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April 22, 2016

-VIA ELECTRONIC FILING -

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

Re: Joint Petition by Investor-Owned Utilities for Approval of Modifications to Risk Management Plans

Dear Ms. Stauffer:

Enclosed for electronic filing is a Joint Petition by Investor-Owned Utilities for Approval of Modifications to Risk Management Plans. Exhibits 1, 2, 3 and 4 of the Petition consist of non-confidential versions of proposed modifications to the Risk Management Plans of Duke Energy Florida LLC, Florida Power & Light Company, Tampa Electric Company and Gulf Power Company, respectively. Each utility will file under separate cover the confidential version of the proposed modifications to its Risk Management Plan, with a Request for Confidential Classification.

If there are any questions regarding this transmittal, please contact me at (561) 304-5795.

Sincerely,

s/ Maria J. Moncada
Maria J. Moncada

Enclosures
cc: Service List
J.R. Kelly, Office of Public Counsel

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Joint Petition by Investor-Owned Utilities for Approval of Modifications to Risk Management Plans	Docket No: ____________ Date: April 22, 2016

JOINT PETITION BY INVESTOR-OWNED UTILITIES FOR APPROVAL OF MODIFICATIONS TO RISK MANAGEMENT PLANS

Electric Investor-Owned Utilities Duke Energy Florida ("DEF"), Florida Power & Light Company ("FPL"), Gulf Power Company ("Gulf") and Tampa Electric Company ("TECO") (collectively, "the IOUs") hereby petition the Florida Public Service Commission ("FPSC" or "Commission") for approval of modifications to their Commission-approved 2016 Risk Management Plans.[1] Specifically, the IOUs propose commitments to: (1) reduce their respective annual maximum percentage of fuel purchases targeted for hedges; and (2) address the period of time over which hedges may be placed pursuant to an approved risk management plan. The IOUs maintain that hedging programs have benefitted customers and will continue to do so. Consistent with the Commission's desire to explore possible changes to the hedging protocol in order to mitigate potential losses to customers in periods of falling fuel prices, the IOUs have developed a joint proposal to reduce the volume of natural gas hedged on an annual basis. The joint proposal is described in more detail below.

I. Hedging Background

1. Since the 1990s, natural gas-fired generation has become an ever larger part of the generation mix for Florida IOUs, and the increasing role for natural gas is expected to continue. Natural gas prices have been volatile over the years, with significant price spikes in various periods. Volatile swings in fuel prices can create bill instability for customers. Through a series

[1] As discussed below, DEF does not join the portion of this Petition seeking a modification to the 2016 Risk Management Plan.

of orders, the Commission has established hedging as a mechanism to reduce fuel price volatility and has instituted guidelines that govern the IOUs' hedging programs.

2. On the heels of significant natural gas and fuel oil price fluctuations in 2000 and 2001, the Commission raised issues regarding the utilities' management of fuel price risk. By Order No. PSC-02-1484-FOF-EI ("Order 02-1484"), dated October 30, 2002, the Commission determined that hedging fuel procurement allows utilities to manage the risk of volatile swings in the price of fuel, and it approved a framework that allows the IOUs to reflect prudently incurred hedging gains and losses through the fuel clause. Order 02-1484 requires the IOUs to file for approval of annual risk management plans that describe the hedging transactions the utility will enter the following year and beyond. The Commission also requires the filing of Hedging Activity Reports twice a year to allow the Commission and parties to the fuel docket to monitor hedging activities.

3. The Commission confirmed that utility hedging programs provide benefits to customers in Order No. PSC-08-0667-PAA-EI ("Order 08-0667") dated October 8, 2008. That Order established guidelines that clarified the timing and content of regulatory filings for hedging activities. IOUs maintain flexibility in creating and implementing risk management plans and each IOU determines the percentage of its fuel portfolio that will be hedged, subject to Commission review to ensure that the programs are well-disciplined and non-speculative.

4. Orders 02-1484 and 08-0667 expressly provide that the main objective of hedging programs is to reduce the customer's exposure to fuel price volatility, not to reduce fuel costs; *see also* Order No. PSC-15-0586-FOF-EI ("Order 15-0586"). By providing pricing certainty on a portion of expected gas consumption, the hedging programs have met their stated objectives consistent with the hedging orders.

