

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 20200001-EI - Fuel and purchased power cost recovery clause with generating performance incentive factor.

WITNESS: Direct Testimony of DEBRA DOBIAC appearing on behalf of the Staff of the Florida Public Service Commission

DATE FILED: September 16, 2020

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **COMMISSION STAFF**

3 **DIRECT TESTIMONY OF DEBRA DOBIAC**

4 **DOCKET NO. 20200001-EI**

5 **SEPTEMBER 16, 2020**

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

8 A. My name is Debra M. Dobiac. 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 in the Office of Auditing and Performance Analysis. I have been
13 employed by the Commission since January 2008.

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

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

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 testified in the Aqua Utilities Florida, Inc. Rate Case, Docket No. 20080121-
24 WS, the Water Management Services, Inc. Rate Case, Docket No. 20110200-WU, and the
25 Utilities, Inc. of Florida Rate Case, Docket No. 20160101-WS. I also provided testimony for

1 the Water Management Services, Inc. Rate Case, Docket No. 20100104-WU, the Gulf Power
2 Company Rate Cases, Docket Nos. 20110138-EI and 20130140-EI, the Fuel and Purchased
3 Power Recovery Clause (Hedging Activities) for Gulf Power Company, Docket Nos.
4 20130001-EI, 20140001-EI, and 20190001-EI, the Fuel and Purchased Power Recovery
5 Clause (Hedging Activities) for Florida Power & Light Company, Docket No. 20180001-EI,
6 Florida Public Utilities Company's Limited Proceeding to recover incremental Storm
7 Restoration Costs, Docket No. 20180061-EI, the Gulf Power Company Limited Proceeding to
8 recover incremental Storm Restoration Costs, Docket No. 20190038-EI, and the Florida
9 Public Utilities Company's Petition for a Limited Proceeding to recover incremental Storm
10 Restoration Costs, Capital Costs, Revenue Reduction for Permanently Lost Customers, and
11 Regulatory Assets Related to Hurricane Michael in Docket No. 20190156-EI.

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

13 A. The purpose of my testimony is to sponsor the staff auditor's report of Gulf Power
14 Company (Gulf or Utility) which addresses the Utility's filing in Docket No. 20200001-EI,
15 Fuel and Purchased Power Cost Recovery Clause, for costs associated with its hedging
16 activities. We issued an auditor's report in this docket for the hedging activities on September
17 1, 2020. This report is filed with my testimony and is identified as Exhibit DMD-1.

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

19 A. Yes, it was prepared by me.

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

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

22 Accounting Treatment

23 We obtained Gulf's supporting detail of the hedging settlements for the twelve months
24 ended July 31, 2020. The support documentation was traced to the general ledger transaction
25 detail. We verified that the hedging settlements are in compliance with the Risk Management

1 Plan and verified that the accounting treatment for hedging transactions and transactions costs
2 is consistent with Commission orders relating to hedging activities. The Utility did not enter
3 into any new contracts between August 1, 2019 and July 31, 2020. Gulf's hedging program
4 was completed in the first quarter of 2020. No exceptions were noted.

5 Gains and Losses

6 We traced the monthly balances of all hedging transactions from Gulf's Hedging
7 Information Reports to its settlement report and its general ledger for the period August 1,
8 2019 to July 31, 2020. We reviewed existing tolling agreements whereby the Utility's natural
9 gas is provided to generators under purchased power agreements. We recalculated the gains
10 and losses, traced the price to the settlement statement details, and compared the price to the
11 gas futures rates published by the New York Mercantile Exchange (NYMEX) Henry Hub Gas
12 futures contract rates. We compared these recalculated gains and losses with Gulf's journal
13 entries for realized gains and losses. No exceptions were noted.

14 Hedged Volume and Limits

15 We reviewed the quantity limits and authorizations. We also obtained GPC's analysis
16 of the monthly percent of natural gas hedged in relation to natural gas burned for the twelve
17 months ended July 31, 2020, and compared them with the Utility's 2016 Risk Management
18 Plan. No exceptions were noted.

19 Separation of Duties

20 We reviewed the Utility's procedures for separating duties related to hedging
21 activities. We noted that as of January 1, 2019, all hedges outstanding were transferred to
22 NextEra/FPL and they oversee the settling of the remaining hedges. There were no internal
23 and external audits specifically performed on the separation of duties related to hedging
24 activities. No exceptions were noted.

