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April 7, 2015

-VIA ELECTRONIC FILING -

Ms. Carlotta S. Stauffer
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Re: Docket No. 150001-EI

Dear Ms. Stauffer:

I enclose for electronic filing in the above docket the prefiled testimony and exhibits of FPL witness Gerard J. Yupp. Mr. Yupp's testimony provides and supports the information on FPL's 2014 fuel hedging results that is required by Item 5 of the Resolution of Issues approved by the Commission in Order No. PSC-02-1484-FOF-EI, Docket No. 011605-EI.

Exhibit GJY-2 to Mr. Yupp's testimony contains confidential information. This electronic filing includes only the redacted version of Exhibit GJY-2. Contemporaneous herewith, FPL will file via hand-delivery a Request for Confidential Classification.

If there are any questions regarding this transmittal, please contact me at 561-304-5639.

Sincerely,

s/ John T. Butler
John T. Butler

Enclosure

cc: Counsel for Parties of Record (w/encl.)

**BEFORE THE FLORIDA
PUBLIC SERVICE COMMISSION**

**DOCKET NO. 150001-EI
FLORIDA POWER & LIGHT COMPANY**

APRIL 7, 2015

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

**AUGUST 2014 THROUGH DECEMBER 2014
HEDGING ACTIVITY TRUE-UP REPORT**

TESTIMONY & EXHIBITS OF:

GERARD J. YUPP

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **FLORIDA POWER & LIGHT COMPANY**

3 **TESTIMONY OF GERARD J. YUPP**

4 **DOCKET NO. 150001-EI**

5 **APRIL 7, 2015**

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 2014. This data is required
20 per Item 5 of the Resolution of Issues in Docket 011605-EI that was
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 Section III of the Hedging Order Clarification Guidelines that were
13 approved by the Commission per Order No. PSC-08-0667-PAA-EI,
14 issued on October 8, 2008, clarified that this data is to be provided
15 each April for the prior calendar year.

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

17 A. Yes. I am sponsoring Exhibit GJY-2 – August through December
18 2014 Hedging Activity True-Up.

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. For 2014, FPL implemented a well-disciplined, well-
3 defined and well-controlled hedging program in compliance with
4 FPL’s 2013 Risk Management Plan that was approved by the
5 Commission in Order No. PSC-12-0664-FOF-EI, issued on
6 December 21, 2012.

7 **Q. Please summarize FPL’s 2014 hedging activities.**

8 A. Consistent with its approved 2013 Risk Management Plan, FPL
9 hedged a portion of its natural gas fuel portfolio for 2014 utilizing
10 fixed price transactions. A fixed price transaction allows a buyer to
11 lock in the price of a commodity for a set volume over a set period of
12 time. As described in the 2013 Risk Management Plan, FPL did not
13 hedge heavy fuel oil for 2014, primarily due to the significant drop in
14 heavy oil consumption projections.

15
16 Actual 2014 natural gas prices settled, on average, higher than the
17 forward prices that were in effect when FPL was executing its
18 natural gas hedges for 2014. As would be expected under the
19 approved hedging approach, this increase in natural gas prices
20 resulted in reported natural gas hedging savings for the year, as
21 shown on Exhibit GJY-2.

22

1 **Q. Does your Exhibit GJY-2 provide the detail on FPL's 2014**
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>SAVINGS/(COSTS)</u>
1						
2						
3						
4						
5	YEAR-TO-DATE	FIXED PRICE TRANSACTIONS				
6	(JAN - DEC) 2014	SWAPS				
7		SWING SWAPS				
8		OVER-THE-COUNTER OPTIONS				
9		BROKER FEES				
10						\$ 116,639,265
11						
12		AVERAGE PERIOD OF HEDGE (Days) - FINANCIAL				

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1						
2						
3						
4	January-2014	FIXED PRICE TRANSACTIONS				
5		SWAPS				
6		SWING SWAPS				
7		OVER-THE-COUNTER OPTIONS				
8		BROKER FEES				
9						
10						
11						
12						

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1						
2						
3						
4	February-2014	FIXED PRICE TRANSACTIONS				
5		SWAPS				
6		SWING SWAPS				
7		OVER-THE-COUNTER OPTIONS				
8		BROKER FEES				
9						
10						
11						
12						

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1						
2						
3						
4	March-2014	FIXED PRICE TRANSACTIONS				
5		SWAPS				
6		SWING SWAPS				
7		OVER-THE-COUNTER OPTIONS				
8		BROKER FEES				
9						
10						
11						
12						

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	<u>PERIOD</u>	<u>INSTRUMENT</u>	<u>PURCHASES</u>	<u>SALES</u>	<u>OPTION PREMIUMS</u>	<u>SAVINGS/(COSTS)</u>
1						
2						
3						
4	April-2014	FIXED PRICE TRANSACTIONS				
5		SWAPS				
6		SWING SWAPS				
7		OVER-THE-COUNTER OPTIONS				
8		BROKER FEES				
9						
10						
11						
12						

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1						
2						
3						
4	May-2014	FIXED PRICE TRANSACTIONS				
5		SWAPS				
6		SWING SWAPS				
7		OVER-THE-COUNTER OPTIONS				
8		BROKER FEES				
9						
10						
11						
12						

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1						
2						
3						
4	June-2014	FIXED PRICE TRANSACTIONS				
5		SWAPS				
6		SWING SWAPS				
7		OVER-THE-COUNTER OPTIONS				
8		BROKER FEES				
9						
10						
11						
12						

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1						
2						
3						
4	July-2014	FIXED PRICE TRANSACTIONS				
5		SWAPS				
6		SWING SWAPS				
7		OVER-THE-COUNTER OPTIONS				
8		BROKER FEES				
9						
10						
11						
12						

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1						
2						
3						
4	August-2014	FIXED PRICE TRANSACTIONS				
5		SWAPS				
6		SWING SWAPS				
7		OVER-THE-COUNTER OPTIONS				
8		BROKER FEES				
9						
10						
11						
12						

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1						
2						
3						
4	September-2014	FIXED PRICE TRANSACTIONS				
5		SWAPS				
6		SWING SWAPS				
7		OVER-THE-COUNTER OPTIONS				
8		BROKER FEES				
9						
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11						
12						

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1						
2						
3						
4	October-2014	FIXED PRICE TRANSACTIONS				
5		SWAPS				
6		SWING SWAPS				
7		OVER-THE-COUNTER OPTIONS				
8		BROKER FEES				
9						
10						
11						
12						

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1						
2						
3						
4	November-2014	FIXED PRICE TRANSACTIONS				
5		SWAPS				
6		SWING SWAPS				
7		OVER-THE-COUNTER OPTIONS				
8		BROKER FEES				
9						
10						
11						
12						

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1						
2						
3						
4	December-2014	FIXED PRICE TRANSACTIONS				
5		SWAPS				
6		SWING SWAPS				
7		OVER-THE-COUNTER OPTIONS				
8		BROKER FEES				
9						
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11						
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