

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Fuel and purchased power cost recovery
clause with generating performance incentive
factor.

DOCKET NO. 20180001-EI

DATED: September 14, 2018

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that the testimony and exhibits of Debra M. Dobiac 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 by electronic mail to the following on this 14th day of September, 2018.

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Docket No. 20180001-EI
Florida Power & Light Company
Fuel and Purchased Power Cost Recovery Clause
Hedging Activities

Witness: **Direct Testimony of DEBRA M. DOBIAC,**
Appearing on Behalf of the Staff of the Florida Public Service Commission

Date Filed: September 14, 2018

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **COMMISSION STAFF**

3 **DIRECT TESTIMONY OF DEBRA M. DOBIAC**

4 **DOCKET NO. 20180001-EI**

5 **SEPTEMBER 14, 2018**

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

7 A. My name is Debra M. Dobiac. My business address is 2540 Shumard Oak Boulevard,
8 Tallahassee, Florida, 32399.

9 **Q. By who are you presently employed?**

10 A. I am employed by the Florida Public Service Commission (FPSC or Commission) in the
11 Office of Auditing and Performance Analysis. I have been employed by the Commission since
12 January 2008.

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

14 A. Currently, I am a Public Utility Analyst with the responsibilities of managing regulated
15 utility financial audits. I am also responsible for creating audit work programs to meet a specific
16 audit purpose.

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

18 A. I graduated with honors from Lakeland College in 1993 and have a Bachelor of Arts
19 degree in accounting. Prior to my work at the Commission, I worked for six years in internal
20 auditing at the Kohler Company and First American Title Insurance Company. I also have
21 approximately 12 years of experience as an accounting manager and controller.

22 **Q. Have you presented testimony before this Commission or any other regulatory**
23 **agency?**

24 A. Yes. I testified in the Aqua Utilities Florida, Inc. Rate Case, Docket No. 20080121-WS,
25 the Water Management Services, Inc. Rate Case, Docket No. 20110200-WU, and the Utilities,

1 Inc. of Florida Rate Case, Docket No. 20160101-WS. I also provided testimony for the Water
2 Management Services, Inc. Rate Case, Docket No. 20100104-WU, the Gulf Power Company
3 Rate Cases, Docket Nos. 20110138-EI and 20130140-EI, and the Gulf Power Company Hedging
4 Activities, Docket Nos. 20130001-EI and 20140001-EI.

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

6 A. The purpose of my testimony is to sponsor the staff auditor's report of Florida Power &
7 Light Company (FPL or Utility) which addresses the Utility's filing in Docket No. 20180001-EI,
8 Fuel and Purchased Power Cost Recovery Clause, for costs associated with its hedging activities.
9 We issued an auditor's report in this docket for the hedging activities on August 23, 2018. This
10 report is filed with my testimony and is identified as Exhibit DMD-1.

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

12 A. Yes, it was prepared by me.

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

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

15 Accounting Treatment

16 We obtained FPL's supporting detail of the hedging settlements for the five months
17 ended December 31, 2017. The support documentation was traced to the general ledger
18 transaction detail. We verified that the accounting treatment for hedging transactions and
19 transactions costs are consistent with Commission orders relating to hedging activities. We
20 noted that there was no hedging activity from January to July 2018 as required by Order No.
21 2016-0560-AS-EI, issued December 15, 2016. No exceptions were noted.

22 Gains and Losses

23 We traced the monthly balances of hedging transactions from FPL's April 3, 2018
24 Hedging Information Report filed in this docket for the period August 1, 2017, to December 31,
25 2017 to FPL's Derivative Settlement Reports. We selected a sample of hedging transactions

1 from various counterparties from September and December 2017 for natural gas and traced them
2 from the Derivative Settlement Report to the invoices, purchase statements, confirmation notices
3 and deal tickets. We compared a sample of the purchase prices to the Gas Daily – NYMEX
4 Henry Hub gas futures contract rates. We traced the floating price to the Settlement Price
5 worksheet and to the Gas Daily – NYMEX Henry Hub gas futures contract rates provided by the
6 Utility. We recalculated the gains and losses. We compared the recalculated gains and losses
7 with the FPL’s journal entries for realized gains and losses. FPL does not have any tolling
8 agreements where natural gas is provided to generators under purchased power agreements. FPL
9 did not have any physical hedging instruments in its August 1, 2017 to July 31, 2018 hedging
10 activities. No exceptions were noted.