II. IOUs Should Continue To Hedge Natural Gas

5. In 2016, DEF, FPL, TECO and Gulf estimate that 66%, 71%, 50% and 65%, respectively, of their forecasted energy mix for generation will be from natural gas. This increased dependence on natural gas means customers will have significant exposure to the uncertainties of natural gas prices if hedging were completely discontinued. While natural gas prices have trended downward in recent years, neither future gas prices nor the level of price volatility can be predicted with any certainty. Additionally, the recent downward trend in natural gas market prices cannot continue indefinitely. Factors such as production costs, weather, environmental regulations and exportation impact natural gas supply and demand, as well as natural gas price volatility.

6. In Order 15-0586, the Commission determined that continuation of natural gas hedging is in the customers' best interest. In that Order, the Commission directed the parties to the Fuel Clause Docket to "explore possible changes to the current hedging protocol that will minimize potential losses to customers." Order 15-5086 at p. 9.

III. Proposal To Modify IOUs' Risk Management Plans

7. The IOUs recognize that the amount of hedging undertaken by a utility is a matter of business judgment reflecting a necessary balance between, on the one hand, the benefits of reduced fuel price volatility on customers' bills and mitigating the impacts of fuel price increases through hedging and, on the other hand, the cost of those hedges if prices fall. That balance is reflected in the amount of fuel hedged. Accordingly, in response to the Commission's directive, the IOUs have developed the following proposed modifications:

2016 Risk Management Plan

8. The maximum percentage of total projected fuel purchases in 2017 that would be hedged under the Commission-approved 2016 Risk Management Plan would be reduced by up to

25%. Recognizing that a portion of the hedges for 2017 procurement have already been executed, this limitation would apply only to the portion that remains unhedged for 2017 as of the date the Commission approves the changes requested in this petition.

9. DEF agrees with and joins in the other IOUs' plan to reduce the maximum projected fuel purchases for calendar year 2017 that would be hedged during the remainder of 2016 by up to 25%, but because DEF's 2016 Risk Management Plan affords DEF the ability to meet this goal by hedging to the lower end of its approved ranges for the respective rolling periods identified in the 2016 plan without amending its plan, DEF does not join in the request to modify its 2016 Plan.

Future Risk Management Plans (2017 and Forward)

10. Beginning with the 2017 Risk Management Plan for 2018 procurement and continuing thereafter, each of the IOUs will reduce the annual percentage of its fuel purchases for the ensuing 12-month period that are targeted to be hedged by 25% from the target and/or range approved in its 2016 Risk Management Plan.[2]

11. DEF, FPL, TECO and Gulf have each summarized the maximum hedging target and/or range for their individual management plans under the modifications proposed above, which are shown on the attached confidential Exhibits 1, 2, 3 and 4, respectively. The reduced hedging targets proposed herein apply to the total targets and ranges for all hedges. These reduced hedging targets and ranges have no impact on the gas reserves guidelines approved in Order Nos. PSC-15-0038-FOF-EI and PSC-15-0284-FOF-EI.

[2] For example, if a utility's 2016 Risk Management Plan provides the maximum projected fuel purchases to be hedged is 80% of its projected usage, the target maximum for 2017 and each year thereafter would be 60%, *i.e.*, 80 x 0.75 = 60.

12. Each of the IOUs is also proposing to commit to a limit on the future time horizon over which hedges may be placed under its risk management plans for 2017 and forward. Exhibits 1-4 specify the respective maximum future time horizon over which each IOU may place hedges pursuant to its 2017 and later risk management plans.

13. The IOUs propose that the Commission consider this Petition on a proposed agency action ("PAA") track and, if approved, that the IOUs' 2016 Risk Management Plans,[3] modified as described above, become effective within 15 days following the Commission vote and remain in effect during the pendency of any protest of the PAA Order. This approach would give the IOUs the ability to implement these changes to what remains unhedged this year (for 2017 procurement) and to incorporate the reduced hedging percentage and commitment on hedging duration in their respective 2017 Risk Management Plan (for future procurement, as applicable under each IOU's respective plan).

WHEREFORE, for the reasons stated herein, DEF, FPL, Gulf and TECO respectfully request that the Commission approve the proposed modifications to the IOUs' risk management plans described above and in Exhibits 1, 2, 3 and 4.

[3] With the exception of DEF, as described above.

