

080438

Exhibit B

undktd

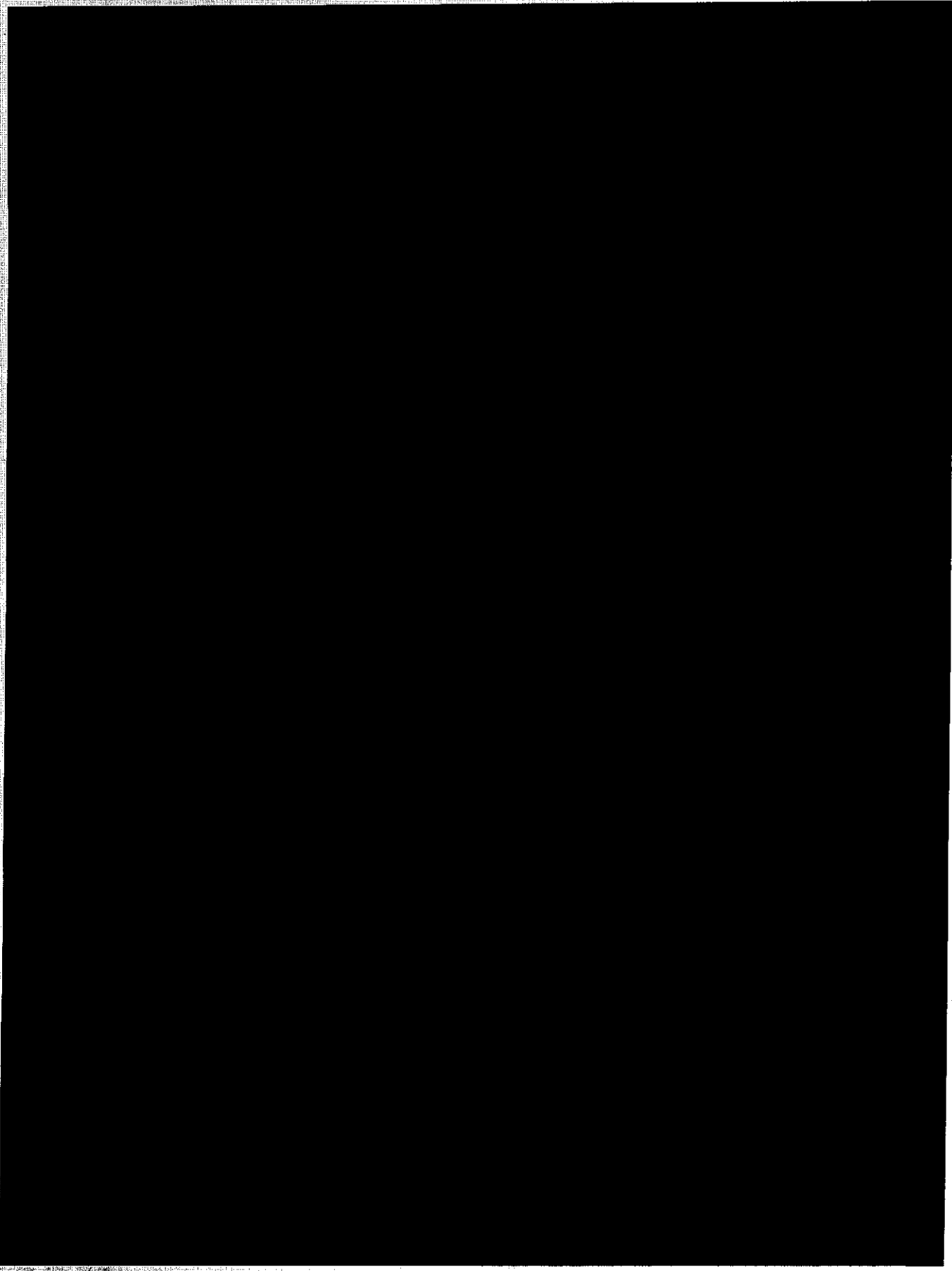
REDACTED DOCUMENTS

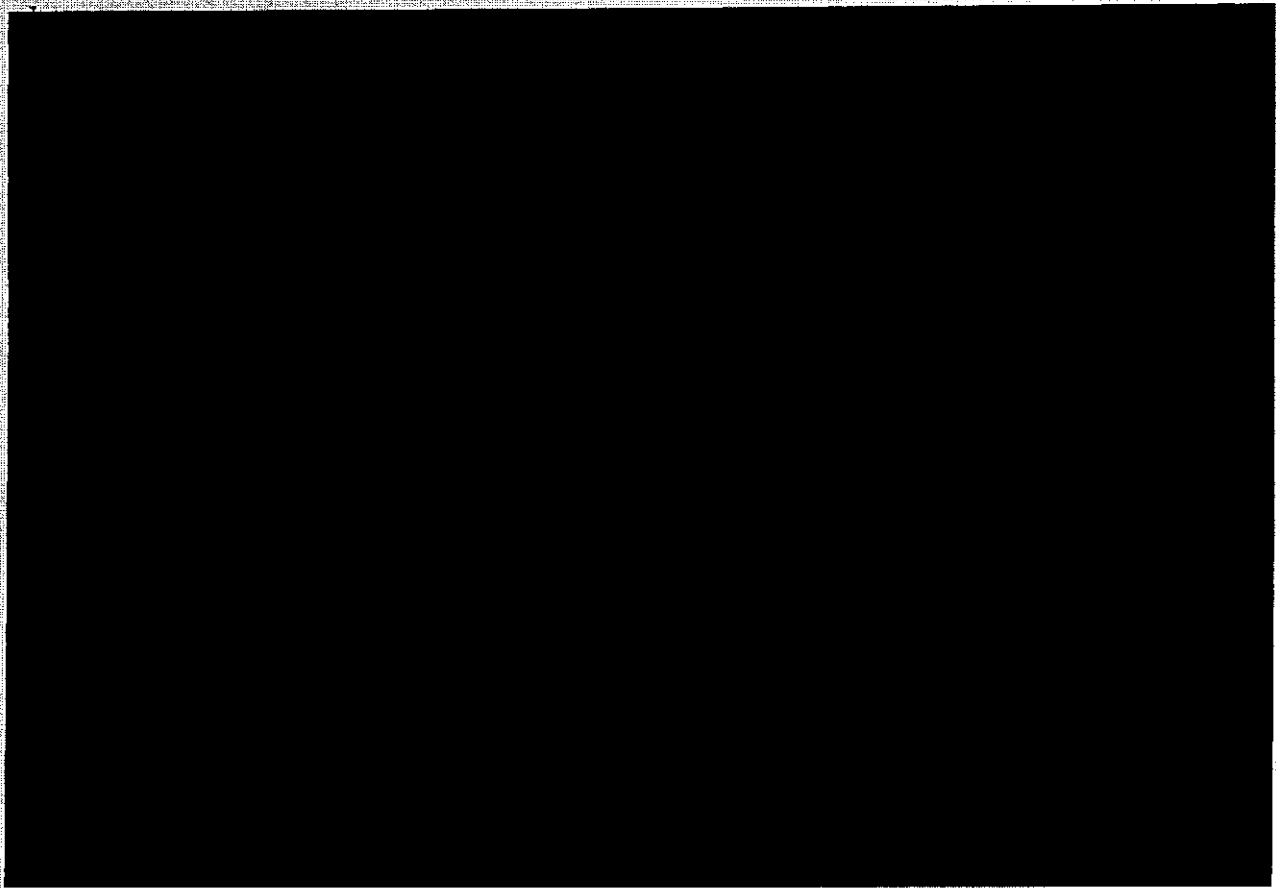
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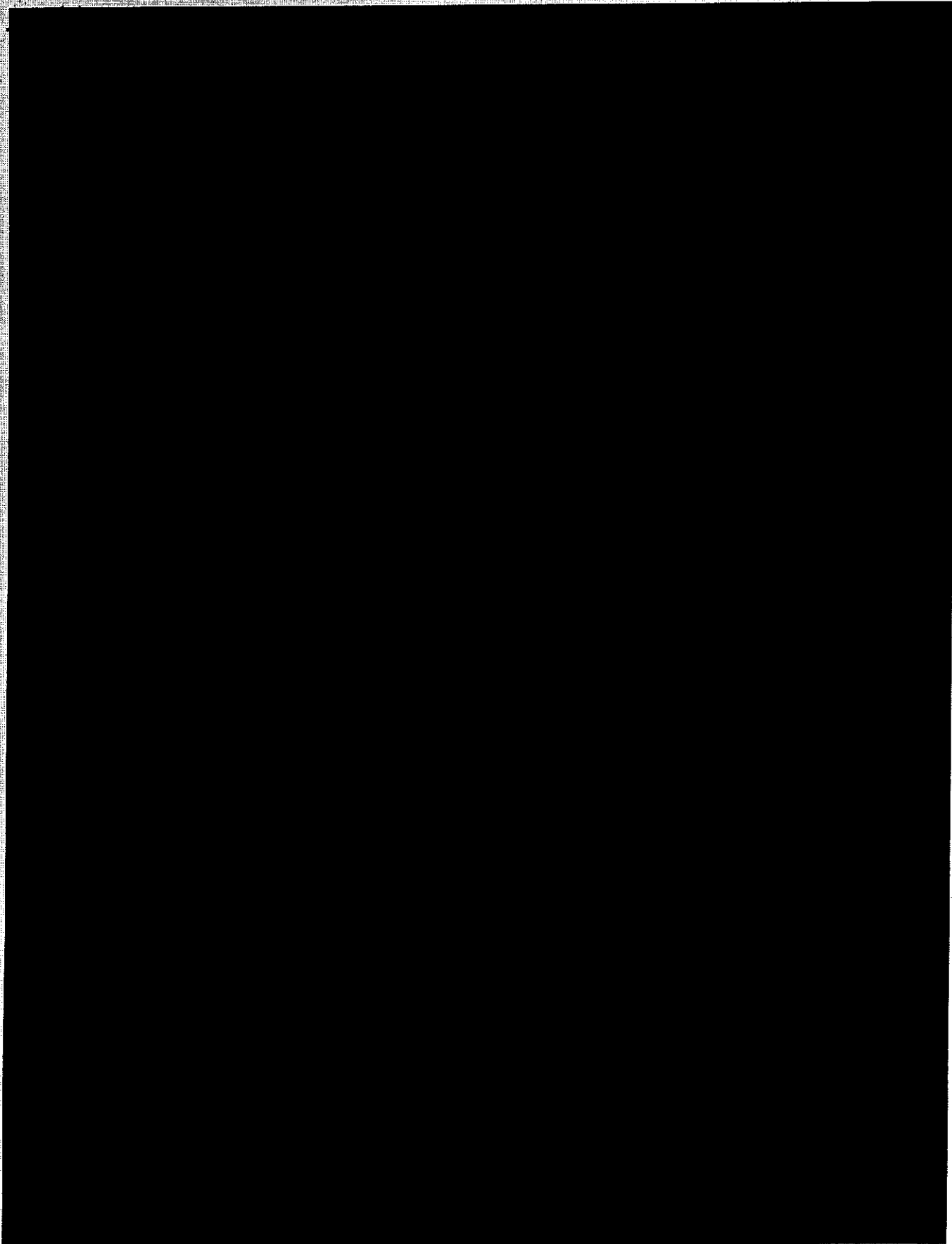
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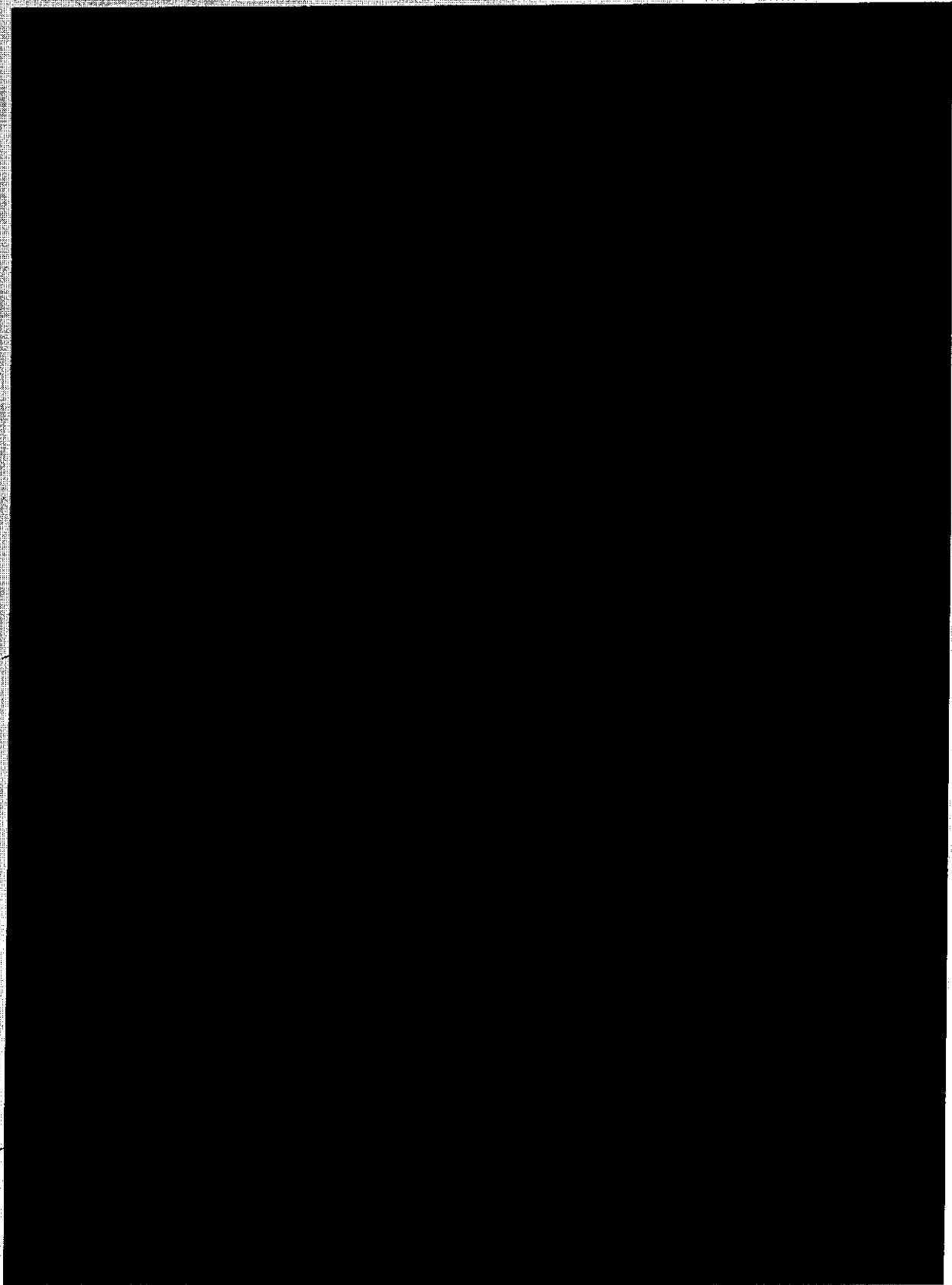
05707 JUL-1 8

