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January 31, 2008

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COMMISSION CLERK

-VIA HAND DELIVERY -

Ms. Ann Cole, Director
Division of the Commission Clerk and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Re: Docket No. 080001-EI

Dear Ms. Cole:

I am enclosing for filing in the above docket the original and seven (7) copies of Florida Power & Light Company's Petition for Approval of Improved Volatility Mitigation Mechanism in Docket No. 080001, together with a diskette containing the electronic version of same.

Also, I am enclosing for filing in the above docket the original and seven (7) copies of Florida Power & Light Company's Request for Confidential Classification of information contained in Exhibit 3 to FPL's Petition for Approval of Improved Volatility Mitigation Mechanism ("Fuel Hedging Information") in Docket No. 080001, together with a diskette containing the electronic version of same. The enclosed diskette is HD density, the operating system is Windows XP, and the word processing software in which the document appears is Word 2003. Please note that copies of Exhibit 3 that contain highlighted and unredacted information are enclosed with the original of the Request, in a separate sealed folder marked "Confidential"

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

Sincerely,

John T. Butler

Enclosure

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

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Fuel and Purchase Power Cost Recovery Clause and Generating Performance Incentive Factor.	)))	Docket No. 080001-EI Filed: January 31, 2008

PETITION OF FLORIDA POWER & LIGHT COMPANY FOR APPROVAL OF IMPROVED VOLATILITY MITIGATION MECHANISM

Florida Power & Light Company ("FPL") hereby petitions the Commission for approval of the volatility mitigation mechanism ("VMM") described below, which will replace the use of physical and financial hedges commencing January 1, 2009; or, in the alternative, for approval of the hedging guidelines contained in Exhibit 3 to this Petition for implementation starting with hedges placed for fuel purchases in 2009. In support of this Petition, FPL states as follows:

1. FPL is a public utility subject to the regulatory jurisdiction of the Commission under Chapter 366, Florida Statutes. The Company's principal offices are located at 700 Universe Boulevard, Juno Beach, Florida.

2. All notices, pleadings and other communications required to be served on the petitioner should be directed to:

Jeffrey S. Bartel
Vice President - Regulatory Affairs
Florida Power & Light Company
215 South Monroe Street, Suite 810
Tallahassee, FL 32301-1859

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BACKGROUND

3. In October 2002, the Commission issued Order No. PSC-02-1484-FOF-EI in Docket No. 011605-EI, which approved a Proposed Resolution of Issues that "established a framework and direction from the Commission and the parties to the fuel adjustment proceedings with respect to risk management for fuel procurement" (the "Hedging Resolution"). Pursuant to the Hedging Resolution, FPL has been using a mix of physical and financial hedges to mitigate fuel price volatility for the past five years. In practice, the vast majority of this hedging has been done through financial transactions, as these have been more readily available at low transaction costs and from parties with acceptable credit profiles.

4. While physical and financial hedging have essentially the same economic effect, unlike physical hedging the *accounting* for hedging through financial instruments can create large, highly visible gains and losses. The visibility of the gains and losses from financial hedges, in contrast to physical hedges, can be illustrated by the following simplified example. Suppose that FPL seeks to lock in the price it will have to pay for natural gas in Year 2 at a current forward curve price for that year of $7.00 per MCF. It could do this by entering into fixed-price contracts for the delivery of natural gas in Year 2 at the forward-curve price for that year. If FPL used this physical hedge, its accounting records would simply show the purchase of

gas at $7.00 per MCF, regardless of what the spot market prices turned out to be in Year 2. Alternatively, FPL could lock in the Year 2 gas price by acquiring a financial instrument such as a swap that provides for the counterparty to pay FPL the difference between $7.00 and the actual market price for gas in Year 2 if the market price turns out to be more than $7.00, and conversely for FPL to pay the counterparty the difference if the market price turns out to be less than $7.00. FPL would then buy gas at the Year 2 spot market price, and the amounts received or owed under the swap arrangement would result in a net Year 2 gas price to FPL of $7.00 per MCF. This is the same overall economic result as with the physical hedge; however, the accounting for the financial hedge would look quite different. If FPL had a million MCF of gas subject to the swap arrangement and the Year 2 spot market price for gas turned out to be $8.00 per MCF, then the accounting for the financial hedging arrangement would show FPL to have "gained" (*i.e.,* to have been paid by the counterparty) $1 million on its hedging program. On the other hand, if the market price in Year 2 turned out to be $6.00 per MCF, then FPL would be shown to have an accounting "loss" of $1 million (*i.e.,* FPL would have made a payment in that amount to the counterparty). Thus, the financial hedge would achieve FPL's objective of mitigating volatility in Year 2 gas prices. However, depending upon the vagaries of the volatile gas market (which is why FPL is hedging in the first place), FPL would report either a substantial "gain" or a substantial "loss" in achieving that objective. In reality, the "gain" or "loss" is simply a reflection of the very volatility in fuel prices that the hedging program is intended to mitigate.

