

Docket No. 20190001-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 13, 2019

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **COMMISSION STAFF**

3 **DIRECT TESTIMONY OF SIMON O. OJADA**

4 **DOCKET NO. 20190001-EI**

5 **SEPTEMBER 13, 2019**

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, 20170001-EI, and 20180001-  
25 EI.

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

2 A. The purpose of my testimony is to sponsor the staff auditor's report of Duke Energy  
3 Florida, LLC (DEF or Utility) which addresses the Utility's filing in Docket No. 20190001-EI,  
4 Fuel and Purchased Power Cost Recovery Clause, for costs associated with its hedging  
5 activities. We issued an auditor's report in this docket for the hedging activities on September  
6 3, 2019. This report is filed with my testimony and is identified as Exhibit SOO-1.

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

8 A. Yes, it was prepared by me.

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

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

11 Accounting Treatment

12 We obtained DEF's supporting detail of the hedging settlements for the 12 months  
13 ended July 31, 2019. The support documentation was reconciled to the general ledger  
14 transaction detail. We verified that the accounting treatment for hedging transactions and  
15 transaction costs is consistent with Commission orders relating to hedging activities. The  
16 Utility did not enter into any new contracts between August 1, 2018 and July 31, 2019. No  
17 exceptions were noted.

18 Gains and Losses

19 We reconciled the monthly balances of hedging transactions from DEF's Hedging  
20 Details Report for the period August 1, 2018, through July 31, 2019, to its Hedging Summary  
21 by Commodity Reports for 2018 and 2019. DEF completed its outstanding hedging  
22 transaction settlements as of March 31, 2019. We reviewed existing tolling agreements  
23 whereby the Utility's natural gas is provided to generators under purchased power agreements.  
24 We selected 20 natural gas hedging transactions from September 2018 through December  
25 2018 as a sample. We reconciled the selected samples from the Hedging Details Report to

1 the third-party confirmation notices and contracts. We reconciled the gains and losses to the  
2 Utility's journal entries. We compared the price on the confirmation notice to the price  
3 published by the NYMEX Henry Hub gas futures contract rates. No exceptions were noted.

4 Hedged Volume and Limits

5 We reviewed the quantity limits and authorizations for all hedged fuel types in  
6 compliance with the 2016 Risk Management Plan. No exceptions were noted.

7 Separation of Duties

8 We reviewed the Utility's procedures for separating duties related to hedging  
9 activities. We reviewed the Utility Audit Services Department's evaluations for the 12  
10 months ending December 31, 2018, for the Regulated Fuels Inventory Management Process  
11 and the Regulated Trading Cycle. There were no external or internal audits on hedging  
12 activities during the test period. No exceptions were noted.

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

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

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

16 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, 2019

Docket No. 20190001-EI  
Audit Control No. 2019-070-2-1

August 23, 2019

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

Simon O. Ojada  
Audit Manager

A handwritten signature in cursive script, 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 March 8, 2019. We applied these procedures to the schedules prepared by Duke Energy Florida, LLC in support of its filing for hedging activities in Docket No. 20190001-EI for the twelve months ended July 31, 2019.

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, 2019. 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, 2018 and July 31, 2019. 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, 2018, through March 31, 2019, to its Hedging Summary by Commodity Reports for 2018 and 2019. DEF completed its outstanding hedging transaction settlements as of March 31, 2019. We reviewed existing tolling agreements whereby the Utility's natural gas is provided to generators under purchased power agreements. We selected 20 natural gas hedging transactions from September 2018 through December 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 new hedging and Risk Management Plans in 2018 or 2019. 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, 2018, for the Regulated Fuels Inventory Management Process and the Regulated Trading Cycle. There were no external or internal audits on hedging activities during the test period. No exceptions were noted.

Audit Findings

None

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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 Simon O. Ojada 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:

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