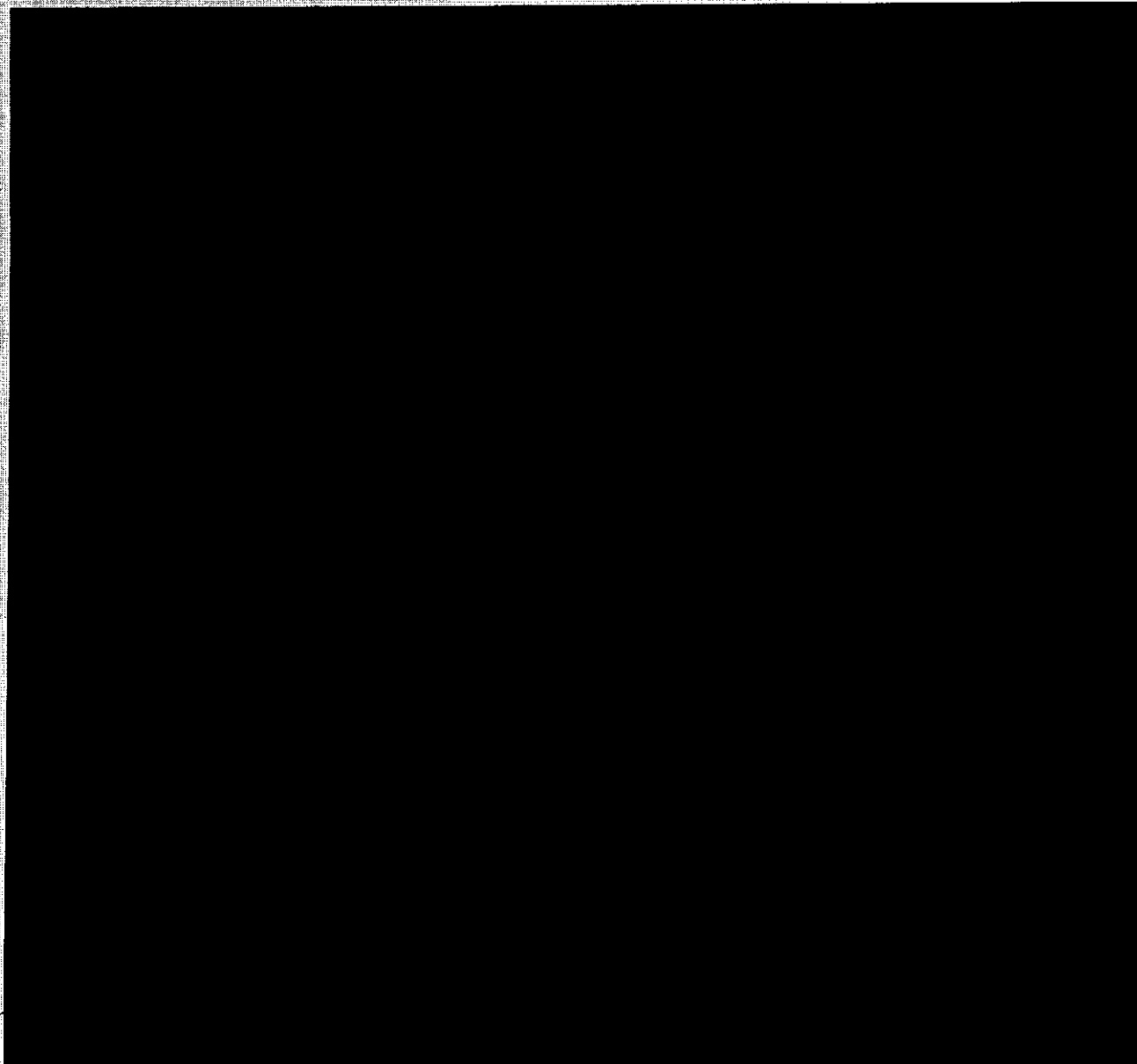
FPSC-COMMISSION CLERK

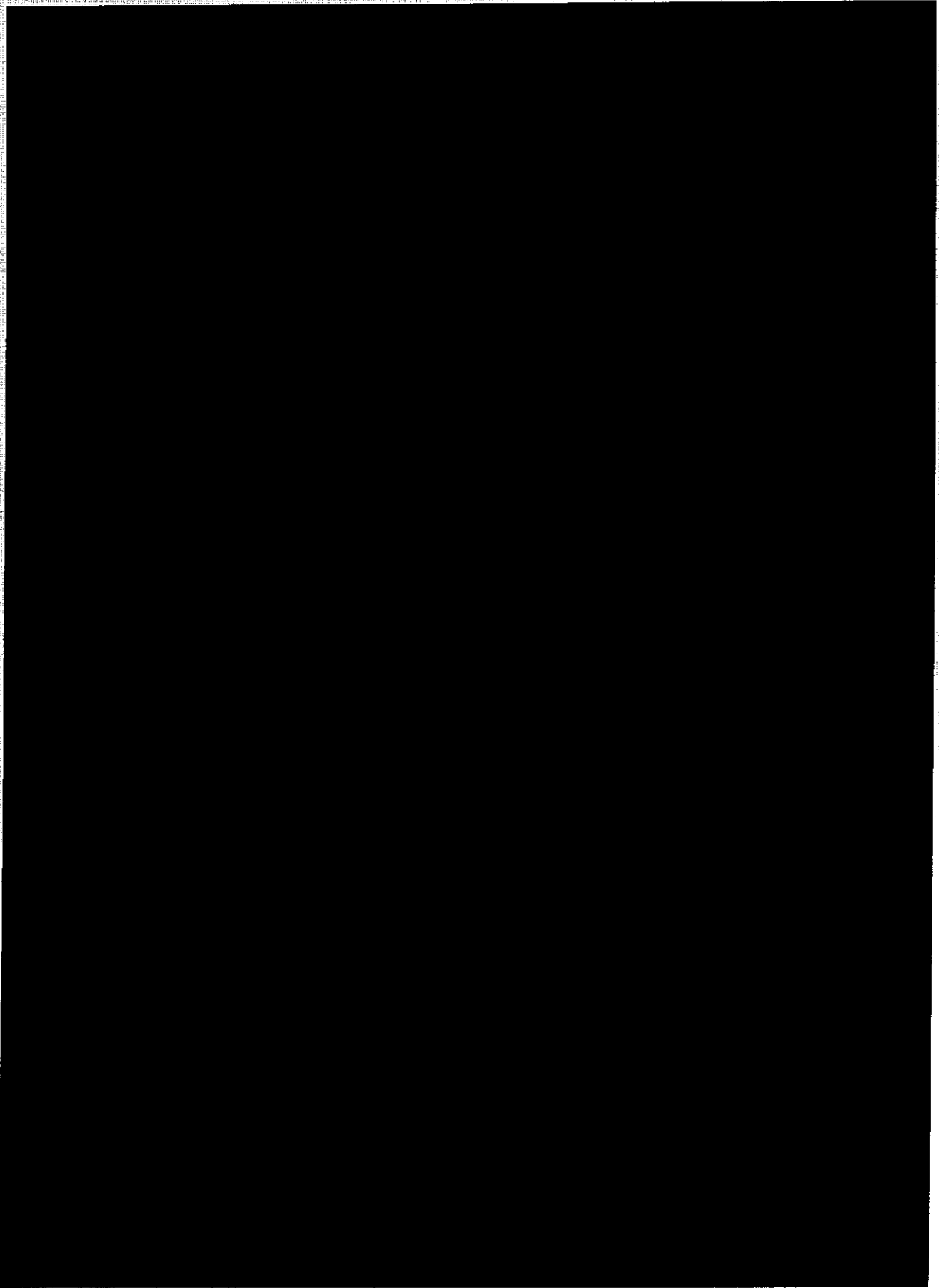




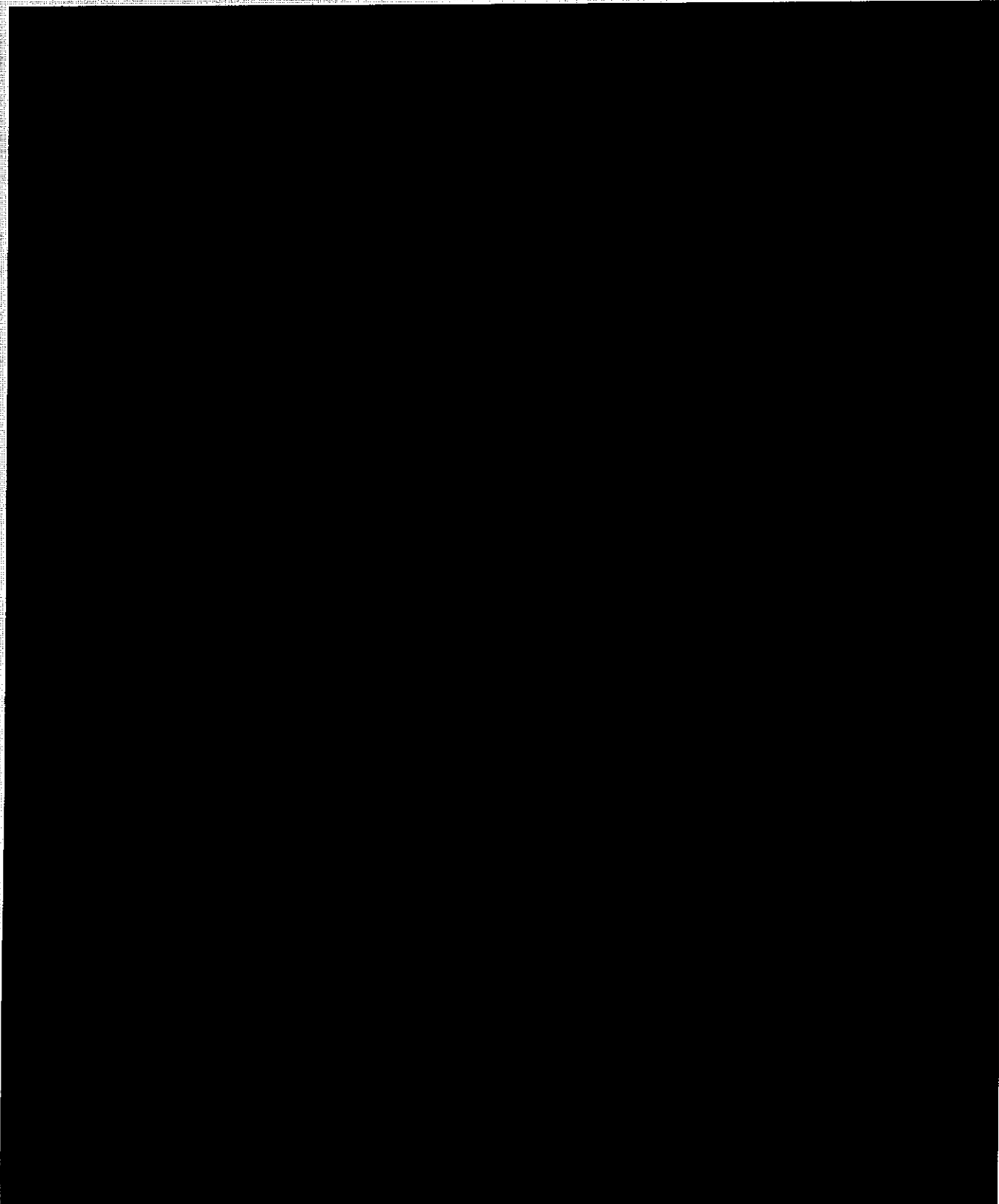


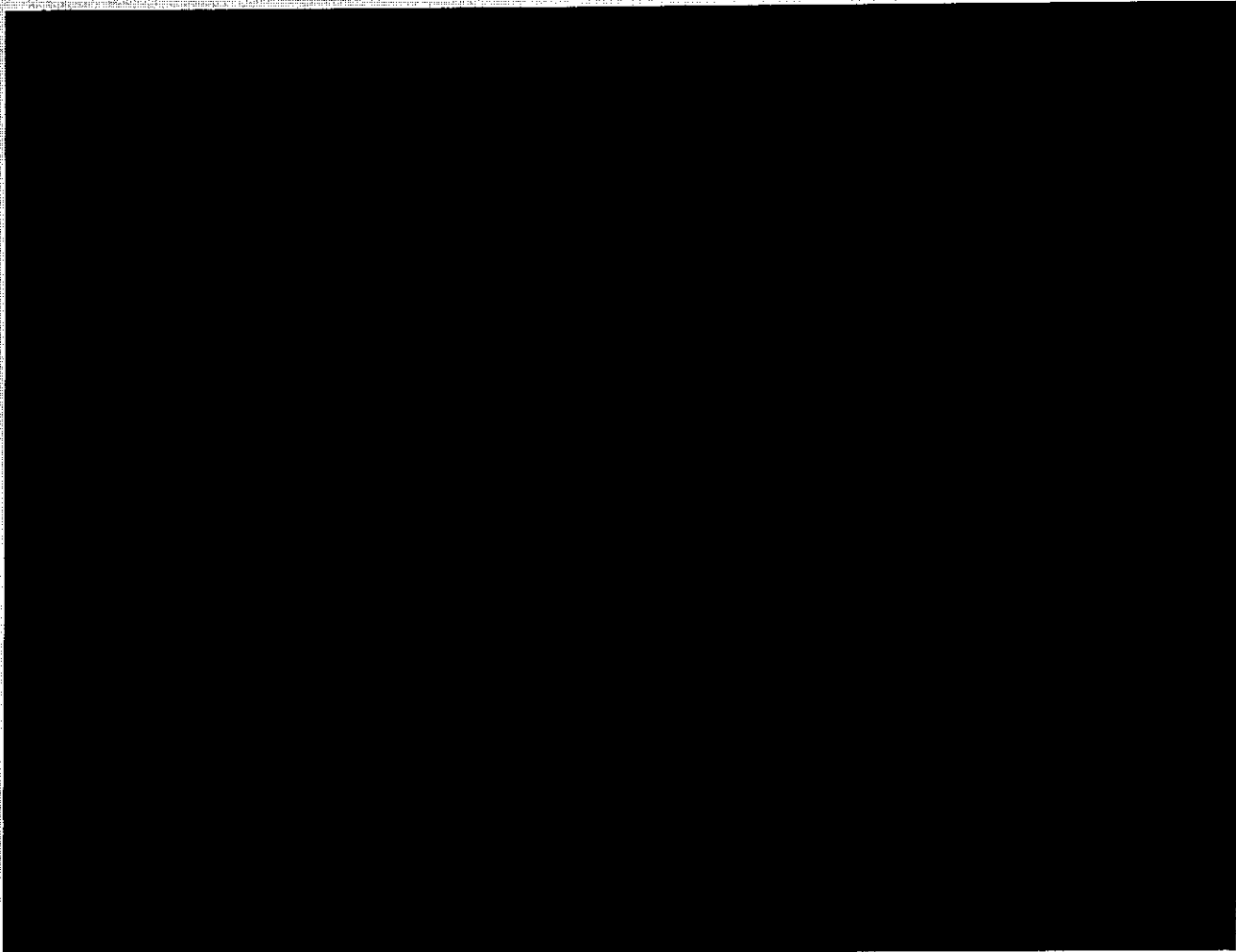


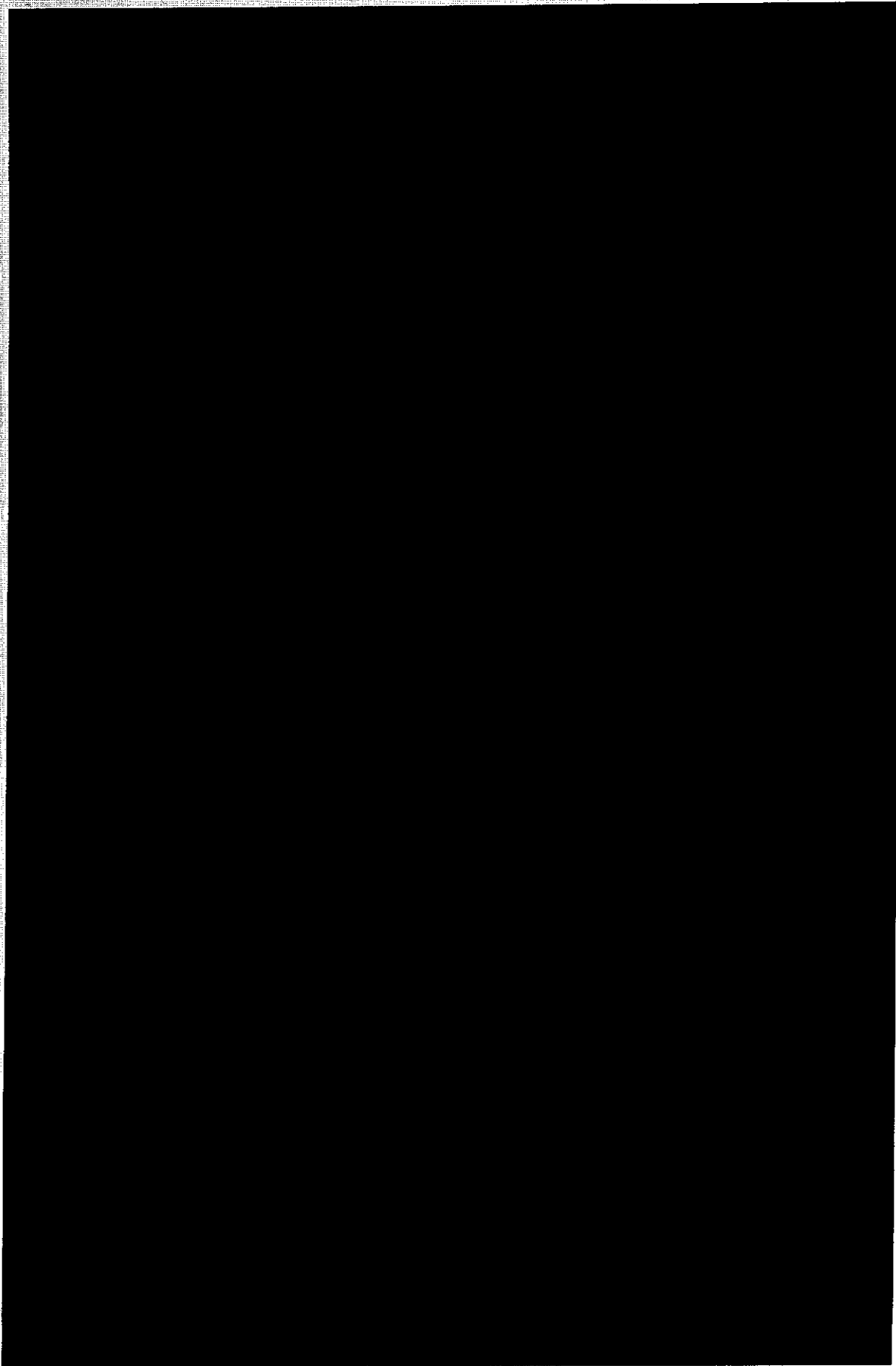


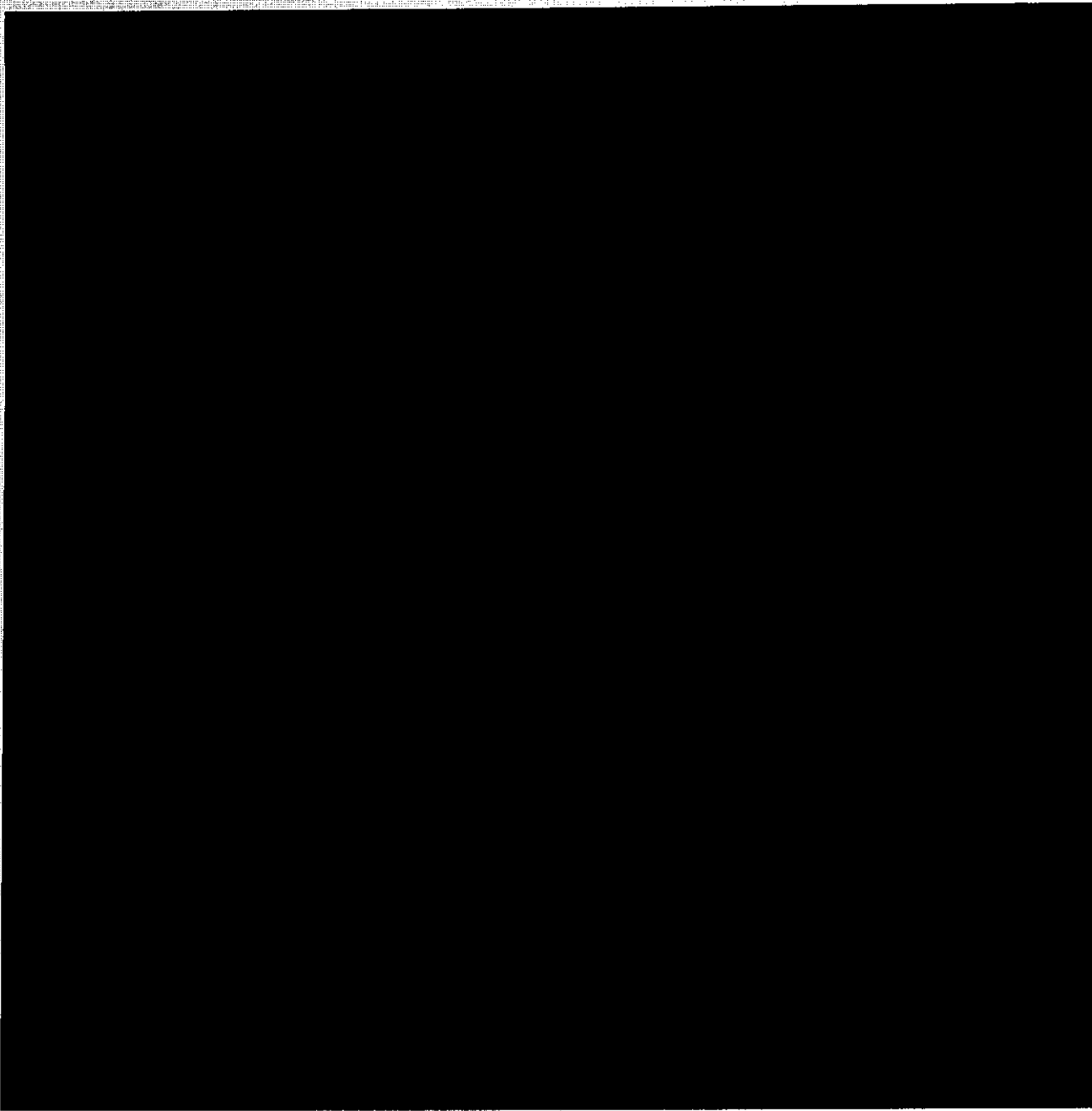


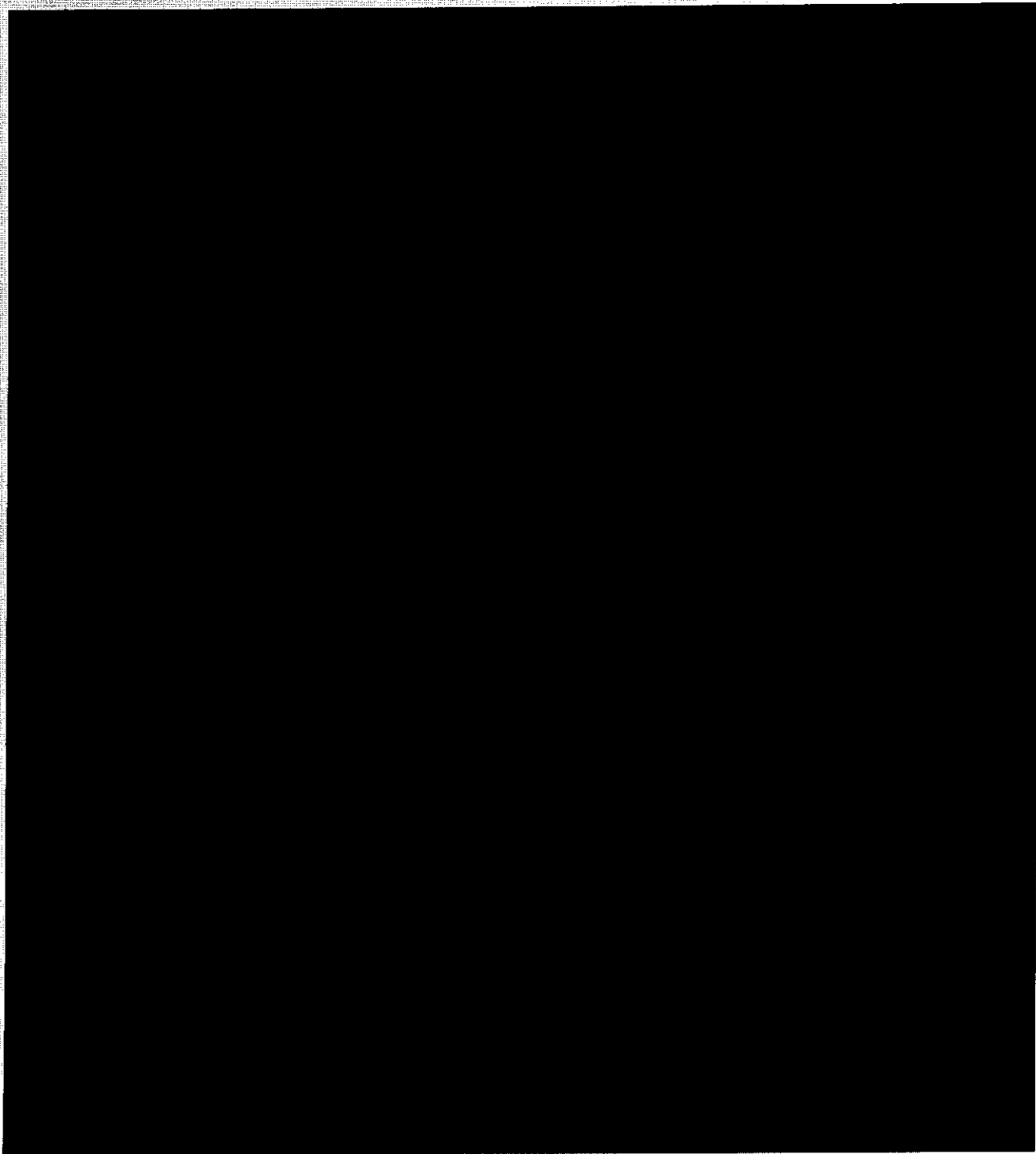
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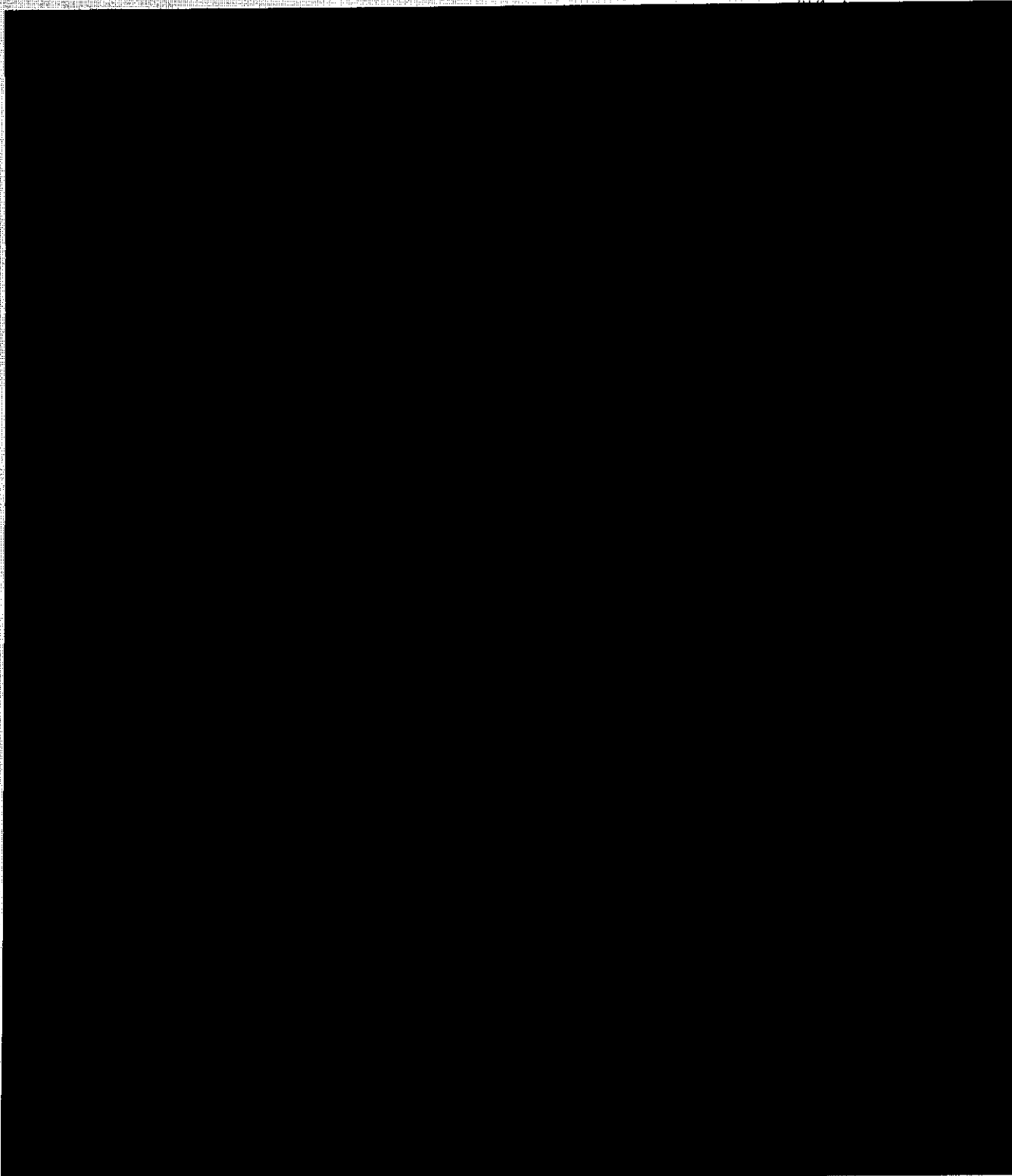