5. FPL's hedging program has been successful in achieving its (and the Commission's) objective of mitigating fuel price volatility. During periods of rising prices, FPL's fuel costs have risen more slowly than market prices (and financial hedges have shown gains); during periods of declining prices, FPL's fuels costs have declined more slowly than

market prices (and financial hedges have shown losses). As illustrated on Exhibit 1 attached hereto, the net effect has been a smoother path of overall fuel costs than would have been the case in the absence of hedging. This result is consistent with the Commission's recently stated views concerning the proper function of a hedging program:

> Hedging program[s] are designed to assist in managing the impacts of fuel price volatility. Within any given calendar period, hedging can result in gains or losses. Over time, gains and losses are expected to offset one another.

Order No. PSC-08-0030-FOF-EI, at 4.

ASYMMETRIC RISKS AND REWARDS UNDER FPL'S HEDGING PROGRAM

6. As discussed above, an effective hedging program employing financial hedges will necessarily result in both gains and losses in the contracts used to hedge the underlying positions. Over time, these gains and losses will tend to offset, but in any given sub-period – even over several years – it is quite possible to see significant accumulated gains or losses in a well-managed hedge program. In other words, while a hedging program will produce less volatility in the actual fuel prices customers pay (achieving the program's objective), volatility will be a natural and expected characteristic in gains and losses of the hedging program.

7. Unfortunately, FPL has observed that the reaction of various stakeholders is not symmetric when its hedge program shows gains and when it shows losses. In fact, the volatility of the gain and loss positions inherent in FPL's hedging program from time to time has elicited expressions of concern from various stakeholders, suggesting to FPL that currently (during a period when the hedging program shows losses) there may be far less than the full support among constituents that existed at the outset of the hedging program (particularly when it was showing gains). In short, from a shareholder perspective, FPL is exposed to asymmetric

reactions in the event of cumulative gains or losses in the hedges. For example, in the recently concluded fuel adjustment proceedings, FIPUG took the following position:

> In its prehearing statement and opening statement, FIPUG argued that the utilities should provide strict proof that previously filed projections regarding hedging activities are still reasonable in light of any changed circumstances. Furthermore, FIPUG argues that customers appear not to derive benefit from hedging activities because the annual fuel factor removes fuel cost volatility. According to FIPUG, the hedging activity's effectiveness should be subject to a detailed review.

Order No. PSC-08-0030-FOF-EI, Docket No. 070001-EI, dated January 8, 2008, at 3. FIPUG never expressed this position at the program's inception, nor during the period when FPL was reporting gains for its hedging program. FPL's shareholders receive no special benefit or reward when the hedging program results in gains, but this observed asymmetry causes FPL concern that its shareholders might be exposed to risks of non-recovery when the hedging program results in losses.

8. This concern was exacerbated by the Commission's decision in the 2007 fuel adjustment docket not to rule on the prudence of any of FPL's 2007 hedging results until the Fall of 2008. That approach, regardless of any perceived procedural benefits, effectively leaves FPL's shareholders – and the investment community generally – in doubt as to the final recovery of hundreds of millions of dollars in hedging results during periods such as the present when the pendulum makes its natural swing from net gains to net losses. If perpetuated in future clause recovery cycles, this incremental regulatory risk will ultimately result in higher capital costs to FPL and its customers as credit rating agencies reflect this increase in regulatory risk into their credit assessment and investors price this risk into their required returns. To suspend or defer a decision of prudence on such a large and highly visible expenditure necessarily subjects the Company and its shareholders to unnecessary and uncompensated risk for a program that is

aimed solely at a customer benefit, i.e., to mitigate fuel price volatility. Even where FPL might reasonably presume that the ultimate evaluation of prudence should or will be favorable, at a minimum the Company and its investors are being asked to assume the risk that regulatory and political climates will not change over the next twelve months.

9. The foregoing process, coupled with the asymmetry of reaction among certain stakeholders to the volatility within the program itself, creates a level of regulatory risk that was not contemplated by FPL or its shareholders at the inception of the hedging program. This additional (and we believe unnecessary) uncertainty among investors, inevitably affects the pricing of FPL's securities offerings, to the detriment of FPL and its customers. Indeed, carrying substantial hedging losses on FPL's books under these circumstances has an adverse risk on FPL's credit ratings, a risk for which FPL is not currently compensated.

10. Beyond the introduction of additional uncertainty – always undesirable from a cost-of-capital perspective – the current form of FPL's hedging program inevitably brings with it certain direct and indirect costs. The direct costs are primarily transactional in nature. These are small relative to the overall magnitude of the hedging program, but they increase the overall fuel cost that is borne by FPL's customers. In addition, there is an indirect cost of hedging, which cannot be readily measured but could be quite substantial. To the extent that the value placed on mitigating volatility is greater collectively for entities that are naturally short fuel (such as FPL which is the largest gas short utility in the country) than the collective value for entities that are naturally long fuel (*e.g.*, oil and gas producers), markets will build a hedging premium into their prices. That is, instead of being a neutral bet, a hedge will be slightly biased, such that on average the gains and losses from a hedge program consistently applied will be negative to the average short coverer (such as FPL) and positive to the average long coverer. While FPL does

not know and cannot know exactly what the relationship is between buyers and sellers in its specific markets with respect to their relative tolerance for price volatility, there is some reason to believe that this balance may favor the sellers. If true, then FPL can expect to pay a premium over time to the general marketplace for the value of reducing volatility.

