



Matthew R. Bernier
ASSOCIATE GENERAL COUNSEL

August 9, 2019

VIA ELECTRONIC FILING

Adam J. Teitzman, Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: *Fuel and Purchased Power Cost Recovery Clause with Generating
Performance Incentive Factor*; Docket 2019001-EI

Dear Mr. Teitzman:

Please find enclosed for electronic filing in the above-referenced Docket, Duke Energy Florida, LLC (DEF) Direct Testimony of James McClay and redacted Exhibit __ (JM-1P), DEF's Supplemental Hedging Report for the period of January 2019 through July 2019.

A Request for Confidential Classification covering the confidential information contained in Exhibit __ (JM-1P), along with the confidential information at issue is being filed under separate cover.

Thank you for your assistance in this matter. If you have any questions, please feel free to contact me at (850) 521-1428.

Sincerely,

/s/ Matthew R. Bernier

Matthew R. Bernier

MRB/cmkn
Enclosures

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished via electronic mail to the following this 9th day of August, 2019.

/s/ Matthew R. Bernier

Attorney

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**IN RE: PETITION ON BEHALF OF DUKE ENERGY FLORIDA, LLC.
FOR**

**FUEL AND CAPACITY COST RECOVERY
FINAL TRUE-UP FOR THE PERIOD
JANUARY THROUGH JULY 2019**

FPSC DOCKET NO. 20190001-EI

**DIRECT TESTIMONY OF
James McClay**

August 9, 2019

I. INTRODUCTION AND QUALIFICATIONS

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

2 **A.** My name is James McClay. My business address is 526 South Church Street,
3 Charlotte, North Carolina 28202.

4
5 **Q. By whom are you employed and in what capacity?**

6 **A.** I employed by Duke Energy Carolinas (“DEC”), an affiliate company of Duke
7 Energy Florida, LLC (“DEF”, “Petitioner” or “Company”) as the Director Trading.
8 I manage the Southeast power trading, Midwest financial activities, oil procurement
9 and natural gas group procurement, scheduling and hedging activities in the Trading
10 and Dispatch Section of the Fuels and Systems Optimization Department for the
11 Duke Energy regulated generation fleet. This group is responsible for the hourly
12 trading, financial hedging activities, oil procurement and natural gas procurement
13 and scheduling needed to support the gas generation needs for Duke Energy Indiana,
14 Duke Energy Kentucky, Duke Energy Carolinas, Duke Energy Progress and Duke
15 Energy Florida.

16

1 **Q. Please describe your education background and professional experience.**

2 **A.** I received a Bachelor Degree in Business Administration majoring in Finance from
3 St. Bonaventure University. I joined Progress Energy in 1998 as the Manager of
4 Power Trading and held that position through early 2003 and then became the
5 Director of Power Trading and Portfolio Management for Progress Energy Ventures
6 through February 2007. From March 2007 through late 2008, I was the Director of
7 Power Trading for Arclight Energy Marketing. From March 2009 through present
8 I've been either the Director Trading, Director of Natural Gas or the Manager of Gas
9 and Oil Trading with Progress Energy and Duke Energy. Prior to my tenure with
10 Duke Energy, I spent approximately 13 years in Capital Markets as a U.S.
11 Government fixed income securities trader with various banks, and primary broker/
12 dealers.

13
14 **Q. Have your duties and responsibilities remained the same since you last
15 testified in this proceeding?**

16 **A.** Yes.

17
18 **Q. What is the purpose of your testimony?**

19 **A.** The purpose of this testimony is to outline DEF's hedging results for January 2019
20 through July 2019.

21

22

23

1 **Q. Are you sponsoring any exhibits to your testimony?**

2 **A.** Yes, I am sponsoring the following exhibit:

- 3 • Exhibit No.____ (JM-1P) – Hedging Results for January 2019 through March
4 2019.

5
6 **Q. What are the objectives of DEF’s hedging activities?**

7 **A.** The objectives of DEF’s hedging strategy are to reduce the impacts of fuel price risk
8 and volatility over time, and provide a greater degree of fuel price certainty for DEF’s
9 customers for a portion of fuel costs.

10

11 **Q. Describe the hedging activities that the Company has executed for 2020.**

12 **A.** As approved by the Commission, DEF is currently under a moratorium on hedging
13 and has not executed any financial hedges for any periods since October 21, 2016,
14 and therefore does not have any hedges in place for 2020 or beyond.