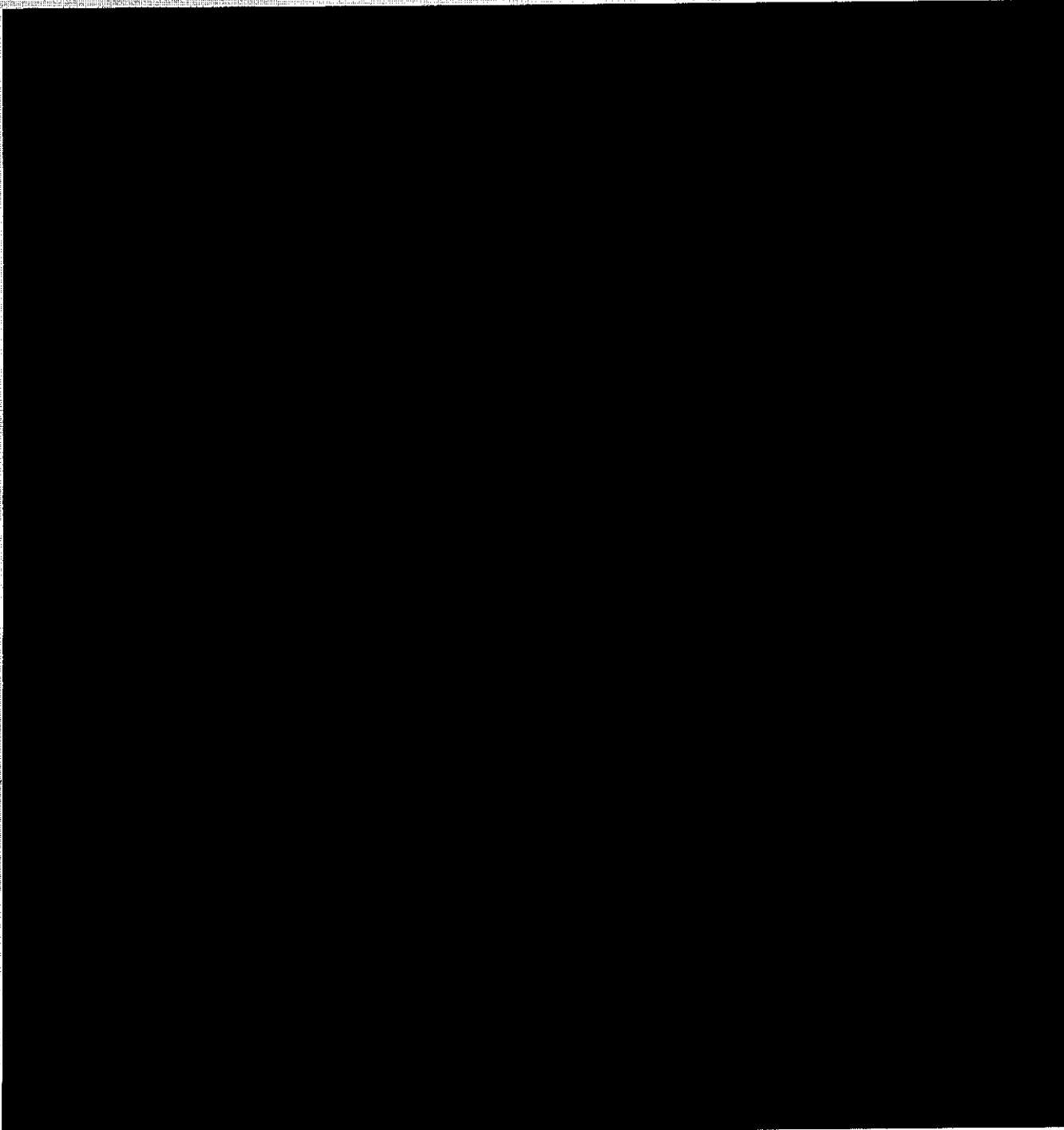


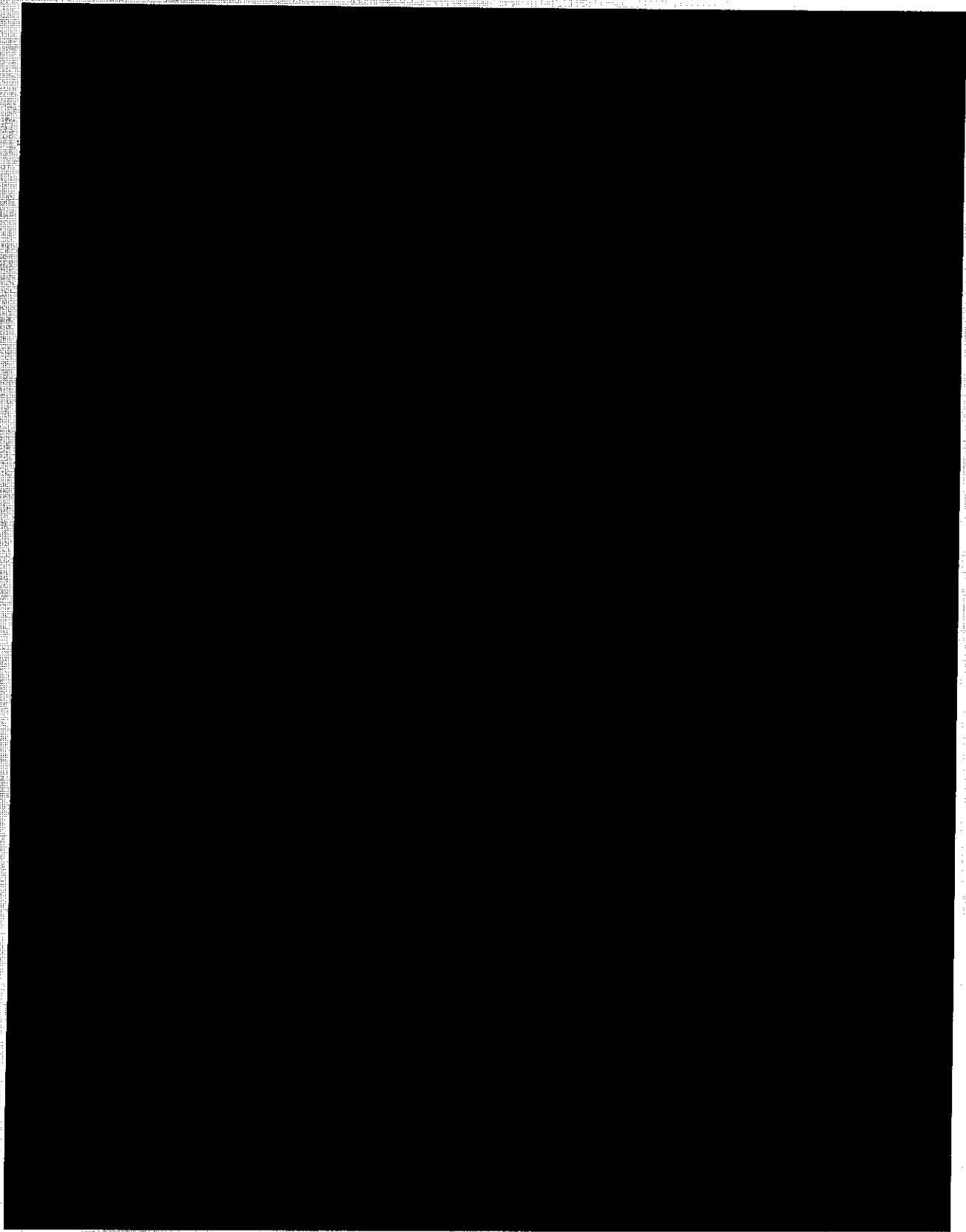


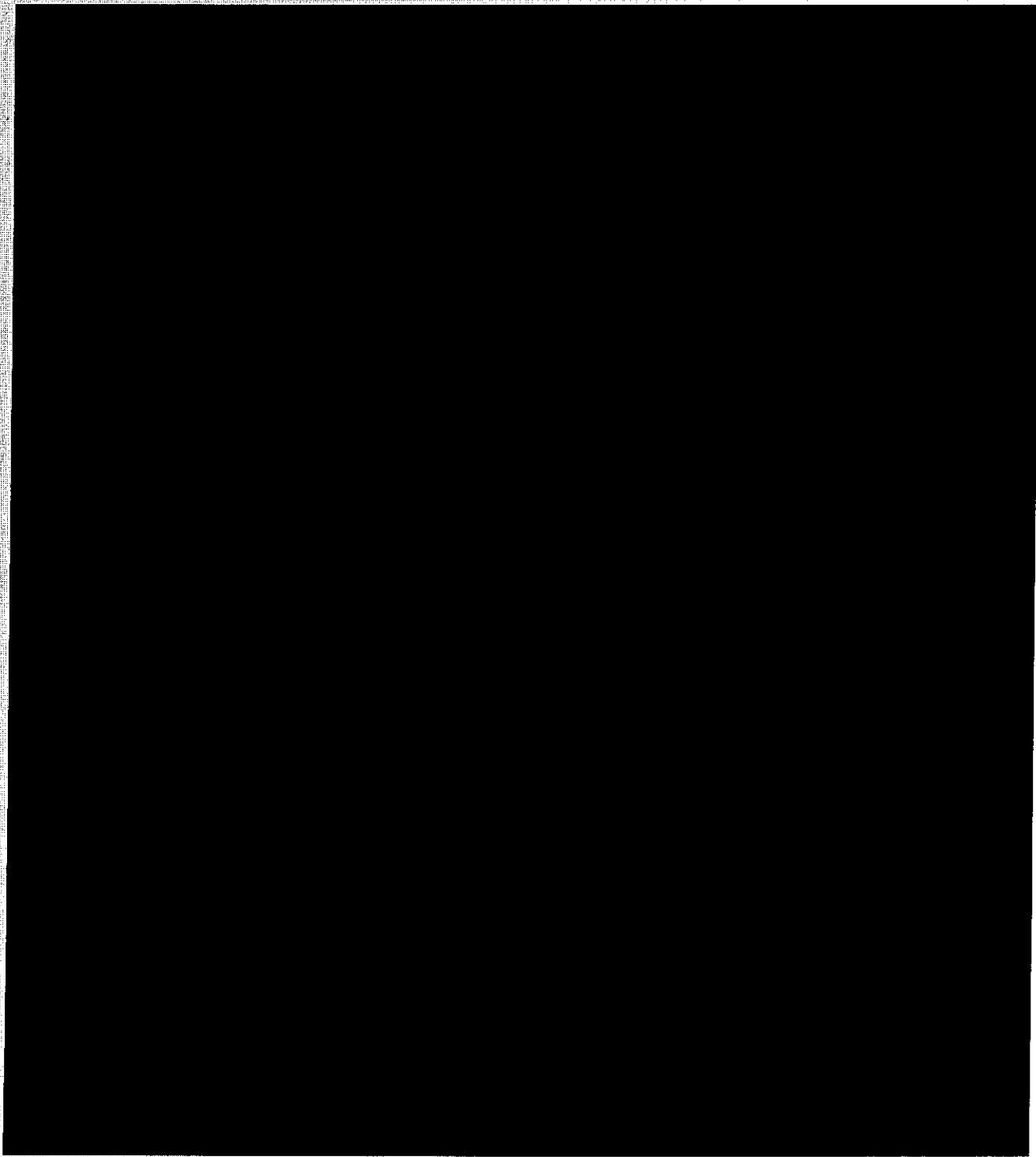


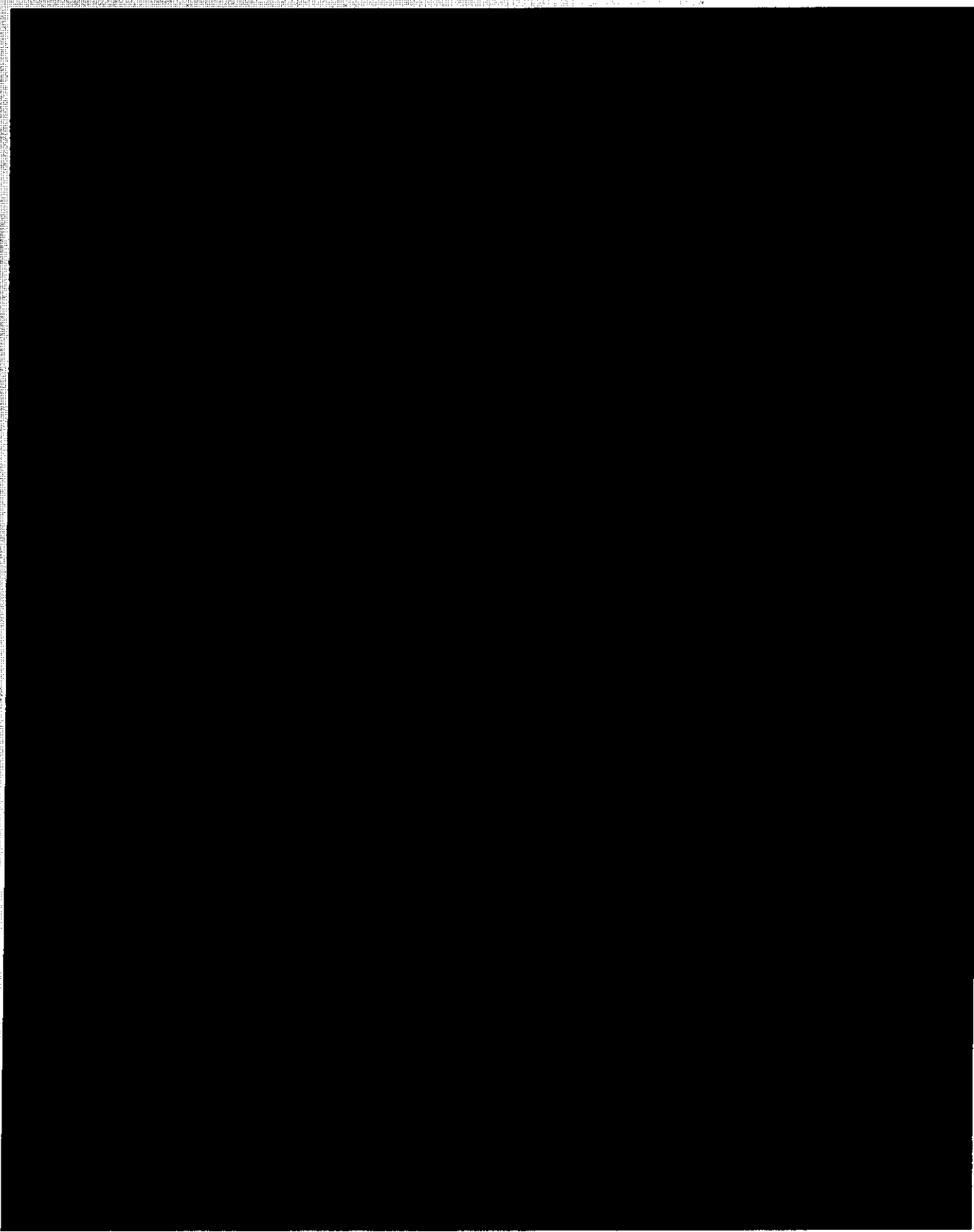


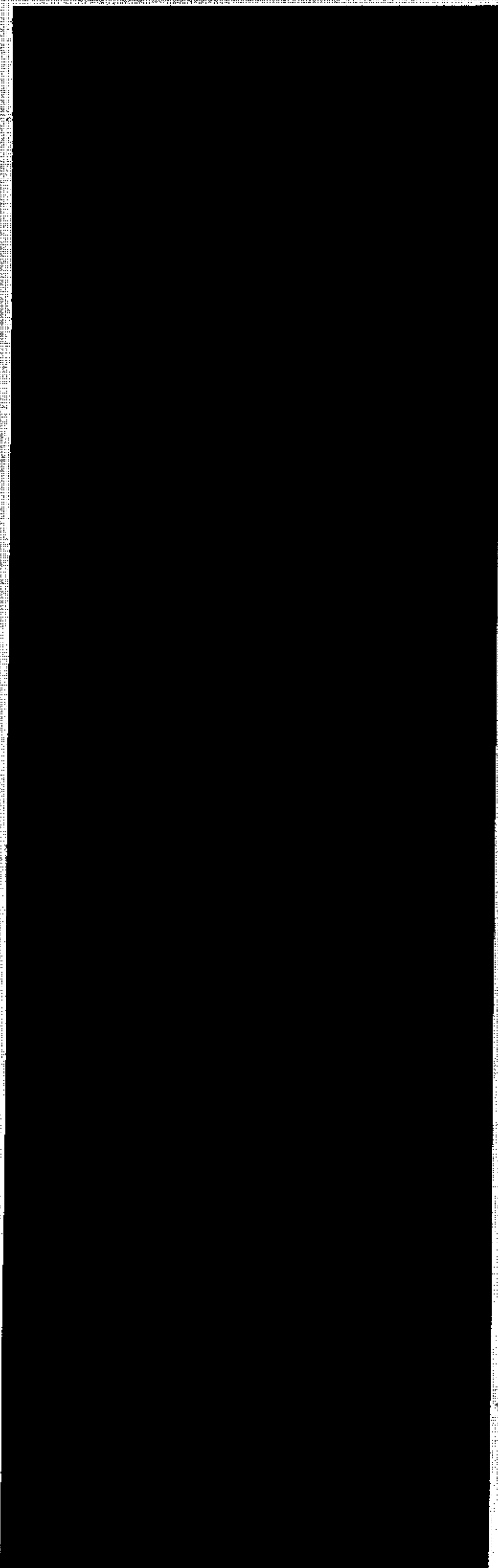




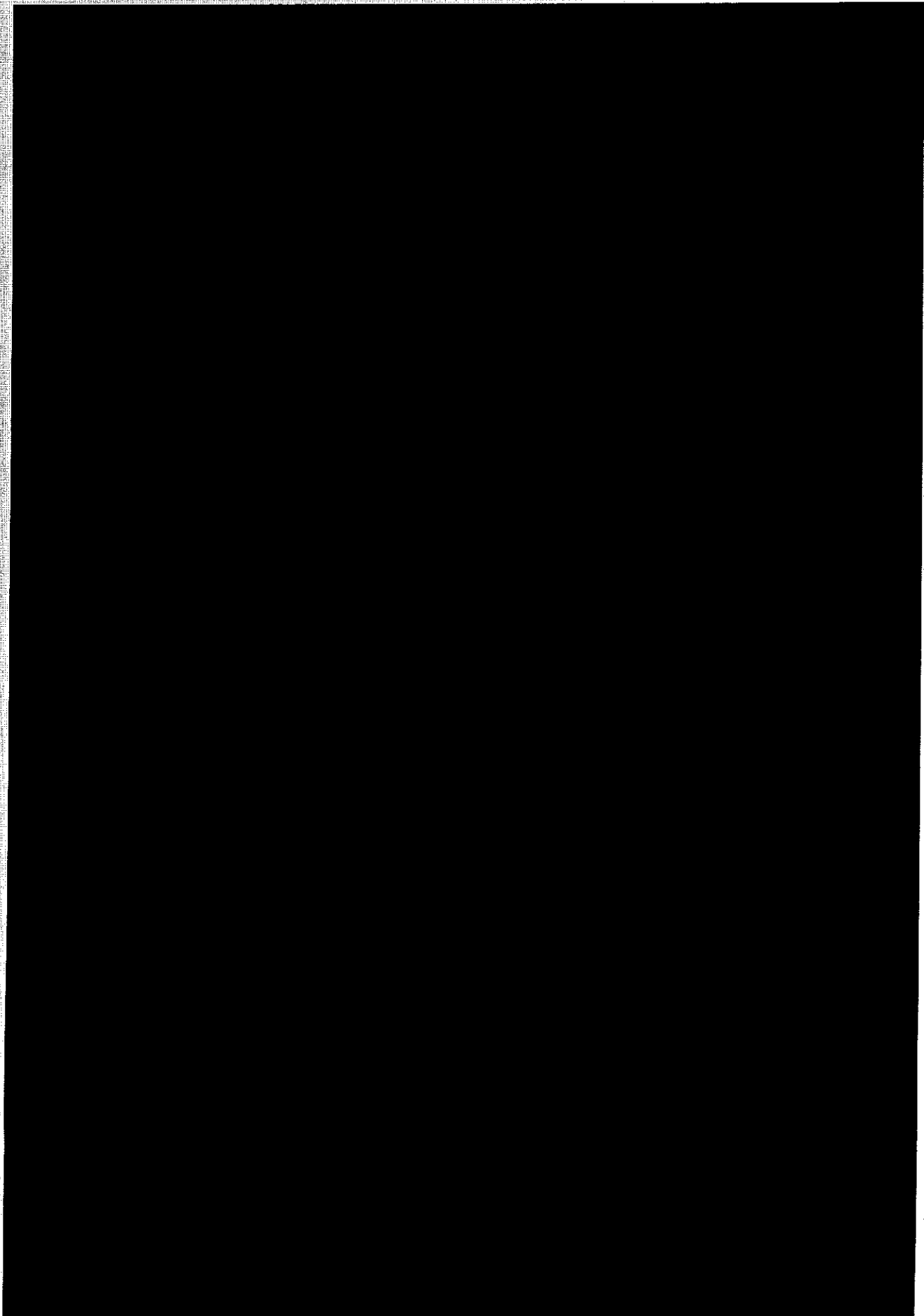


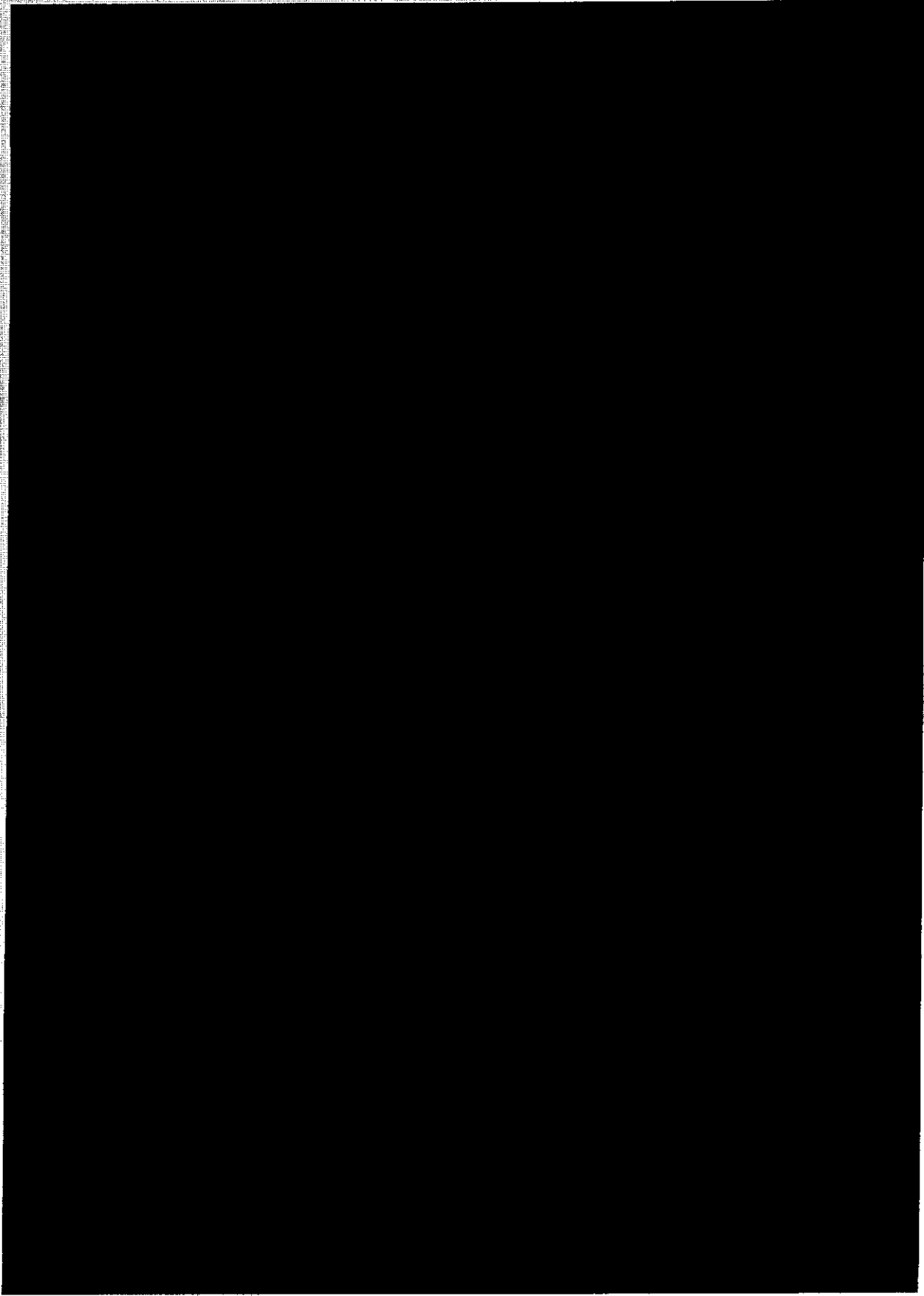


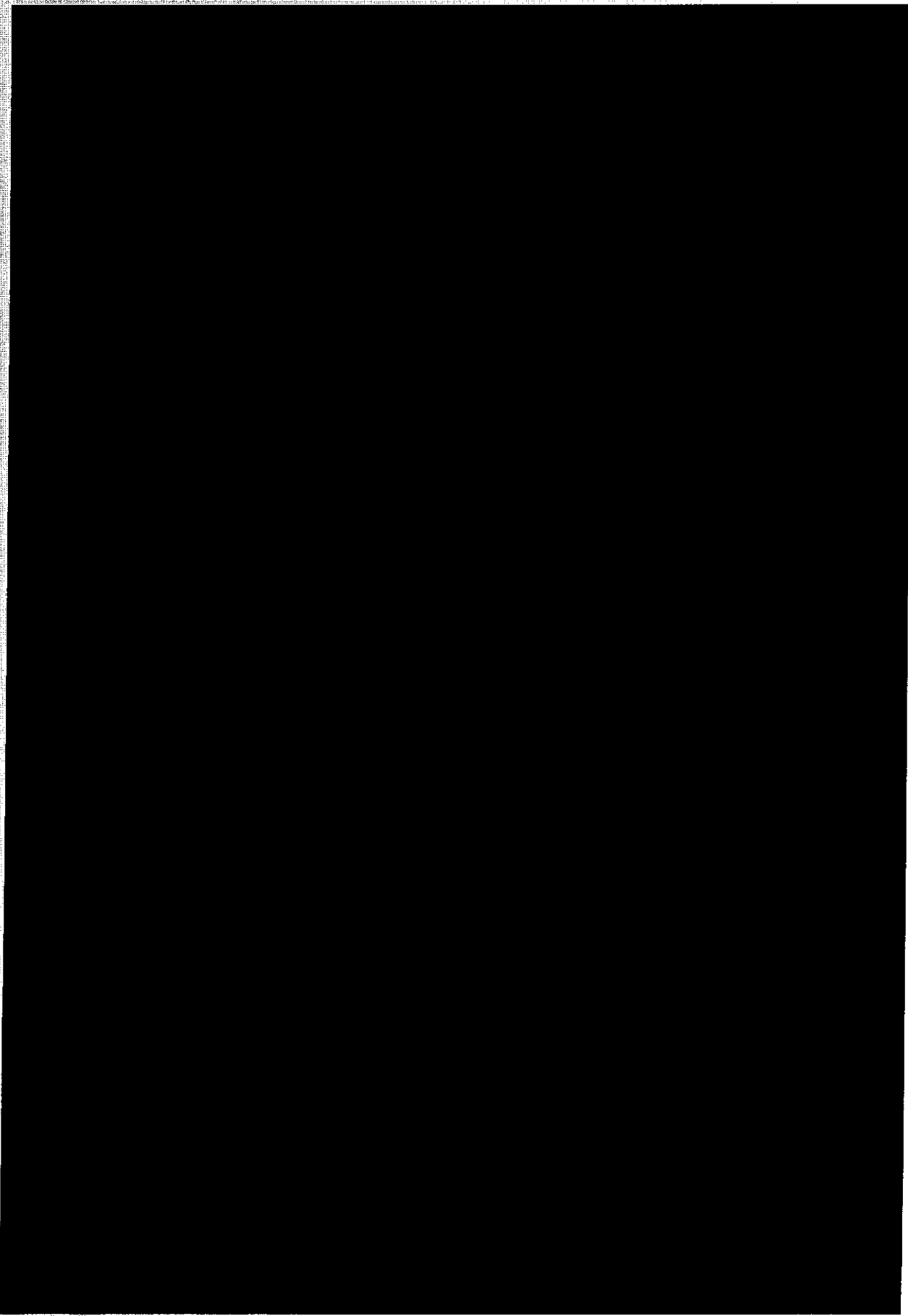


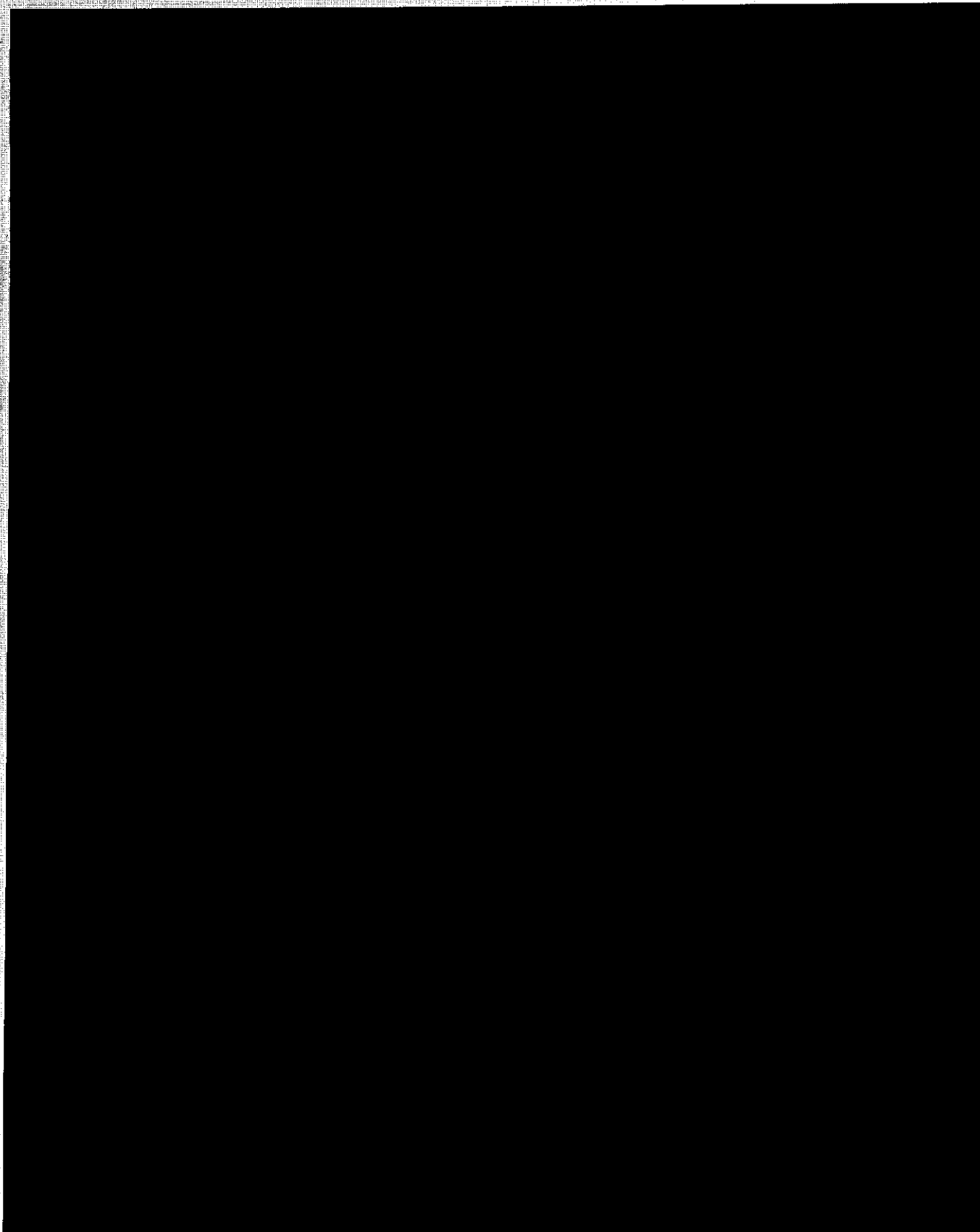








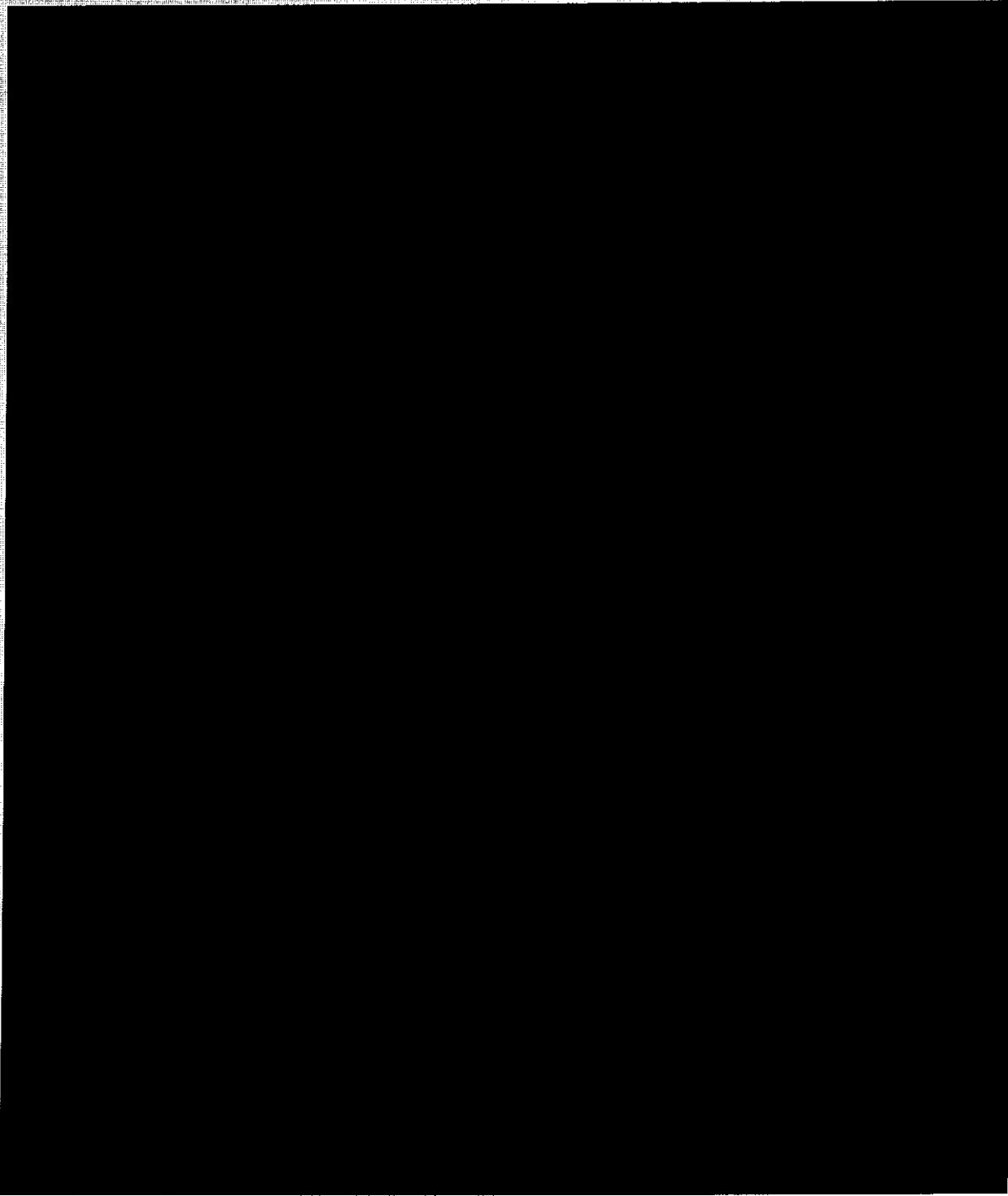


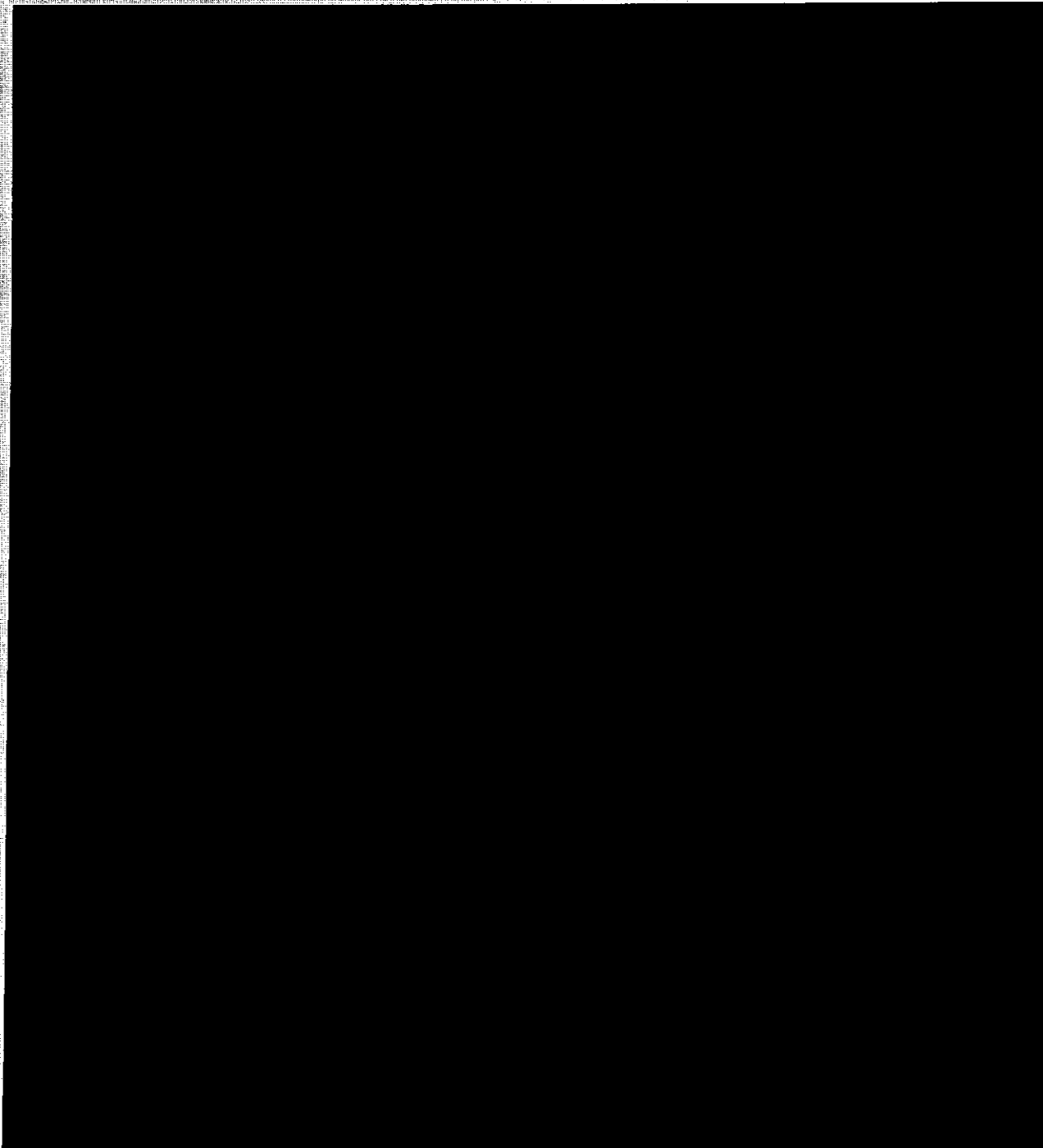


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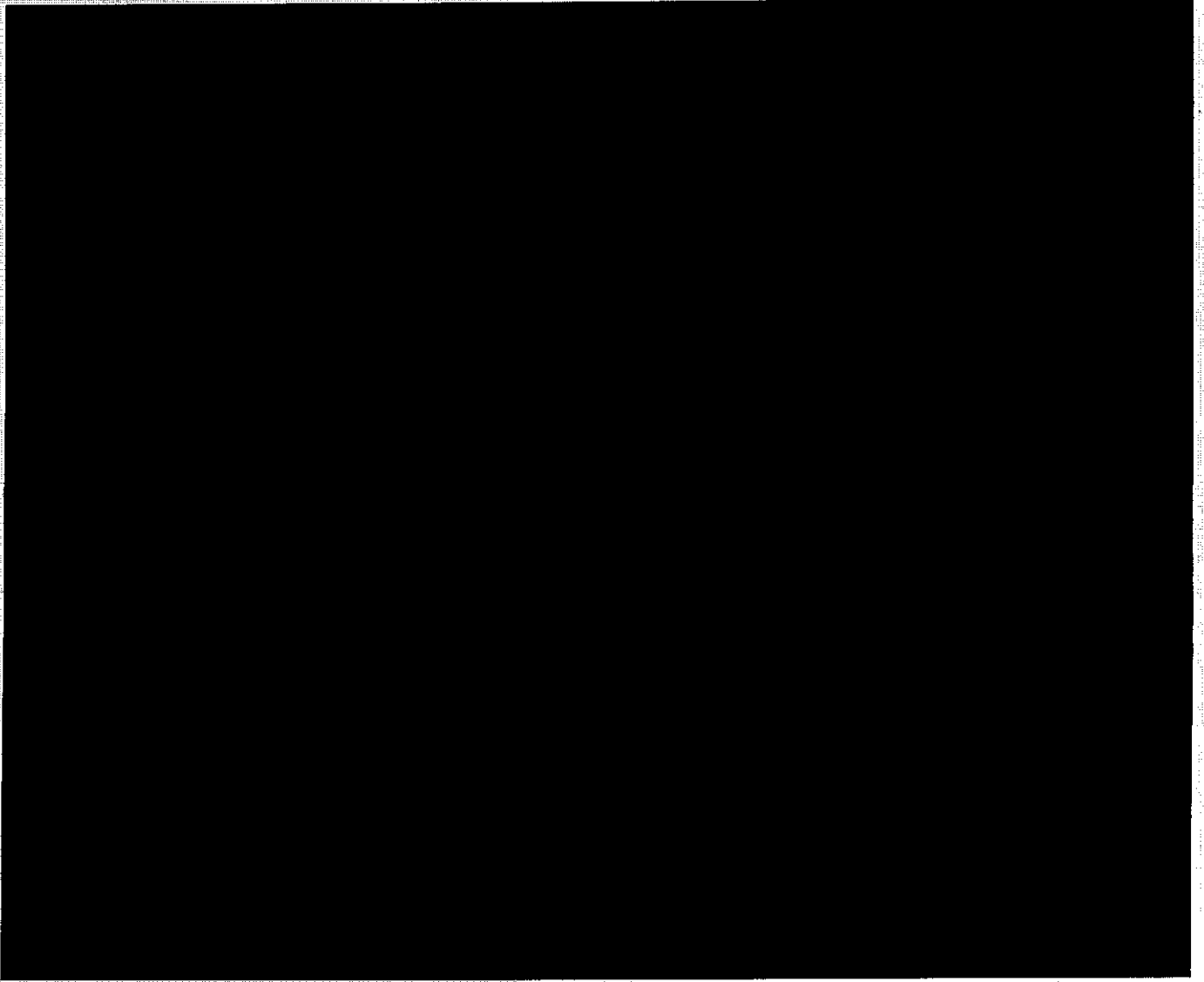