Respectfully submitted,

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By: *s/ Maria J. Moncada*

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CERTIFICATE OF SERVICE
Docket No. 16___________-EI

I HEREBY CERTIFY that a true and correct copy of the foregoing Petition has been furnished by electronic service on 22nd day of April 2016 to the following:

Suzanne Brownless
Division of Legal Services
Florida Public Service Commission
2540 Shumard Oak Blvd.
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s/ Maria J. Moncada
Maria J. Moncada

EXHIBIT 1

DUKE ENERGY FLORIDA, LLC

2016 RISK MANAGEMENT PLAN
(redacted)

Docket No.
Duke Energy Florida, LLC
Exhibit No. 1 to Joint Petition

REDACTED

2016 Risk Management Plan Percentage Hedge Parameters

Period	Minimum limit	Maximum limit	Minimum Target
[redacted]			

Proposed Updates to be filed as part of the 2017 DEF Risk Management Plan to Percentage Hedge Parameters

Calendar 2017 - 2019	Minimum limit	Maximum limit	Target Percentage	Current Percent[1] Hedge	Maximum Hedging Percentage Change From 2016 Risk Management Plan
[redacted]					-25%
					-33%
					-50%

The proposed hedging targets for the respective 2017 through 2019 calendar years are based on a rolling 36 month time frame assuming the prompt month is January 2017.
DEF will continue to monitor hedge percentages on a calendar year and rolling 36 month time frame as hedges are executed over time.

[1] "Current Percent Hedge" represents the hedges that are currently in place under previously approved risk management plans as of April 19, 2016.

EXHIBIT 2

FLORIDA POWER & LIGHT COMPANY

2016 RISK MANAGEMENT PLAN (redacted)

Florida Power and Light Company
2016 Risk Management Plan

Florida Power & Light ("FPL") recognizes the importance of managing price volatility in the fuel and power it purchases to provide electric service to its customers. Further, FPL recognizes that the greater the proportion of a particular energy source it relies upon to provide electric services to its customers, the greater the importance of managing price volatility associated with that energy source.

FPL's risk management plan is based on the following guiding principles:

a) A well-managed hedging program does not involve speculation or market timing. Its primary purpose is not to reduce FPL's fuel costs paid over time, but rather to reduce the variability or volatility in fuel costs over time.

b) Hedging can result in significant lost opportunities for savings in the fuel costs to be paid by customers if fuel prices actually settle at lower levels than at the time the hedges were placed. FPL does not predict or speculate on whether markets will ultimately rise or fall and actually settle higher or lower than the price levels that existed at the time hedges were put into place.

c) Market prices and forecasts of market prices have experienced significant volatility and are expected to continue to be highly volatile and, therefore, FPL does not intend to "outguess the market" in choosing the specific timing for effecting hedges or the percentage or volume of fuel hedged.

d) In order to balance the goal of reducing customers' exposure to rising fuel prices against the goal of allowing customers to benefit from falling fuel prices, it is appropriate to limit hedging to a portion of the total expected volume of fuel purchases.

Overall Quantitative and Qualitative Risk Management Objectives (TFB-4, Item 1)

FPL's risk management objectives are to effectively execute a well-disciplined and independently controlled fuel hedging strategy to achieve the goal of fuel price stability (volatility minimization). FPL's fuel hedging strategy aims to reduce fuel price volatility, while maintaining the opportunity to benefit from price decreases in the marketplace for FPL's customers.

Fuel Procurement Risks (TFB-4, Item 3)

FPL encounters several potential risks when executing its fuel procurement activities. These risks are grouped into four categories as detailed below:

Market Risk
Market Risk is the risk of changes in economic fair value due to fluctuations in market prices, volatility, correlation, and interest rates. Market risk has a direct impact on any open or unhedged energy positions.

Limits ("Limits") are set by the President and Chief Executive Officer ("CEO") of NextEra Energy ("NEE") and delegated to the Exposure Management Committee ("EMC"). The EMC establishes a forum for discussion of NEE's energy risk profile and operations and develops guidelines required for an appropriate risk management control infrastructure, which includes implementation and monitoring of compliance with the NextEra Energy Trading and Risk Management Policy ("Policy"). The EMC has in turn delegated limits to FPL Energy Marketing and Trading ("EMT") for specific portfolios.