15

16 **Q. What were the results of DEF’s hedging activities for January through March
17 2019?**

18 **A.** The Company’s natural gas hedging activities for the period of January 2019
19 through March 2019 have resulted in hedges being below the closing natural gas
20 settlement prices by approximately \$100,700. DEF had hedging transactions
21 entered into under previously approved risk management plans that settled in 2019.
22 To clarify, DEF does not have any hedges in place past March 2019 - therefore
23 there are no results to report for April through July of 2019. DEF’s hedging activity

1 did achieve the objective to reduce the impacts of fuel price risk and volatility, and
2 providing greater fuel price certainty for DEF's customers.

3

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

5 **A.** Yes.

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Duke Energy Florida
Natural Gas Hedging Detail

Natural Gas	Savings/(Cost) on Hedges			Hedged Volumes (MMBtu's)			Actual Burn (Generation & Tolling)	Hedged Burns	% Hedged with Financial	% Hedged with Physical
	Financial	Physical	Total	Financial	Physical	Total Hedged				
Year										
Jan-19							19,812,300			
Feb-19							18,424,800			
Mar-19							17,991,900			
YTD	\$100,700	\$0	\$100,700	3,150,000	0	3,150,000	56,229,000	6%	100%	0%

REDACTED

DEF Gas Hedging Status
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As of March 31, 2019

Physical/ Financial	Instrument	Put/Call	Month	Trade Number	Counterparty	Market	Location	Volume	Fixed Price (\$/MMBtu)	Settlement (\$/MMBtu)	Savings/Cost on Hedge	Actual/Projected Burns	% Hedged
Financial	Financial Swap		1/1/2019	3413590	BKMONTREAL	IFERC	Henry Hub			\$3.6500			
Financial	Financial Swap		1/1/2019	3407033	BKMONTREAL	IFERC	Henry Hub			\$3.6500			
Financial	Financial Swap		1/1/2019	3415207	Citigroup Energy E	IFERC	Henry Hub			\$3.6500			
Financial	Financial Swap		1/1/2019	3407887	Citigroup Energy E	IFERC	Henry Hub			\$3.6500			
Financial	Financial Swap		1/1/2019	3409077	JPMorganChase Bank E	IFERC	Henry Hub			\$3.6500			
Financial	Financial Swap		1/1/2019	3411171	Merrill LynchCom E EM	IFERC	Henry Hub			\$3.6500			
Financial	Financial Swap		1/1/2019	3412832	Scotia Bank	IFERC	Henry Hub			\$3.6500			
			1/1/2019 Total									19,812,300	
Financial	Financial Swap		2/1/2019	3413590	BKMONTREAL	IFERC	Henry Hub			\$2.9500			
Financial	Financial Swap		2/1/2019	3407033	BKMONTREAL	IFERC	Henry Hub			\$2.9500			
Financial	Financial Swap		2/1/2019	3415207	Citigroup Energy E	IFERC	Henry Hub			\$2.9500			
Financial	Financial Swap		2/1/2019	3407887	Citigroup Energy E	IFERC	Henry Hub			\$2.9500			
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Financial	Financial Swap		2/1/2019	3411171	Merrill LynchCom E EM	IFERC	Henry Hub			\$2.9500			
Financial	Financial Swap		2/1/2019	3412832	Scotia Bank	IFERC	Henry Hub			\$2.9500			
			2/1/2019 Total									18,424,800	
Financial	Financial Swap		3/1/2019	3413590	BKMONTREAL	IFERC	Henry Hub			\$2.8600			
Financial	Financial Swap		3/1/2019	3407033	BKMONTREAL	IFERC	Henry Hub			\$2.8600			
Financial	Financial Swap		3/1/2019	3415207	Citigroup Energy E	IFERC	Henry Hub			\$2.8600			
Financial	Financial Swap		3/1/2019	3407887	Citigroup Energy E	IFERC	Henry Hub			\$2.8600			
Financial	Financial Swap		3/1/2019	3409077	JPMorganChase Bank E	IFERC	Henry Hub			\$2.8600			
Financial	Financial Swap		3/1/2019	3411171	Merrill LynchCom E EM	IFERC	Henry Hub			\$2.8600			
Financial	Financial Swap		3/1/2019	3412832	Scotia Bank	IFERC	Henry Hub			\$2.8600			
			3/1/2019 Total									17,991,900	