

**BEFORE THE FLORIDA
PUBLIC SERVICE COMMISSION**

**DOCKET NO. 110001-EI
FLORIDA POWER & LIGHT COMPANY**

APRIL 1, 2011

**IN RE: LEVELIZED FUEL COST RECOVERY
AND CAPACITY COST RECOVERY**

**AUGUST THROUGH DECEMBER 2010
HEDGING ACTIVITY TRUE-UP REPORT**

TESTIMONY & EXHIBITS OF:

G. J. YUPP

COM 5
APA 1
ECR 6
GCL 1
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1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **FLORIDA POWER & LIGHT COMPANY**

3 **TESTIMONY OF GERARD J. YUPP**

4 **DOCKET NO. 110001-EI**

5 **APRIL 1, 2011**

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

8 **A. My name is Gerard J. Yupp. My business address is 700 Universe**
9 **Boulevard, Juno Beach, Florida, 33408.**

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

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

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

16 **A. Yes.**

17 **Q. What is the purpose of your testimony?**

18 **A. The purpose of my testimony is to present data on FPL's hedging**
19 **activities, by month, for calendar year 2010. This data is required**
20 **per Item 5 of the Resolution of Issues in Docket 011605-EI**
21 **approved by the Commission per Order No. PSC-02-1484-FOF-EI,**
22 **which states:**

23 **"5. Each investor-owned utility shall provide, as part of its**

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

11

12 The requirement for this data was further clarified in Section III of the
13 Hedging Order Clarification Guidelines that were approved by the
14 Commission per Order No. PSC-08-0667-PAA-EI issued on
15 October 8, 2008.

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

17 A. Yes. I am sponsoring Exhibit GJY-1 – August through December
18 2010 Hedging Activity True-Up Report.

19 **Q. Please describe FPL’s hedging objectives.**

20 A. Consistent with the guiding principles described in Section IV of the
21 Hedging Order Clarification Guidelines, the primary objective of
22 FPL’s hedging program is to reduce the impact of fuel price volatility
23 in the fuel adjustment charges paid by FPL’s customers. FPL does

1 not execute speculative hedging strategies aimed at “out guessing”
2 the market in the hopes of potentially returning savings to FPL’s
3 customers. FPL implemented a well-disciplined, well-defined and
4 well-controlled hedging program in compliance with FPL’s 2010 Risk
5 Management Plan that was approved by the Commission in Order
6 No. PSC-09-0795-FOF-EI, issued on December 2, 2009.

7 **Q. Please summarize FPL’s 2010 hedging activities.**

8 A. Consistent with its approved 2010 Risk Management Plan, FPL
9 hedged its fuel portfolio for 2010 utilizing fixed price transactions. A
10 fixed price transaction allows a buyer to lock in the price of a
11 commodity for a set volume over a set period of time.

12
13 Actual 2010 natural gas prices declined from the forward prices that
14 were in effect when FPL was executing its natural gas hedges for
15 2010. As would be expected under the approved hedging
16 approach, this decline in natural gas prices resulted in reported
17 natural gas hedging costs for the year, as shown on Exhibit GJY-1.
18 Conversely, heavy oil prices increased from the forward prices that
19 were in effect when FPL was executing its heavy oil hedges for
20 2010. As shown on Exhibit GJY-1, this resulted in reported heavy
21 oil hedging savings for the year.

1 **Q. Does your Exhibit GJY-1 provide the detail on FPL's 2010**
2 **hedging activities required by Item 5 of the Resolution of**
3 **Issues?**

4 **A. Yes.**

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

6 **A. Yes, it does.**

CONFIDENTIAL

	A	B	C	D	E	F
			FPL NATURAL GAS PROCUREMENT			
			VOLUME (MMBTU)			
	<u>PERIOD</u>	<u>INSTRUMENT</u>	<u>PURCHASES</u>	<u>SALES</u>	<u>OPTION PREMIUMS</u>	<u>GAIN/(LOSS)</u>
1						
2						
3						
4	YEAR-TO-DATE SWAPS					
5	(JAN - DEC)	SWING SWAPS				
6	2010	OVER-THE-COUNTER OPTIONS				
7		BROKER FEES				
8						\$ (509,147,046)
9						
10						
11		AVERAGE PERIOD OF HEDGE (Days) - FINANCIAL				

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	A	B	C	D	E	F
	FPL HEAVY FUEL OIL PROCUREMENT					
	VOLUME (BARRELS)					
	<u>PERIOD</u>	<u>INSTRUMENT</u>	<u>PURCHASES</u>	<u>SALES</u>	<u>OPTION PREMIUMS</u>	<u>GAIN/(LOSS)</u>
1						
2						
3						
4	YEAR-TO-DATE SWAPS					
5	(JAN - DEC)	SWING SWAPS				
6	2010	OVER-THE-COUNTER OPTIONS				
7		BROKER FEES				
8						\$ 8,917,158
9						
10						
11		AVERAGE PERIOD OF HEDGE (Days) - FINANCIAL				

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	A	B	C	D	E	F
			FPL NATURAL GAS PROCUREMENT			
			VOLUME (MMBTU)			
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4	January-2010	SWAPS				
5		SWING SWAPS				
6		OVER-THE-COUNTER OPTIONS				
7		BROKER FEES				
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	A	B	C	D	E	F
			FPL HEAVY FUEL OIL PROCUREMENT			
			VOLUME (BARRELS)			
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1						
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4	January-2010	SWAPS				
5		SWING SWAPS				
6		OVER-THE-COUNTER OPTIONS				
7		BROKER FEES				
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1						
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4	February-2010	SWAPS				
5		SWING SWAPS				
6		OVER-THE-COUNTER OPTIONS				
7		BROKER FEES				
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1						
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4	February-2010	SWAPS				
5		SWING SWAPS				
6		OVER-THE-COUNTER OPTIONS				
7		BROKER FEES				
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1						
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3	March-2010	SWAPS				
4		SWING SWAPS				
5		OVER-THE-COUNTER OPTIONS				
6		BROKER FEES				
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4	March-2010	SWAPS				
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4	April-2010	SWAPS				
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6		OVER-THE-COUNTER OPTIONS				
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4	April-2010	SWAPS				
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3	May-2010	SWAPS				
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4	May-2010	SWAPS				
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4	June-2010	SWAPS				
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3	June-2010	SWAPS				
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3	July-2010	SWAPS				
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4	August-2010	SWAPS				
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4	September-2010	SWAPS				
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4	November-2010	SWAPS				
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