PROPOSED VOLATILITY MITIGATION MECHANISM (VMM)

11. While FPL's hedging program has been successful in achieving the Commission's objectives, FPL has come to the conclusion that those objectives may be achieved using a different approach that would achieve the same aims while avoiding some of the disadvantages just described. FPL is constantly seeking ways to improve its performance, and mitigating price volatility is no exception.

12. It is important to recognize that the Commission's and FPL's ultimate objective is to mitigate the volatility of the fuel charges that *customers* pay for electric service. While this objective can be achieved by hedging the prices FPL pays for fuel, that is not necessarily the only or best approach. If a mechanism can adequately dampen the variability in fuel charges to customers, it is unimportant whether it is achieved via hedges that mitigate the volatility in what FPL pays for fuel or by some other means. FPL has concluded that the volatility in customer fuel charges can be mitigated almost as effectively as it has under FPL's current hedging program, by collecting under-recoveries of unhedged fuel costs over two years instead of one year as is generally done at present, with over-recoveries continuing to be refunded to customers over one year. Under this alternative volatility mitigation mechanism, or VMM, all other aspects of the fuel clause would continue to work as they do currently. For example, FPL would continue to collect interest on under-recoveries, and pay interest on over-recoveries, at the

commercial paper rate. FPL would also continue to make three filings each year, the Final True-up, the Estimated/Actual True-up and the Projection. And, FPL would continue to utilize the Commission's procedure for midcourse corrections. *See* Order No. PSC-07-033-PAA-EI, dated April 16, 2007 and Consummating Order No. PSC-07-0414-CO-EI, dated May 11, 2007.

13. Exhibit 2, attached hereto, shows the fuel charges that customers actually have paid or will pay during the period from 2000 to 2008 under the current hedging program and compares those charges to the approximate fuel charges that they would have paid under the proposed VMM.[1] One can see that both the magnitude and rate of the changes in fuel charges from year to year under the proposed VMM would have been similar to what customers actually experienced under the current hedging program during the period of generally rising fuel prices (2000-2005), while the VMM would have allowed customers to capture the savings associated with lower fuel prices more quickly and fully during the period of generally declining fuel prices (2006-2008).

14. In addition to achieving comparable levels of volatility mitigation, FPL's proposed VMM has several advantages over the current hedging program:

- FPL would not have to incur, and customers would not have to reimburse, operational or transactional costs associated with implementing a hedging program. Further, to the extent that fuel-short parties such as FPL must pay risk premiums to purchase hedges against future fuel prices, FPL and its customers

1 In order to calculate the fuel charges that customers would have paid under the VMM, FPL had to recreate history by making certain simplifying assumptions about how the Commission's fuel adjustment policies would have been applied during the relevant period. Notwithstanding the simplifying assumptions, the fuel charges depicted on Exhibit 2 are realistic and illustrative of the mitigating impact that the VMM would have had on the volatility of fuel charges paid by FPL's customers.

would benefit by no longer having to pay those premiums.

- During periods of fuel cost under-recovery, customers would benefit by "borrowing" from FPL on the deferred under-recoveries at the very favorable commercial paper interest rate. Customers are typically unable to borrow for any other major purchases at this rate.[2]
- On the other hand, by retaining the one-year flowback of over-recoveries while eliminating the dampening effect of hedges, there would be more opportunity under the VMM for customers to benefit promptly and completely from short-term declines in fuel prices.
- Because the VMM would not generate reported hedging gains and losses, with the attendant risk of asymmetric stakeholder reactions to periods of accumulated losses, FPL would be exposed to less perceived credit risk than under the current hedging program.

15. For these reasons, the VMM proposal represents a simpler, more easily understood and more efficient approach to mitigating the volatility of customers' fuel charges than FPL's current hedging program. Accordingly, FPL recommends that the Commission authorize FPL to transition to the VMM proposal as promptly as practicable. Consistent with its

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2 In order to justify continuing to allow customers to "borrow" at the commercial paper rate over the VMM's two-year recovery period, FPL will need to reach agreement with the Commission on a fair approach to reflecting the impact of these low-interest loans on FPL's earnings for surveillance purposes. For the Commission's regulatory accounting purposes it is assumed that FPL funds these loans at its overall cost of capital, yet FPL collects interest from customers only at the much lower commercial paper rate. The difference between those rates can significantly impact FPL's actual earned return in periods of large under-recoveries, but the Commission's currently approved regulatory accounting for under-recoveries does not take this into account. This is especially inappropriate because the Commission's regulatory accounting reflects the full *positive* impact on earned return when the same difference in rates is applied to

prior practice and general industry practice, FPL has already placed hedges for the current year (2008). FPL does not believe that it would be economically attractive to try to "unwind" its hedge positions for the remainder of 2008 at this time. FPL has not yet begun to place hedges for 2009, although it will need to begin doing so by late Spring 2008 if the Commission did not approve the VMM and instead directed FPL to continue implementing a hedging program. Accordingly, FPL respectfully requests the Commission schedule proceedings on this petition on a timetable that will allow the Commission to render a final decision by no later than May 1, 2008 that would authorize FPL to transition to the VMM effective January 1, 2009. To this end, in the interest of obtaining stakeholder consensus that would minimize the risk of a protest to proposed agency action approving the VMM, FPL recommends that the Commission convene a workshop on the VMM proposal at the earliest opportunity.