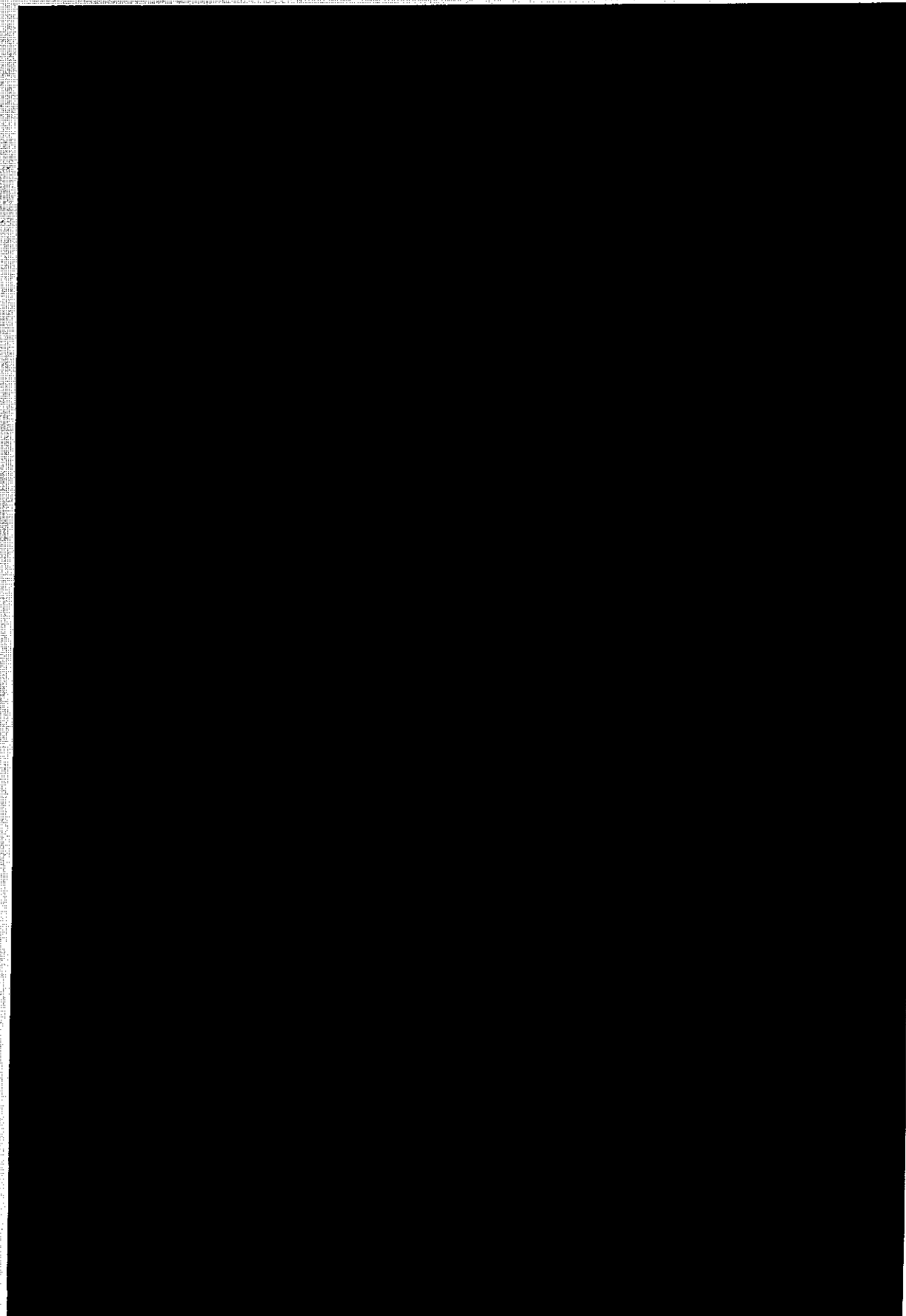


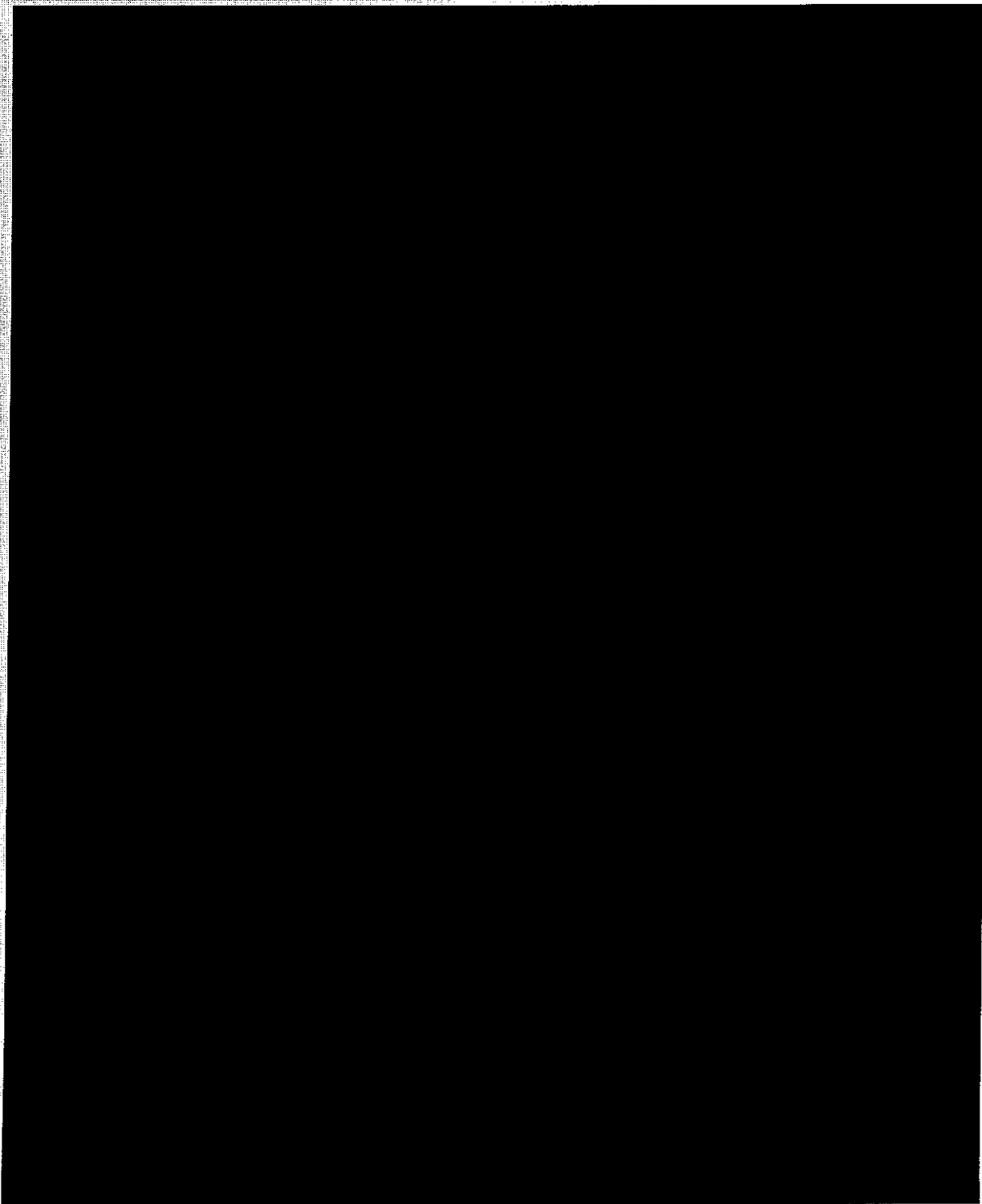


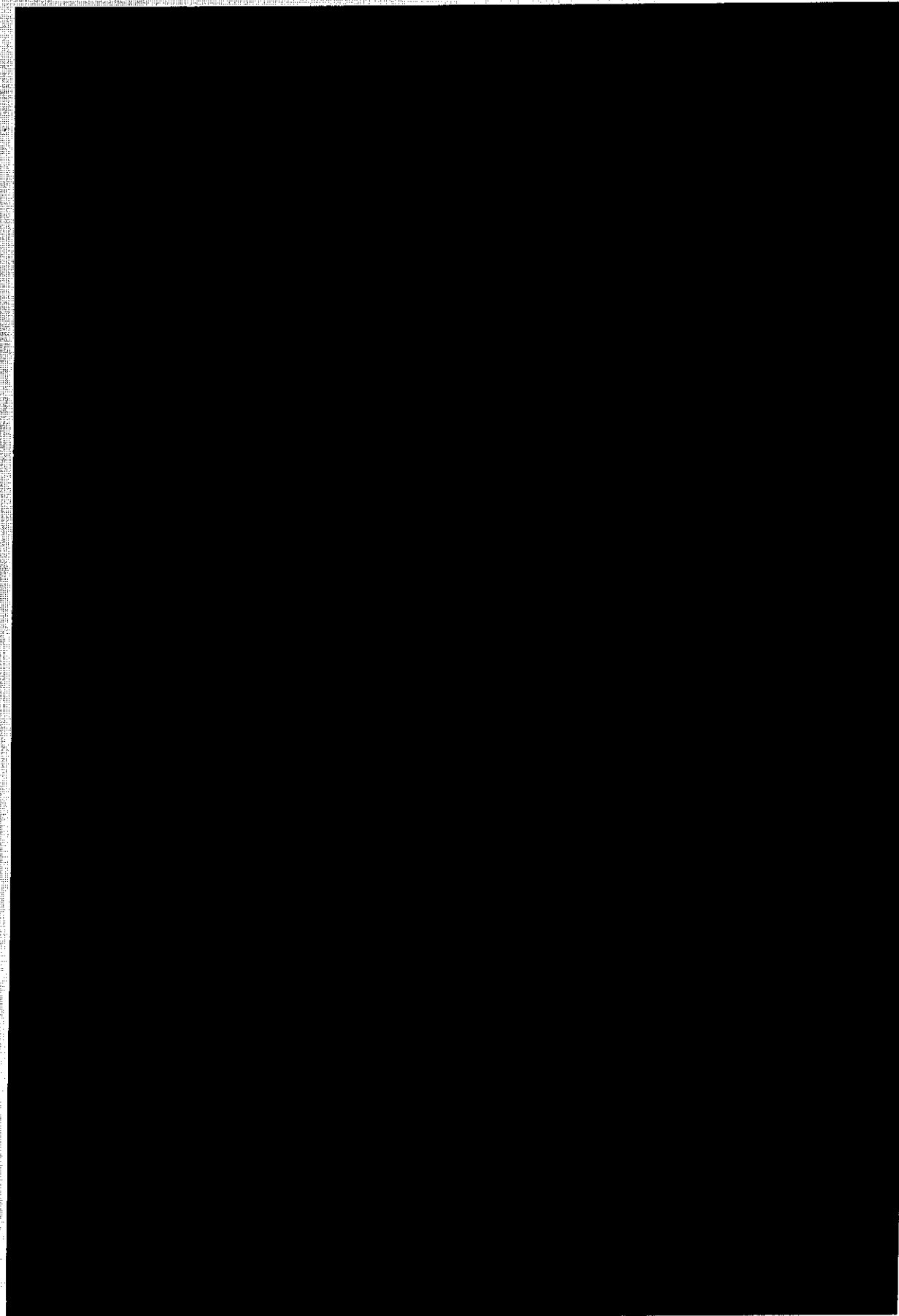


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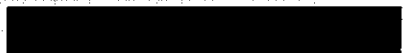
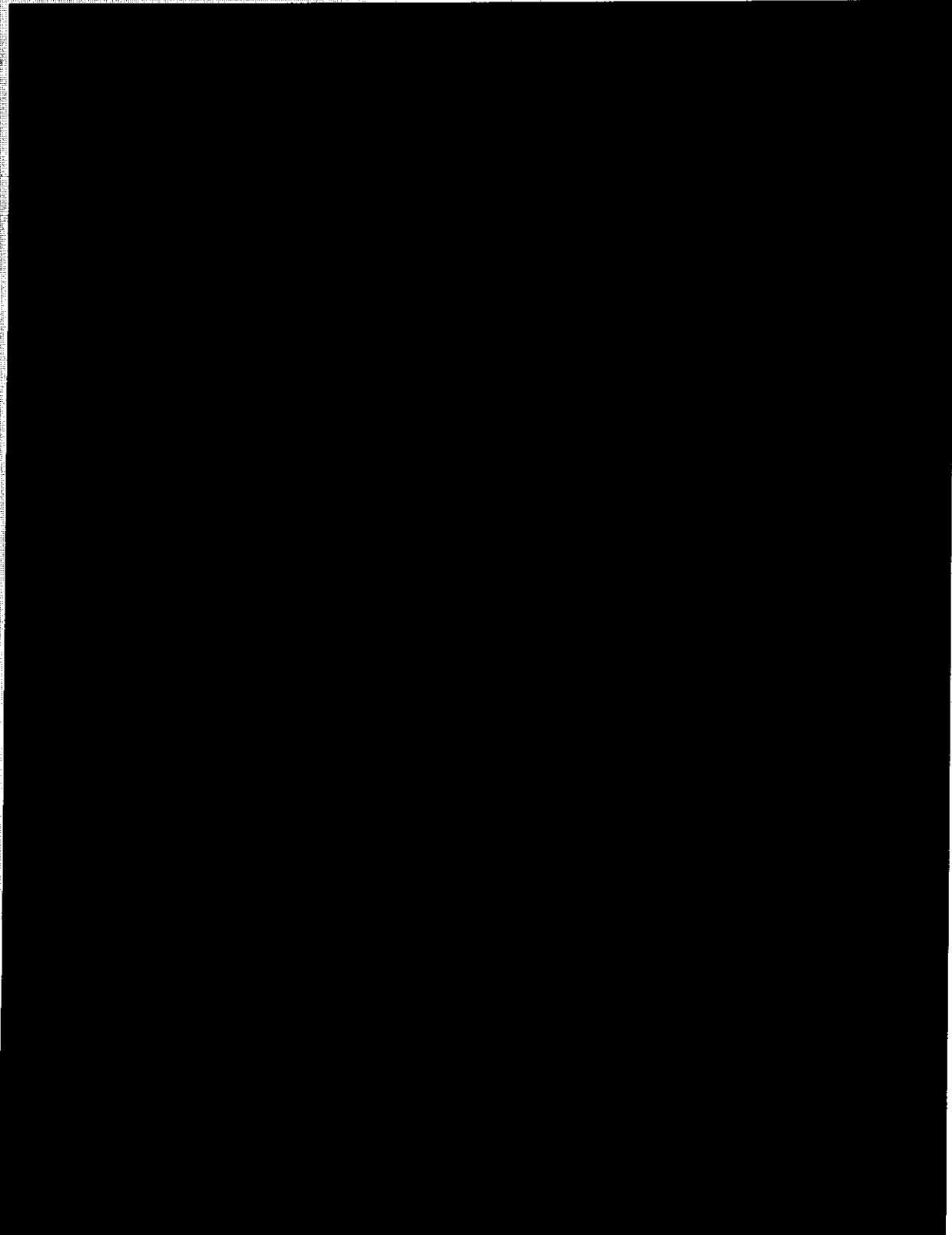


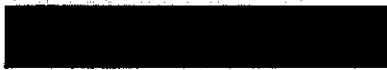
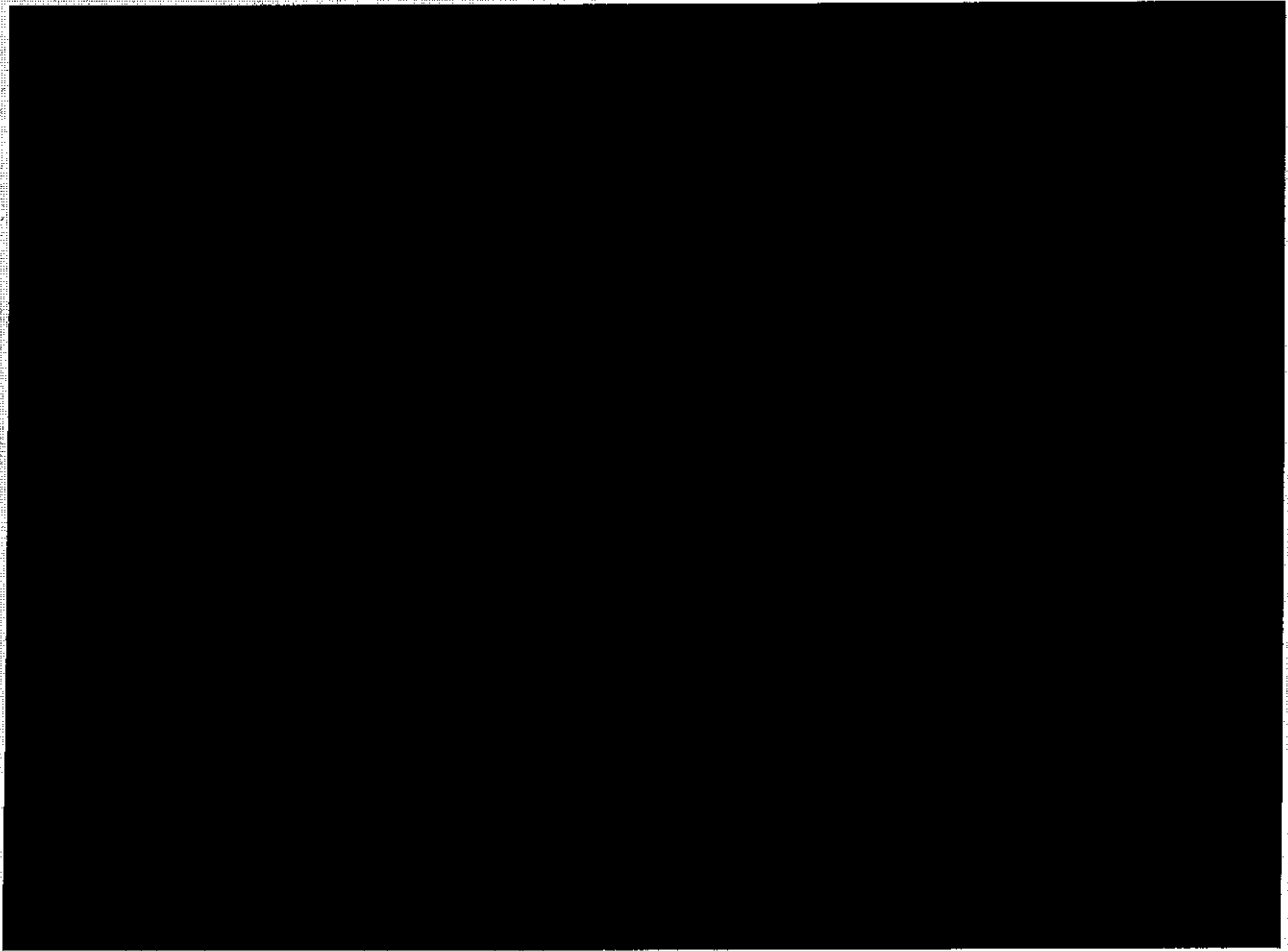




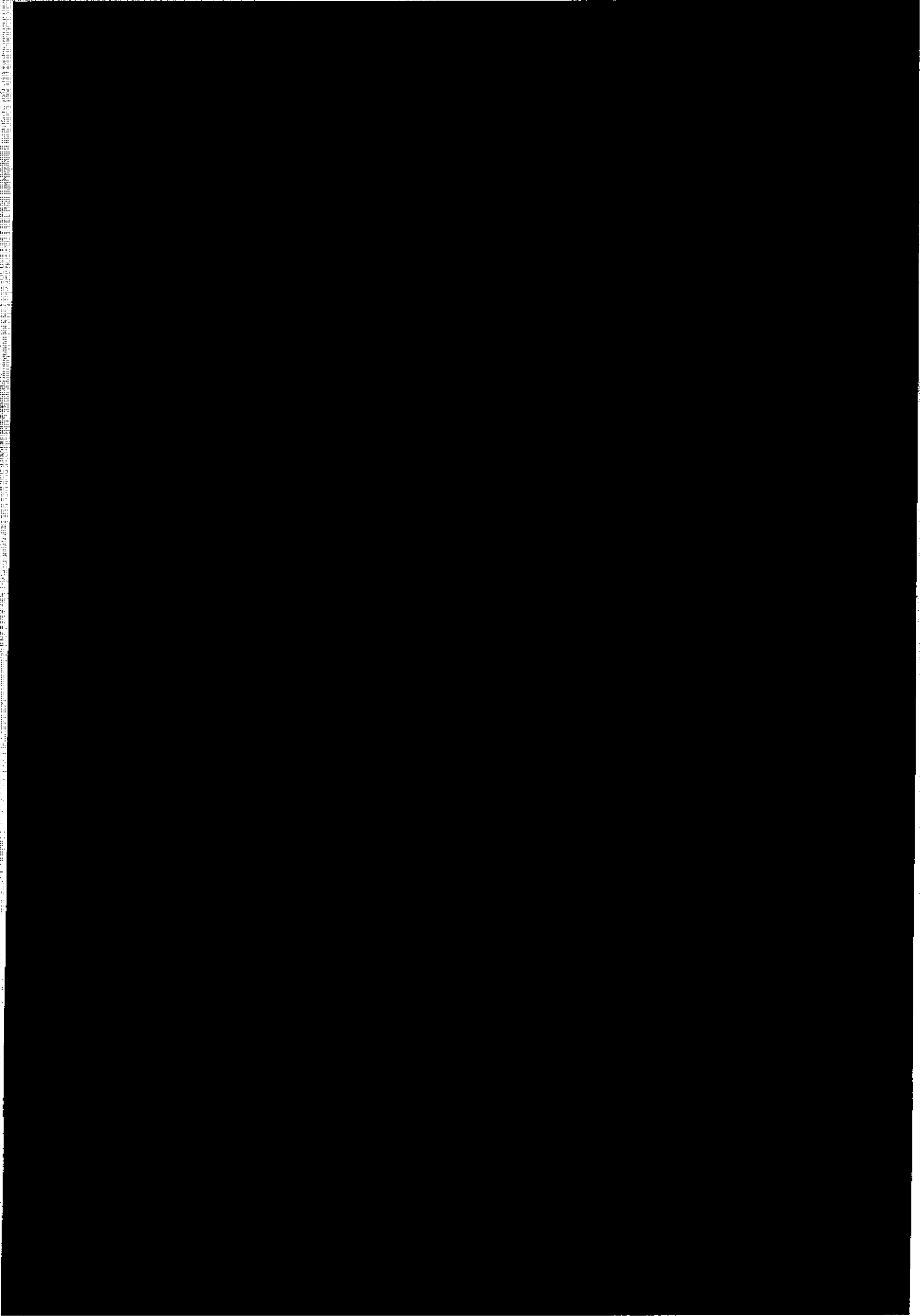


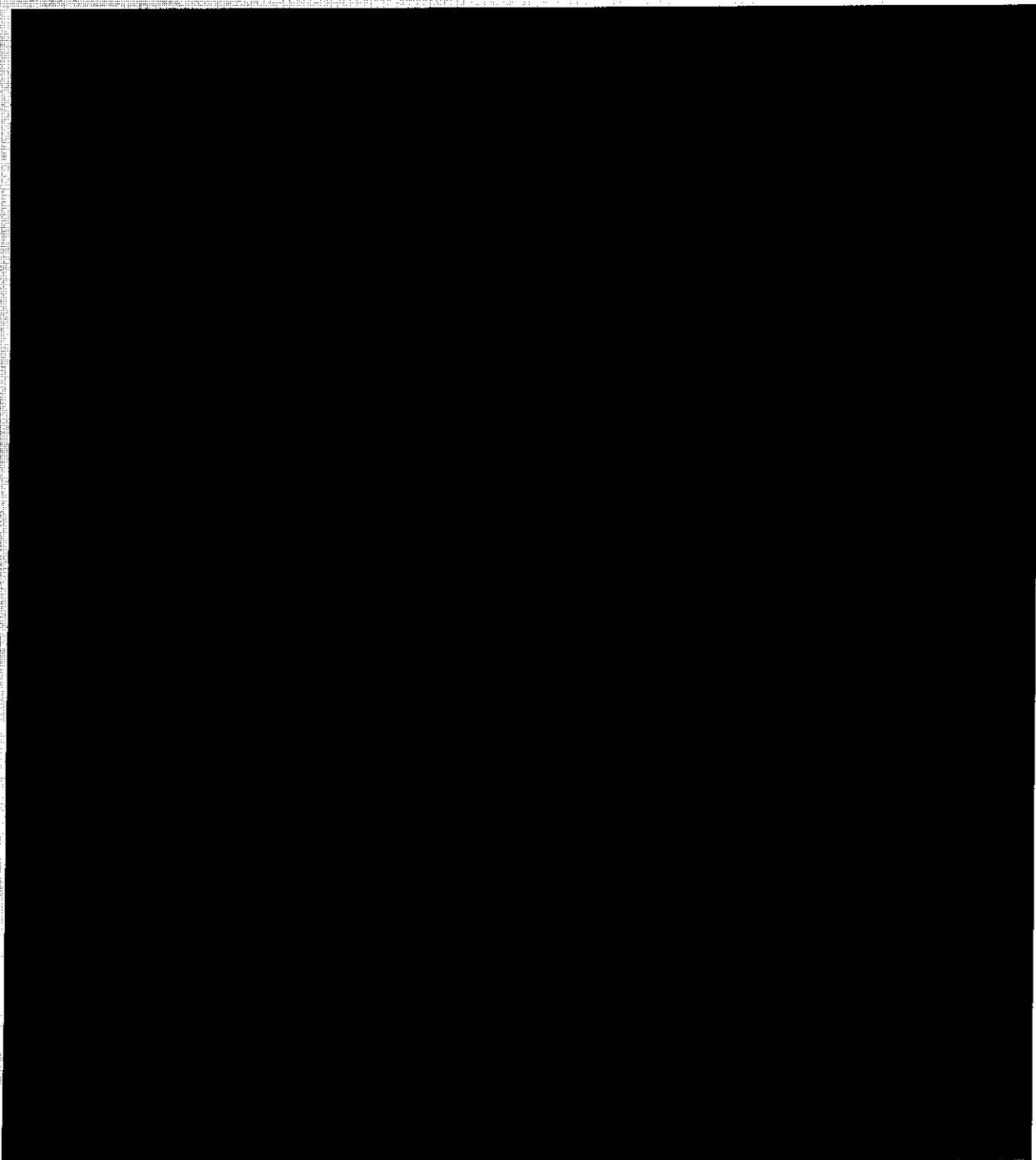
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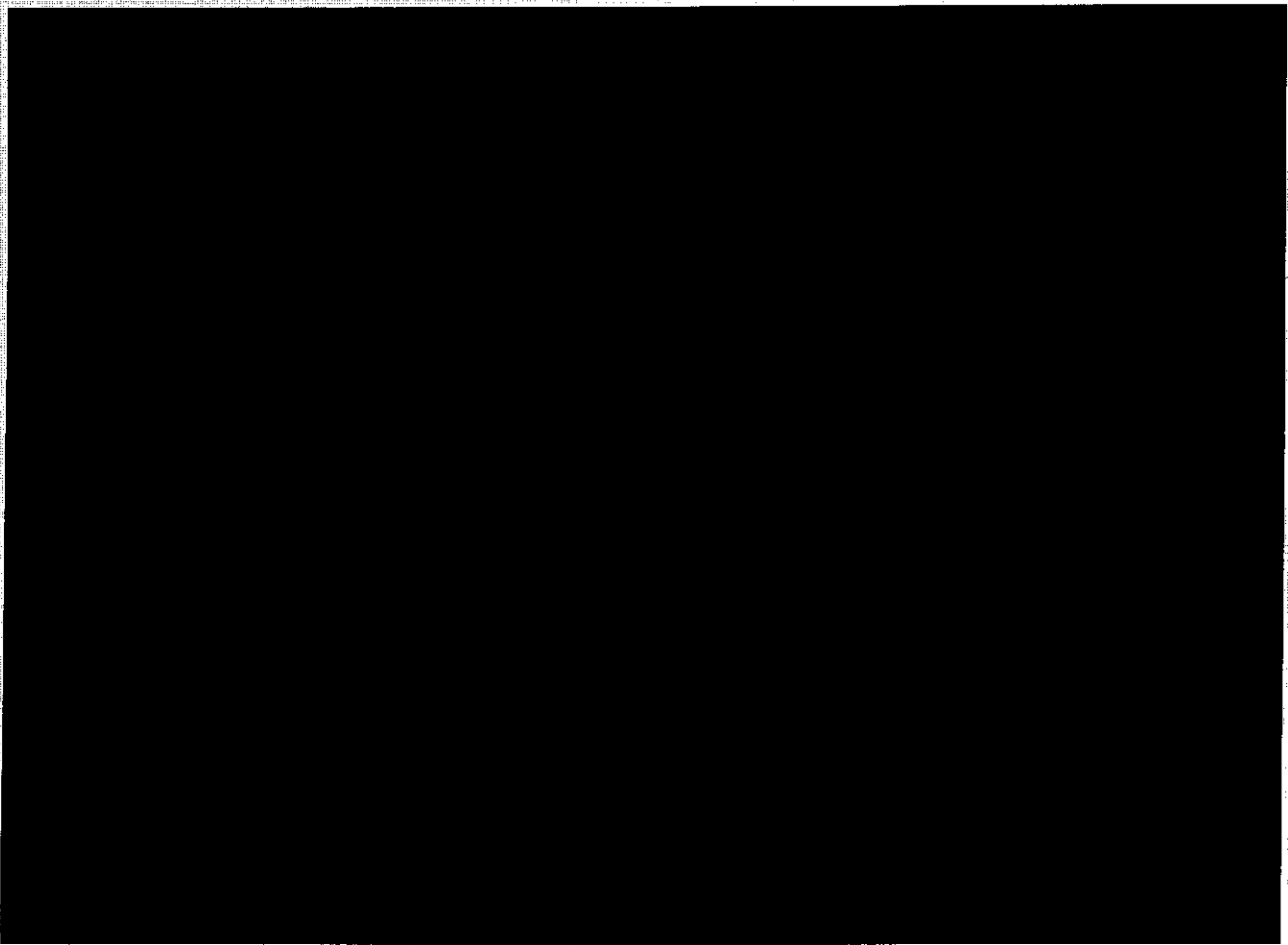


