

**BEFORE THE FLORIDA  
PUBLIC SERVICE COMMISSION**

**DOCKET NO. 030001-EI  
FLORIDA POWER & LIGHT COMPANY**

**APRIL 1, 2003**

**IN RE: LEVELIZED FUEL COST RECOVERY  
AND CAPACITY COST RECOVERY  
FINAL TRUE-UP**

**JANUARY 2002 THROUGH DECEMBER 2002**

**TESTIMONY & EXHIBITS OF:**

**G. YUPP**

DOCUMENT NUMBER DATE

03022 APR-18

FPSC-COMMISSION CLERK

1                   **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2                   **FLORIDA POWER & LIGHT COMPANY**

3                   **TESTIMONY OF GERARD YUPP**

4                   **DOCKET NO. 030001-EI**

5                   **APRIL 1, 2003**

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

7   A.     My name is Gerard Yupp. My business address is 700 Universe  
8           Blvd., North Palm Beach, Florida, 33408.

9  
10 **Q.     By whom are you employed and what is your position?**

11 A.     I am employed by Florida Power & Light Company (FPL) as  
12           Manager of Regulated Wholesale Power Trading in the Energy  
13           Marketing and Trading Division.

14  
15 **Q.     Have you previously testified in the predecessors to this**  
16 **docket?**

17 A.     Yes.

18  
19 **Q.     What is the purpose of your testimony?**

20  
21 A.     The purpose of my testimony is to provide a review of FPL's 2002  
22           hedging activity, including the detail required by Item 5 of the

1 Resolution of Issues in Docket 011605-EI approved by the  
2 Commission per Order No. PSC-02-1484-FOF-EI, which states:

3 "5. Each investor-owned utility shall provide, as part of its  
4 final true-up filing in the fuel and purchased power cost  
5 recovery docket, the following information: (1) the volumes of  
6 each fuel the utility actually hedged using a fixed price  
7 contract or instrument; (2) the types of hedging instruments  
8 the utility used, and the volume and type of fuel associated  
9 with each type of instrument; (3) the average period of each  
10 hedge; and (4) the actual total cost (e.g. fees, commissions,  
11 options premiums, futures gains and losses, swaps  
12 settlements) associated with using each type of hedging  
13 instrument".

14

15 **Q. Are you sponsoring an exhibit for this proceeding?**

16

17 **A.** Yes. It consists of the following document:

18 GJY-1: 2002 Hedging Activity

19

20 **Q. Please describe FPL's hedging objectives and summarize**  
21 **FPL's 2002 hedging activity.**

22

23 **A.** FPL's fuel procurement strategy aims to benefit FPL's customers by

1        reducing fuel price volatility, and to the extent possible, mitigating  
2        fuel price increases, while maintaining the opportunity to take  
3        advantage of price decreases in the marketplace. During 2002, FPL  
4        primarily relied upon fixed price transactions to hedge its fuel  
5        portfolio. Financial swaps were utilized as a method of improving  
6        and/or protecting FPL's fixed price positions. FPL also engaged in  
7        option hedges to help mitigate the risk of fuel price increases.  
8        Additionally, FPL utilized natural gas storage to ensure the reliable  
9        delivery of fuel during significant storm events in the latter half of the  
10       year. FPL's 2002 hedging activities were successful in delivering  
11       greater price certainty, as well as \$47 million in fuel savings for  
12       FPL's customers. This total includes \$14.5 million in natural gas  
13       savings, \$31.8 million in fuel oil savings and \$.7 million in power  
14       option premiums. The savings and gains associated with the  
15       energy component of the power options are included in FPL's  
16       monthly filing of A-Schedules. The fixed price positions generated  
17       the largest percentage of savings due to the fact that the overall  
18       trend of the fuel markets was up after the positions were taken. FPL  
19       is pleased that its 2002 hedging activities resulted in these savings.  
20       However, it is important to recognize that generating savings is not  
21       the only objective of hedging. The primary objective of hedging is to  
22       reduce fuel price volatility. FPL engages in hedging to protect its  
23       customers from significant exposure to volatility in the fuel and

1 power markets. FPL considers its hedging activities to be a success  
2 if they result in volatility control even if this occasionally means  
3 higher prices to customers than would have been the case without  
4 hedging.

