

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 Simon O. Ojada 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  
Duke Energy Florida, LLC  
Fuel and Purchased Power Cost Recovery Clause  
Hedging Activities

**Witness: Direct Testimony of SIMON O. OJADA**  
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 SIMON O. OJADA**

4 **DOCKET NO. 20180001-EI**

5 **SEPTEMBER 14, 2018**

6

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

8 A. My name is Simon O. Ojada. My business address is 1313 N. Tampa Street, Suite  
9 220, Tampa, Florida 33602.

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 in the Office of Auditing and Performance Analysis. I have been  
13 employed by the Commission since April 1997.

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

15 A. I received a Bachelor of Science degree from the University of South Florida with a  
16 major in Finance in 1991, a Bachelor of Science Degree from Florida Metropolitan University  
17 with a major in Accounting in 1994, and a Master of Business Administration with a  
18 concentration in Accounting in 1997.

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

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

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

23 A. Yes. I filed testimony in the Fuel and Purchased Power Cost Recovery Clause, Docket  
24 Nos. 20130001-EI, 20140001-EI, 20150001-EI, 20160001-EI and 20170001-EI.

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

1 A. The purpose of my testimony is to sponsor the staff auditor's report of Duke Energy  
2 Florida, LLC (DEF or Utility) which addresses the Utility's filing in Docket No. 20180001-EI,  
3 Fuel and Purchased Power Cost Recovery Clause, for costs associated with its hedging  
4 activities. We issued an auditor's report in this docket for the hedging activities on August 31,  
5 2018. This report is filed with my testimony and is identified as Exhibit SOO-1.

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

7 A. Yes, it was prepared by me.

8 **Q. Please describe the work performed in this audit.**

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

10 Accounting Treatment

11 We obtained DEF's supporting detail of the hedging settlements for the 12 months  
12 ended July 31, 2018. The support documentation was reconciled to the general ledger  
13 transaction detail. We verified that the accounting treatment for hedging transactions and  
14 transaction costs is consistent with Commission orders relating to hedging activities. The  
15 Utility did not enter into any new contracts between August 1, 2017 and July 31, 2018. No  
16 exceptions were noted.

17 Gains and Losses

18 We reconciled the monthly balances of hedging transactions from DEF's Hedging  
19 Details Report for the period August 1, 2017, through July 31, 2018, to its Hedging Summary  
20 by Commodity Reports for 2017 and 2018. We reviewed existing tolling agreements whereby  
21 the Utility's natural gas is provided to generators under purchased power agreements. We  
22 selected 22 natural gas hedging transactions from August 2017 through July 2018 as a sample.  
23 We reconciled the selected samples from the Hedging Details Report to the third-party  
24 confirmation notices and contracts. We reconciled the gains and losses to the Utility's journal  
25 entries. We compared the price on the confirmation notice to the price published by

1 the NYMEX Henry Hub gas futures contract rates. No exceptions were noted.

2 Hedged Volume and Limits

3 We reviewed the quantity limits and authorizations for all hedged fuel types. The  
4 Utility did not file a Risk Management Plan in 2017 or 2018. No exceptions were noted.

5 Separation of Duties

6 We reviewed the Utility's procedures for separating duties related to hedging  
7 activities. We reviewed the Utility Audit Services Department's evaluations for the 12  
8 months ending December 31, 2017, for the Regulated Fuels Inventory Management Process  
9 and the Regulated Trading Cycle. There was no external audit on hedging activities during  
10 the test period. No exceptions were noted.

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

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

13 **Q. Does this conclude your testimony?**

14 A. Yes.

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State of Florida



## Public Service Commission

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

### Auditor's Report

Duke Energy Florida, LLC  
Hedging Activities

**Twelve Months Ended July 31, 2018**

Docket No. 20180001-EI  
Audit Control No. 2018-058-2-1  
**August 27, 2018**

A handwritten signature in blue ink, appearing to read "Simon O. Ojada", written over a horizontal line.

Simon O. Ojada  
Audit Manager

A handwritten signature in black ink, appearing to read "Linda Hill", written over a horizontal line.

Linda Hill  
Reviewer

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## Purpose

To: Florida Public Service Commission

We 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 applied these procedures to the schedules prepared by Duke Energy Florida, LLC in support of its filing for hedging activities in Docket No. 20180001-EI for the twelve months ended July 31, 2018.

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

DEF or Utility refers to Duke Energy Florida, LLC.

### **Accounting Treatment**

**Objective:** The objective was to determine whether the accounting treatment for futures, options, and swap contracts between DEF 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 DEF's supporting detail of the hedging settlements for the 12 months ended July 31, 2018. The support documentation was reconciled 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. The Utility did not enter into any new contracts between August 1, 2017 and July 31, 2018. No exceptions were noted.

### **Gains and Losses**

**Objective:** The objective was to determine whether the gains and losses associated with each financial hedging instrument that DEF 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 reconciled the monthly balances of hedging transactions from DEF's Hedging Details Report for the period August 1, 2017, through July 31, 2018, to its Hedging Summary by Commodity Reports for 2017 and 2018. We reviewed existing tolling agreements whereby the Utility's natural gas is provided to generators under purchased power agreements. We selected 22 natural gas hedging transactions from August 2017 through July 2018 as a sample. We reconciled the selected samples from the Hedging Details Report to the third-party confirmation notices and contracts. We reconciled the gains and losses to the Utility's journal entries. We compared the price on the confirmation notice to the price published by the NYMEX Henry Hub gas futures contract rates. No exceptions were noted.

## **Hedged Volume and Limits**

**Objective:** 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 for all hedged fuel types in compliance with the 2016 Risk Management Plan. There were no Risk Management Plans filed in 2017 or 2018. No exceptions were noted.

## **Separation of Duties**

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

**Procedures:** We reviewed the Utility's procedures for separating duties related to hedging activities. We reviewed the Utility Audit Services Department's evaluations for the 12 months ended December 31, 2017, for the Regulated Fuels Inventory Management Process and the Regulated Trading Cycle. There was no external audit on hedging activities during the test period. No exceptions were noted.

Audit Findings

**None**