Limits (collectively referred to as "Limits") are generally expressed in terms of:

- Maximum portfolio tenor; and
- Open (un-hedged) positions (where appropriate)

The FPL hedging program Limits will be managed in accordance with established corporate guidance. During the ordinary course of business, EMT management will have regard to these NEE Limits, such that pre-approval will be obtained before committing to transactions or contracts which might otherwise cause them to be breached. Adherence to Limits is monitored by the Risk Management Department.

Credit Risk
Credit risk management includes appropriate creditworthiness review and monitoring processes, the request for collateral if deemed necessary, and the inclusion of contractual risk mitigation terms and conditions whenever possible. Such credit risk mitigations include collateral threshold amounts, cross default amounts, payment netting, and set-off agreements. Credit Limits are typically established for trading transactions and are designed to manage counterparty credit risk; and set appropriate levels at which to trigger communication concerning risk and strategy.

During the ordinary course of business, EMT management adheres to these credit limits, such that pre-approval is obtained before committing to transactions or contracts which might otherwise cause the credit limits to be breached. Adherence to limits is monitored by the Risk Management Department, as well as dealmakers.

Liquidity Risk
Transacting Liquidity: The availability of market participants willing to transact or having credit quality to transact will have an impact on the utility's ability to execute hedging and risk management strategies.

Short-Term Funding Liquidity: Changes in underlying market parameters may impact movements of cash in relation to business activities. Positions that are balanced for fair value purposes, but unbalanced for cash flow purposes, may give rise to large swings in cash balances. Risk Management assists the Finance Department by analyzing and monitoring the sufficiency of the allocated portions of the corporate facilities as they relate to EMT liquidity requirements.

Operational Risk

Operating risk is the physical risk associated with maintaining and operating generation assets. The potential risks that FPL encounters with its physical fuel procurement are fuel supply and transportation availability, product quality, delivery timing, weather, environmental, and supplier failure to deliver.

There is also operational risk specific to the wholesale trading activities, relating to inaccurate records of assets and transactions ("Administrative Operational Risk"). Certain personnel are authorized to transact on behalf of FPL and in so doing, can obligate the entity "instantaneously." FPL maintains sufficient controls to ensure that information relating to commitments, obligations and assets are captured accurately, completely and on a timely basis.

Fuel Procurement Oversight/Policies and Procedures (TFB-4, Items 4, 5, 6, 7 and 9)

FPL provides its fuel procurement activities with independent oversight.

The President of FPL is responsible for authorizing all hedging activities. Changes in strategies and any deviations from the program are approved by the President of FPL or his designee prior to execution. Program activity is included in the Monthly Operations Performance Review ("MOPR") chaired by the CEO of NEE. In addition, the EMC reviews performance and current procurement/hedging activities on a monthly basis.

The utility is supported by an independent middle office Risk Management department that provides oversight of fuel procurement activities. FPL has formal Policy and Procedures documents, signed by all employees, which include controls specifically related to the fuels hedging program. The Risk Management department ensures that the approved execution strategies are followed for each program. Daily and monthly reports are generated and reviewed by the Risk Management department and distributed to various groups, including executive management. Credit reviews are performed by the Risk Management department and included in the reporting mentioned above. Execution strategies must be approved prior to the execution of any transactions and documented as a Planned Position Strategy ("PPS"). All hedge transactions are to be addressed within this strategy document per the ranges and percentages defined in the Risk Management Plan and may be modified from time to time.

Policy and Procedures

As part of this Risk Management Plan, FPL is attaching the latest Policy and Trading and Risk Management Procedures Manual (“Procedures”). NEE updates the Policy and Procedures as necessary. For details that are not covered in this document, please refer to the Policy and Procedures. FPL considers its Policy and Procedures to be confidential.

The NEE corporate risk Policy delineates individual and group transaction limits and authorizations for all fuel procurement activities. The Policy sets out the NEE approach to energy risk and the management of risk, as follows:

- Identification and definition;
- Quantification and measurements;
- Reporting;
- Authority to transact; and
- Ownership and roles and responsibilities.

The Procedures Manual provides guidance that will promote efficient and accurate processing of transactions, effective preparation and distribution of information relating to trading and marketing activities, and efficient monitoring of the portfolio of risks, all within a well-controlled environment.