5 As an additional note, FPL engaged in residual fuel oil hedging in  
6 November and December of 2002 by building fuel oil inventories to  
7 ensure adequate supply to meet the projected needs of FPL's  
8 customers, as well as, price protection given the heightening  
9 tensions in the Middle East. The results of this decision have  
10 proven to be very positive, however the data is not shown in Exhibit  
11 GJY-1 because the savings are realized in 2003. These results will  
12 be shown in FPL's 2003 filing.

13

14 **Q. Does your Document GJY-1 provide the detail on FPL's 2002**  
15 **hedging activities required by Item 5 of the Resolution of**  
16 **Issues?**

17

18 **A. Yes.**

19

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

21

22 **A. Yes, it does.**

**Exhibit GJY-1**  
**2002 Hedging Activity**

	FPL NATURAL GAS PROCUREMENT				
Instrument	Purchases	Volume	Sales	Option Premiums	Savings
2002 Hedging Activity Totals:					
FIXED PRICE TRANSACTIONS					
STORAGE					
PHYSICAL POWER OPTIONS					
SWAPS					
SWING SWAPS					
OVER-THE-COUNTER OPTIONS					
GAS OPTIONS					
FUTURES					
BROKER FEES					
AVERAGE PERIOD OF HEDGE (Days) - PHYSICAL					
AVERAGE PERIOD OF HEDGE (Days) - FINANCIAL					

Exhibit GJY-1  
2002 Hedging Activity

Instrument	FPL HEAVY FUEL OIL PROCUREMENT			
	Volume			
	Purchases	Sales	Option Premiums	Savings
<b>2002 Hedging Activity Totals:</b>				
FIXED PRICE TRANSACTIONS				
STORAGE				
PHYSICAL POWER OPTIONS				
SWAPS				
SWING SWAPS				
OVER-THE-COUNTER OPTIONS				
GAS OPTIONS				
FUTURES				
BROKER FEES				
AVERAGE PERIOD OF HEDGE (Days) - PHYSICAL				
AVERAGE PERIOD OF HEDGE (Days) - FINANCIAL				

Exhibit GJY-1  
2002 Hedging Activity

Instrument	ELECTRICITY - Premiums Only		
	Purchases	Sales	Savings
FIXED PRICE TRANSACTIONS			
STORAGE			
PHYSICAL POWER OPTIONS			
SWAPS			
SWING SWAPS			
OVER-THE-COUNTER OPTIONS			
GAS OPTIONS			
FUTURES			
BROKER FEES			
AVERAGE PERIOD OF HEDGE (Days) - PHYSICAL			



Exhibit GJY-1  
2002 Hedging Activity

		FPL NATURAL GAS PROCUREMENT			
		Volume			
	Instrument	Purchases	Sales	Option Premiums	Savings
Jan-02	FIXED PRICE TRANSACTIONS				
	STORAGE				
	PHYSICAL POWER OPTIONS				
	SWAPS				
	SWING SWAPS				
	OVER-THE-COUNTER OPTIONS				
	FUTURES				
	BROKER FEES				

Exhibit GJY-1  
2002 Hedging Activity

		FPL HEAVY FUEL OIL PROCUREMENT			
		Volume			
	Instrument	Purchases	Sales	Option Premiums	Savings
Jan-02	FIXED PRICE TRANSACTIONS				
	STORAGE				
	PHYSICAL POWER OPTIONS				
	SWAPS				
	SWING SWAPS				
	OVER-THE-COUNTER OPTIONS				
	FUTURES				
	BROKER FEES				

Instrument

Purchases

Volume

Sales

Option Premiums

Savings

**Exhibit GJY-1**

**2002 Hedging Activity**

**ELECTRICITY - Premiums Only**

Volume

Instrument

Purchases

Sales

Savings

Jan-02

FIXED PRICE TRANSACTIONS  
STORAGE  
PHYSICAL POWER OPTIONS  
SWAPS  
SWING SWAPS  
OVER-THE-COUNTER OPTIONS  
FUTURES  
BROKER FEES