11 Hedged Volume and Limits

12 We reviewed the quantity limits and authorizations. We also obtained FPL’s analysis of
13 the monthly percent of natural gas hedged in relation to natural gas burned for the five months
14 ended December 31, 2017, and compared them with the Utility’s 2016 Risk Management Plan.
15 The Utility did not file a Risk Management Plan in 2017 or 2018. No exceptions were noted.

16 Separation of Duties

17 We reviewed the Utility’s procedures for separating duties related to hedging activities.
18 We verified the separation of duties during our testing of transactions by agreeing the names of
19 various employees from deal tickets and confirmations to FPL’s procedures. We requested
20 internal and external audits that related to hedging activities for the period August 1, 2017 to July
21 31, 2018. The Utility stated there were none. No exceptions were noted.

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

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

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

25 A. Yes, it does.

State of Florida



Public Service Commission

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

Auditor's Report

Florida Power & Light Company
Hedging Activities

Twelve Months Ended July 31, 2018

Docket No. 20180001-EI
Audit Control No. 2018-058-4-1
August 17, 2018

A handwritten signature in black ink, appearing to read "Debra M. Dobiac", written over a horizontal line.

Debra M. Dobiac
Audit Manager

A handwritten signature in blue ink, appearing to read "Marisa N. Glover", written over a horizontal line.

Marisa N. Glover
Reviewer

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Purpose

To: Florida Public Service Commission

We have 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 26, 2018. We have applied these procedures to the attached schedules prepared by Florida Power & Light Company in support of its filing for hedging activities in Docket No. 20180001-EI.

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

FPL or Utility refers to Florida Power & Light Company.

Accounting Treatment

Objectives: The objective was to determine whether the accounting treatment for futures, options, and swap contracts between FPL 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 FPL's supporting detail of the hedging settlements for the five months ended December 31, 2017. The support documentation was traced 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. We noted that there was no hedging activity from January to July 2018 as stated by Order No. 2016-0560-AS-EI, issued December 15, 2016. 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 FPL 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 traced the monthly balances of hedging transactions from FPL's April 3, 2018 Hedging Information Report filed in this docket for the period August 1, 2017, to December 31, 2017 to FPL's Derivative Settlement Reports. We selected a sample of hedging transactions from various counterparties from September and December 2017 for natural gas and traced them from the Derivative Settlement Report to the invoices, purchase statements, confirmation notices and deal tickets. We compared a sample of the purchase prices to the Gas Daily – NYMEX Henry Hub gas futures contract rates. We traced the floating price to the Settlement Price worksheet and to the Gas Daily – NYMEX Henry Hub gas futures contract rates provided by the Utility. We recalculated the gains and losses. We compared the recalculated gains and losses with the FPL's journal entries for realized gains and losses. FPL does not have any tolling agreements where natural gas is provided to generators under purchased power agreements. FPL did not have any physical hedging instruments in its August 1, 2017 to December 31, 2017 hedging activities. No exceptions were noted.

Hedging Volume and Limits

Objectives: 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 FPL's analysis of the monthly percent of natural gas hedged in relation to natural gas burned for the five months ended December 31, 2017, and compared them with the Utility's 2016 Risk Management Plan. No exceptions were noted.

Separation of Duties

Objectives: The objective was to review FPL's procedures for separating duties related to hedging activities for front office, middle office, and back office and to review internal and external auditor's work papers.

Procedures: We reviewed the Utility's procedures for separating duties related to hedging activities. We verified the separation of duties during our testing of transactions by agreeing the names of various employees from deal tickets and confirmations to FPL's procedures. We requested internal and external audits that related to hedging activities for the period August 1, 2017 to July 31, 2018. The Utility stated there were none. No exceptions were noted.

Audit Findings

None