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April 3, 2018

-VIA ELECTRONIC FILING -

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

Re: Docket No. 20180001-EI

Dear Ms. Stauffer:

I enclose for electronic filing in the above docket the prepared testimony and exhibits of FPL witness Gerard J. Yupp. Mr. Yupp's testimony provides and supports the information on FPL's 2017 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.

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

Sincerely,

s/ Maria J. Moncada
Maria J. Moncada

Enclosures

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

CERTIFICATE OF SERVICE
Docket No. 20180001-EI

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished

by electronic service on this 3rd day of April 2018 to the following:

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By: s/ Maria J. Moncada

Maria J. Moncada

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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. 20180001-EI**

5 **APRIL 3, 2018**

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

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

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

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

13 **Q. Have you previously testified in this docket?**

14 A. Yes.

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

16 A. The purpose of my testimony is to present data on FPL’s hedging activities, by
17 month, for calendar year 2017. This data is required per Item 5 of the
18 Resolution of Issues that was approved by the Commission in Order No. PSC-
19 02-1484-FOF-EI, issued on October 30, 2002, which states:

20 5. Each investor-owned utility shall provide, as part of its final true-up
21 filing in the fuel and purchased power cost recovery docket, the
22 following information: (1) the volumes of each fuel the utility actually

1 hedged using a fixed price contract or instrument; (2) the types of
2 hedging instruments the utility used, and the volume and type of fuel
3 associated with each type of instrument; (3) the average period of each
4 hedge; and (4) the actual total cost (e.g., fees, commissions, options
5 premiums, futures gains and losses, swaps settlements) associated with
6 using each type of hedging instrument.

7 The requirement for this data was further clarified in Section III of the Hedging
8 Order Clarification Guidelines that were approved by the Commission in Order
9 No. PSC-08-0667-PAA-EI, issued on October 8, 2008. While the settlement
10 agreement approved in Order No. PSC-16-0560-AS-EI for FPL's 2016 rate
11 case provided for FPL to terminate natural gas financial hedging prospectively
12 for the agreement's Minimum Term, it recognized that FPL already had placed
13 hedges for 2017 in accordance with its approved Risk Management Plan. My
14 testimony addresses the results of those hedges.

15 **Q. Have you prepared or caused to be prepared under your supervision,
16 direction and control any exhibits in this proceeding?**

17 A. Yes. I am sponsoring Exhibit GJY-2 – 2017 Hedging Activity True-Up (Pages
18 1 through 13).

19 **Q. Does your Exhibit GJY-2 provide the detail on FPL's 2017 hedging
20 activities required by Item 5 of the Resolution of Issues?**

21 A. Yes. All hedging activity details required by Item 5 of the Resolution of Issues
22 are included on pages 1 through 13 of Exhibit GJY-2.

23

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

2 A. Consistent with the guiding principles described in Section IV of the Hedging
3 Order Clarification Guidelines, the primary objective of FPL’s hedging program
4 is to reduce the impact of fuel price volatility in the fuel adjustment charges
5 paid by FPL’s customers. FPL does not execute speculative hedging strategies
6 aimed at “out guessing” the market. For natural gas purchases in 2017, FPL
7 implemented a well-disciplined, well-defined and well-controlled hedging
8 program in compliance with FPL’s 2016 Risk Management Plan that was
9 approved by the Commission in Order No. PSC-15-0586-FOF-EI issued on
10 December 23, 2015.

11 **Q. Please summarize FPL’s 2017 hedging activities.**

12 A. Consistent with its approved 2016 Risk Management Plan, FPL hedged a
13 portion of its natural gas fuel portfolio for 2017 utilizing financial swaps.

14
15 Overall, actual 2017 natural gas prices settled, on average, approximately \$0.12
16 per MMBtu higher than the forward prices that were in effect when FPL was
17 executing its financial swaps for 2017. As would be expected under the
18 approved hedging approach, this increase in natural gas prices resulted in
19 reported natural gas hedging savings for the year of \$37,833,753, as shown on
20 Exhibit GJY-2.