**Exhibit GJY-1**  
**2002 Hedging Activity**

		FPL NATURAL GAS PROCUREMENT			
		Volume			
	Instrument	Purchases	Sales	Option Premiums	Savings
Feb-02	FIXED PRICE TRANSACTIONS				
	STORAGE				
	PHYSICAL POWER OPTIONS				
	SWAPS				
	SWING SWAPS				
	OVER-THE-COUNTER OPTIONS				
	FUTURES				
	BROKER FEES				

Exhibit GJY-1  
2002 Hedging Activity

		FPL HEAVY FUEL OIL PROCUREMENT			
		Volume			
	Instrument	Purchases	Sales	Option Premiums	Savings
Feb-02	FIXED PRICE TRANSACTIONS				
	STORAGE				
	PHYSICAL POWER OPTIONS				
	SWAPS				
	SWING SWAPS				
	OVER-THE-COUNTER OPTIONS				
	FUTURES				
	BROKER FEES				

Exhibit GJY-1  
2002 Hedging Activity

		ELECTRICITY - Premiums Only		
		Volume		
		Purchases	Sales	Savings
Feb-02	Instrument			
	FIXED PRICE TRANSACTIONS			
	STORAGE			
	PHYSICAL POWER OPTIONS			
	SWAPS			
	SWING SWAPS			
	OVER-THE-COUNTER OPTIONS			
	FUTURES			
	BROKER FEES			
	-			

Exhibit GJY-1  
2002 Hedging Activity

		FPL NATURAL GAS PROCUREMENT					
		Volume		Option Premiums	Savings		
Instrument		Purchases	Sales				
Mar-02	FIXED PRICE TRANSACTIONS						
	STORAGE						
	PHYSICAL POWER OPTIONS						
	SWAPS						
	SWING SWAPS						
	OVER-THE-COUNTER OPTIONS						
	FUTURES						
	BROKER FEES						

**Exhibit GJY-1**  
**2002 Hedging Activity**

		FPL HEAVY FUEL OIL PROCUREMENT			
		Volume			
	Instrument	Purchases	Sales	Option Premiums	Savings
Mar-02	FIXED PRICE TRANSACTIONS				
	STORAGE				
	PHYSICAL POWER OPTIONS				
	SWAPS				
	SWING SWAPS				
	OVER-THE-COUNTER OPTIONS				
	FUTURES				
	BROKER FEES				



**Exhibit GJY-1**  
**2002 Hedging Activity**


		<b>ELECTRICITY - Premiums Only</b>		
		Volume		
	Instrument	Purchases	Sales	Savings
Mar-02	FIXED PRICE TRANSACTIONS			
	STORAGE			
	PHYSICAL POWER OPTIONS			
	SWAPS			
	SWING SWAPS			
	OVER-THE-COUNTER OPTIONS			
	FUTURES			
	BROKER FEES			
	-			

Exhibit GJY-1  
2002 Hedging Activity

		FPL NATURAL GAS PROCUREMENT			
		Volume			
	Instrument	Purchases	Sales	Option Premiums	Savings
Apr-02	FIXED PRICE TRANSACTIONS				
	STORAGE				
	PHYSICAL POWER OPTIONS				
	SWAPS				
	SWING SWAPS				
	OVER-THE-COUNTER OPTIONS				
	FUTURES				
	BROKER FEES				

Exhibit GJY-1  
2002 Hedging Activity

		FPL HEAVY FUEL OIL PROCUREMENT			
		Volume			
	Instrument	Purchases	Sales	Option Premiums	Savings
Apr-02	FIXED PRICE TRANSACTIONS				
	STORAGE				
	PHYSICAL POWER OPTIONS				
	SWAPS				
	SWING SWAPS				
	OVER-THE-COUNTER OPTIONS				
	FUTURES				
	BROKER FEES				