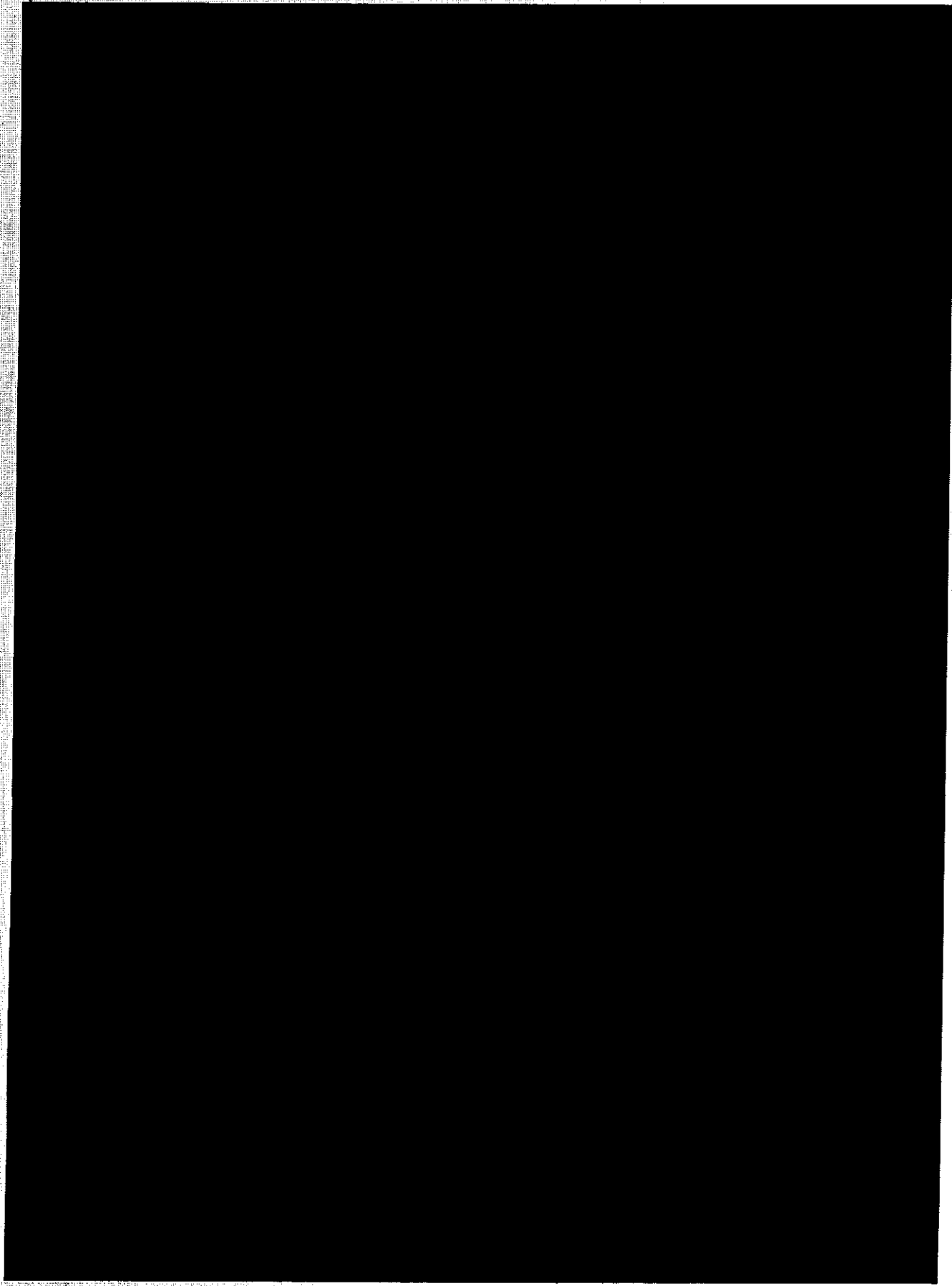
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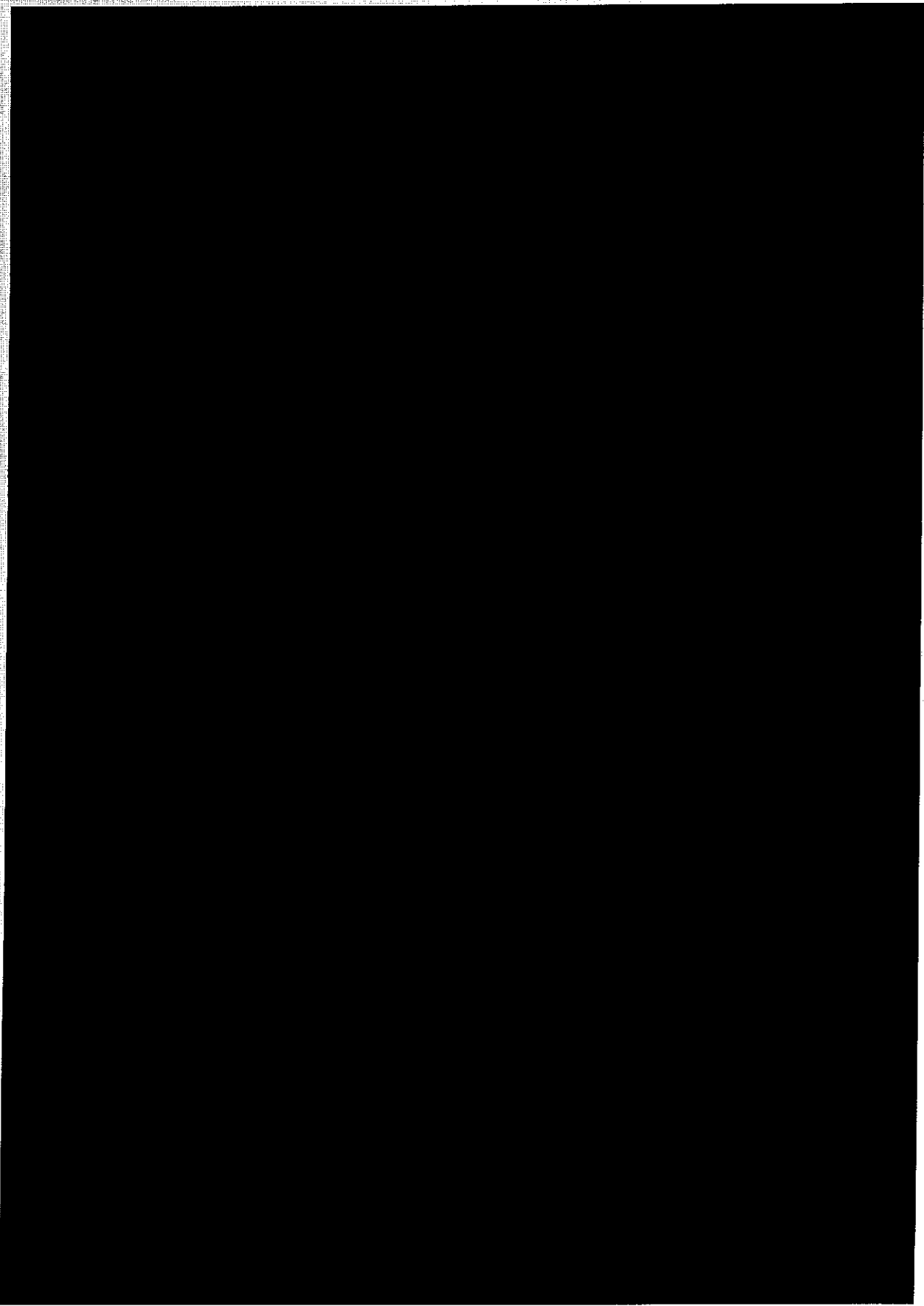


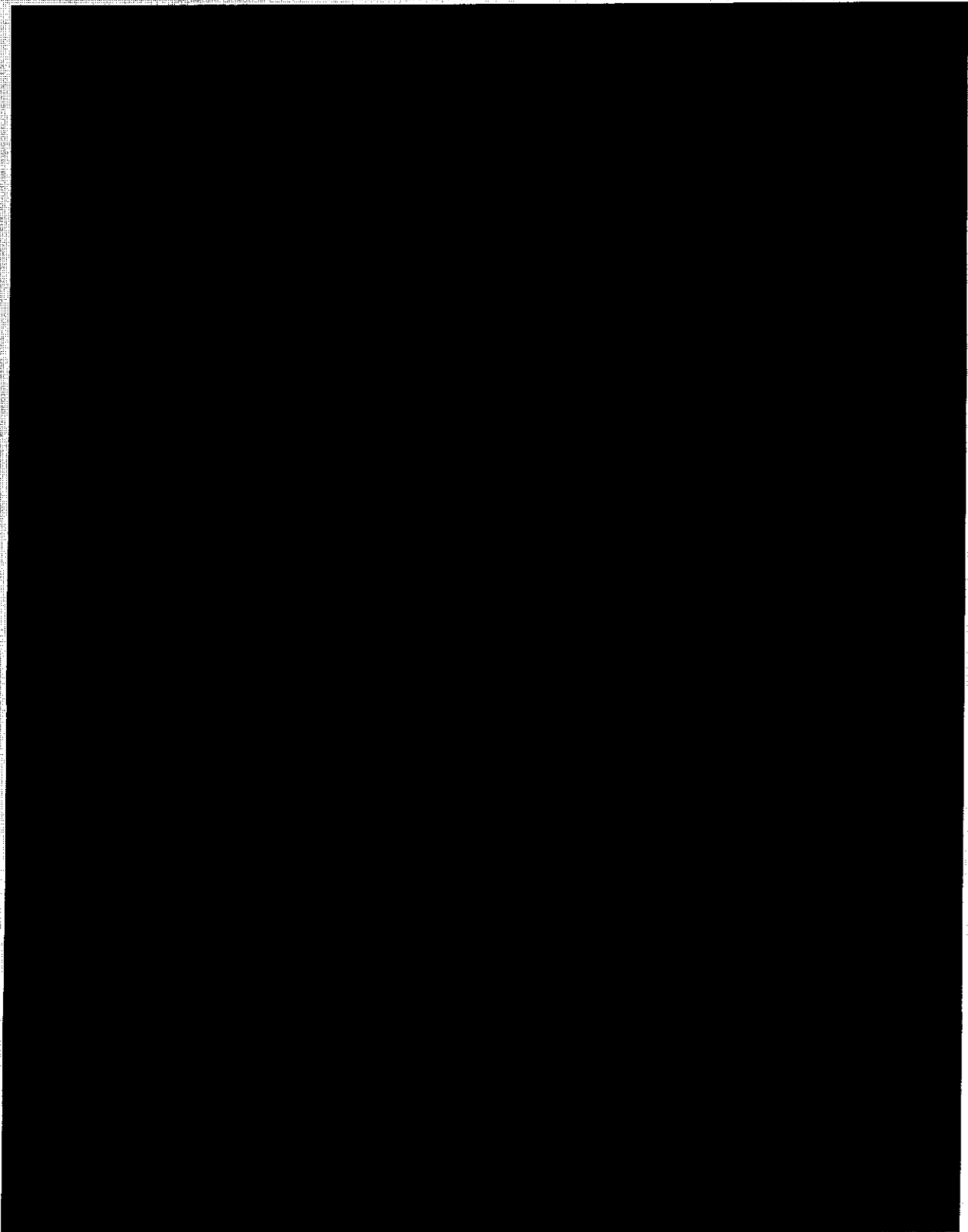


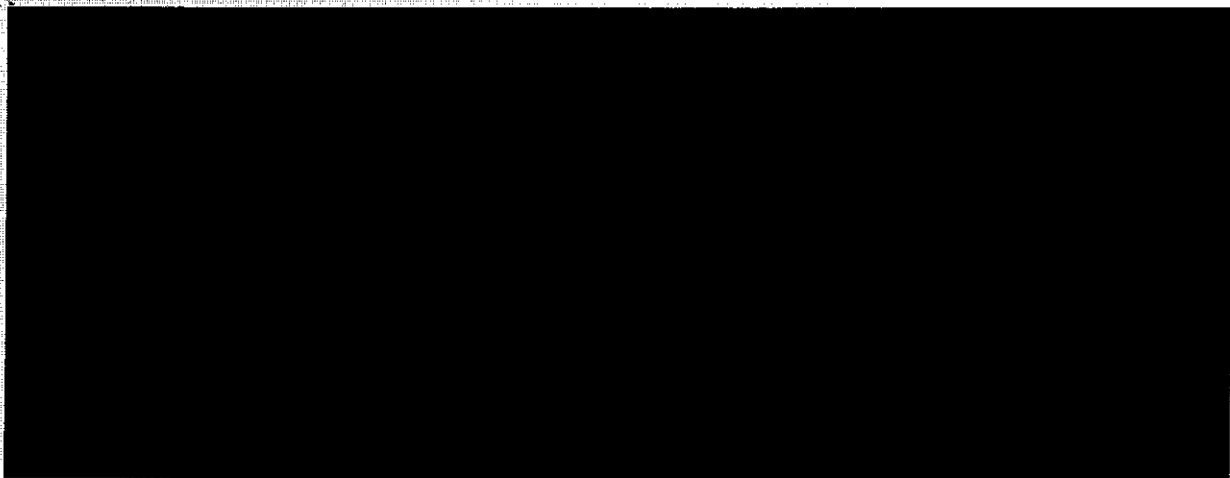
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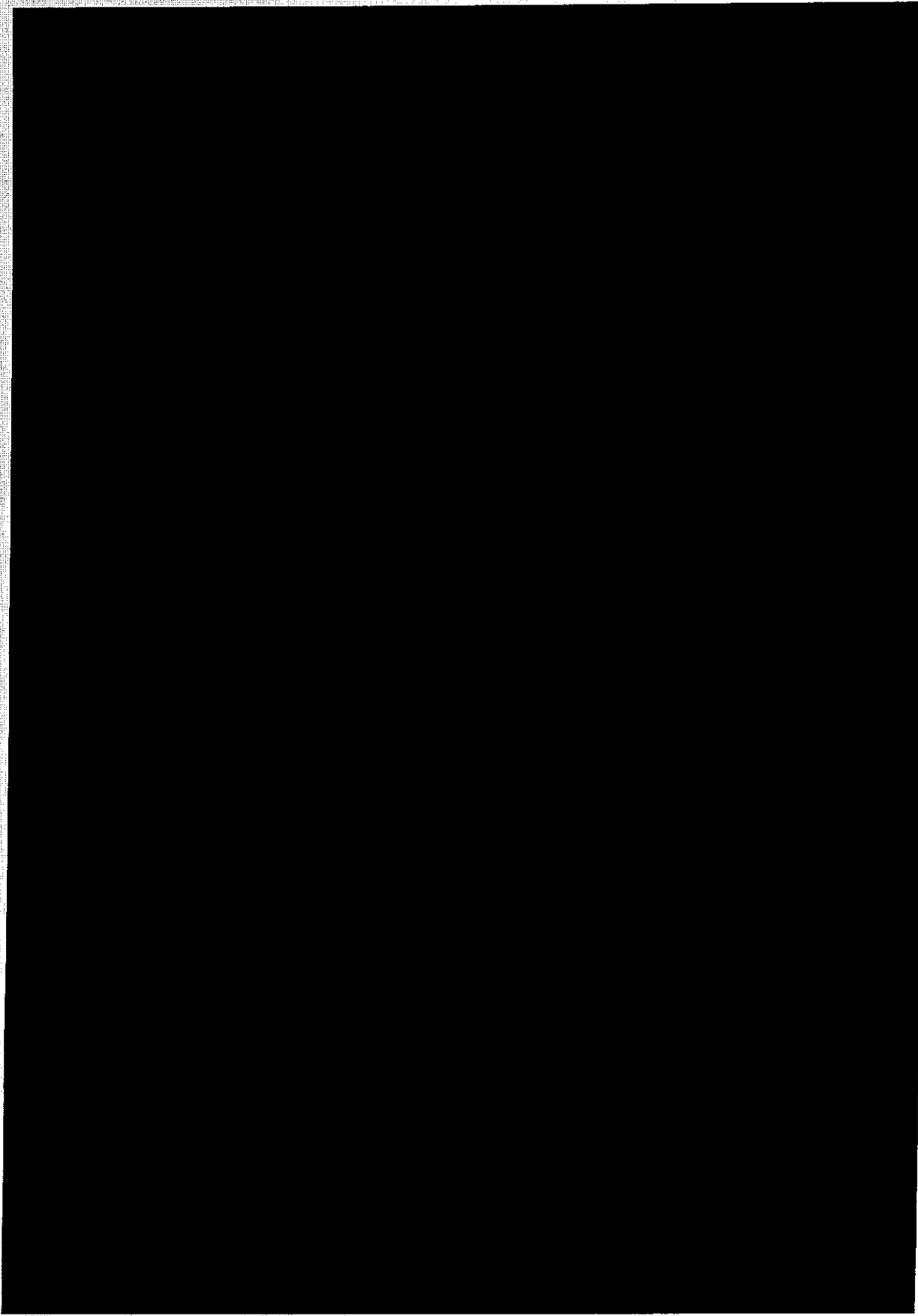