FPL’s deal execution and capture functions coordinate activities across relevant departments, personnel, and systems. This framework of activity properly links the responsibilities of personnel and provides a sufficient medium to resolve issues.

The Procedures clearly list authorized trading personnel, trading limits, tenors, and acceptable instruments. Access to the data entry privileges in the deal capture system is limited to only those individuals who are formally granted permissions to enter trades. All transactions are entered and managed through a centralized deal capture system that supports routine reporting, settlements, and review. Transaction record editing is managed through acceptable authorizations and processes. Credit information is available to traders on a timely basis through daily reporting produced by the Risk Management department. Auditable records of all transactions are maintained and subject to review on a regular basis.

Deal Execution Details

FPL traders receive daily credit reports and credit watch lists from the Risk Management department to ensure that FPL does not enter into a trade with an unauthorized counterparty. FPL traders then select counterparties from this list to transact with as the hedging program is executed. FPL uses a market comparison approach to execute financial hedges. For natural gas, real-time prices can be observed by FPL through electronic tools, such as ICE (“InterContinental Exchange”), FutureSource, or over-the-counter brokers.

FPL traders generally execute trades with counterparties offering the best price for a given instrument. However, in a case where two or more counterparties are offering similar pricing, the traders will attempt to execute trades with the counterparty that has the least amount of credit exposure with FPL. This is done primarily to allow FPL to spread its risk among as many counterparties as possible, but also affords the advantage of preventing the inadvertent telegraphing of FPL's commercial intentions to the market, thus helping to ensure favorable pricing for FPL's hedges.

2016 Hedging Strategy (TFB-4, Items 2 and 8)

FPL's hedging strategy for its projected 2017 natural gas requirements will be modified to include the Woodford Gas Reserves Project ("Woodford Project") that was approved in Order No. PSC-15-0038-FOF-EI, issued on January 12, 2015. Gas supply from the Woodford Project serves as a long-term physical hedge and the projected production volumes will be incorporated as such in the percentage of natural gas that FPL hedges for the 2017 period. Furthermore, with the approval of the FPL Gas Reserves Guidelines in Order No. PSC-15-0284-FOF-EI, issued on July 14, 2015, production volumes from subsequent gas reserves projects into which FPL enters will be included in FPL's Risk Management Plan and the hedging strategy for the applicable period. The Guidelines include several process and reporting requirements that will be detailed in this, and future, Risk Management plans.

Guideline I.A
The aggregate output of all gas reserve projects will not exceed 15% of FPL's projected average daily natural gas burn in 2017.

Guideline I.B
The aggregate projected output of all gas reserves projects represents the following percentage of FPL's projected average daily burn, by month, in 2017:

Month-Year	Projected Average Daily Burn (MMBtu/Day)	Daily Average Aggregate Output of Gas Reserves Projects (MMBtu/Day)	Percent of Average Daily Burn
January-2017	1,360,018	39,190	2.9%
February-2017	1,360,748	40,039	2.9%
March-2017	1,553,684	35,968	2.3%
April-2017	1,675,944	36,104	2.2%
May-2017	1,828,381	34,434	1.9%
June-2017	1,974,146	34,363	1.7%
July-2017	2,051,566	32,269	1.6%
August-2017	2,060,484	31,911	1.5%
September-2017	2,011,033	31,469	1.6%
October-2017	1,867,878	30,152	1.6%
November-2017	1,395,480	30,153	2.2%
December-2017	1,377,371	27,971	2.0%

Absent special circumstances (e.g. a hurricane that FPL concludes will substantially impair market functions); FPL will implement its hedging program within the following parameters:

1) FPL will hedge approximately [redacted] of its projected 2017 natural gas requirements within the Hedging Window during 2016 using financial swaps, physical fixed price transactions, and/or the output of gas reserves projects. This hedge percentage is consistent with the 2016 hedge level and is within FPL's system base load requirements. FPL will hedge approximately [redacted] of each individual month's projected natural gas requirements. FPL will not financially hedge its projected natural gas requirements beyond the end of calendar year 2017.

2) FPL will execute its natural gas hedges for 2017 from [redacted] through [redacted] ("the Hedging Window"). This Hedging Window represents an expansion from previous Risk Management Plans. FPL is expanding its hedging window to allow more time to make any necessary hedging adjustments related to the hedge target that may be required to accommodate potential gas reserves transactions.