**Exhibit GJY-1**  
**2002 Hedging Activity**

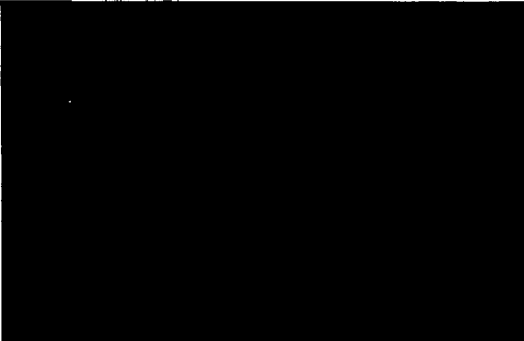
		<b>ELECTRICITY - Premiums Only</b>		
		Volume		
	Instrument	Purchases	Sales	Savings
Apr-02	FIXED PRICE TRANSACTIONS			
	STORAGE			
	PHYSICAL POWER OPTIONS			
	SWAPS			
	SWING SWAPS			
	OVER-THE-COUNTER OPTIONS			
	FUTURES			
	BROKER FEES			

Exhibit GJY-1  
2002 Hedging Activity

		FPL NATURAL GAS PROCUREMENT			
		Volume			
	Instrument	Purchases	Sales	Option Premiums	Savings
May-02	FIXED PRICE TRANSACTIONS				
	STORAGE				
	PHYSICAL POWER OPTIONS				
	SWAPS				
	SWING SWAPS				
	OVER-THE-COUNTER OPTIONS				
	FUTURES				
	BROKER FEES				
	-				

Exhibit GJY-1  
2002 Hedging Activity

		FPL HEAVY FUEL OIL PROCUREMENT			
		Volume			
	Instrument	Purchases	Sales	Option Premiums	Savings
May-02	FIXED PRICE TRANSACTIONS				
	STORAGE				
	PHYSICAL POWER OPTIONS				
	SWAPS				
	SWING SWAPS				
	OVER-THE-COUNTER OPTIONS				
	FUTURES				
	BROKER FEES				

Exhibit GJY-1  
2002 Hedging Activity

		ELECTRICITY - Premiums Only		
		Volume		
		Purchases	Sales	Savings
May-02	Instrument			
	FIXED PRICE TRANSACTIONS			
	STORAGE			
	PHYSICAL POWER OPTIONS			
	SWAPS			
	SWING SWAPS			
	OVER-THE-COUNTER OPTIONS			
	FUTURES			
	BROKER FEES			

Exhibit GJY-1  
2002 Hedging Activity

		FPL NATURAL GAS PROCUREMENT			
		Volume		Option Premiums	Savings
	Instrument	Purchases	Sales		
Jun-02	FIXED PRICE TRANSACTIONS				
	STORAGE				
	PHYSICAL POWER OPTIONS				
	SWAPS				
	SWING SWAPS				
	OVER-THE-COUNTER OPTIONS				
	FUTURES				
	BROKER FEES				



Exhibit GJY-1  
2002 Hedging Activity

		FPL HEAVY FUEL OIL PROCUREMENT			
		Volume			
	Instrument	Purchases	Sales	Option Premiums	Savings
Jun-02	FIXED PRICE TRANSACTIONS				
	STORAGE				
	PHYSICAL POWER OPTIONS				
	SWAPS				
	SWING SWAPS				
	OVER-THE-COUNTER OPTIONS				
	FUTURES				
	BROKER FEES				

Exhibit GJY-1  
2002 Hedging Activity

		ELECTRICITY - Premiums Only		
		Volume		
	Instrument	Purchases	Sales	Savings
Jun-02	FIXED PRICE TRANSACTIONS			
	STORAGE			
	PHYSICAL POWER OPTIONS			
	SWAPS			
	SWING SWAPS			
	OVER-THE-COUNTER OPTIONS			
	FUTURES			
	BROKER FEES			

Exhibit GJY-1  
2002 Hedging Activity

		FPL NATURAL GAS PROCUREMENT			
		Volume			
	Instrument	Purchases	Sales	Option Premiums	Savings
Jul-02	FIXED PRICE TRANSACTIONS				
	STORAGE				
	PHYSICAL POWER OPTIONS				
	SWAPS				
	SWING SWAPS				
	OVER-THE-COUNTER OPTIONS				
	FUTURES				
	BROKER FEES				