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

22 A. Yes it does.

	A	B	FPL NATURAL GAS PROCUREMENT			F
			C	D	E	
	PERIOD	INSTRUMENT	VOLUME (MMBTU)	SALES	OPTION PREMIUMS	SAVINGS/(COSTS)
1	February-2017					
2		FIXED PRICE TRANSACTIONS				
3		SWAPS	20,860,000			9,028,250
4		OVER-THE-COUNTER OPTIONS				
5		BROKER FEES				(1,800)
6						
7			20,860,000			
8						
9						
10						
11						
12						

A	B	C	D	E	F
<u>PERIOD</u>	<u>INSTRUMENT</u>	FPL NATURAL GAS PROCUREMENT			
March-2017		VOLUME (MMBTU)	<u>SALES</u>	<u>OPTION PREMIUMS</u>	<u>SAVINGS/(COSTS)</u>
		<u>PURCHASES</u>			
1					
2					
3					
4	FIXED PRICE TRANSACTIONS	-	\$ -	\$ -	\$ -
5	SWAPS	25,296,000	\$ -	\$ -	(8,633,733)
6	OVER-THE-COUNTER OPTIONS	-	\$ -	\$ -	\$ -
7	BROKER FEES	-	\$ -	\$ -	(1,800)
8		25,296,000	\$ -	\$ -	(8,635,533)
9					
10					
11					
12					

A	B	C	D	E	F
<u>PERIOD</u>	<u>INSTRUMENT</u>	FPL NATURAL GAS PROCUREMENT			
April-2017		VOLUME (MMBTU)	<u>SALES</u>	<u>OPTION PREMIUMS</u>	<u>SAVINGS/(COSTS)</u>
		<u>PURCHASES</u>			
1					
2					
3					
4	FIXED PRICE TRANSACTIONS	-	-	\$	\$
5	SWAPS	25,500,000	-	\$	\$ 5,203,275
6	OVER-THE-COUNTER OPTIONS	-	-	\$	\$
7	BROKER FEES	-	-	\$	\$ (1,850)
8		25,500,000	-	\$	\$ 5,201,425
9					
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11					
12					

A	B	C	D	E	F
<u>PERIOD</u>	<u>INSTRUMENT</u>	FPL NATURAL GAS PROCUREMENT			
May-2017		VOLUME (MMBTU)	<u>SALES</u>	<u>OPTION PREMIUMS</u>	<u>SAVINGS/(COSTS)</u>
		<u>PURCHASES</u>			
	FIXED PRICE TRANSACTIONS	-	-	\$ -	\$ -
	SWAPS	29,000,500	-	\$ -	\$ 4,807,790
	OVER-THE-COUNTER OPTIONS	-	-	\$ -	\$ -
	BROKER FEES	-	-	\$ -	\$ (1,850)
		29,000,500	-	\$ -	\$ 4,805,940

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	<u>PERIOD</u>	<u>INSTRUMENT</u>	FPL NATURAL GAS PROCUREMENT			
	June-2017		VOLUME (MMBTU)	<u>SALES</u>	<u>OPTION PREMIUMS</u>	<u>SAVINGS/(COSTS)</u>
			<u>PURCHASES</u>			
1						
2						
3						
4		FIXED PRICE TRANSACTIONS	-	\$ -	\$ -	\$ -
5		SWAPS	30,405,000	\$ -	\$ -	\$ 7,828,770
6		OVER-THE-COUNTER OPTIONS	-	\$ -	\$ -	\$ -
7		BROKER FEES	-	\$ -	\$ -	\$ (1,850)
8			30,405,000	\$ -	\$ -	\$ 7,826,920
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A	B	C	D		E	F
			FPL NATURAL GAS PROCUREMENT			
<u>PERIOD</u>	<u>INSTRUMENT</u>	<u>PURCHASES</u>	<u>SALES</u>	<u>OPTION PREMIUMS</u>	<u>SAVINGS/(COSTS)</u>	
July-2017	FIXED PRICE TRANSACTIONS	-	-	\$ -	\$ -	-
	SWAPS	33,666,000	-	\$ -	\$ -	2,395,324
	OVER-THE-COUNTER OPTIONS	-	-	\$ -	\$ -	-
	BROKER FEES	-	-	\$ -	\$ -	(1,850)
		<u>33,666,000</u>	-	\$ -	\$ -	<u>2,393,474</u>