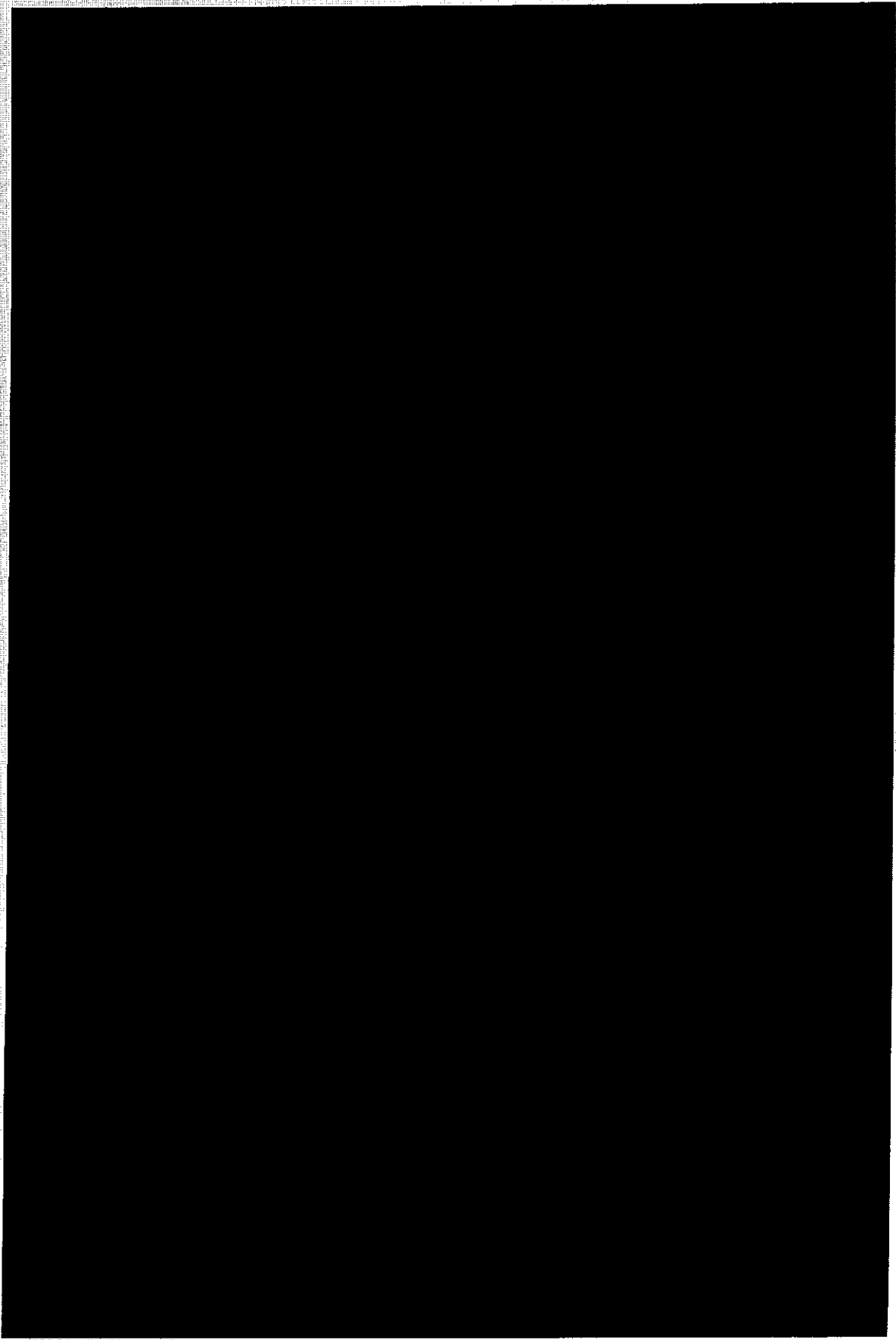


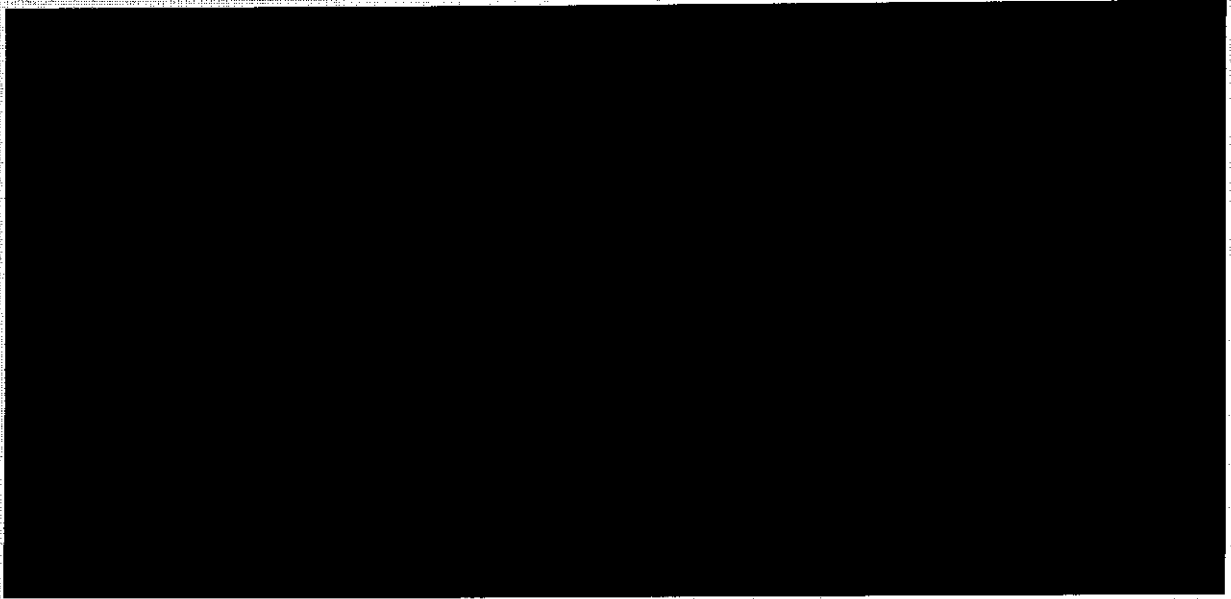


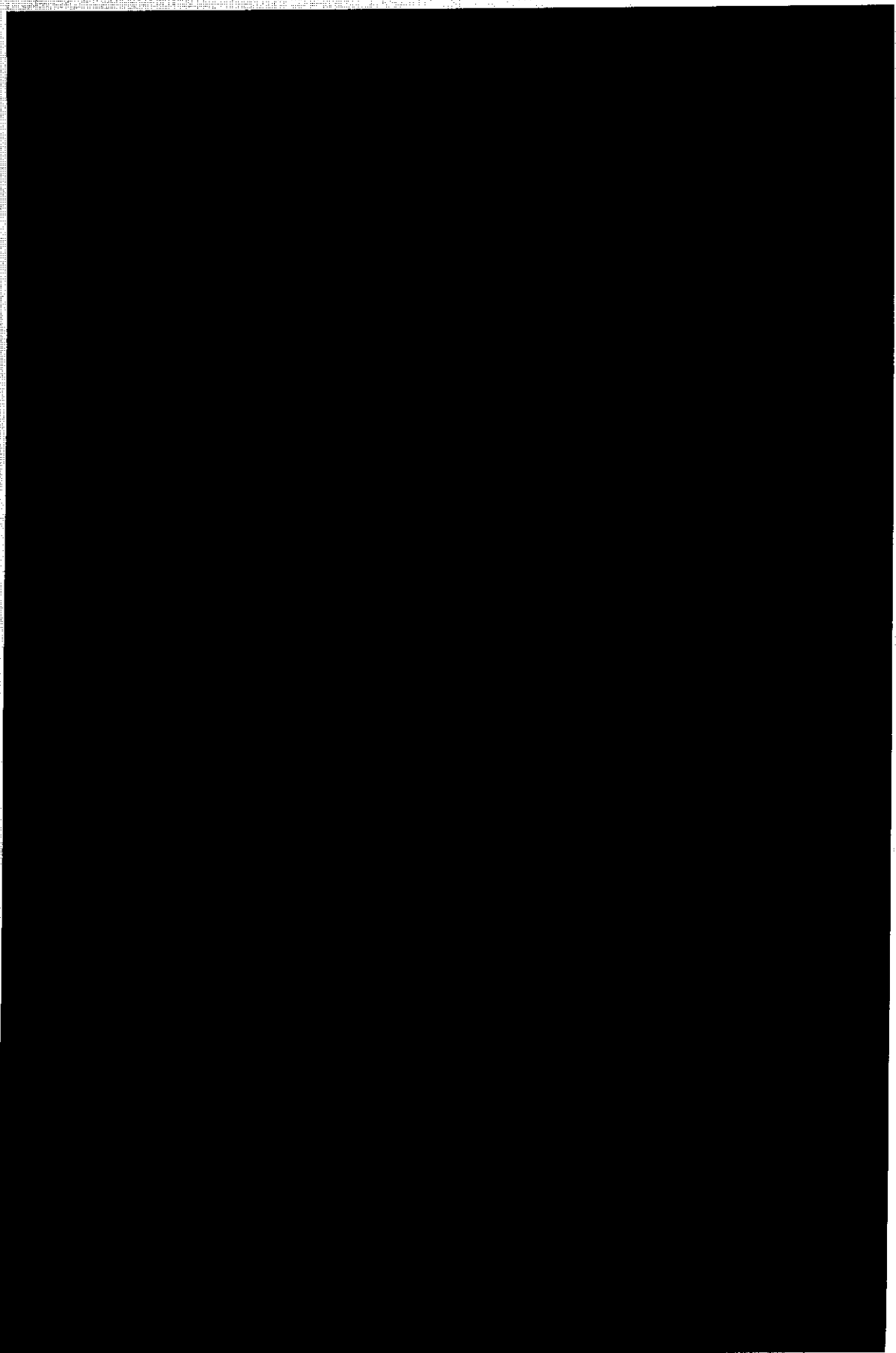


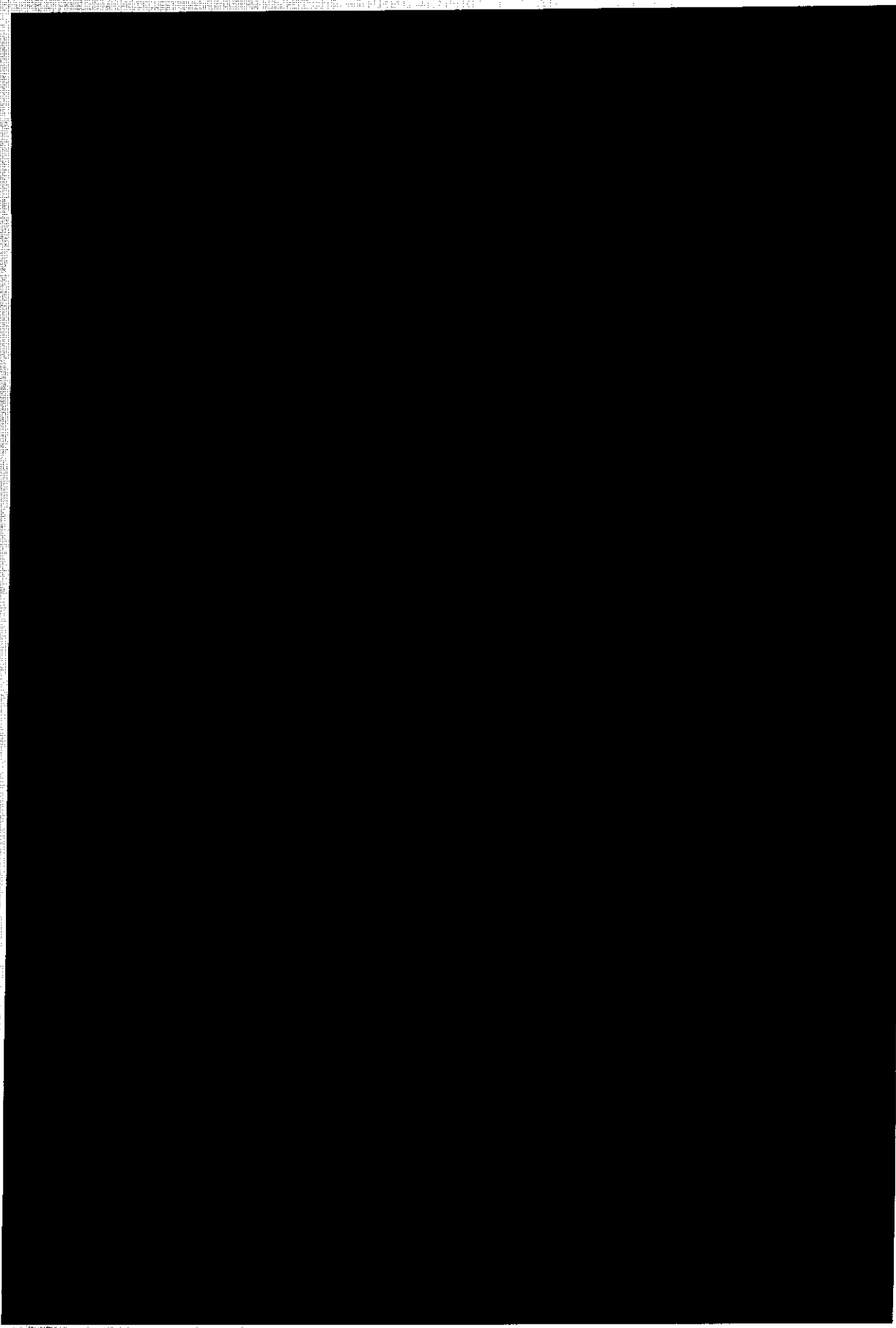


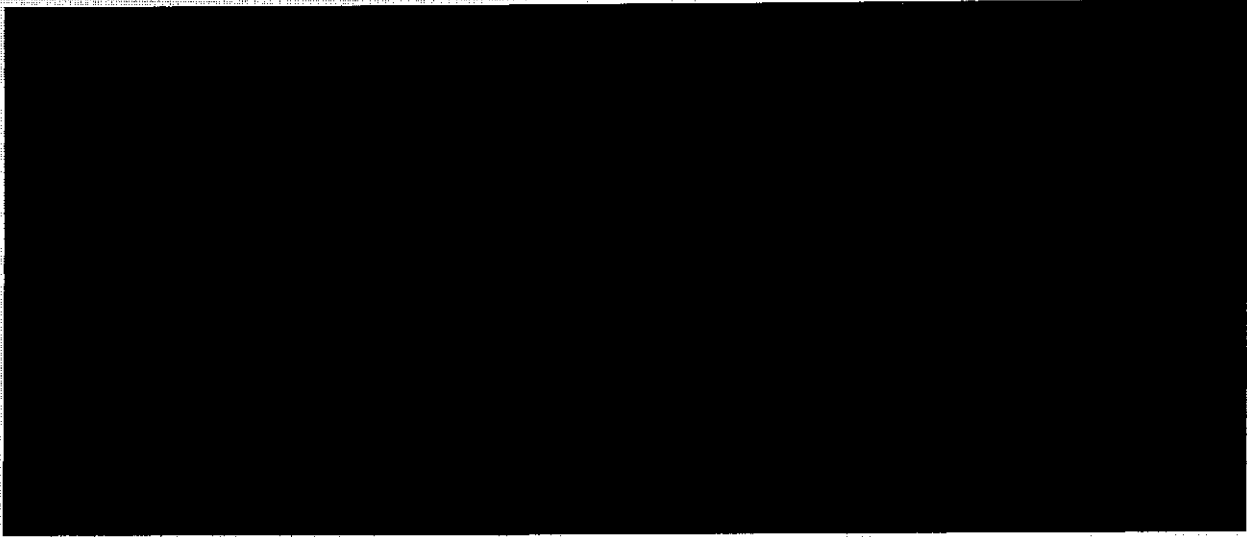


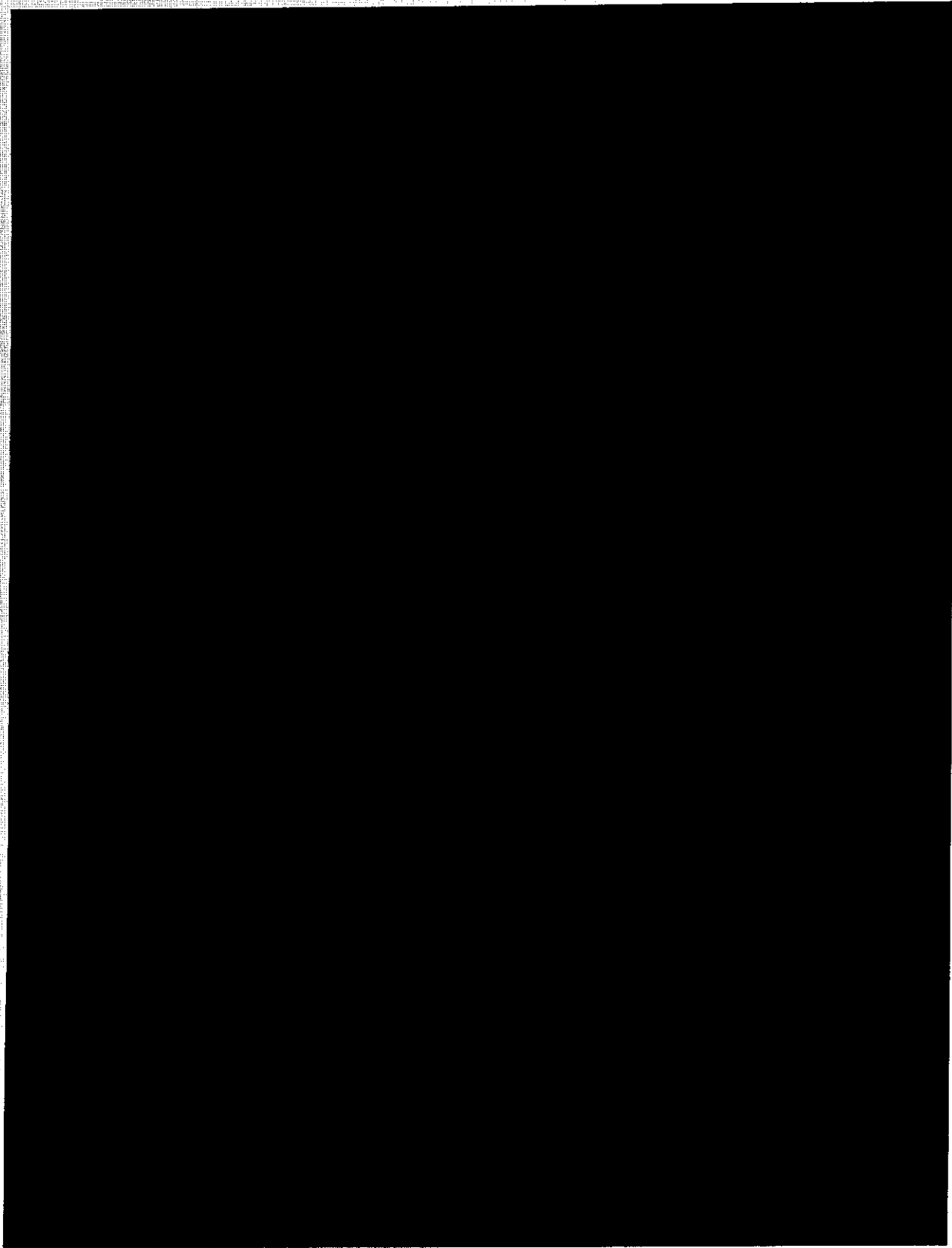


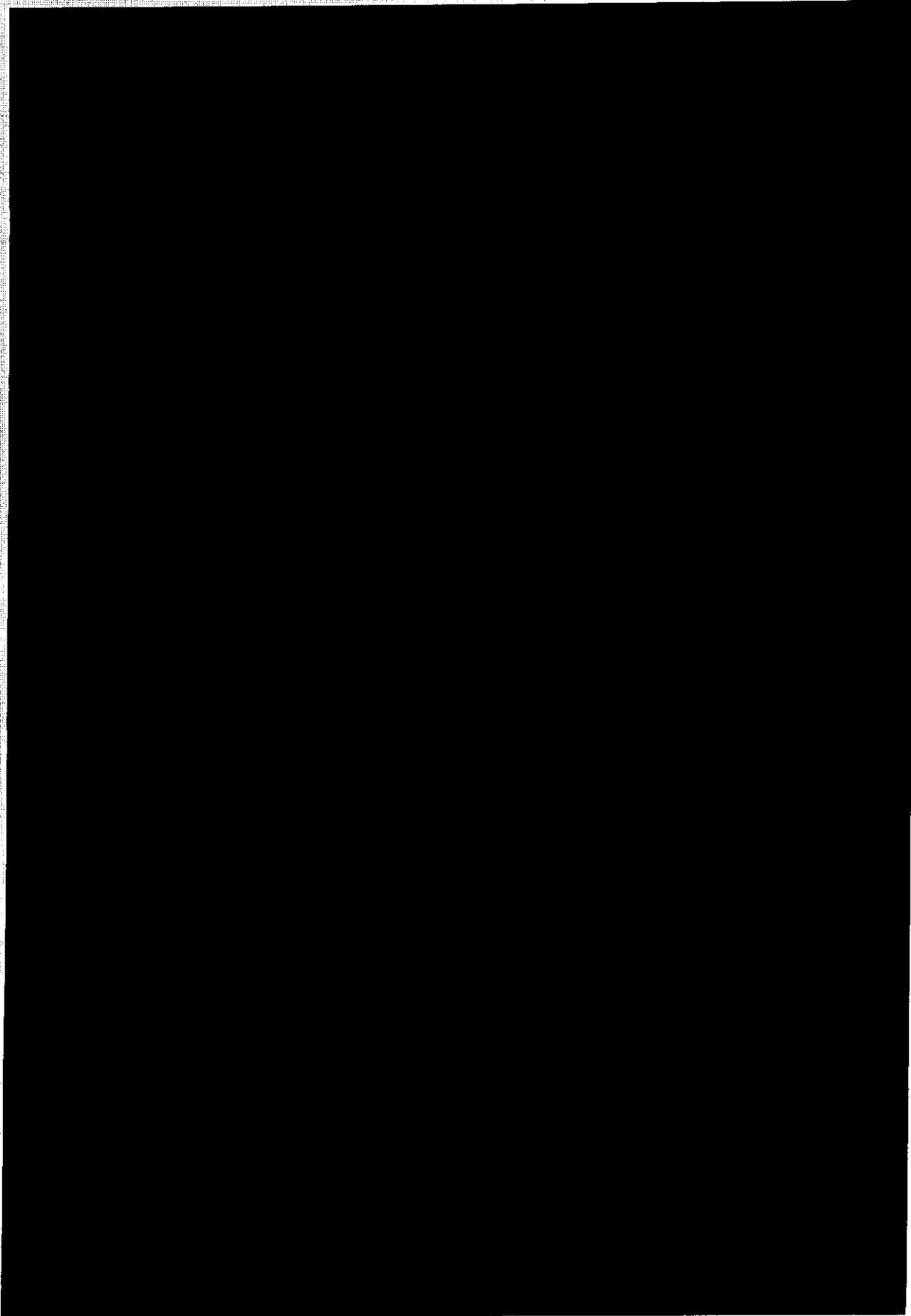


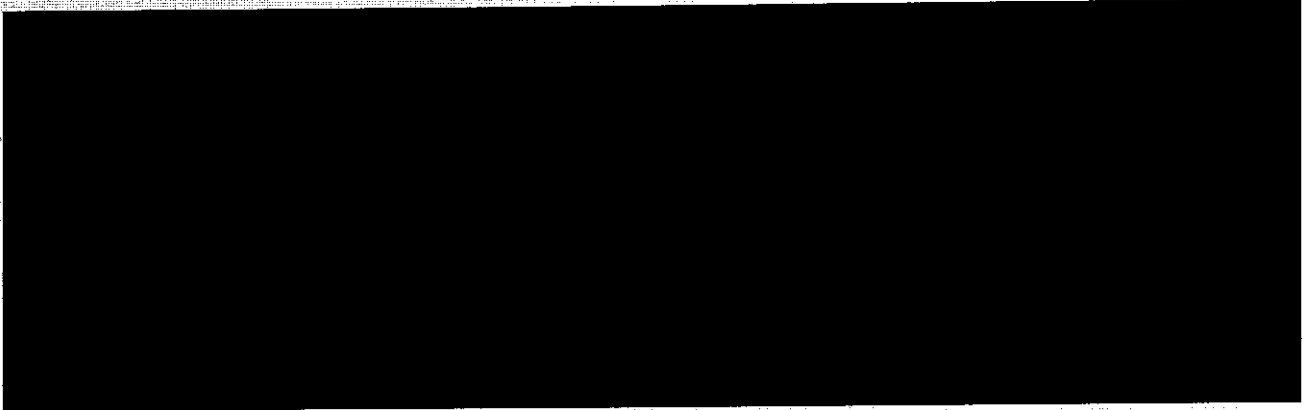


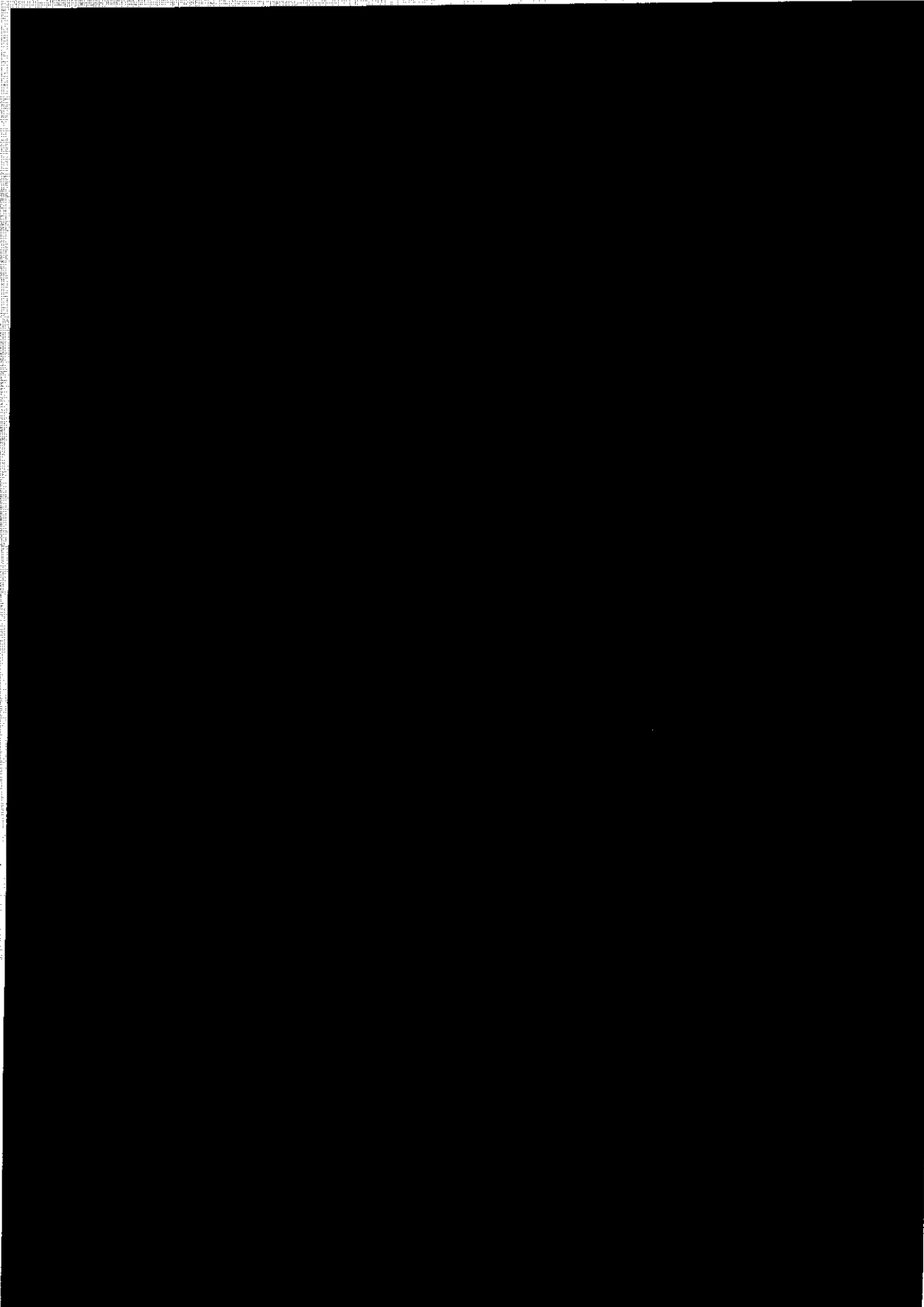


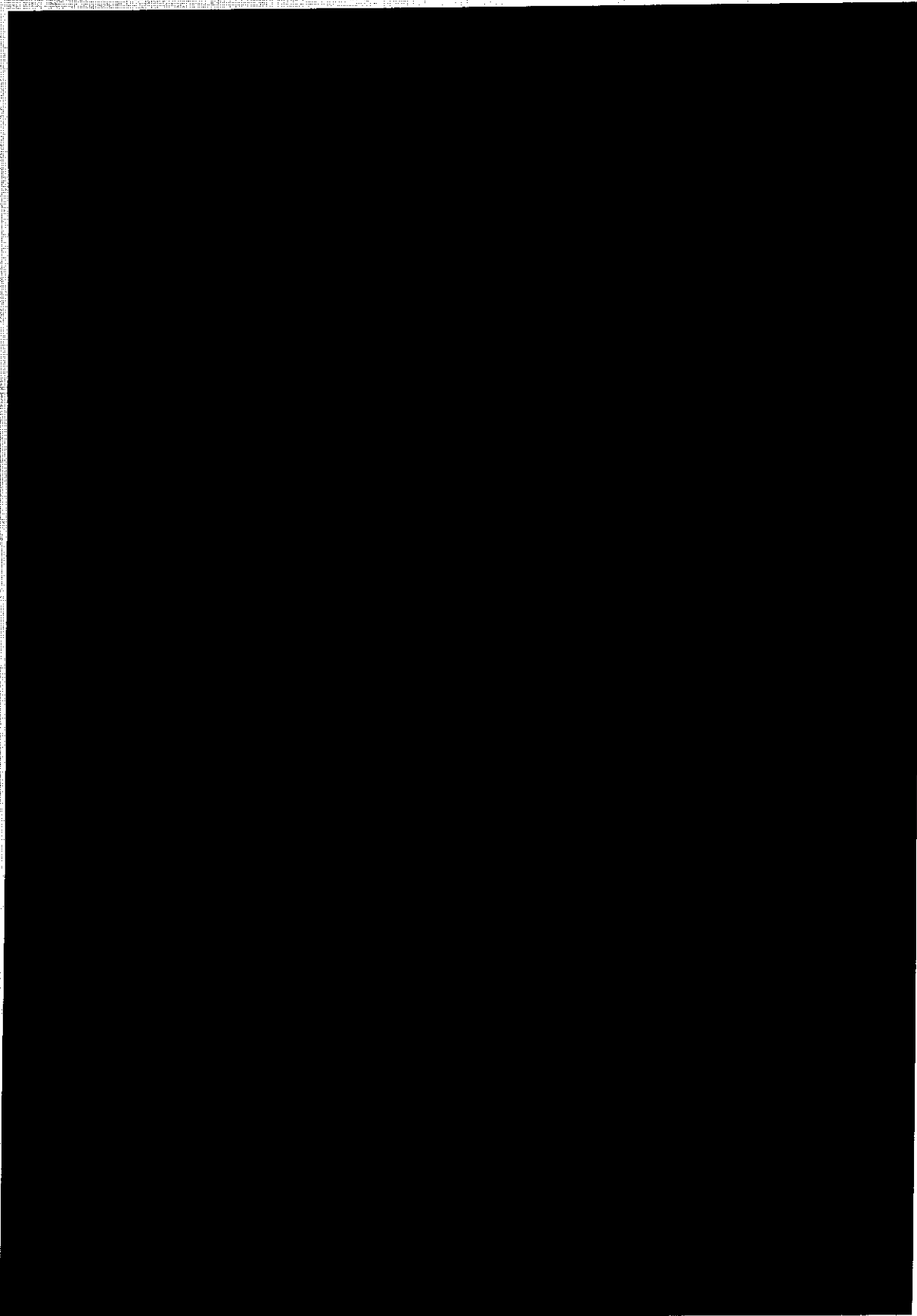


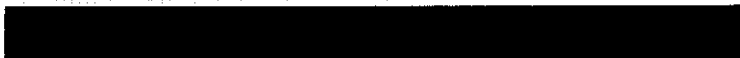
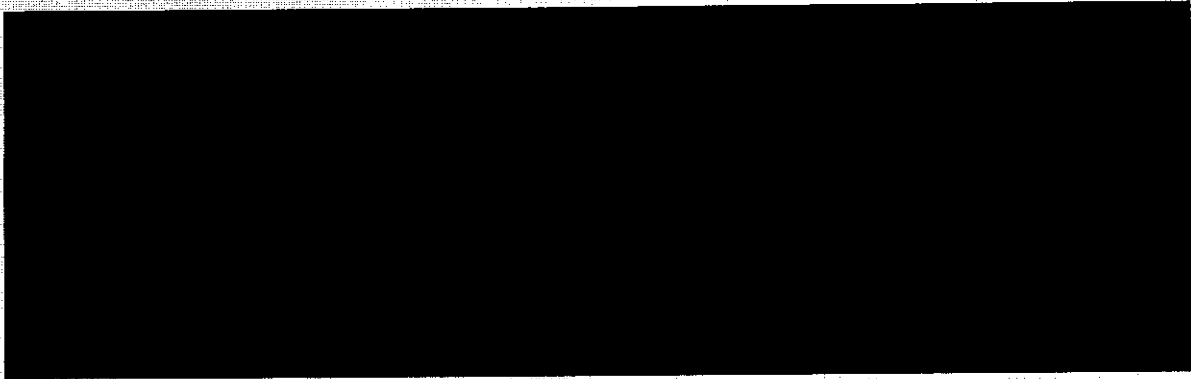