Exhibit GJY-1  
2002 Hedging Activity

		FPL HEAVY FUEL OIL PROCUREMENT			
		Volume			
	Instrument	Purchases	Sales	Option Premiums	Savings
Jul-02	FIXED PRICE TRANSACTIONS				
	STORAGE				
	PHYSICAL POWER OPTIONS				
	SWAPS				
	SWING SWAPS				
	OVER-THE-COUNTER OPTIONS				
	FUTURES				
	BROKER FEES				
	-				

Exhibit GJY-1  
2002 Hedging Activity

		ELECTRICITY - Premiums Only		
		Volume		
	Instrument	Purchases	Sales	Savings
Jul-02	FIXED PRICE TRANSACTIONS			
	STORAGE			
	PHYSICAL POWER OPTIONS			
	SWAPS			
	SWING SWAPS			
	OVER-THE-COUNTER OPTIONS			
	FUTURES			
	BROKER FEES			

**Exhibit GJY-1**  
**2002 Hedging Activity**

		FPL NATURAL GAS PROCUREMENT			
		Volume			
	Instrument	Purchases	Sales	Option Premiums	Savings
Aug-02	FIXED PRICE TRANSACTIONS				
	STORAGE				
	PHYSICAL POWER OPTIONS				
	SWAPS				
	SWING SWAPS				
	OVER-THE-COUNTER OPTIONS				
	FUTURES				
	BROKER FEES				

Exhibit GJY-1  
2002 Hedging Activity

		FPL HEAVY FUEL OIL PROCUREMENT			
		Volume			
		Purchases	Sales	Option Premiums	Savings
Aug-02	Instrument				
	FIXED PRICE TRANSACTIONS				
	STORAGE				
	PHYSICAL POWER OPTIONS				
	SWAPS				
	SWING SWAPS				
	OVER-THE-COUNTER OPTIONS				
	FUTURES				
	BROKER FEES				

Exhibit GJY-1  
2002 Hedging Activity

		ELECTRICITY - Premiums Only		
		Volume		
		Purchases	Sales	Savings
Aug-02	Instrument			
	FIXED PRICE TRANSACTIONS			
	STORAGE			
	PHYSICAL POWER OPTIONS			
	SWAPS			
	SWING SWAPS			
	OVER-THE-COUNTER OPTIONS			
	FUTURES			
	BROKER FEES			



Exhibit GJY-1  
2002 Hedging Activity

		FPL NATURAL GAS PROCUREMENT			
		Volume			
		Purchases	Sales	Option Premiums	Savings
Instrument					
Sep-02	FIXED PRICE TRANSACTIONS				
	STORAGE				
	PHYSICAL POWER OPTIONS				
	SWAPS				
	SWING SWAPS				
	OVER-THE-COUNTER OPTIONS				
	FUTURES				
	BROKER FEES				

Exhibit GJY-1  
2002 Hedging Activity

		FPL HEAVY FUEL OIL PROCUREMENT			
		Volume			
	Instrument	Purchases	Sales	Option Premiums	Savings
Sep-02	FIXED PRICE TRANSACTIONS				
	STORAGE				
	PHYSICAL POWER OPTIONS				
	SWAPS				
	SWING SWAPS				
	OVER-THE-COUNTER OPTIONS				
	FUTURES				
	BROKER FEES				

Exhibit GJY-1  
2002 Hedging Activity

		ELECTRICITY - Premiums Only		
		Volume		
		Purchases	Sales	Savings
Sep-02	Instrument			
	FIXED PRICE TRANSACTIONS			
	STORAGE			
	PHYSICAL POWER OPTIONS			
	SWAPS			
	SWING SWAPS			
	OVER-THE-COUNTER OPTIONS			
	FUTURES			
	BROKER FEES			

