

State of Florida




Public Service Commission

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-M-E-M-O-R-A-N-D-U-M-

DATE: September 26, 2016

TO: Carlotta Stauffer, Commission Clerk

FROM: Danijela Janjic, Senior Attorney, Office of General Counsel 

RE: Docket No. 160001-EI - Fuel and purchased power cost recovery clause with generating performance incentive factor.

On Friday, September 23, 2016, Document No. 17783-16, Direct Testimony of Marisa N. Glover, was filed in the above-referenced docket. Due to scrivener error, the name of the witness was incorrectly titled on Page 1, Line 3 of the direct testimony. Please find attached the direct testimony containing the correction.

Thank you.

DJ/nah

Docket No. 160001-EI: Fuel and Purchased Power Cost Recovery Clause.
Florida Power & Light Company's Hedging Activities

Witness: **Direct Testimony of Marisa N. Glover**, 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 MARISA N. GLOVER**

4 **DOCKET NO. 160001-EI**

5 **SEPTEMBER 23, 2016**

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

7 A. My name is Marisa Glover and my business address is 2540 Shumard Oak Boulevard,
8 Tallahassee, FL 32399.

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

10 A. I am employed by the Florida Public Service Commission (FPSC or Commission) as a
11 Regulatory Analyst Supervisor in the Office of Auditing and Performance Analysis.

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

13 A. I have been employed by the Commission since April 2016.

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

15 A. I have a Bachelor of Science degree in Accounting from the Saint Leo University, and
16 a Criminology degree from Florida State University.

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

18 A. Currently, I am a Regulatory Analyst Supervisor with the responsibilities of
19 administering the Tallahassee and Miami District Office, reviewing work load and allocating
20 resources to complete field work and issue audit reports when due. I also supervise, plan, and
21 conduct utility audits of manual and automated accounting systems for historical and
22 forecasted data.

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

25 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 Florida Power &
3 Light Company (FPL or Utility) which addresses the Utility's filing in Docket No. 160001-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 August 19,
6 2016. This audit report is filed with my testimony and is identified as Exhibit MNG-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 you performed in this audit.**

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

11 Accounting Treatment

12 We obtained FPL's supporting detail of the hedging settlements for the twelve months
13 ended July 31, 2016. The support documentation was traced to the general ledger transaction
14 detail. We 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 We traced the monthly balances of hedging transactions from FPL's April 6, 2016 and
20 August 18, 2016 filings in this docket for the period August 1, 2015 to July 31, 2016 to FPL's
21 Derivative Settlement Report. We selected various hedging transactions from various
22 counterparties from November 2015 and March 2016 for natural gas as a sample and traced
23 them from the Derivative Settlement Report to the invoices, purchase statements, confirmation
24 notices and deal tickets. FPL does not have any tolling agreements where natural gas is
25 provided to generators under purchase power agreements. We recalculated the gains and

1 losses. We compared these recalculated gains and losses with FPL's journal entries for
2 realized gains and losses. We compared a sample of the purchase prices to the futures rates
3 published by the NYMEX Henry Hub gas futures contract rates. We traced a sample of
4 settlement prices to the futures rates published by the NYMEX Henry Hub gas futures
5 contract rates. No exceptions were noted.

6 Hedged Volume and Limits

7 We reviewed the quantity limits and authorizations. We also obtained FPL's analysis
8 of the monthly percent of fuel hedged in relation to fuel burned for the twelve months ended
9 July 31, 2016, and compared them with the Utility's Risk Management Plan. The hedged
10 targets for natural gas were traced to the Planned Position Strategy Schedule. The fuel burn
11 forecast was traced to the Fuel Burn Summary. No exceptions were noted.

12 Separation of Duties

13 We reviewed the Utility's procedures for separating duties related to hedging
14 activities. We traced the names from deal tickets and confirmations to FPL's procedures and
15 determined the physical location of various personnel. No exceptions were noted.

16 **Q. Please review the audit findings in this audit report, Exhibit MNG-1.**

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

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

19 A. Yes.

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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, 2016

Docket No. 160001-EI
Audit Control No. 16-068-4-1
August 19, 2016

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

Marisa N. Glover
Audit Manager

A handwritten signature in blue ink, appearing to read "Lynn M. Deamer", written over a horizontal line.

Lynn M. Deamer
Reviewer

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Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report set forth by the Division of Accounting and Finance in its audit service request dated February 26, 2016. 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. 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

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-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 FPL's supporting detail of the hedging settlements for the twelve months ended July 31, 2016. We verified that the hedging settlements were in compliance with the Risk Management Plan and determined that the accounting treatment for hedging transactions and transaction costs is consistent with Commission orders relating to hedging activities. No exceptions were noted.

Gains and Losses

Objectives: The objective was to determine whether gains and losses associated with each financial hedging instrument that FPL 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 hedging transactions from FPL's April 6, 2016 and August 18, 2016 filings in this docket for the period August 1, 2015 to July 31, 2016 to FPL's Derivative Settlement Report. We selected a sample of hedging transactions from various counterparties from November 2015 and March 2016 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 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. Physical hedging transactions were reviewed for the months of November 2015 and March 2016. The losses were recalculated. No exceptions were noted.

Hedged 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 fuel hedged in relation to fuel burned for the twelve months ended July 31, 2016, and compared them with the Utility's Risk Management Plan. The hedged targets for natural gas were traced to the Planned Position Strategy Schedule. The fuel burn forecast was traced to the Fuel Burn Summary. 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 out testing of transactions by agreeing the names of various employees from deal tickets and confirmations to FPL's procedures. According to the Utility there has not been any internal or external audits related to the 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. 160001-EI

DATED: September 23, 2016

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that the testimony of Marisa N. Glover 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.

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