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

1 A. There were no findings in this audit.

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

3 A. Yes.

4

5

6

7

8

9

10

11

12

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, 2020

Docket No. 20200001-EI
Audit Control No. 2020-013-1-1
August 24, 2020

A handwritten signature in black ink, appearing to read "Debra M. Dobiac".

Debra Dobiac
Audit Manager

A handwritten signature in blue ink, appearing to read "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 January 13, 2020. 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. 20200001-EI.

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-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 GPC's supporting detail of the hedging settlements for the twelve months ended July 31, 2020. 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 accounting treatment for hedging transactions and transactions costs is consistent with Commission orders relating to hedging activities. Pursuant to the 2017 Stipulation and Settlement Agreement, the Utility did not enter into any new contracts between August 1, 2019 and July 31, 2020. GPC's hedge program was completed in the first quarter of 2020. 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-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 all hedging transactions from GPC's Hedging Information Reports to its settlement report and its general ledger for the period August 1, 2019 to July 31, 2020. We reviewed existing tolling agreements 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 months ended July 31, 2020, and compared them with the Utility's 2016 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 noted that the hedges currently in place for GPC were previously executed by Southern Company. As of January 1, 2019, all hedges were transferred to Next Era/FPL employees and they oversee the settling of those hedges. There were no internal or external audits specifically performed on the separation of duties related to hedging activities. No further work was performed.

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. 20200001-EI

DATED: September 16, 2020

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that the testimony of Debra 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 16th day of September, 2020.

James Beasley/J. Jeffry Wahlen/M. Means
Ausley Law Firm
Post Office Box 391
Tallahassee, Florida 32302
jbeasley@ausley.com
jwahlen@ausley.com
mmeans@ausley.com

Kenneth A. Hoffman
Florida Power & Light Company
134 W. Jefferson Street
Tallahassee, Florida 32301
kenneth.hoffman@fpl.com

Steven R. Griffin
Beggs Law Firm
Post Office Box 12950
Pensacola, Florida 32591-2950
srg@beggslane.com

Mike Cassel
Florida Public Utilities Company
208 Wildlight Ave.
Yulee, FL 32097
mcassel@fpuc.com

Matthew R. Bernier, Esq.
Duke Energy Florida
106 East College Avenue, Suite 800
Tallahassee, Florida 32301
matthew.bernier@duke-energy.com
FLRegulatoryLegal@duke-energy.com

Dianne M. Triplett
Duke Energy Florida
299 First Avenue North
St. Petersburg, Florida 33701
Dianne.triplett@duke-energy.com

Jon C. Moyle, Jr.
Moyle Law Firm, P.A.
118 North Gadsden Street
Tallahassee, FL 32301
jmoyle@moylelaw.com
mqualls@moylelaw.com

Maria Jose Moncada/ David M. Lee
Florida Power & Light Company
700 Universe Boulevard
Juno Beach, FL 33408-0420
Maria.moncada@fpl.com
david.lee@fpl.com

James W. Brew/Laura W. Baker
Stone Law Firm
1025 Thomas Jefferson Street, NW
Eighth Floor, West Tower
Washington, DC 20007
jbrew@smxblaw.com
lwb@smxblaw.com

J.R. Kelly/Patricia A. Christensen
S. Morse/ T. David/ M. Fall-Fry/
C. Rehwinkel
Office of Public Counsel
111 W. Madison Street, Room 812
Tallahassee, Florida 32399
Kelly.jr@leg.state.fl.us
Christensen.patty@leg.state.fl.us
Morse.stephanie@leg.state.fl.us
David.tad@leg.state.fl.us
Fall-fry.mireille@leg.state.fl.us
Rehwinkel.charles@leg.state.fl.us

Russell A. Badders
Gulf Power Company
One Energy Place, Bin 100
Pensacola, FL 32520
Russell.badders@nexteraenergy.com

Beth Keating
Gunster Law Firm
215 South Monroe Street, Suite 601
Tallahassee, Florida 32301
bkeating@gunster.com

Ms. Paula K. Brown
Tampa Electric Company
Post Office Box 111
Tampa, Florida 33601
regdept@tecoenergy.com

/s/ Suzanne S. Brownless

SUZANNE S. BROWNLESS
Special Counsel, Office of the General Counsel

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