REGULATORY CERTAINTY UNDER THE VMM

16. If FPL is to agree through its proposed VMM, to delay potentially large amounts for recovery in future years, it must have regulatory certainty as to recovery of the amounts that are deferred. Specifically, FPL needs the Commission to provide the following express assurances of recovery if it approves the VMM:

- The Commission recognizes and accepts that FPL will no longer acquire physical or financial hedges to mitigate volatility in the prices FPL must pay for fuel, and the amounts paid by FPL for fuel will not be found imprudent as a result of the absence of such hedges. Of course, this protection would be most important in the event of a sharp rise in fuel prices, where hindsight would indicate that

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over-recoveries.

hedging the prices FPL must pay for fuel would have been beneficial.

- The Commission recognizes and accepts that FPL is entitled to charge and collect from customers interest at the commercial paper rate on outstanding under-recovery balances while those balances are being recovered over the two-year period contemplated by the VMM, regardless of the amount of the accumulated balance. FPL would not be fairly compensated under the VMM if it were not allowed to collect interest. Moreover, as discussed above, the Commission recognizes that customers receive a benefit from only having to pay FPL interest on under-recovery balances at the commercial paper rate, because FPL's actual cost of money (as well as the interest rate charged on lending alternatives available to customers) substantially exceeds the commercial paper rate.
- The Commission recognizes that, once the amount of a final true-up under-recovery has been determined, FPL is entitled to recover that full amount over the two years contemplated by the VMM.

Without these assurances, FPL cannot agree to delayed recovery. Moreover, the implications of risk and the resulting negative impact on FPL's cost of capital discussed above would remain problematic both for FPL and its customers.

ALTERNATIVE: APPROVAL OF HEDGING GUIDELINES

17. FPL believes that all involved – the Commission, customers and FPL – would be best served by implementation of the VMM starting in 2009. However, if the Commission does not approve the VMM, or is not in a position to approve it for implementation in 2009, then FPL respectfully requests that the Commission take two steps that will reduce the uncertainty and

regulatory risk associated with the current hedging program.

18. First, FPL asks the Commission to approve the hedging guidelines that are set forth in Exhibit 3 attached hereto. Those guidelines would provide clear direction to FPL as to the specifics of the nature and timing of the hedging approach that it should use, and their approval by the Commission would provide necessary assurance to FPL that the Commission concurs with FPL's approach. This assurance, in turn, will help reduce regulatory risk and investor uncertainty concerning the hedging program and thus help FPL avoid the upward pressure on the pricing of FPL's securities offerings discussed above. Because FPL has to begin placing hedges in the late Spring for the following year(s), FPL would need approval of its heading guidelines by no later than May 1, 2008 in order to implement hedges consistent with the approval for 2009 and beyond.

19. Second, FPL asks the Commission to revise the procedure for reviewing FPL's hedging results that was used in Docket No. 070001-EI, where review of all 2007 results was deferred to the November 2008 fuel adjustment hearing. Specifically, FPL proposes to file monthly information on hedging results pursuant to the current A-Schedule procedure, which provides for monthly fuel data to be filed on approximately the 20th of each month for the prior month. FPL asks that Staff then conduct on-going reviews of that monthly information as it is filed, so that the Commission would be in a position at the fuel adjustment hearing that is held in November of each year to rule on the prudence of hedging results for the twelve months ending September 30 of that year.

WHEREFORE, FPL respectfully requests the Commission to approve the volatility mitigation mechanism ("VMM") described above, to replace the use of physical and financial hedges commencing January 1, 2009 and to express the cost-recovery assurances set forth in

Paragraph 16 as part of that approval; or, in the alternative, to approve the hedging guidelines contained in Exhibit 3 for implementation starting with hedges placed for fuel purchases in 2009 in conjunction with the procedure described above for making prudence rulings on hedging results at the November fuel adjustment hearing each for the twelve months ending September 30 of that year.

Respectfully submitted,

R. Wade Litchfield, Esq.
Vice President and Associate General Counsel
John T. Butler, Esquire
Senior Attorney
Florida Power & Light Company
700 Universe Boulevard
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Telephone: (561) 304-5639
Facsimile: (561) 691-7135

By: ______________________
John T. Butler
Fla. Bar No. 283479

CERTIFICATE OF SERVICE

Docket No. 080001-EI

I HEREBY CERTIFY that a true and correct copy of Florida Power & Light Company's Petition for Approval of Improved Volatility Mitigation Mechanism has been furnished by hand delivery (*) or United States Mail on this 31st day of January 2008, to the following:

Lisa Bennett, Esq. *
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Tallahassee, Florida 32399-0850

