BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 130001-EI FLORIDA POWER & LIGHT COMPANY

APRIL 5, 2013

IN RE: LEVELIZED FUEL COST RECOVERY
AND CAPACITY COST RECOVERY

AUGUST 2012 THROUGH DECEMBER 2012 HEDGING ACTIVITY TRUE-UP REPORT

REDACTED

TESTIMONY & EXHIBITS OF:

GERARD J. YUPP

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

1		BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
2		FLORIDA POWER & LIGHT COMPANY
3		TESTIMONY OF GERARD J. YUPP
4		DOCKET NO. 130001-EI
5		APRIL 5, 2013
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 2012. This data is required
20		per Item 5 of the Resolution of Issues in Docket 011605-El
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

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

Α.

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

Q. Are you sponsoring an exhibit for this proceeding?

Yes. I am sponsoring Exhibit GJY-1 – August through December
 2012 Hedging Activity True-Up.

19 Q. Please describe FPL's hedging objectives.

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

not execute speculative hedging strategies aimed at "out guessing" the market. For 2012, FPL implemented a well-disciplined, well-defined and well-controlled hedging program in compliance with FPL's 2011 Risk Management Plan that was approved by the Commission in Order No. PSC-11-0094-FOF-EI, issued on February 1, 2011.

7 Q. Please summarize FPL's 2012 hedging activities.

Consistent with its approved 2011 Risk Management Plan, FPL hedged a portion of its fuel portfolio for 2012 utilizing fixed price transactions. A fixed price transaction allows a buyer to lock in the price of a commodity for a set volume over a set period of time.

Α.

Actual 2012 natural gas prices declined from the forward prices that were in effect when FPL was executing its natural gas hedges for 2012. As would be expected under the approved hedging approach, this decline in natural gas prices resulted in reported natural gas hedging costs for the year, as shown on Exhibit GJY-1. Conversely, heavy oil prices increased from the forward prices that were in effect when FPL was executing its heavy oil hedges for 2012. As shown on Exhibit GJY-1, this resulted in reported heavy oil hedging savings for the year.

21.

- 1 Q. Does your Exhibit GJY-1 provide the detail on FPL's 2012
- 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.

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4	March-2012	FIXED PRICE TRANSACTIONS				
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