachelor of Science Degree from the
17 University of Central Florida with a major in accounting. I am also a Certified Public
18 Accountant and an Enrolled Tax Agent.

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. 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 Tampa Electric
2 Company (TECO 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 IT-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 TECO's supporting detail of the hedging settlements for the twelve months
12 ended July 31, 2017. I traced the transactions to the general ledger and trade confirmation
13 documents. I verified that the accounting treatment for hedging transactions and transactions
14 costs are consistent with Commission orders relating to hedging activities. No exceptions
15 were noted.

16 Gains and Losses

17 I traced the monthly balances of hedging transactions from TECO's Hedging
18 Information Report to its Mark to Market Position Report for the period August 1, 2016, to
19 July 31, 2017. I selected all gas hedging transactions for September and October 2016 and
20 traced them from the Mark to Market Position Report to the third-party confirmation notices
21 and contracts. I traced a sample of the purchase prices to the Gas Daily – NYMEX Henry
22 Hub gas futures contract rates. I traced the related settlements prices to the Gas Daily –
23 NYMEX Henry Hub gas futures contract rate. I recalculated the gains and losses and traced
24 them to the Utility's journal entries for realized gains and losses. No exceptions were noted.

25 Hedged Volume and Limits

1 We reviewed the quantity limits and authorizations. We also obtained TECO's
2 analysis of the monthly percent of fuel hedged in relation to fuel burned for the year ended
3 July 31, 2017, and compared August 2016 through December 2016 to the Utility's 2016 Risk
4 Management Plan. Audit Staff could not compare January 2017 through July 2017 to the 2017
5 Risk Management Plan as it is withdrawn. No exceptions were noted.

6 Separation of Duties

7 I reviewed TECO's written procedures for separation of duties related to hedging
8 activities. There were no internal or external audits related to hedging activities. No
9 exceptions were noted.

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

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

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

13 **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

Tampa Electric Company
Hedging Activities

Twelve Months Ended July 31, 2017

Docket No. 20170001-EI
Audit Control No. 2017-048-2-2
September 7, 2017

Handwritten signature of Intesar Terkawi in black ink.

Intesar Terkawi
Audit Manager

Handwritten signature of Simon Ojada in black ink.

Simon Ojada
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 13, 2017. We applied these procedures to the schedules prepared by Tampa Electric Company 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

TECO or Utility refers to the Tampa Electric Company.

Accounting Treatment

Objective: The objective was to determine whether the accounting treatment for futures, options, and swap contracts between TECO and its counterparties is consistent with Commission Order No. PSC-2002-1484-FOF-EI, issued October 30, 2002, in Docket No. 011605-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. 080001-EI.

Procedures: We obtained TECO's supporting detail of the hedging settlements for the twelve months ended July 31, 2017. The support documentation was traced to the general ledger transaction detail. We verified that the accounting treatment for hedging transactions and transactions costs are 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 TECO implemented are in compliance with Commission Order Numbers PSC-2002-1484-FOF-EI, PSC-2008-0316-PAA-EI, and PSC-2008-0667-PAA-EI, relating to hedging activities.

Procedures: We traced the monthly balances of hedging transactions from TECO's Hedging Information Report to its Mark to Market Position Report for the period August 1, 2016, to July 31, 2017. We selected all gas hedging transactions from September and October 2016 and traced them from the Mark to Market Position Report to the third-party confirmation notices and contracts. We traced a sample of the purchase prices to the Gas daily NYMEX-Henry Hub gas futures contract rates. We traced the related settlements prices to the Gas Daily-NYMEX Henry Hub gas futures contract rate. We recalculated the gains and losses and traced them to the Utility's journal entries for realized gains and losses. We confirmed with the Utility that hedging transactions did not include tolling agreements. 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. We also obtained TECO's analysis of the monthly percent of fuel hedged in relation to fuel burned for the year ended July 31, 2017, and compared August 2016 through December 2016 to the Utility's 2016 Risk Management Plan. Audit Staff could not compare January 2017 through July 2017 to the 2017 Risk Management Plan as it is withdrawn. No exceptions were noted.

Separation of Duties

Objectives: The objectives were to review TECO's procedures for separating duties related to hedging activities for Front Office, Middle Office, and Back Office and their internal and external auditors' workpapers.

Procedures: We reviewed the Utility's procedures for separating duties related to hedging activities. There were no internal or external audits specifically performed on the separation of duties related to hedging activities. 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 Intesar Terkawi 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.

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