



Matthew R. Bernier
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Duke Energy Florida, LLC.

April 3, 2020

VIA ELECTRONIC FILING

Mr. Adam 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 No. 20200001-EI*

Dear Mr. Teitzman:

Please find enclosed for electronic filing in the above referenced docket, Duke Energy Florida, LLC's ("DEF") Hedging Activity True-Up Report for the period of August 2019 through December 2019. The filing includes the following:

- The direct testimony of James McClay.

Thank you for your assistance in this matter. Please feel free to call me at (850) 521-1428 should you have any questions concerning this filing.

Respectfully,

s/Matthew R. Bernier

Matthew R. Bernier

MRB/mw
Enclosures

Duke Energy Florida, LLC
Docket No.: 20200001
CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished via electronic mail this 3rd day of April, 2020 to all parties of record as indicated below.

s/Matthew R. Bernier

Attorney

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**DUKE ENERGY FLORIDA
DOCKET No. 20200001-EI**

**Fuel and Capacity Cost Recovery
Final True-Up for the Period
January through December 2019**

**DIRECT TESTIMONY OF
JAMES MCCLAY**

April 3, 2020

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 of
8 Trading. I manage the Southeast power trading, Midwest financial activities,
9 oil procurement and natural gas group procurement, scheduling and hedging
10 activities in the Trading and Dispatch Section of the Fuels and Systems
11 Optimization Department for the Duke Energy regulated generation fleet.
12 This group is responsible for the hourly trading, financial hedging activities,
13 oil procurement and natural gas procurement and scheduling needed to
14 support the gas generation needs for Duke Energy Indiana, Duke Energy

1 Kentucky, Duke Energy Carolinas, Duke Energy Progress and Duke Energy
2 Florida.

3
4 **Q. Have you testified before the Commission in previous fuel clause
5 proceedings?**

6 A. Yes.

7
8 **Q. Please briefly describe your work experience.**

9 A. I received a Bachelor Degree in Business Administration majoring in Finance
10 from St. Bonaventure University. I joined Progress Energy in 1998 as the
11 Manager of Power Trading and held that position through early 2003 and then
12 became the Director of Power Trading and Portfolio Management for Progress
13 Energy Ventures through February 2007. From March 2007 through late 2008,
14 I was the Director of Power Trading for Arclight Energy Marketing. From
15 March 2009 through present I've been either the Director of Trading, Director
16 of Natural Gas or the Manager of Gas and Oil Trading with Progress Energy
17 and Duke Energy. Prior to my tenure with Duke Energy, I spent approximately
18 13 years in Capital Markets as a U.S. Government fixed income securities
19 trader with various banks, and primary broker/ dealers.

20
21 **Q. What is the purpose of your testimony?**

22 A. The purpose of my testimony is to provide the August through December 2019
23 hedging true-up data and summarize the results of DEF's hedging activity for
24 calendar year 2019 as required by Commission Order No. PSC-02-1484-

1 FOF-EI and further clarified by Commission Orders No. PSC-08-0667-PPA-
2 EI issued in October 2008, and No. PSC-09-0255-PAA-EI issued in April
3 2009.

4
5 **Q. Have you prepared exhibits to your testimony?**

6 A. No. To clarify, DEF does not have any hedges in place past March 2019 -
7 therefore there are no results to report for August through December of 2019.

8
9 **Q. What are the objectives of DEF's hedging strategy?**

10 A. The objectives of DEF's hedging program are to reduce fuel price volatility
11 risk and provide greater cost certainty for DEF's customers.

12
13 **Q. What hedging activities did DEF undertake for 2019 and what were the
14 results?**

15 A. As discussed below, DEF did not execute any hedges during 2019. Prior
16 hedging activities resulted in a net hedge savings for 2019 of approximately
17 \$100,700.

18
19 **Q. Did DEF execute its hedging activities consistent with its approved Risk
20 Management Plan?**

21 A. As part of the Joint Stipulation and Agreement for Interim Resolution of
22 Hedging Issues filed on October 24, 2016 in Docket No. 20160001-EI, DEF
23 ceased hedging activities. Subsequently, DEF agreed to a hedging
24 moratorium during the term of the 2017 Second Revised and Restated

1 Stipulation and Settlement Agreement, approved by the Commission in
2 Docket No. 20170183-EI. Notwithstanding the suspension of prospective
3 hedging activities, DEF had hedging transactions entered into under
4 previously approved risk management plans that settled in 2019.

5
6 As outlined in those earlier Commission-approved plans, actual hedge
7 percentages for any monthly period, rolling twelve month time period or
8 calendar annual period can come in higher or lower than the hedge
9 percentage targets as a result of actual versus forecasted fuel burns.

10
11 **Q. Did DEF hedging activities meet the stated objective and are the**
12 **activities consistent with the Commission's Orders for hedging?**

13 A. Yes. DEF's hedging activity met the stated objective of DEF's hedging
14 program to reduce price risk and provide greater cost certainty for DEF's
15 customers. The hedging activities are consistent with Commission Orders
16 No. PSC-02-1484-FOF-EI, No. PSC-08-0667-PPA-EI, and No. PSC-09-0255-
17 PAA-EI. DEF's hedging activities are conducted in an environment of strong
18 internal controls and executed in a structured manner. DEF's hedging
19 activities do not attempt to outguess the market and may or may not result in
20 net fuel cost savings, but have achieved the objectives of reduced fuel price
21 volatility.

22
23 **Q. Does this conclude your testimony?**

24 A. Yes.