

Docket No. 140001-EI: Fuel and Purchased Power Cost Recovery Clause.
Tampa Electric Company's Hedging Activities

Witness: **Direct Testimony of INTESAR TERKAWI**, Appearing on Behalf of
the Staff of the Florida Public Service Commission

Date Filed: September 12, 2014

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

COMMISSION STAFF

DIRECT TESTIMONY OF INTESAR TERKAWI

DOCKET NO. 140001-EI

September 12, 2014

Q. Please state your name and business address.

A. My name is Intesar Terkawi. My business address is 4950 West Kennedy Blvd., Suite 310, Tampa, Florida 33609.

Q. By whom are you presently employed and in what capacity?

A. I am employed by the Florida Public Service Commission as a Public Utility Analyst in the Office of Auditing and Performance Analysis.

Q. How long have you been employed by the Commission?

A. I have been employed by the Florida Public Service Commission since October 2001.

Q. Briefly review your educational and professional background.

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

Q. Please describe your current responsibilities.

A. My responsibilities consist of planning and conducting utility audits of manual and automated accounting systems for historical and forecasted data.

Q. Have you previously presented testimony before this Commission?

A. No.

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

2 A. The purpose of my testimony is to sponsor the staff audit report of Tampa Electric
3 Company (TECO or Utility) which addresses the Utility's filing in Docket No. 140001-EI
4 Fuel and Purchased Power Cost Recovery Clause for costs associated with its hedging
5 activities. We issued an audit report in this docket for the hedging activities on September 8,
6 2014. This audit report is filed with my testimony and is identified as Exhibit IT-1.

7 **Q. Was this audit prepared by you or under your direction?**

8 A. Yes, it was prepared under my direction.

9 **Q. Please describe the work performed in this audit.**

10 A. I have separated the audit work into several categories.

11 Accounting Treatment

12 I reviewed TECO's supporting detail of the hedging settlements for the twelve months
13 ended July 31, 2014. I traced the transactions to the general ledger and trade confirmation
14 documents. I verified that the hedging settlements were in compliance with the Risk
15 Management Plan and verified that the accounting treatment for hedging transactions and
16 transactions costs are consistent with Commission orders relating to hedging activities. No
17 exceptions were noted.

18 Gains and Losses

19 I traced the monthly balances of hedging transactions from TECO's Hedging
20 Information Report to its Mark to Market Position Report for the period August 1, 2013, to
21 July 31, 2014. I selected all gas hedging transactions for October and November 2013 and
22 traced them from the Mark to Market Position Report to the third-party confirmation notices
23 and contracts. I traced a sample of the purchase prices to the Gas Daily – NYMEX Henry
24 Hub gas futures contract rates. I traced the related settlements prices to the Gas Daily –
25 NYMEX Henry Hub gas futures contract rate. I recalculated the gains and losses and traced

1 them to the Utility's journal entries for realized gains and losses. I reviewed existing tolling
2 agreements whereby the Utility's natural gas is provided to generators under purchased power
3 agreements. No exceptions were noted.

4 Hedged Volume and Limits

5 I reviewed the quantity limits and authorizations. I also obtained TECO's analysis of
6 the monthly percent of fuel hedged in relation to fuel burned for the twelve months ended July
7 31, 2014, and compared them with the Utility's Risk Management Plan. There were variances
8 for 4 of the 12 months between the percentages of actual and projected natural gas burned that
9 were hedged. All variances were a result of inaccurate forecasting. No further work was
10 done.

11 Separation of Duties

12 I reviewed TECO's written procedures for separation of duties related to hedging
13 activities. There were no internal and external audits related to hedging activities. No
14 exceptions were noted.

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

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

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

18 **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, 2014

Docket No. 140001-EI
Audit Control No. 14-083-2-2
August 19, 2014

Handwritten signature of Intesar Terkawi in black ink.

Intesar Terkawi
Audit Manager

Handwritten signature of Linda Hill in blue ink.

Linda Hill
Reviewer

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Purpose

To: Florida Public Service Commission

We performed the procedures described later in this report to meet the agreed-upon objectives set forth by the Division of Accounting and Finance in its audit service request dated March 20, 2014. We applied these procedures to the schedules prepared by Tampa Electric Company in support of its filing for hedging activities in Docket No. 140001-EI for the twelve months ended July 31, 2014.

This audit was performed following General Standards and Fieldwork Standards found in the AICPA Statements on Standards for Attestation Engagements. Our report is based on agreed-upon procedures. 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-02-1484-FOF-EI, issued October 30, 2002, in Docket No. 011605-EI, and as clarified by Order No. PSC-08-0316-PAA-EI, issued May 14, 2008, and Order No. PSC-08-0667-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, 2014. The support documentation was traced to the general ledger transaction detail. We verified that the hedging settlements were in compliance with the Risk Management Plan and 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-02-1484-FOF-EI, PSC-08-0316-PAA-EI, and PSC-08-0667-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, 2013, to July 31, 2014. We selected all gas hedging transactions from October and November 2013 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 reviewed existing tolling agreements whereby the Utility's natural gas is provided to generators under purchased power 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 twelve months ended July 31, 2014, and compared them with the Utility's Risk Management Plan. There were variances for 4 of the 12 months between the percentages of actual and projected natural gas burned that were hedged. All variances were a result of inaccurate forecasting.

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 internal and external auditor's work papers.

Procedures: We reviewed the Utility's procedures for separating duties related to hedging activities. There were no internal or external audits specifically 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. 140001-EI

DATED: September 12, 2014

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that the testimony of INTESAR TERKAWI on behalf of the Florida Public Service Commission was filed with the Office of Commission Clerk, Florida Public Service Commission, and copies were furnished to the following, by electronic mail, on this 12th day of September, 2014.

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