3) Guideline I.C
The aggregate output of all gas reserves projects will be netted against the [redacted] target and the resulting net balance will be hedged utilizing financial swaps. For the 2017 period, the current projections for the percentage of financial swaps and gas reserves hedges are shown in the table below:

Month-Year	Target Hedge Percentage	Gas Reserves Percentage	Financial Swaps Net Percentage
January-2017	[redacted]	2.9%	[redacted]
February-2017		2.9%	
March-2017		2.3%	
April-2017		2.2%	
May-2017		1.9%	
June-2017		1.7%	
July-2017		1.6%	
August-2017		1.5%	
September-2017		1.6%	
October-2017		1.6%	
November-2017		2.2%	
December-2017		2.0%	

4) During each month of the Hedging Window, FPL will financially hedge between [redacted] and [redacted] of the target monthly volumes minus the projected aggregate output of gas reserves ("the Net Remaining Monthly Volume"). This percentage range has been expanded from previous Risk Management Plans. FPL is expanding this range to provide more flexibility to make any necessary hedging adjustments related to the hedge target that may be required to accommodate potential gas reserves transactions. FPL will have

flexibility within any given month to determine the appropriate timing for executing hedges.

5) To the extent that FPL's projected natural gas requirements change or the level of gas reserves output changes, the Net Remaining Monthly Volume will be updated.

6) FPL will maintain an overall hedge percentage that falls within a [redacted] tolerance band. Therefore, the minimum and maximum monthly hedge percentages are [redacted] and [redacted] respectively.

7) If FPL enters into additional gas reserves projects during 2016 for the 2017 period, the projected volumes of the additional gas reserves for 2017 will be aggregated with the existing gas reserves volumes for 2017 and netted against the hedge target of [redacted] The net remaining monthly volumes will be adjusted accordingly.

8) To the extent that the projected output of any additional gas reserves projects, when aggregated with existing gas reserves output, pushes any month above the upper tolerance band on a forecasted basis, FPL will rebalance its financial hedges as appropriate. Depending on the specific circumstances, rebalancing can be accomplished by selling existing financial hedges or adjusting the monthly hedge percentages for any remaining months in the Hedging Window.

9) FPL will apply the same rebalancing methodology on an intra-year basis (during 2017) based on changes in the projected output of existing gas reserves projects and the addition of gas reserves projects. Additionally, FPL will maintain its long-standing practice of intra-year rebalancing based on changes in forecasted market prices, projected unit outage schedules or changes in FPL's load forecast. The intra-year monthly tolerance bands are the same as described above.

10) FPL does not intend to hedge heavy fuel oil for 2017. FPL discontinued fuel oil hedging in 2013 and the factors that influenced that decision still remain.

<u>Reporting System for Fuel Procurement Activities (TFB-4, Items 13 and 14)</u>

FPL reporting systems comprehensively identify, measure, and monitor all forms of risk associated with fuel procurement activities.

FPL's philosophy on reporting is that it should be timely, consistent, flexible, and transparent. Timely and consistent reporting of risk information is critical to the effective management of risk. The utility has sufficient systems capability for identifying, measuring, and monitoring all types of risk associated with fuel procurement activities. These systems include: deal capture, current and historical pricing database, deal information, valuation models, and a reporting system that utilizes the information in the trade capture system and the database.

Specifically, several reports are available at FPL to monitor risk:

Daily Management Report

For each business day there is a formal report produced in hard copy or electronically, for distribution to business and desk heads and members of the EMC. This report details the current Mark to Market (spot and forward), unrealized Mark to Market changes, and VaR. This report is published only after proper and thorough discussion between Risk Management and desk heads, if necessary for clarification, and resolution of any issues raised.

Credit Exposure Reporting

For each business day there is a formal report produced in hard copy or electronically, for distribution to business and desk heads and members of the EMC. This report details:

- Allowable deal types by counterparty
- Restrictions on counterparties

EMC Update

The Vice President Trading Risk Management provides a formal update to the EMC on a monthly basis. The agenda for the update will be agreed in advance with the EMC Chairman, but at a minimum contains the following items:

- Summary and explanation of significant changes in market risk and fair value;
- Summary and explanation of significant changes in credit risk;
- Exceptions to Risk Management Policy; and
- Minutes of previous EMC update for approval.

