

Docket No. 150001-EI  
Gulf Power Company  
Fuel and Purchased Power Cost Recovery Clause  
Hedging Activities

**Witness: Direct Testimony of George Simmons**  
Appearing on Behalf of the Staff of the Florida Public Service Commission

**Date Filed:** September 29, 2015

1                                   **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2   **COMMISSION STAFF**

3   **DIRECT TESTIMONY OF GEORGE SIMMONS**

4   **DOCKET NO. 150001-EI**

5   **SEPTEMBER 29, 2015**

6  
7   **Q.     Please state your name and business address.**

8   A.     My name is George Simmons. My business address is 2540 Shumard Oak Boulevard,  
9   Tallahassee, Florida, 32399.

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 I in the Office of Auditing and Performance Analysis. I have been  
13 employed by the Commission since November 2013.

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

15 A.     I graduated from Florida A&M University in 2013 and have a Bachelor of Arts degree  
16 in accounting.

17 **Q.     Please describe your current responsibilities.**

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

20 **Q.     Have you previously presented testimony before this Commission?**

21 A.     No, I have never testified before the Commission.

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

23 A.     The purpose of my testimony is to sponsor the staff audit report of Gulf Power  
24 Company (Gulf or Utility) which addresses the Utility's filing in Docket No. 150001-EI, Fuel  
25 and purchased power cost recovery clause, for costs associated with its hedging activities. We

1 issued an audit report in this docket for the hedging activities on September 15, 2015. This  
2 audit report is filed with my testimony and is identified as Exhibit (GS-1).

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

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

5 **Q. Please describe the work you performed in this audit.**

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

7 Accounting Treatment

8 We obtained Gulf's supporting detail of the hedging settlements for the twelve months  
9 ended July 31, 2015. The support documentation was traced to the general ledger transaction  
10 detail. We verified that the hedging settlements are in compliance with the Risk Management  
11 Plan and verified that the accounting treatment for hedging transactions and transactions costs  
12 is consistent with Commission orders relating to hedging activities. No exceptions were  
13 noted.

14 Gains and Losses

15 We traced the monthly balances of all hedging transactions from Gulf's Hedging  
16 Information Reports to its settlement report and its general ledger for the period August 1,  
17 2014 to July 31, 2015. We reviewed existing tolling agreements whereby the Utility's natural  
18 gas is provided to generators under purchased power agreements. We recalculated the gains  
19 and losses, traced the price to the settlement statement details, and compared the price to the  
20 gas futures rates published by the New York Mercantile Exchange (NYMEX) Henry Hub Gas  
21 futures contract rates. We compared these recalculated gains and losses with Gulf's journal  
22 entries for realized gains and losses. No exceptions were noted.

23 Hedged Volume and Limits

24 We reviewed the quantity limits and authorizations. We also obtained Gulf's analysis  
25 of the monthly percent of natural gas hedged in relation to natural gas burned for the twelve

1 months ended July 31, 2015, and compared them with the Utility's Risk Management Plan.

2 No exceptions were noted.

3 Separation of Duties

4 We reviewed the Utility's procedures for separating duties related to hedging  
5 activities. There were no internal or external audits related to hedging activities. No  
6 exceptions were noted.

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

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

9 **Q. Does that conclude your testimony?**

10 A. Yes.

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State of Florida



**Public Service Commission**

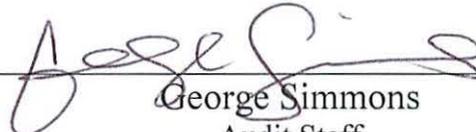
Office of Auditing and Performance Analysis  
Bureau of Auditing  
Tallahassee District Office

**Auditor's Report**

Gulf Power Company  
Hedging Activities

**Twelve Months Ended July 31, 2015**

Docket No. 150001-EI  
Audit Control No. 15-051-1-1  
**September 11, 2015**

  
George Simmons  
Audit Staff

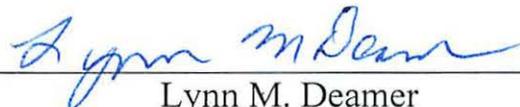
  
Lynn M. Deamer  
Reviewer

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## Purpose

To: Florida Public Service Commission

We have 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 February 18, 2015. We have applied these procedures to the schedules prepared by Gulf Power Company in support of its filing for the hedging activities in Docket No. 150001-EI.

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

### **Definitions**

GPC or Utility refers to Gulf Power Company.

### **Accounting Treatment**

**Objectives:** The objective was to determine whether the accounting treatment for futures, options, and swap contracts between GPC 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 GPC's supporting detail of the hedging settlements for the twelve months ended July 31, 2015. The support documentation was traced to the general ledger transaction detail. We verified that the hedging settlements are in compliance with the Risk Management Plan and verified that the accounting treatment for hedging transactions and transactions costs is consistent with Commission orders relating to hedging activities. No exceptions were noted.

### **Gains and Losses**

**Objectives:** The objective was to determine whether the gains and losses associated with each financial hedging instrument that GPC implemented are in compliance with Commission Order Nos. 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 all hedging transactions from GPC's Hedging Information Reports to its settlement report and its general ledger for the period August 1, 2014 to July 31, 2015. We reviewed existing tolling agreements whereby the Utility's natural gas is provided to generators under purchased power agreements. We recalculated the gains and losses, traced the price to the settlement statement details, and compared the price to the gas futures rates published by the NYMEX Henry Hub gas futures contract rates. We compared these recalculated gains and losses with GPC's journal entries for realized gains and losses. No exceptions were noted.

### **Hedged Volume and Limits**

**Objectives:** The objective was to determine whether the quantities of natural gas, residual 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 GPC's analysis of the monthly percent of natural gas hedged in relation to natural gas burned for the twelve months ended July 31, 2015, and compared them with the Utility's Risk Management Plan. No exceptions were noted.

## **Separation of Duties**

**Objectives:** The objectives were to review GPC's procedures for separating duties related to hedging activities for Front Office, Middle Office, and Back Office and internal and external audit work papers.

**Procedures:** We reviewed the Utility's procedures for separating duties related to hedging activities. There were no internal or external audits 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. 150001-EI

DATED: September 29, 2015

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that the testimony of George Simmons 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 29th day of September, 2015.

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*/s/ Suzanne Brownless*

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