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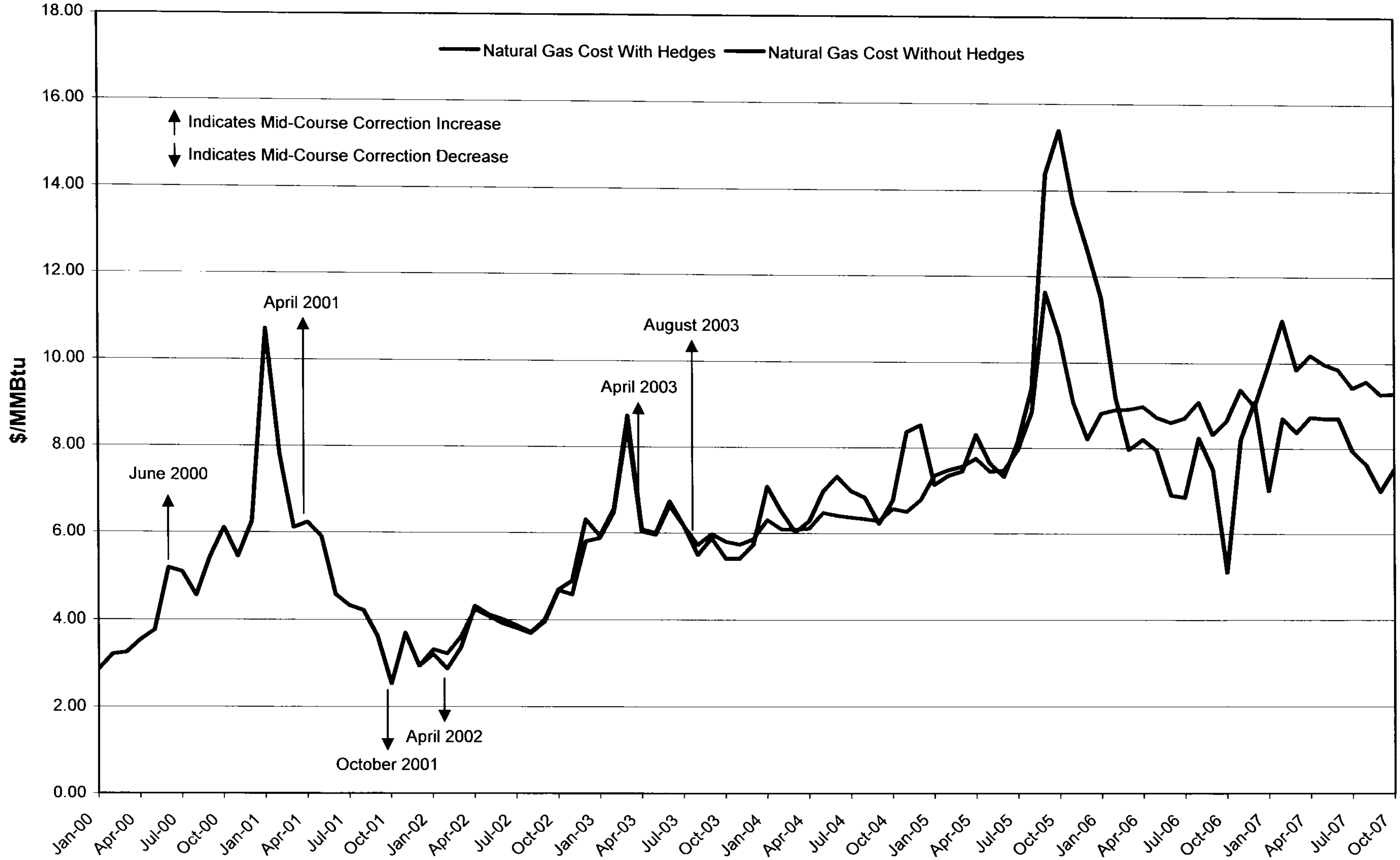
By: ______________________
John T. Butler