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<u>PERIOD</u>	<u>INSTRUMENT</u>	FPL NATURAL GAS PROCUREMENT			
August-2017		VOLUME (MMBTU)	<u>SALES</u>	<u>OPTION PREMIUMS</u>	<u>SAVINGS/(COSTS)</u>
		<u>PURCHASES</u>			
1					
2					
3	FIXED PRICE TRANSACTIONS				
4	SWAPS	34,410,000	- \$	- \$	(1,048,684)
5	OVER-THE-COUNTER OPTIONS	-	- \$	- \$	-
6	BROKER FEES	-	- \$	- \$	(1,850)
7					
8		34,410,000	- \$	- \$	(1,050,534)
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12					

A	B	C	D		E	F
			FPL NATURAL GAS PROCUREMENT			
PERIOD	INSTRUMENT	VOLUME (MMBTU)	SALES	OPTION PREMIUMS	SAVINGS/(COSTS)	
September-2017	FIXED PRICE TRANSACTIONS	-	-	\$ -	\$ -	-
	SWAPS	30,600,000	-	\$ -	\$ -	(1,149,450)
	OVER-THE-COUNTER OPTIONS	-	-	\$ -	\$ -	-
	BROKER FEES	-	-	\$ -	\$ -	(1,850)
		30,600,000	-	\$ -	\$ -	(1,151,300)

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A	B	C	D		E	F
			FPL NATURAL GAS PROCUREMENT			
PERIOD	INSTRUMENT	VOLUME (MMBTU)	SALES	OPTION PREMIUMS	SAVINGS/(COSTS)	
October-2017	FIXED PRICE TRANSACTIONS	-	-	\$ -	\$ -	-
	SWAPS	29,295,000	-	\$ -	\$ -	(486,235)
	OVER-THE-COUNTER OPTIONS	-	-	\$ -	\$ -	-
	BROKER FEES	-	-	\$ -	\$ -	(1,850)
		29,295,000	-	\$ -	\$ -	(488,085)

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	A	B	C		D		E		F
			PURCHASES	VOLUME (MMBTU)	SALES	FPL NATURAL GAS PROCUREMENT	OPTION PREMIUMS	SAVINGS/(COSTS)	
		<u>INSTRUMENT</u>							
		FIXED PRICE TRANSACTIONS							
		SWAPS	21,150,000						(4,274,775)
		OVER-THE-COUNTER OPTIONS	-						-
		BROKER FEES	-						(1,850)
			21,150,000						(4,276,625)

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	<u>PERIOD</u>	<u>INSTRUMENT</u>	FPL NATURAL GAS PROCUREMENT			
	December-2017		VOLUME (MMBTU)	<u>SALES</u>	<u>OPTION PREMIUMS</u>	<u>SAVINGS/(COSTS)</u>
			<u>PURCHASES</u>			
1						
2						
3						
4		FIXED PRICE TRANSACTIONS	-	\$ -	\$ -	\$ -
5		SWAPS	22,010,000	\$ -	\$ -	\$ 2,594,933
6		OVER-THE-COUNTER OPTIONS	-	\$ -	\$ -	\$ -
7		BROKER FEES	-	\$ -	\$ -	\$ (1,850)
8			22,010,000	\$ -	\$ -	\$ 2,593,083
9						
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12						