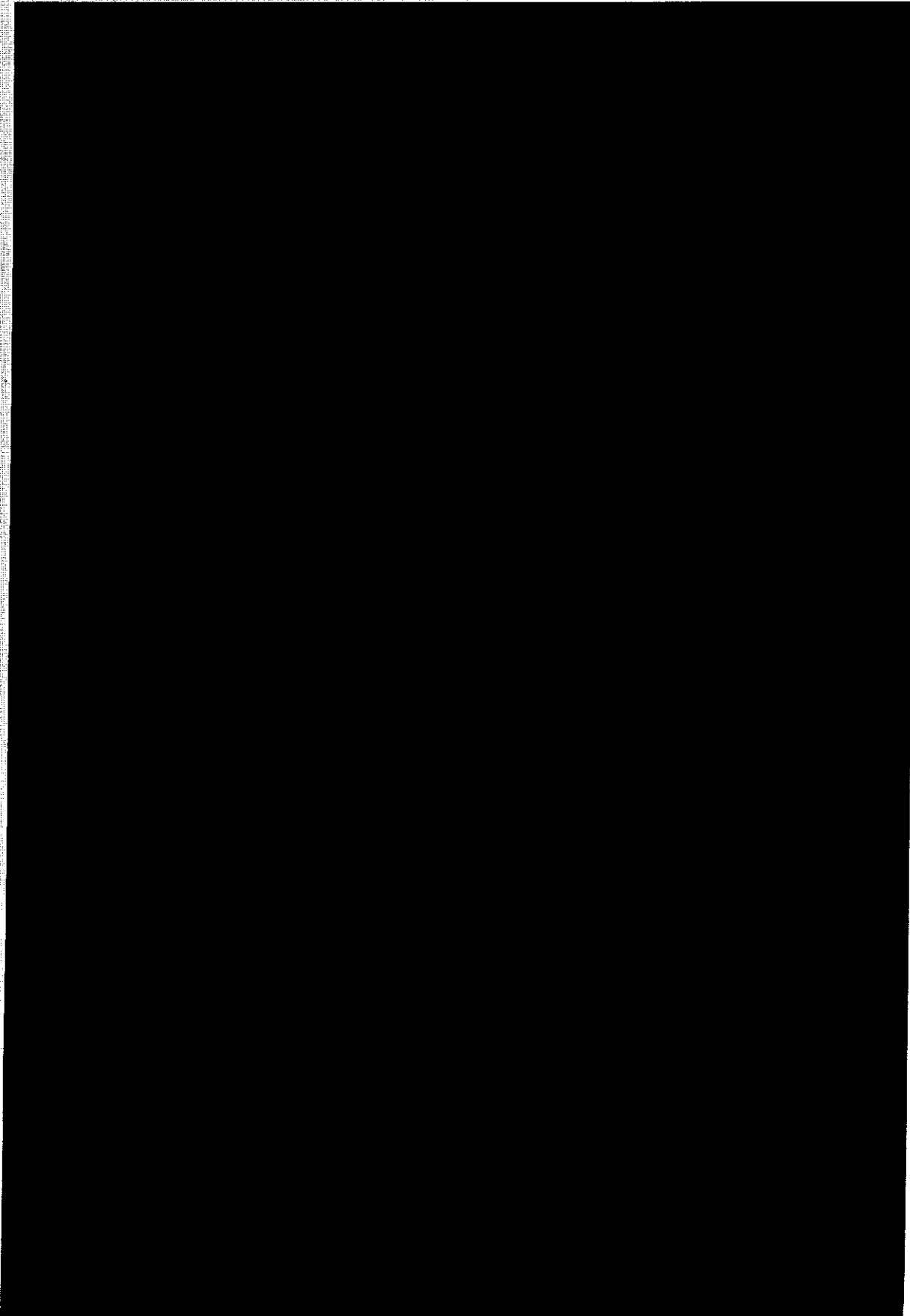


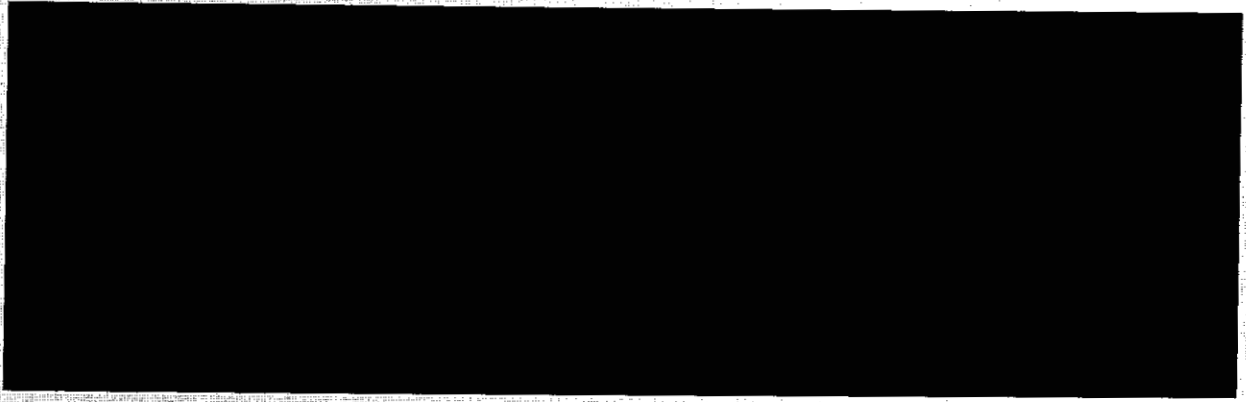




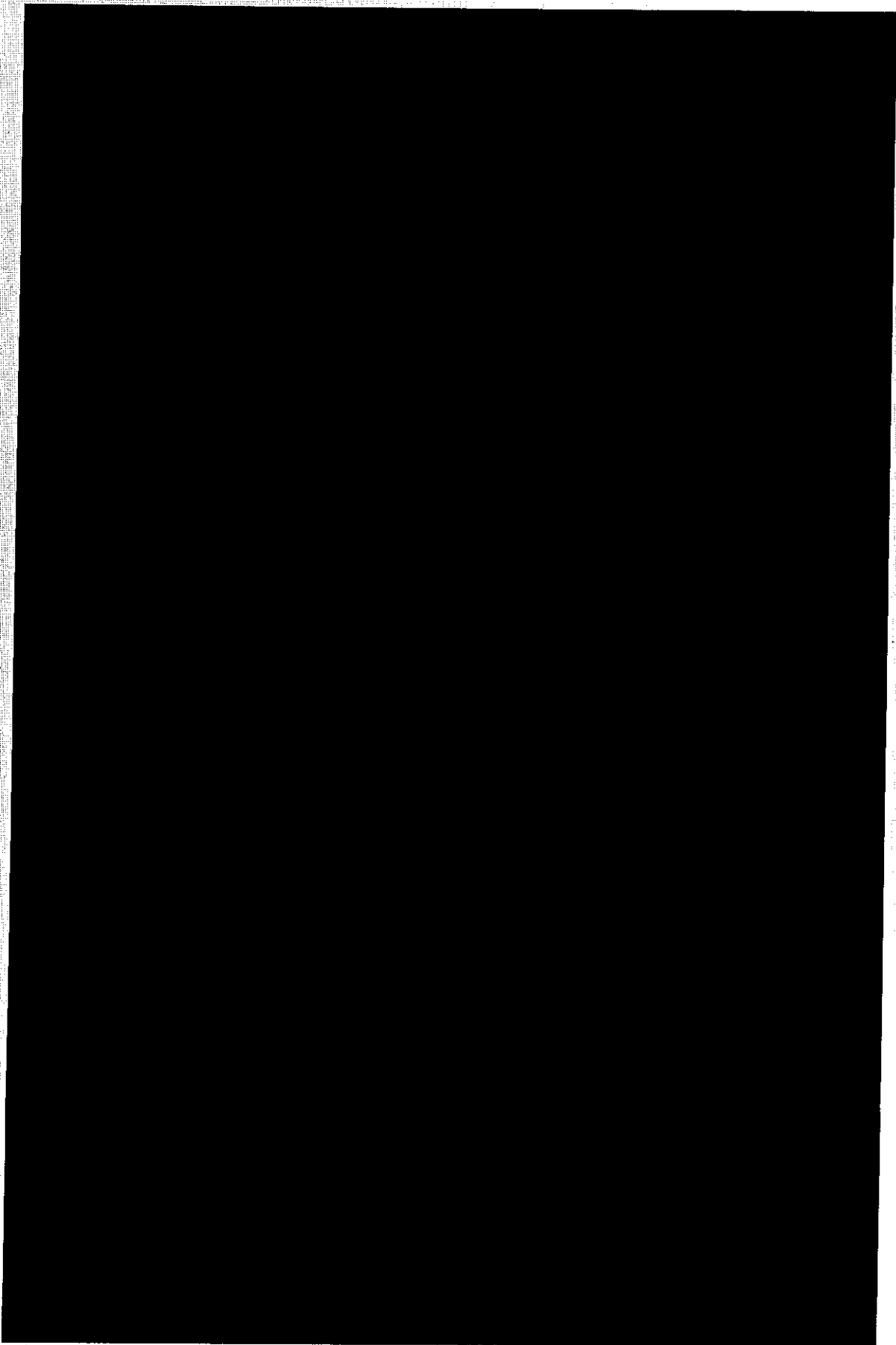


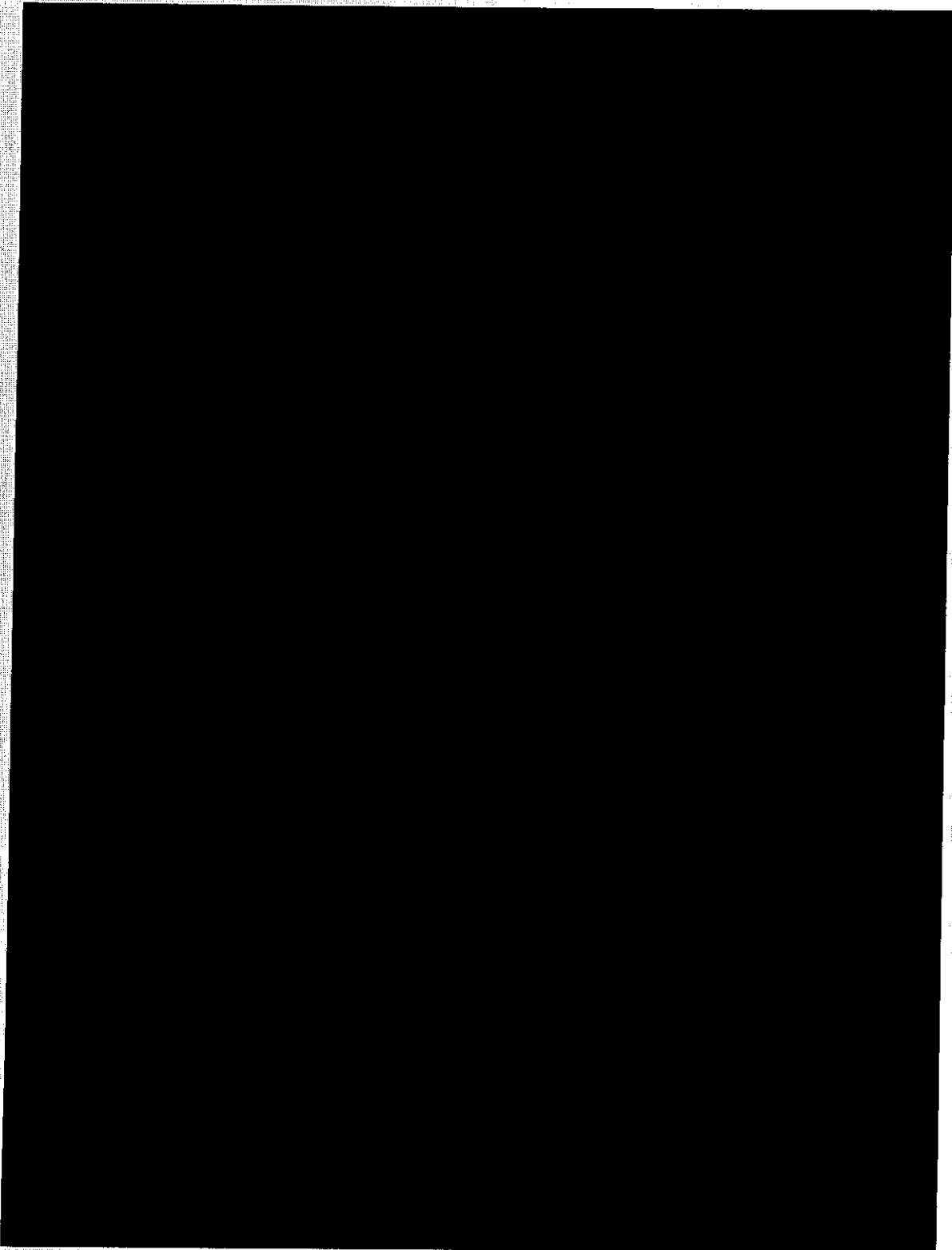


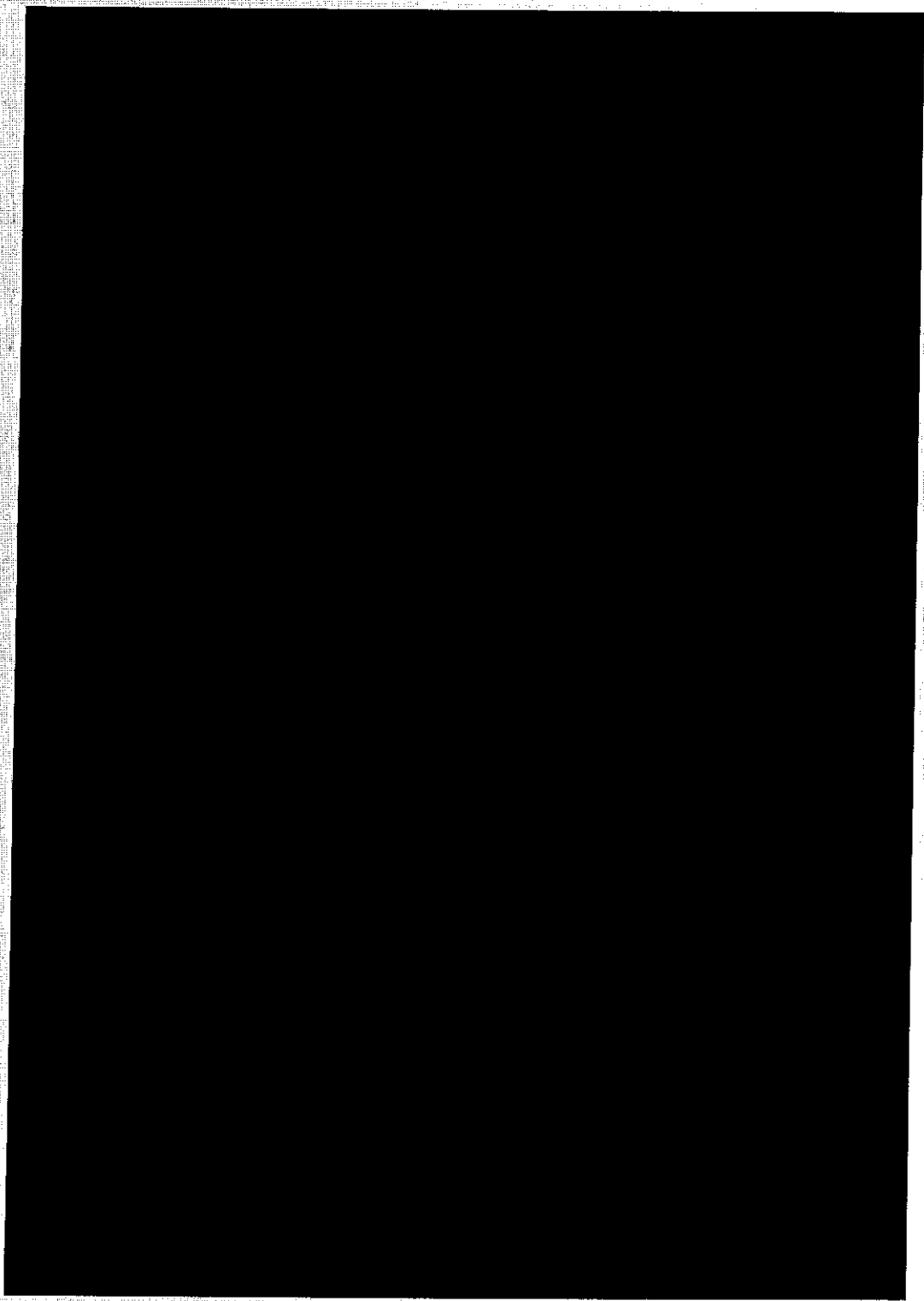


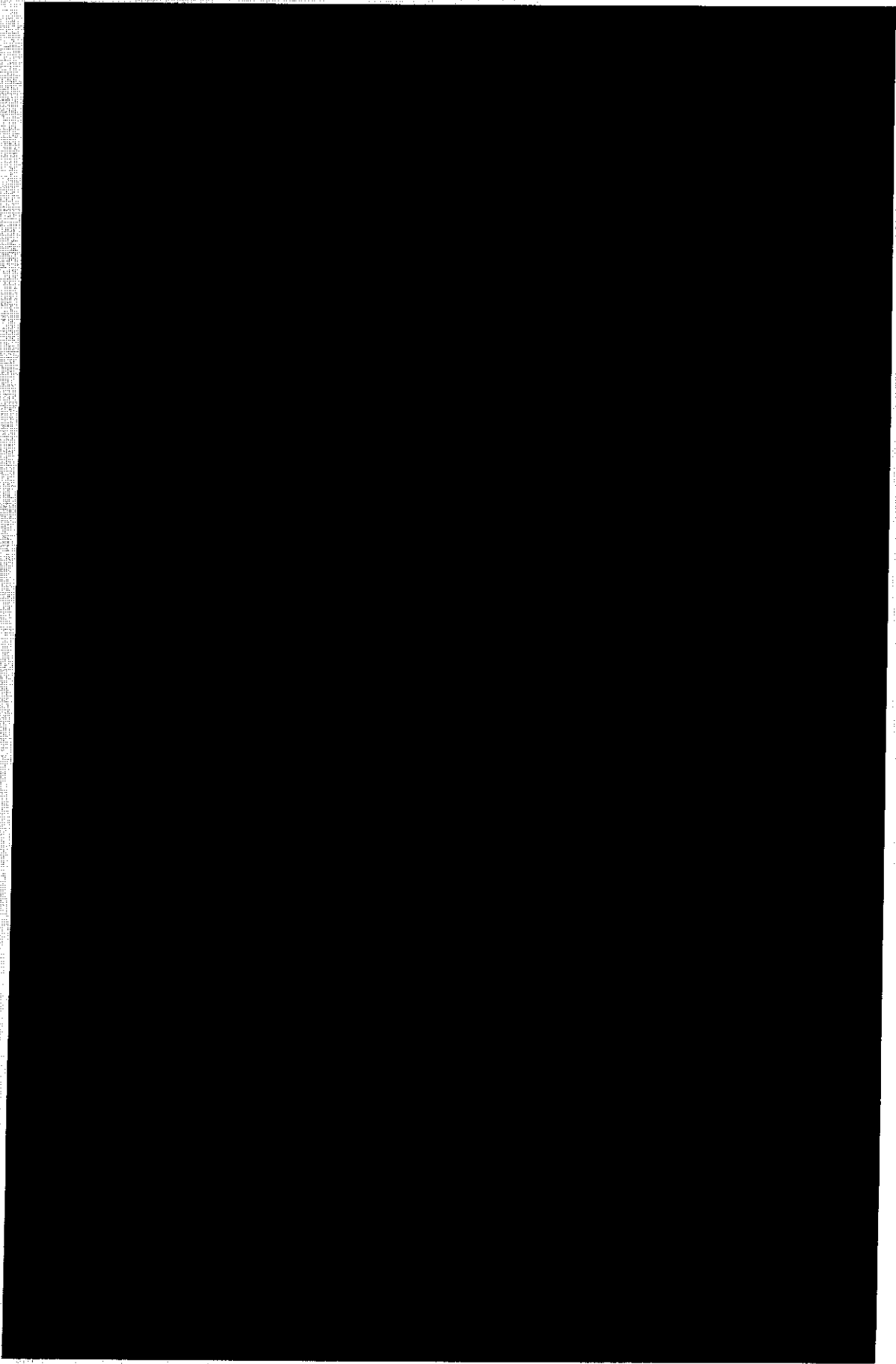


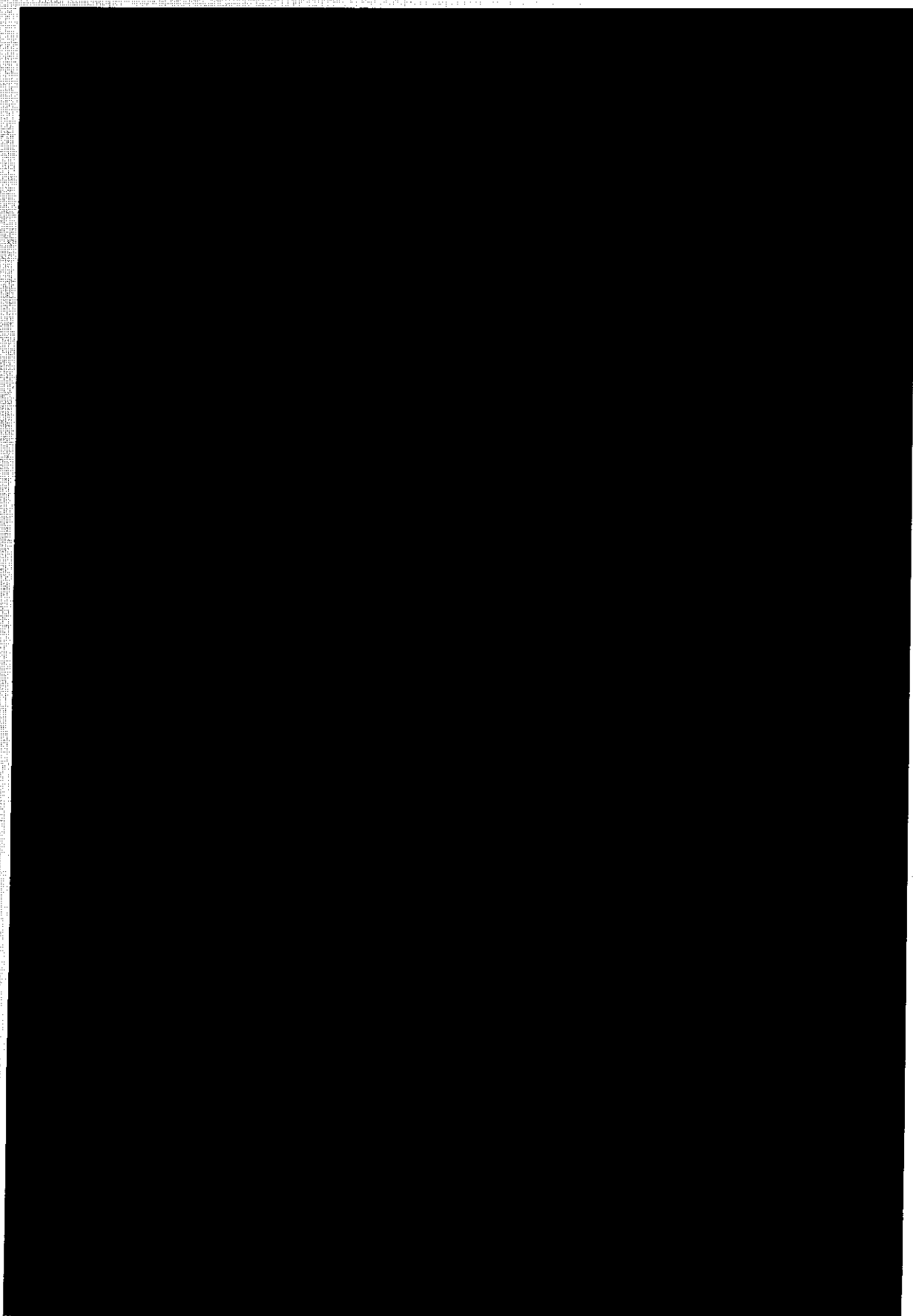
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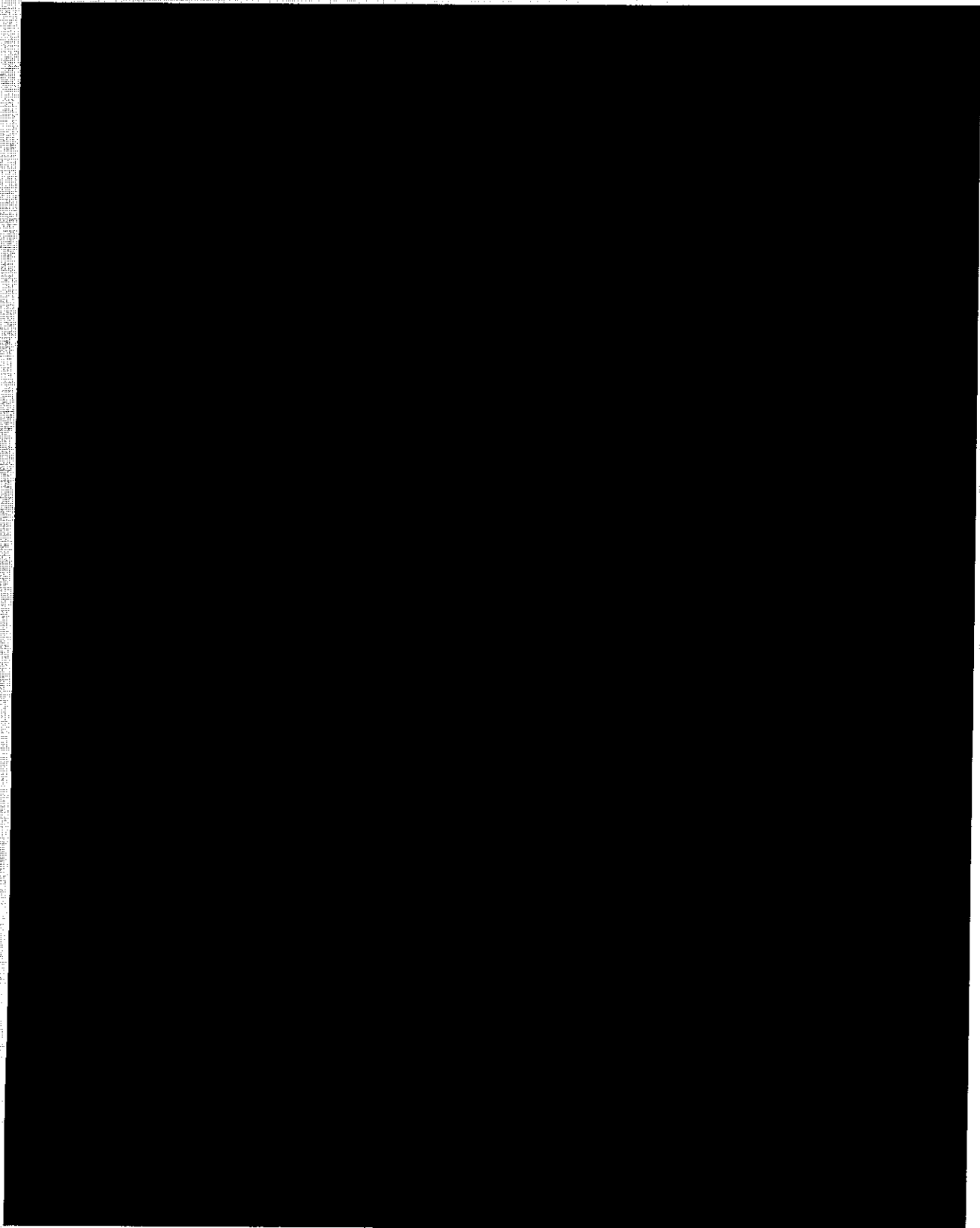