EXHIBIT 1

FPL's Natural Gas Cost With and Without Impact of Hedging



FPL's Heavy Oil Cost With and Without Impact of Hedging

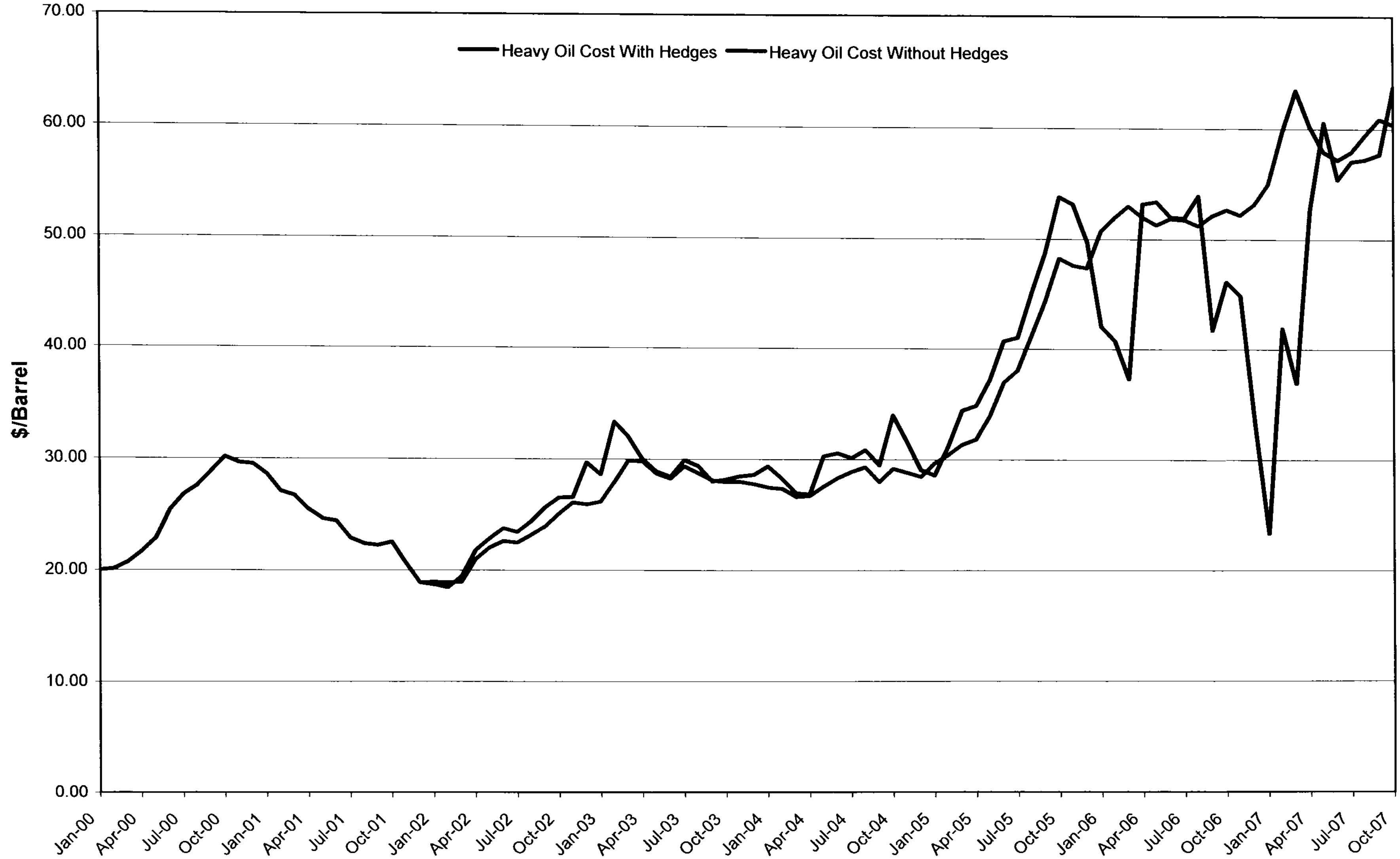
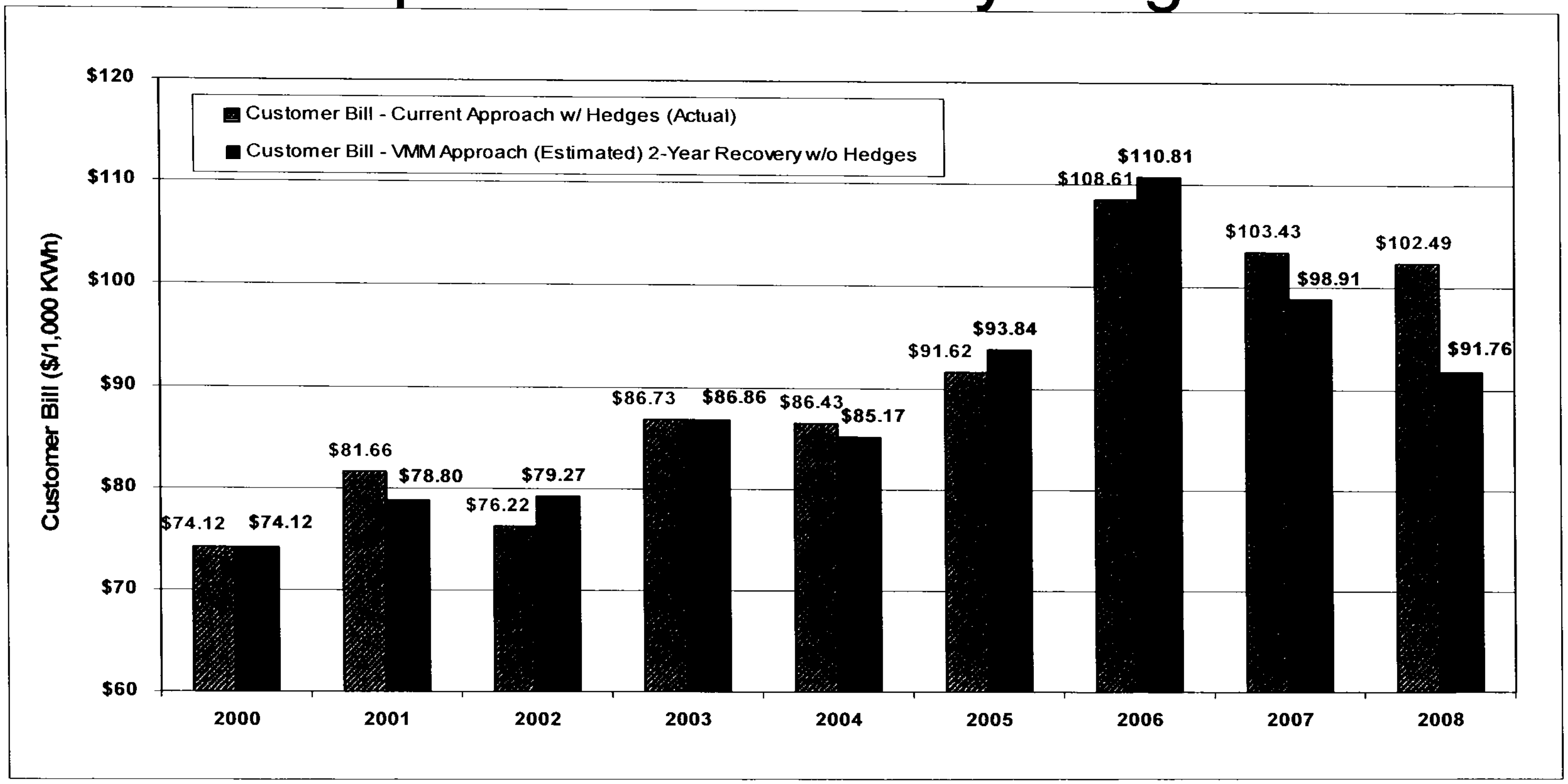


