

Docket No. 160001-EI  
Gulf Power Company  
Fuel and Purchased Power Cost Recovery Clause  
Hedging Activities

**Witness: Direct Testimony of Donna Brown**  
Appearing on Behalf of the Staff of the Florida Public Service Commission

**Date Filed:** September 23, 2016

1                                   **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2   **COMMISSION STAFF**

3   **DIRECT TESTIMONY OF GEORGE SIMMONS**

4   **DOCKET NO. 160001-EI**

5   **SEPTEMBER 23, 2016**

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

8   A.     My name is Donna D. Brown. 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 II in the Office of Auditing and Performance Analysis. I have been  
13 employed by the Commission since February 2008.

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

15 A.     I graduated from Florida A&M University's School of Business & Industry in 2006  
16 with a Bachelor of Arts degree 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.     Yes. I filed testimony in the Fuel and Purchased Power Cost Recovery Clause, Docket  
22 Nos. 110001-EI and 120001-EI.

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

24 A.     The purpose of my testimony is to sponsor the staff audit report of Gulf Power  
25 Company (Gulf or Utility) which addresses the Utility's filing in Docket No. 160001-EI, Fuel

1 and Purchased Power Cost Recovery Clause, for costs associated with its hedging activities.  
2 We issued an audit report in this docket for the hedging activities on September 15, 2016.  
3 This audit report is filed with my testimony and is identified as Exhibit (DDB-1).

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

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

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

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

8 Accounting Treatment

9 We obtained Gulf's supporting detail of the hedging settlements for the twelve months  
10 ended July 31, 2016. The support documentation was traced to the general ledger transaction  
11 detail. We verified that the hedging settlements are in compliance with the Risk Management  
12 Plan and verified that the accounting treatment for hedging transactions and transactions costs  
13 is consistent with Commission orders relating to hedging activities. No exceptions were  
14 noted.

15 Gains and Losses

16 We traced the monthly balances of all hedging transactions from Gulf's Hedging  
17 Information Reports to its settlement report and its general ledger for the period August 1,  
18 2015 to July 31, 2016. We reviewed existing tolling agreements whereby the Utility's natural  
19 gas is provided to generators under purchased power agreements. We recalculated the gains  
20 and losses, traced the price to the settlement statement details, and compared the price to the  
21 gas futures rates published by the New York Mercantile Exchange (NYMEX) Henry Hub Gas  
22 futures contract rates. We compared these recalculated gains and losses with Gulf's journal  
23 entries for realized gains and losses. No exceptions were noted.

24 Hedged Volume and Limits

25 We reviewed the quantity limits and authorizations. We also obtained Gulf's analysis

1 of the monthly percent of natural gas hedged in relation to natural gas burned for the twelve  
2 months ended July 31, 2016, and compared them with the Utility's Risk Management Plan.  
3 No exceptions were noted.

4 Separation of Duties

5 We reviewed the Utility's procedures for separating duties related to hedging  
6 activities. We also reviewed internal audit reports from August 1, 2015 to July 31, 2016 and  
7 noted one pertained to fuel hedging programs, issued July 12, 2016 with no reportable  
8 findings. No exceptions were noted.

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

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

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

12 A. Yes.

13

14

15

16

17

18

19

20

21

22

23

24

25

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, 2016**

Docket No. 160001-EI  
Audit Control No. 16-068-1-1  
**August 31, 2016**

A handwritten signature in black ink, reading "Donna D. Brown".

---

Donna D. Brown  
Audit Staff

A handwritten signature in blue ink, reading "Marisa N. Glover".

---

Marisa N. Glover  
Reviewer

Table of Contents

Purpose..... 1  
Objectives and Procedures..... 2  
Audit Findings  
None..... 4

## 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 March 3, 2016. We have applied these procedures to the attached schedules prepared by Gulf Power Company in support of its filing for hedging activities in Docket No. 160001-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

### **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, 2016. 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 account 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, 2015 to July 31, 2016. We reviewed existing tolling arrangements 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 month ended July 31, 2016, 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 reports or work papers.

**Procedures:** We reviewed the Utility's procedures for separating duties related to hedging activities. We reviewed internal audit reports from August 1, 2015 to July 31, 2016 and noted that one pertained to the review of the fuel hedging program and was issued July 12, 2016 with no reportable findings. No further work was done.

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. 160001-EI

DATED: September 23, 2016

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that the testimony of Donna Brown 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 23rd day of September, 2016.