Hedge Program Limitations (TFB-4, Item 15)

FPL does not currently have any limitations on implementing certain hedging techniques that would provide a net benefit to customers.

Summary Update on Dodd-Frank Wall Street Reform and Consumer Protection Act (the Act) on Utility Hedgers

FPL has reviewed the rules related to the Dodd-Frank Act and has implemented policies and procedures to comply with those rules that affect its business.

FPL’s fuel hedging program is classified as bona-fide hedging under the new rules and therefore, FPL will be able to transact swaps in the over-the-counter market without being subject to mandatory clearing.

FPL cannot predict the impact that all of these new rules will have on its ability to hedge its commodity risk or on the OTC derivatives market as a whole, but these rules could have a material effect on FPL’s risk exposure and financial results. If the still-to-be-finalized margin rules require FPL to post significant amounts of cash collateral with respect to swap transactions, FPL's liquidity could be materially affected and its ability to enter into OTC derivatives to hedge commodity risks could be significantly limited.

EXHIBIT 3

TAMPA ELECTRIC COMPANY

2016 RISK MANAGEMENT PLAN
(redacted)

REDACTED

Tampa Electric Company

Addendum to 2016 Risk Management Plan

Tampa Electric Company ("Tampa Electric" or "the company") will reduce its maximum percentage of projected usage of natural gas hedged from [redacted]. Accordingly, the company will reduce its minimum percentage hedged from [redacted].

Tampa Electric will shorten the duration of its natural gas hedging program from 24 months to 18 months.

EXHIBIT 4

GULF POWER COMPANY

2016 RISK MANAGEMENT PLAN
(redacted)

Gulf Power 2016 Natural Gas Procurement Strategy

Gas Program Overview

Natural Gas is used for primary fuel at the Smith 3 combined cycle unit, boiler lighter fuel at Crist Units 4-7, and for generation secured under purchased power agreements beginning in 2009. Prior to 2002, natural gas represented a relatively small portion of Gulf's overall fuel budget. With the addition of the Smith 3 combined-cycle unit in 2002, natural gas became a more significant portion of Gulf's overall fuel budget.

Gulf Power's natural gas procurement strategy is to purchase a cost effective yet highly reliable fuel supply to support the operation of its generating facilities. Securing competitive fuel prices for its customers and minimizing both price and supply risk are the governing considerations in developing Gulf's fuel procurement strategy.

Projected Natural Gas Purchases

Southern Company Services (SCS) as agent for Gulf purchases natural gas to be delivered to Plant Crist for lighter purposes on the coal fired units and to Plant Smith as primary fuel for Unit 3 which is a combined cycle generating unit. SCS will also purchase natural gas to serve as primary fuel for the Shell (Central Alabama) purchased power agreement. Gulf has contracted for storage capacity at Bay Gas Storage near Mobile, AL, Leaf River Energy Center near Richton, MS, and at Southern Pines Energy Center near Hattiesburg, MS and will purchase natural gas to maintain targeted quantities of gas in storage during the year.