EXHIBIT 2

Exhibit 2

Comparison of Volatility Mitigation



- FPL's hedging plan started in earnest during 2003, as a result of the October 2002 Hedging Resolution and Order.
- The Customer Bill – Current Approach is the actual Residential Bill (RS-1, 1000 KWh) using the fuel factors filed with the Commission that reflect the effects of FPL's hedging program.
- The Customer Bill – VMM Approach is an estimate of the Residential Bill without hedges, using the 2 year deferral method.
    - The Bills were recreated by removing all financial hedges (Mark to Market projections and realized values) from FPL's energy procurement costs and then recalculating the Customer Bill.
        - Over-recoveries are handled in the same manner as they are in the current process.
        - Under-recoveries are deferred over a 2 year period with 50% of the under-recovery plus interest at the commercial paper rate being collected each year.
        - End-of-year true-ups are handled in the same manner as they are in the current process.
- During 2000-2005, when fuel prices generally increased, the VMM method would have provided similar volatility mitigation as the hedges. However, during 2006-2008, when fuel prices generally declined, the VMM method would have allowed customers to capture the savings associated with lower fuel prices more quickly and fully.

EXHIBIT 3

CONFIDENTIAL
EXHIBIT 3

FPL HEDGING GUIDELINES

General Principles

1. The Commission finds that the purpose of hedging is to control the volatility of the fuel adjustment charges paid by FPL's customers, in the face of price volatility for the fuels (and fuel price-indexed purchased power energy costs) that FPL must pay in order to provide electric service.

2. The Commission finds that a well-managed hedging program is not speculation. 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 paid over time.

3. The Commission endorses the goal of controlling volatility of fuel adjustment charges and finds that hedging is a useful tool for this purpose.

4. The Commission acknowledges that hedging can result in significant lost opportunities for fuel cost savings if fuel prices actually settle at lower levels than at the time that hedges were placed and recognizes this as a reasonable trade-off for reducing the exposure to fuel cost increases that would result if fuel prices actually settle at higher levels than when the hedges were placed. The Commission does not expect FPL to 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.

5. The Commission does not intend that FPL will try to "outguess the market" in choosing the specific timing for effecting hedges. Rather, the Commission expects that the placement of hedges will be spread out over a period of time as needed to implement the required volume of hedges without over-stressing the market in any particular day, week or month.

6. 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, the Commission finds that it is appropriate to hedge a portion of the total expected volume of fuel purchases.

CONFIDENTIAL
EXHIBIT 3

<u>Specific Parameters</u>

Absent special circumstances that are brought to the Commission's attention for advance approval, FPL will implement its hedging program within the following parameters:

[redacted]

[redacted]

[redacted]

Hedging decisions made subject to these parameters will be presumed prudent and may be found imprudent only upon a showing that FPL had actual, advance knowledge of objectively verifiable information demonstrating that acting within the parameters would result in higher costs to customers than another course of action. In no event may projections of future fuel prices or other data constitute "objectively verifiable information."

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Fuel and purchased power cost recovery clause with generating performance incentive factor.	)))))	**Docket No. 080001-EI** **Filed: January 31, 2008**

FLORIDA POWER AND LIGHT COMPANY'S REQUEST FOR CONFIDENTIAL CLASSIFICATION OF FUEL HEDGING INFORMATION

Florida Power & Light Company ("FPL"), pursuant to Rule 25-22.006, F.A.C., and Section 366.093, Florida Statutes, requests confidential classification of certain information on fuel hedging activities that is contained in Exhibit 3 to FPL's Petition for Approval of Improved Volatility Mitigation Mechanism ("Fuel Hedging Information"). In support of its Request, FPL states as follows:

1. Contemporaneously with this request, FPL is filing a Petition for Approval of Improved Volatility Mitigation Mechanism, including Exhibit 3. This Request is intended to request confidential classification of the fuel hedging information contained in Exhibit 3 consistent with Rule 25-22.006.