John Butler/Maria Jose Moncada  
Florida Power & Light Company  
700 Universe Blvd. (LAW/JB)  
Juno Beach, FL 33408  
[John.Butler@fpl.com](mailto:John.Butler@fpl.com)  
[Maria.Moncada@fpl.com](mailto:Maria.Moncada@fpl.com)

Ken Hoffman  
Florida Power & Light Company  
215 S. Monroe Street, Suite 810  
Tallahassee, Florida 32301-1858  
[Ken.Hoffman@fpl.com](mailto:Ken.Hoffman@fpl.com)

James Beasley./J. Jeffry Wahlen/  
Ashley M. Daniels  
Ausley & McMullen  
Post Office Box 391  
Tallahassee, Florida 32302  
[jbeasley@ausley.com](mailto:jbeasley@ausley.com)  
[jwahlen@ausley.com](mailto:jwahlen@ausley.com)  
[adaniels@ausley.com](mailto:adaniels@ausley.com)

Ms. Paula K. Brown  
Tampa Electric Company  
Post Office Box 111  
Tampa, Florida 33601  
[regdept@tecoenergy.com](mailto:regdept@tecoenergy.com)

Matthew Bernier  
106 East College Avenue  
Suite 800  
Tallahassee, Florida 32301  
[Matthew.bernier@duke-energy.com](mailto:Matthew.bernier@duke-energy.com)

Dianne M. Triplett  
299 First Avenue North  
St. Petersburg, Florida 33701  
[Diane.triplett@duke-energy.com](mailto:Diane.triplett@duke-energy.com)

Jon C. Moyle, Jr.  
Moyle Law Firm, P.A.  
118 North Gadsden Street  
Tallahassee, FL 32301  
[jmoyle@moylelaw.com](mailto:jmoyle@moylelaw.com)

Jeffrey A. Stone/Russell A. Badders/  
Steven R. Griffin  
Beggs & Lane  
Post Office Box 12950  
Pensacola, Florida 32591-2950  
[jas@beggslane.com](mailto:jas@beggslane.com)  
[rab@beggslane.com](mailto:rab@beggslane.com)  
[srg@beggslane.com](mailto:srg@beggslane.com)

DOCKET NO. 160001-EI  
CERTIFICATE OF SERVICE  
PAGE 2

Robert L. McGee  
Gulf Power Company  
One Energy Place  
Pensacola, Florida 32520-0780  
[rlmcgee@southernco.com](mailto:rlmcgee@southernco.com)

J.R. Kelly/Patricia A. Christensen/Charles J.  
Rehwinkel/Erik L. Sayler/John J. Truitt  
Office of Public Counsel  
111 W. Madison Street, Room 812  
Tallahassee, Florida 32399  
[Kelly.jr@leg.state.fl.us](mailto:Kelly.jr@leg.state.fl.us)  
[Christensen.patty@leg.state.fl.us](mailto:Christensen.patty@leg.state.fl.us)  
[Rehwinkel.charles@leg.state.fl.us](mailto:Rehwinkel.charles@leg.state.fl.us)  
[Sayler.erik@leg.state.fl.us](mailto:Sayler.erik@leg.state.fl.us)  
[Truitt.John@leg.state.fl.us](mailto:Truitt.John@leg.state.fl.us)

Beth Keating  
Gunster, Yoakley & Stewart, P.A.  
215 South Monroe Street, Suite 601  
Tallahassee, Florida 32301  
[bkeating@gunster.com](mailto:bkeating@gunster.com)

Mike Cassel  
Florida Public Utilities Company  
1750 S. 14<sup>th</sup> Street, Suite 200  
Fernandina Beach, Florida 32034  
[mcassel@fpuc.com](mailto:mcassel@fpuc.com)

James W. Brew/Laura A. Wynn  
Stone Mattheis Xenopoulos & Brew, P.C.  
1025 Thomas Jefferson Street, NW  
Eighth Floor, West Tower  
Washington, DC 20007-5201  
[jbrew@smxblaw.com](mailto:jbrew@smxblaw.com)  
[law@smxblaw.com](mailto:law@smxblaw.com)

Robert Scheffel Wright/John T. LaVia, III  
Gardner Bist Wiener Wadsworth Bowden Bush  
Dee LaVia & Wright, P.A.  
1300 Thomaswood Drive  
Tallahassee, Florida 32308  
[schef@gbwlegal.com](mailto:schef@gbwlegal.com)  
[jlavia@gbwlegal.com](mailto:jlavia@gbwlegal.com)

*/s/ Danijela Janjic*

---

DANIJELA JANJIC  
Senior Attorney, Office of the General Counsel

FLORIDA PUBLIC SERVICE COMMISSION  
2540 Shumard Oak Blvd.  
Tallahassee, FL 32399-0850  
(850) 413-6199  
[djanjic@psc.state.fl.us](mailto:djanjic@psc.state.fl.us)