

Docket No. 20190001-EI
Gulf Power Company
Fuel and Purchased Power Cost Recovery Clause
Hedging Activities

Witness: Direct Testimony of DEBRA DOBIAC
Appearing on Behalf of the Staff of the Florida Public Service Commission

Date Filed: September 13, 2019

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **COMMISSION STAFF**

3 **DIRECT TESTIMONY OF DEBRA DOBIAC**

4 **DOCKET NO. 20190001-EI**

5 **SEPTEMBER 13, 2019**

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, and the Gulf Power
3 Company Hedging Activities, Docket Nos. 20130001-EI, 20140001-EI, the Florida Power &
4 Light Company Hedging Activities, Docket No. 20180001-EI, and the Florida Public Utilities
5 Company's petition for limited proceeding to recover incremental storm restoration costs,
6 Docket No. 20180061-EI.

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

8 A. The purpose of my testimony is to sponsor the staff auditor's report of Gulf Power
9 Company (Gulf or Utility) which addresses the Utility's filing in Docket No. 20190001-EI,
10 Fuel and Purchased Power Cost Recovery Clause, for costs associated with its hedging
11 activities. We issued an auditor's report in this docket for the hedging activities on August 28,
12 2019. This report is filed with my testimony and is identified as Exhibit DMD-1.

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

14 A. Yes, it was prepared by me.

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

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

17 Accounting Treatment

18 We obtained Gulf's supporting detail of the hedging settlements for the twelve months
19 ended July 31, 2019. The support documentation was traced to the general ledger transaction
20 detail. We verified that the hedging settlements are in compliance with the Risk Management
21 Plan and verified that the accounting treatment for hedging transactions and transactions costs
22 is consistent with Commission orders relating to hedging activities. The Utility did not enter
23 into any new contracts between August 1, 2018 and July 31, 2019. Gulf's hedging program is
24 expected to be completed in the first quarter of 2020. No exceptions were noted.

25 Gains and Losses

1 We traced the monthly balances of all hedging transactions from Gulf's Hedging
2 Information Reports to its settlement report and its general ledger for the period August 1,
3 2018 to July 31, 2019. We reviewed existing tolling agreements whereby the Utility's natural
4 gas is provided to generators under purchased power agreements. We recalculated the gains
5 and losses, traced the price to the settlement statement details, and compared the price to the
6 gas futures rates published by the New York Mercantile Exchange (NYMEX) Henry Hub Gas
7 futures contract rates. We compared these recalculated gains and losses with Gulf's journal
8 entries for realized gains and losses. No exceptions were noted.

9 Hedged Volume and Limits

10 We reviewed the quantity limits and authorizations. We also obtained GPC's analysis
11 of the monthly percent of natural gas hedged in relation to natural gas burned for the twelve
12 months ended July 31, 2019, and compared them with the Utility's 2016 Risk Management
13 Plan. No exceptions were noted.

14 Separation of Duties

15 We reviewed the Utility's procedures for separating duties related to hedging
16 activities. We note that as of January 1, 2019, all hedges outstanding were transferred to
17 NextEra/FPL and it will oversee the settling of the remaining hedges. There were no internal
18 or external audits specifically performed on the separation of duties related to hedging
19 activities. No exceptions were noted.

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

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

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

23 A. Yes.

24

25

State of Florida



Public Service Commission

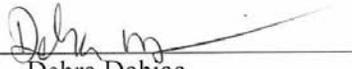
Office of Auditing and Performance Analysis
Bureau of Auditing
Tallahassee District Office

Auditor's Report

Gulf Power Company
Hedging Activities

Twelve Months Ended July 31, 2019

Docket No. 20190001-EI
Audit Control No. 2019-070-1-1
August 21, 2019


Debra Dobiac
Audit Manager

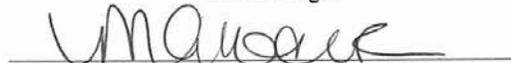

Marisa N. Glover
Reviewer

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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 8, 2019. 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. 20190001-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, 2019. 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, 2018 and July 31, 2019. GPC's hedge program is expected to be 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, 2018 to July 31, 2019. 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, 2019, 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 will 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. 20190001-EI

DATED: September 13, 2019

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that the testimony of Commission Staff Debra D. Dobiac has been filed with the Office of the Commission Clerk and a copy has been sent to the following by electronic mail this 13th day of September, 2019:

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

Ken Hoffman
Florida Power & Light Company
215 S. Monroe Street, Suite 810
Tallahassee, Florida 32301-1858
Ken.Hoffman@fpl.com

James Beasley/J. Jeffry Wahlen/
Ausley & McMullen
Post Office Box 391
Tallahassee, Florida 32302
jbeasley@ausley.com
jwahlen@ausley.com

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

J.R. Kelly/Patricia A. Christensen
S. Morse/ T. David
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

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

Maria J. Moncada/ Joel Baker
700 Universe Blvd.
Juno Beach, Florida 33408
Maria.moncada@fpl.com,
Joel.baker@fpl.com

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

Beth Keating
Gunster, Yoakley & Stewart, P.A.
215 South Monroe Street, Suite 601
Tallahassee, Florida 32301
bkeating@gunster.com

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

Russell A. Badders
Shane Boyett
Gulf Power Company
One Energy Place
Pensacola, FL 32520
Russell.badders@nexteraenergy.com
Charles.boyett@nexteraenergy.com

Schef Wright
John Lavia
Gardner, Bist, Bowden, et al
1300 Thomaswood Dr
Tallahassee, FL 32308-7914
schef@gbwlegal.com
jlavia@gbwlegal.com

Mike Cassel
Florida Public Utilities Company
1750 S. 14th Street, Suite 200
Fernandina Beach, Florida 32034
mcassel@fpuc.com

Holly Henderson/ Lisa Roddy
Gulf Power Company
215 S. Monroe St., Suite 618
Tallahassee, FL 32301
Holly.henderson@nexteraenergy.com
Lisa.rodny@nexteraenergy.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