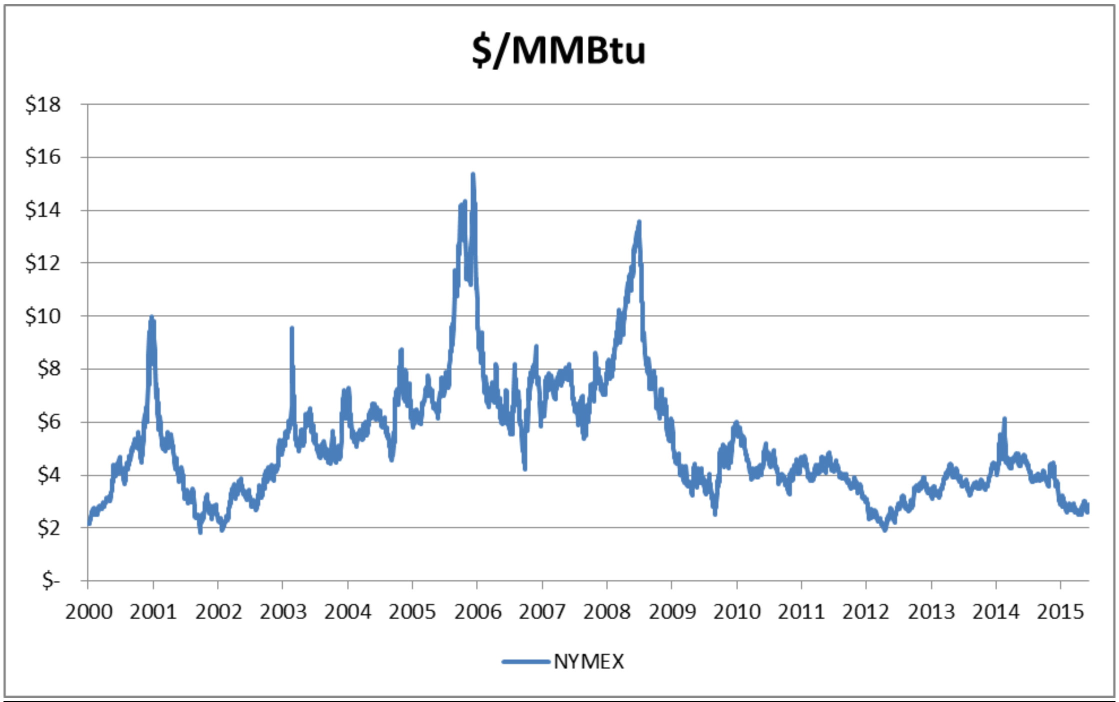
Procurement Strategy

Gulf's strategy for gas procurement is to purchase the commodity using long term and spot agreements at market prices. Fuel purchased at market over a long period is a low cost option for customers. [redacted]

For Gulf, spot-market contracts have a term of less than one year and long-term contracts have a term of 1 year or longer. All natural gas, regardless of whether it is bought under long-term contracts or spot-market contracts, is purchased at market based prices. While fuel purchased at market over long periods is a low cost option for customers, it does expose the customers to short-term price volatility. Since these price fluctuations can be severe, Gulf Power, at the direction of the Florida Public Service Commission, will attempt to protect its customers against short-term price volatility by utilizing hedging tools. It is understood that the cost of hedging will sometimes lead to fuel costs that are higher than market prices but that this is a reasonable trade-off for reducing the customers' exposure to fuel cost increases that would result if fuel prices actually settle at higher prices than when the hedges were placed.

The following graph of actual natural gas prices is an indication of price volatility in the gas commodity market:

Historical Natural Gas Prices - NYMEX



<u>Pricing Strategy</u>

Gulf Power will continue to purchase gas, both under long-term and spot contracts at market based prices. However, pursuant to Commission order, Gulf Power will financially hedge gas prices for some portion, generally between [redacted] percent of Gulf Power's projected annual gas burn for the current year, in order to protect against short-term price swings and to provide some level of price certainty. This [redacted] percent hedge range allows Gulf Power to provide a degree of price certainty and protection against short-term price swings while still allowing the customers to participate in markets where natural gas prices are low. Gulf

Power will secure natural gas hedges over a time period not to exceed [redacted] months, per the following schedule:

Period	Lower Target Hedge %	Upper Target Hedge %
[redacted]		

Note: The annual hedge percentage is based on the budgeted annual gas burn

Although SCS will target the levels shown in the table above, SCS may accelerate or decelerate the plan accordingly based on market conditions. Gulf's hedging targets are expressed on an annual basis due to the potential for large variances in month to month gas consumption. The monthly variance in gas burn is due to Gulf's units being dispatched on an economic basis with the other generating units in the Southern electric system and the impact of unit outages on Gulf's total gas burn.

SCS, working in partnership with Gulf Power, develops short-term hedge strategies based on current and projected market conditions. [redacted] SCS will employ both technical and fundamental analysis to determine appropriate times to hedge. However, the objective is not to speculate on market price or attempt to outguess or "beat the market". Gulf will utilize fixed priced swaps as its primary financial gas price hedging instrument but may also utilize options when appropriate.

While the hedging program will protect the customer from short-term price spikes, hedges can also lead to higher costs when natural gas prices fall subsequent to entering hedges. Gulf Power will limit the amount of fixed-price hedges to a maximum of [redacted] percent of the projected fuel burn for the upcoming year. In addition, Gulf Power will limit option priced hedges to [redacted] percent of its projected burn. Finally, in order to protect its customers from market exposure in subsequent years, Gulf Power will take forward hedge positions for up to [redacted] months into the future.