2. The following exhibits are included with this Request:

a. Exhibit A consists of a copy of Exhibit 3, in which all of the Fuel Hedging Information has been highlighted. Exhibit A is submitted separately in a sealed folder marked "CONFIDENTIAL."

b. Composite Exhibit B consists of two copies of Exhibit 3 in which all of the Fuel Hedging Information has been redacted.

c. Exhibit C is a table containing a line-by-line and page-by-page identification of Fuel Hedging Information, together with references to the specific statutory basis for the claim of confidentiality and to the affidavit in support of the requested classification.

d. Exhibit D consists of the affidavit of Mr. Yupp, who is the Director of Wholesale Operations in FPL's Energy Marketing and Trading Division. The affidavit attests to the asserted bases for confidential classification.

3. FPL seeks confidential protection for the Fuel Hedging Information because it comprises trade secrets of FPL, which allow FPL to purchase and sell fuel and electric power on favorable terms for FPL and its customers. The disclosure of that trade-secret information would provide other participants in the fuel and electric power markets insight into FPL's marketing and trading practices that would allow them to anticipate FPL's marketing and trading decisions and/or impair FPL's ability to negotiate, to the detriment of FPL and its customers. *See* § 366.093(3)(a), Fla. Stat (2005).

4. FPL submits that the highlighted Fuel Hedging Information is proprietary confidential business information within the meaning of Section 366.093(3). Pursuant to Section 366.093, such information is entitled to confidential treatment and is exempt from the disclosure provisions of the public records law.

5. The Fuel Hedging Information in Exhibit A is intended to be and is treated by FPL as private, and its confidentiality has been maintained.

6. Upon a finding by the Commission that the Fuel Hedging Information in Exhibit A is proprietary confidential business information within the meaning of Section 366.093(3), pursuant to Section 366.093(4) such materials should not be declassified for at least eighteen (18) months and should be returned to FPL as soon as the information is no longer necessary for the Commission to conduct its business.

WHEREFORE, FPL respectfully requests confidential classification of the Fuel Hedging Information.

Respectfully submitted,

R. Wade Litchfield, Esq.
Vice President and Associate General Counsel
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BY:________________________

John T. Butler
Fla. Bar No. 283479

CERTIFICATE OF SERVICE
Docket No. 080001-EI

I HEREBY CERTIFY that a true and correct copy of the foregoing Request for Confidential Classification of Fuel Hedging Information has been furnished by hand delivery (*) or United States Mail on this 31st day of January 2008, to the following:

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By: ______________________
John T. Butler

Exhibit A

Confidential Document
Submitted separately

CONFIDENTIAL
EXHIBIT 3

FPL HEDGING GUIDELINES

General Principles

1. The Commission finds that the purpose of hedging is to control the volatility of the fuel adjustment charges paid by FPL's customers, in the face of price volatility for the fuels (and fuel price-indexed purchased power energy costs) that FPL must pay in order to provide electric service.

2. The Commission finds that a well-managed hedging program is not speculation. 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 paid over time.

3. The Commission endorses the goal of controlling volatility of fuel adjustment charges and finds that hedging is a useful tool for this purpose.

4. The Commission acknowledges that hedging can result in significant lost opportunities for fuel cost savings if fuel prices actually settle at lower levels than at the time that hedges were placed and recognizes this as a reasonable trade-off for reducing the exposure to fuel cost increases that would result if fuel prices actually settle at higher levels than when the hedges were placed. The Commission does not expect FPL to 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.

5. The Commission does not intend that FPL will try to "outguess the market" in choosing the specific timing for effecting hedges. Rather, the Commission expects that the placement of hedges will be spread out over a period of time as needed to implement the required volume of hedges without over-stressing the market in any particular day, week or month.

6. 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, the Commission finds that it is appropriate to hedge a portion of the total expected volume of fuel purchases.

COMMISSIONERS:
MATTHEW M. CARTER II, CHAIRMAN
LISA POLAK EDGAR
KATRINA J. MCMURRIAN
NANCY ARGENZIANO
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STATE OF FLORIDA

OFFICE OF COMMISSION CLERK
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COMMISSION CLERK
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CONFIDENTIAL

Public Service Commission

ACKNOWLEDGEMENT

DATE: January 31, 2008

TO: **John T. Butler/Florida Power & Light Company**

FROM: **Ruth Nettles, Office of Commission Clerk**

RE: **Acknowledgement of Receipt of Confidential Filing**

This will acknowledge receipt of a CONFIDENTIAL DOCUMENT filed in Docket Number 080001-EI **or, if filed in an undocketed matter, concerning** Exhibit 3 to petition, **and filed on behalf of** Florida Power & Light. **The document will be maintained in locked storage.**

If you have any questions regarding this document, please contact Marguerite Lockard, Deputy Clerk, at (850) 413-6770.

DOCUMENT NUMBER-DATE
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