Exhibit GJY-1  
2002 Hedging Activity

		FPL NATURAL GAS PROCUREMENT			
		Volume			
Instrument		Purchases	Sales	Option Premiums	Savings
Oct-02	FIXED PRICE TRANSACTIONS				
	STORAGE				
	PHYSICAL POWER OPTIONS				
	SWAPS				
	SWING SWAPS				
	OVER-THE-COUNTER OPTIONS				
	FUTURES				
	BROKER FEES				

Exhibit GJY-1  
2002 Hedging Activity

		FPL HEAVY FUEL OIL PROCUREMENT			
		Volume			
	Instrument	Purchases	Sales	Option Premiums	Savings
Oct-02	FIXED PRICE TRANSACTIONS				
	STORAGE				
	PHYSICAL POWER OPTIONS				
	SWAPS				
	SWING SWAPS				
	OVER-THE-COUNTER OPTIONS				
	FUTURES				
	BROKER FEES				

Exhibit GJY-1  
2002 Hedging Activity

		ELECTRICITY - Premiums Only		
		Volume		
		Purchases	Sales	Savings
Oct-02	Instrument			
	FIXED PRICE TRANSACTIONS			
	STORAGE			
	PHYSICAL POWER OPTIONS			
	SWAPS			
	SWING SWAPS			
	OVER-THE-COUNTER OPTIONS			
	FUTURES			
	BROKER FEES			

Exhibit GJY-1  
2002 Hedging Activity

		FPL NATURAL GAS PROCUREMENT			
		Volume			
	Instrument	Purchases	Sales	Option Premiums	Savings
Nov-02	FIXED PRICE TRANSACTIONS				
	STORAGE				
	PHYSICAL POWER OPTIONS				
	SWAPS				
	SWING SWAPS				
	OVER-THE-COUNTER OPTIONS				
	GAS OPTIONS				
	FUTURES				
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Exhibit GJY-1  
2002 Hedging Activity

		FPL HEAVY FUEL OIL PROCUREMENT			
		Volume			
	Instrument	Purchases	Sales	Option Premiums	Savings
Nov-02	FIXED PRICE TRANSACTIONS				
	STORAGE				
	PHYSICAL POWER OPTIONS				
	SWAPS				
	SWING SWAPS				
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	GAS OPTIONS				
	FUTURES				
	BROKER FEES				



Exhibit GJY-1  
2002 Hedging Activity

		ELECTRICITY - Premiums Only		
		Volume		
Instrument		Purchases	Sales	Savings
Nov-02	FIXED PRICE TRANSACTIONS			
	STORAGE			
	PHYSICAL POWER OPTIONS			
	SWAPS			
	SWING SWAPS			
	OVER-THE-COUNTER OPTIONS			
	GAS OPTIONS			
	FUTURES			
	BROKER FEES			

Exhibit GJY-1  
2002 Hedging Activity

		FPL NATURAL GAS PROCUREMENT			
		Volume			
	Instrument	Purchases	Sales	Option Premiums	Savings
Dec-02	FIXED PRICE TRANSACTIONS				
	STORAGE				
	PHYSICAL POWER OPTIONS				
	SWAPS				
	SWING SWAPS				
	OVER-THE-COUNTER OPTIONS				
	GAS OPTIONS				
	FUTURES				
	BROKER FEES				

Exhibit GJY-1  
2002 Hedging Activity

FPL HEAVY FUEL OIL PROCUREMENT					
		Volume			
	Instrument	Purchases	Sales	Option Premiums	Savings
Dec-02	FIXED PRICE TRANSACTIONS				
	STORAGE				
	PHYSICAL POWER OPTIONS				
	SWAPS				
	SWING SWAPS				
	OVER-THE-COUNTER OPTIONS				
	GAS OPTIONS				
	FUTURES				
	BROKER FEES				

Exhibit GJY-1  
2002 Hedging Activity

		ELECTRICITY - Premiums Only		
		Volume		
	Instrument	Purchases	Sales	Savings
Dec-02	FIXED PRICE TRANSACTIONS			
	STORAGE			
	PHYSICAL POWER OPTIONS			
	SWAPS			
	SWING SWAPS			
	OVER-THE-COUNTER OPTIONS			
	GAS OPTIONS			
	FUTURES			
	BROKER FEES			