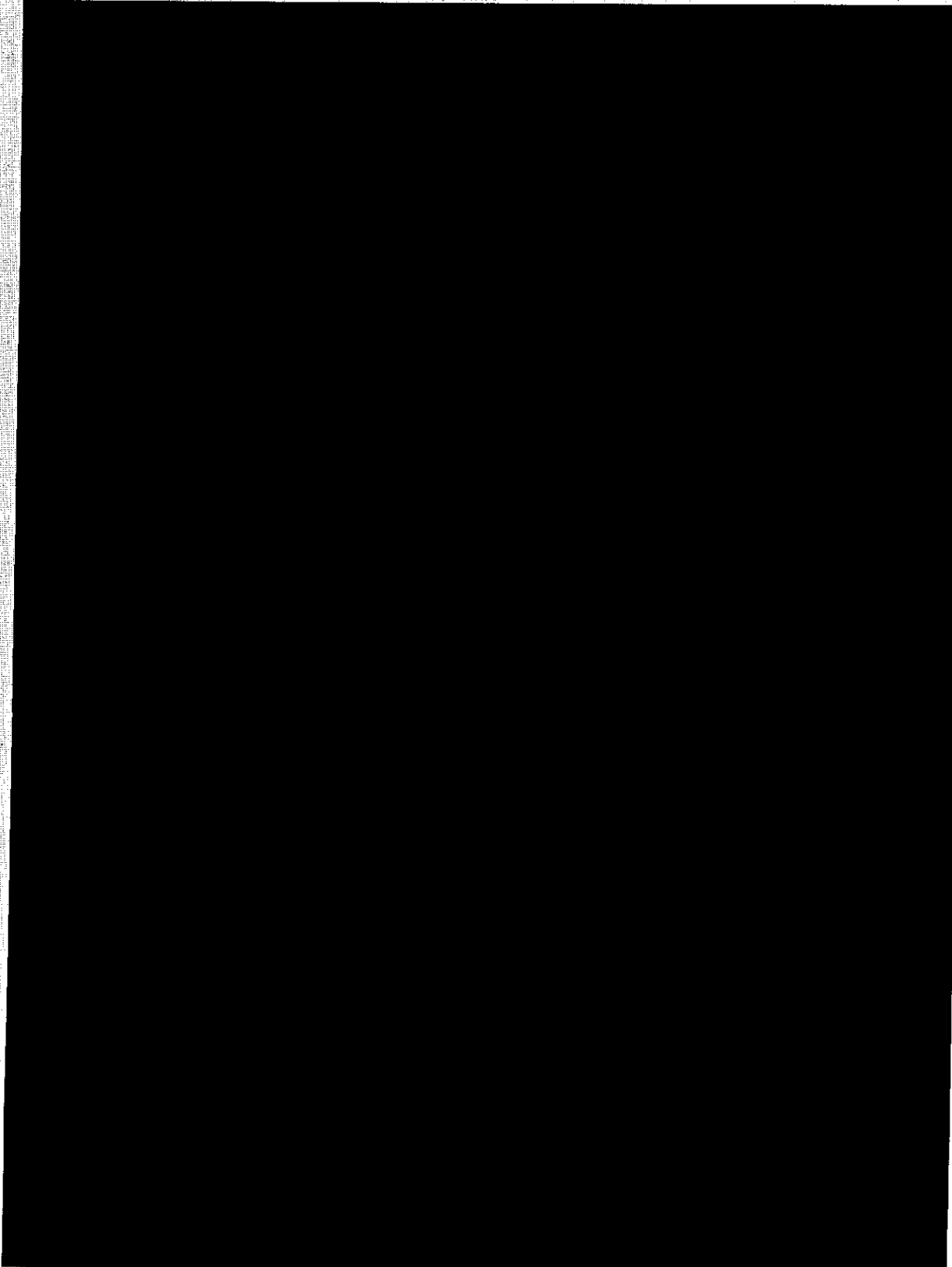


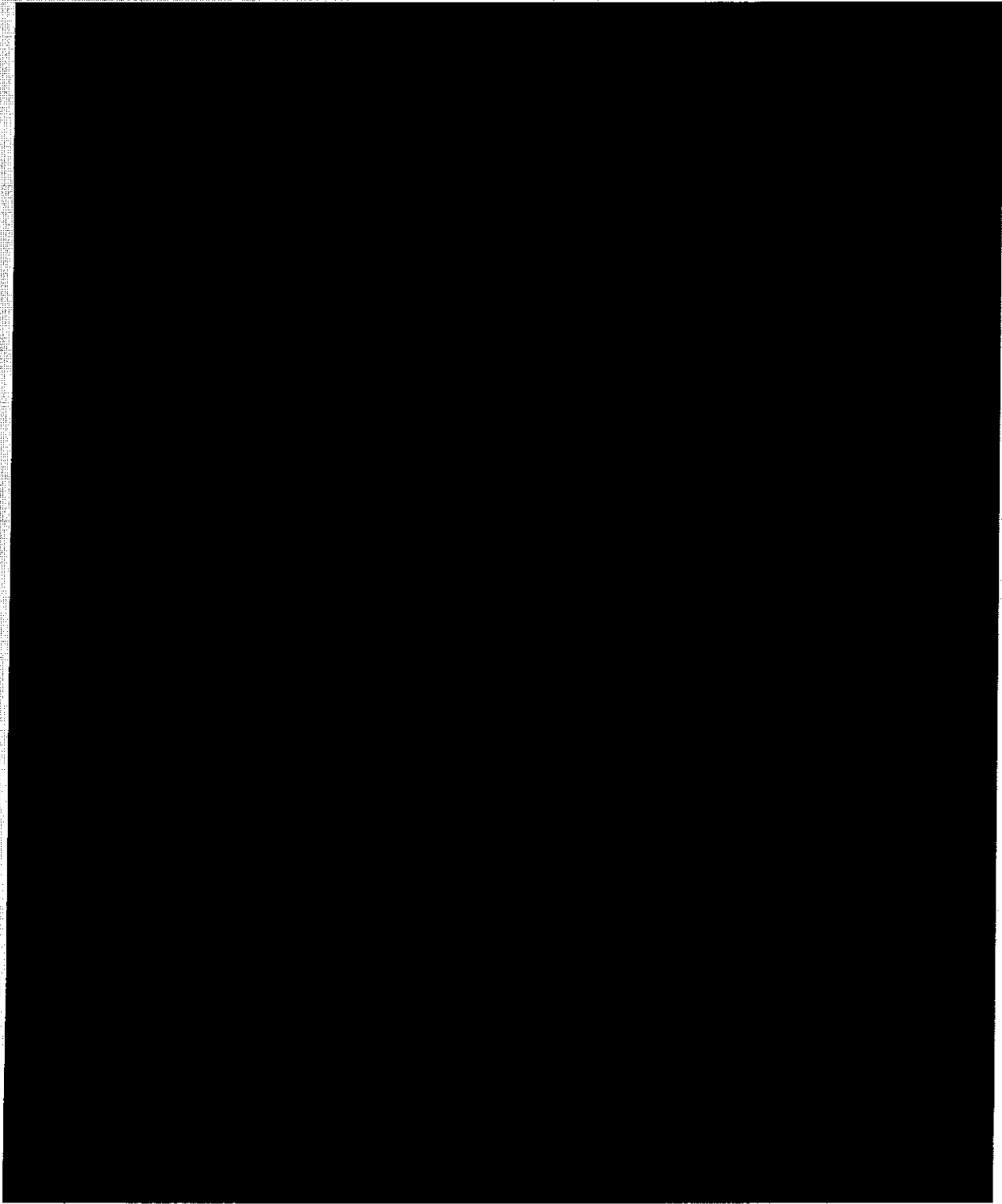


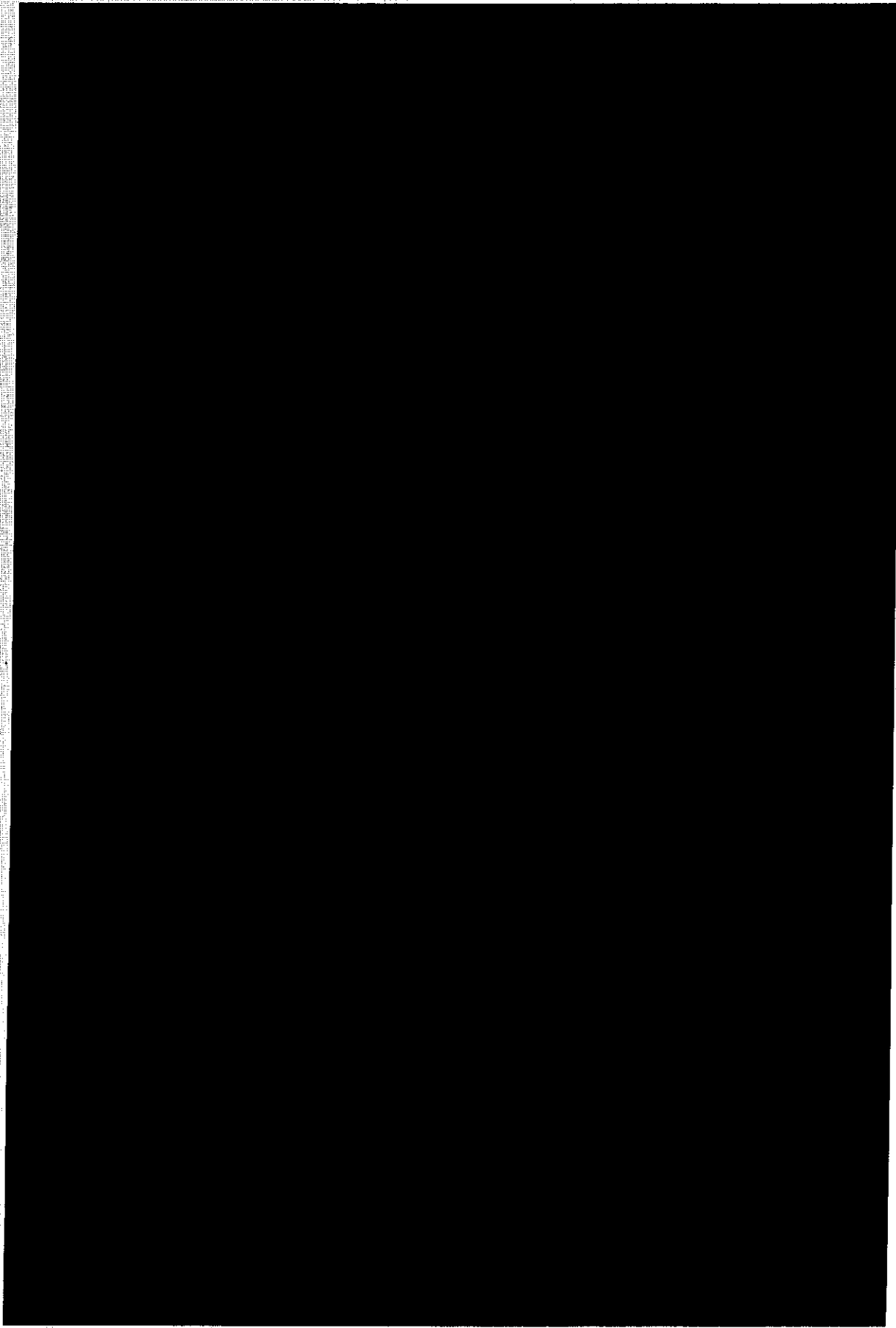


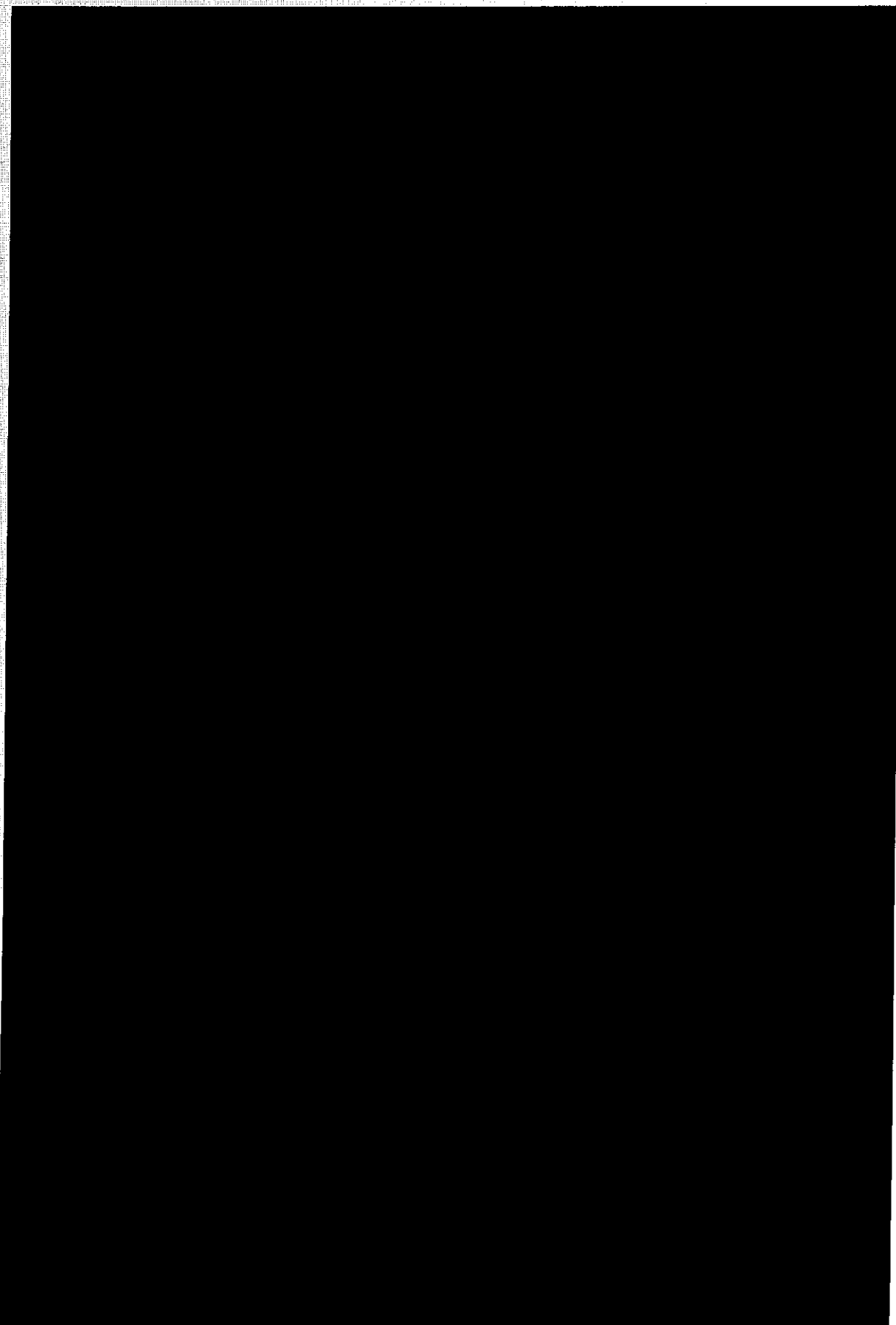


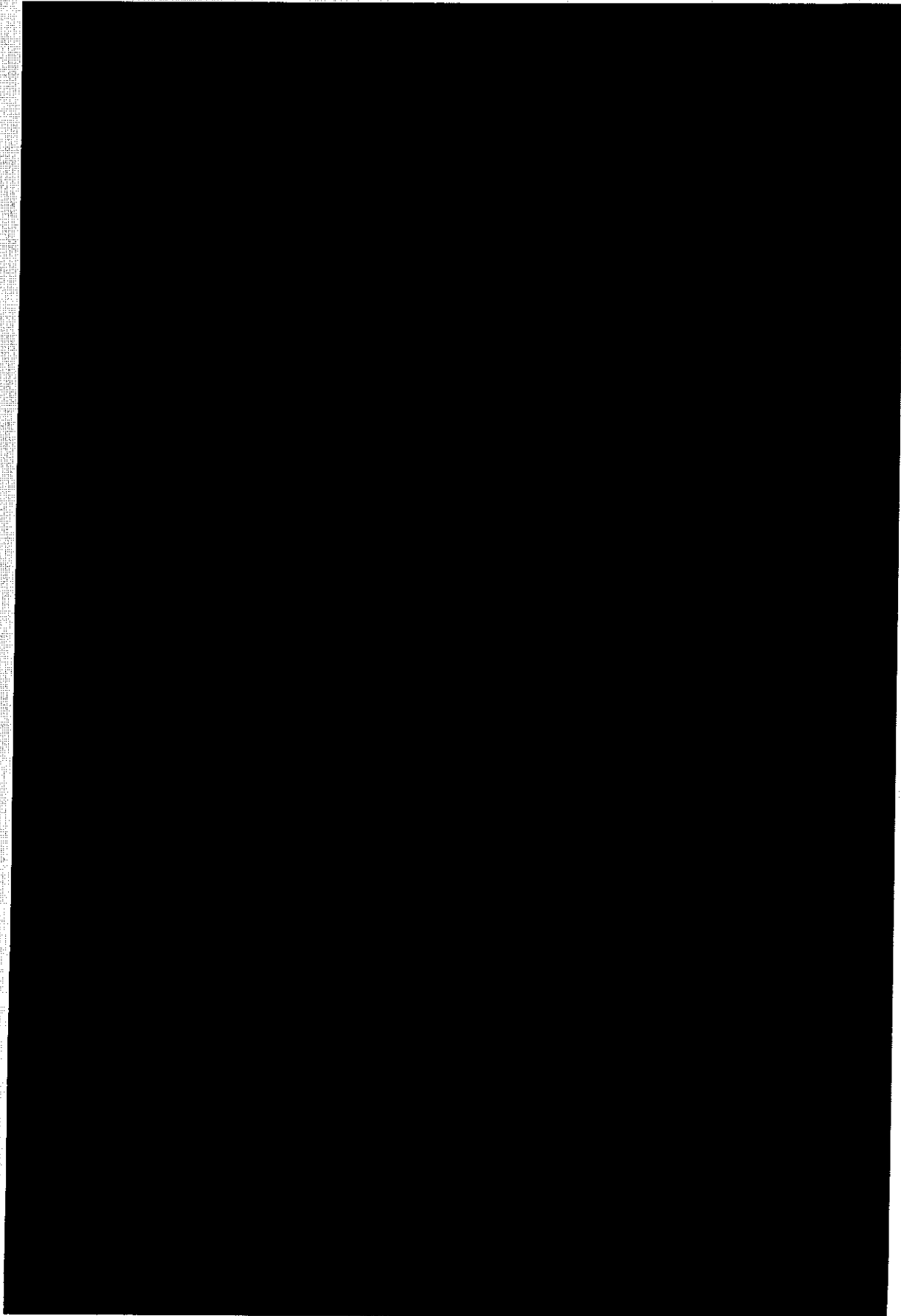


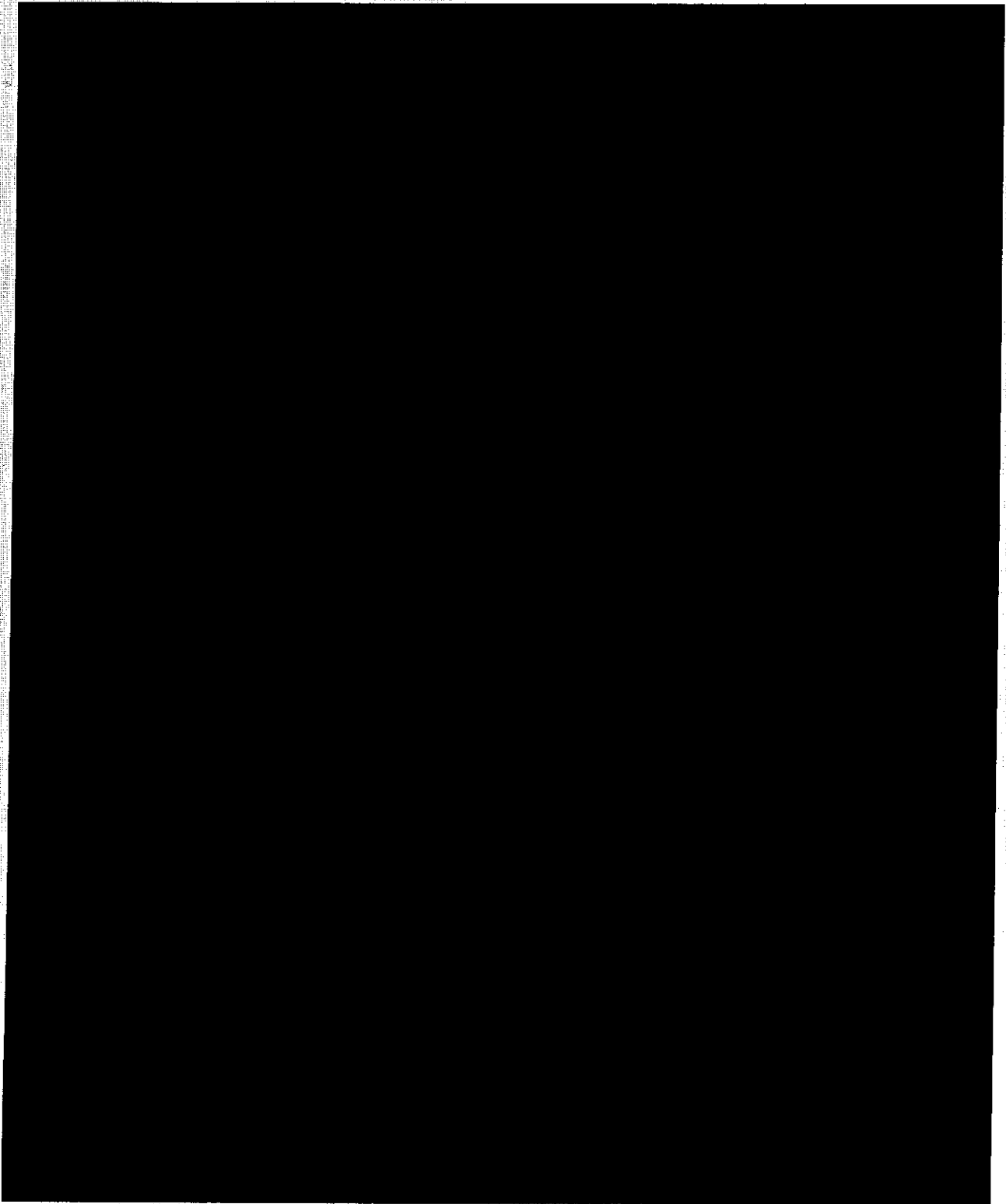


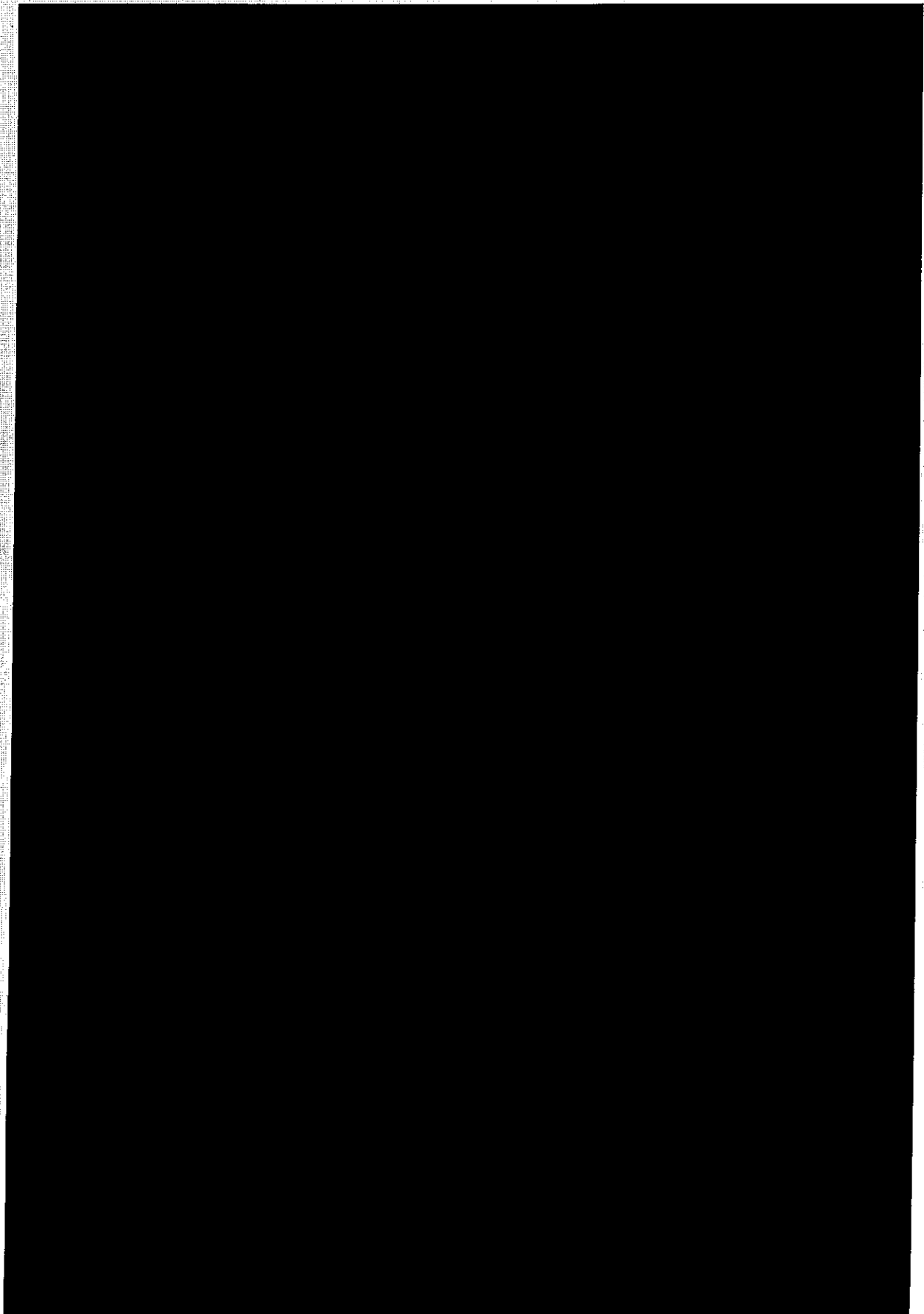


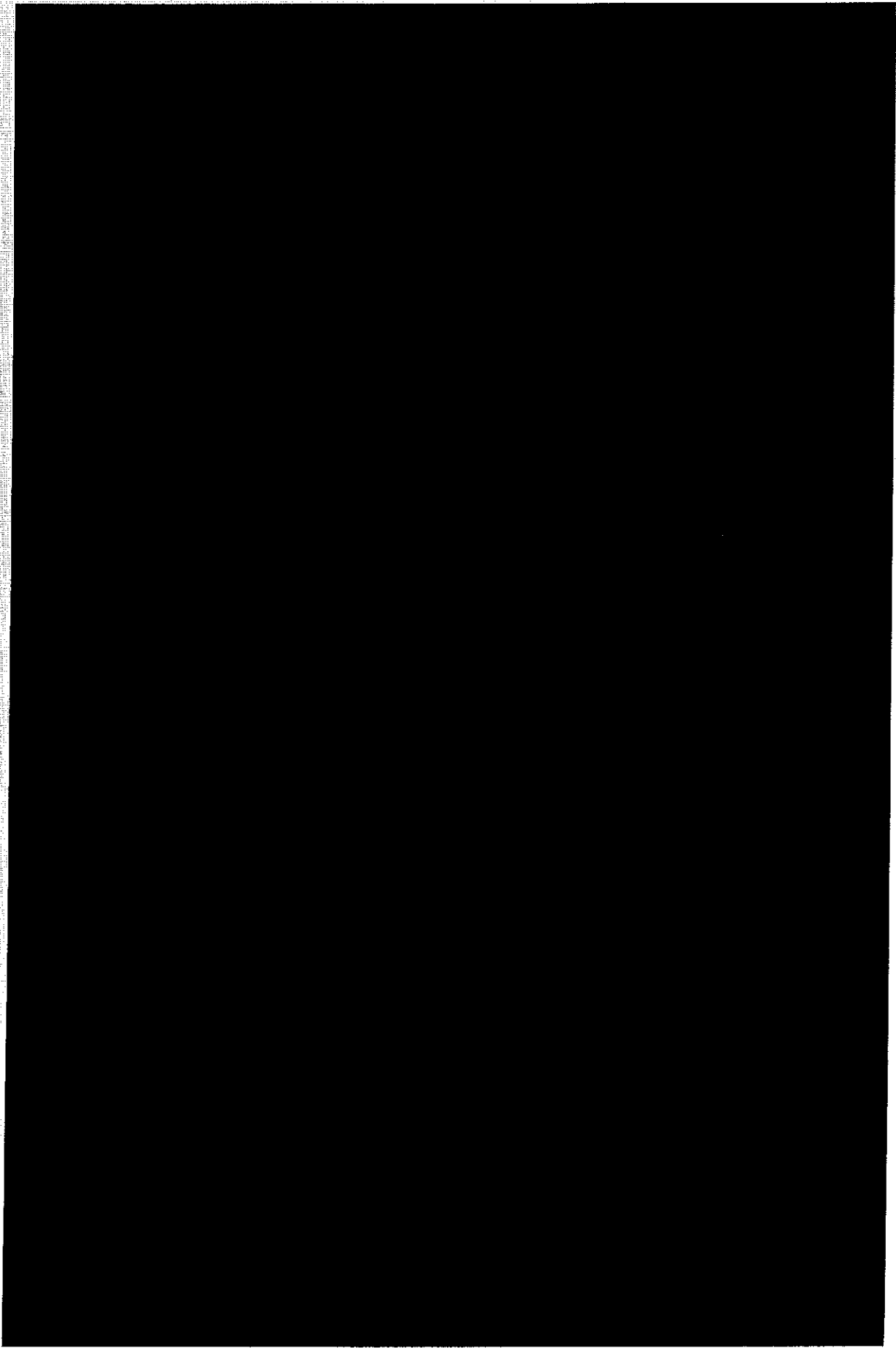


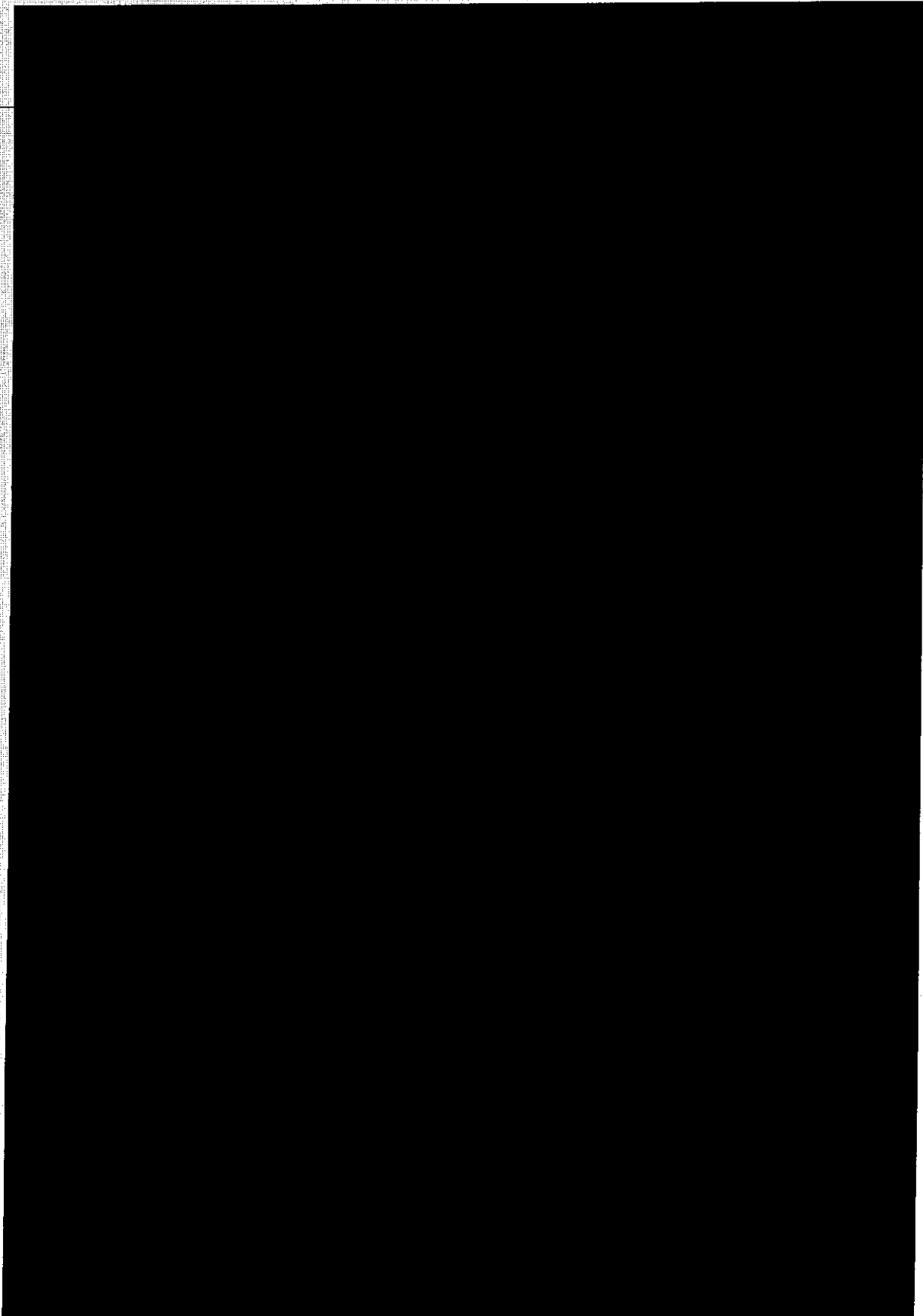




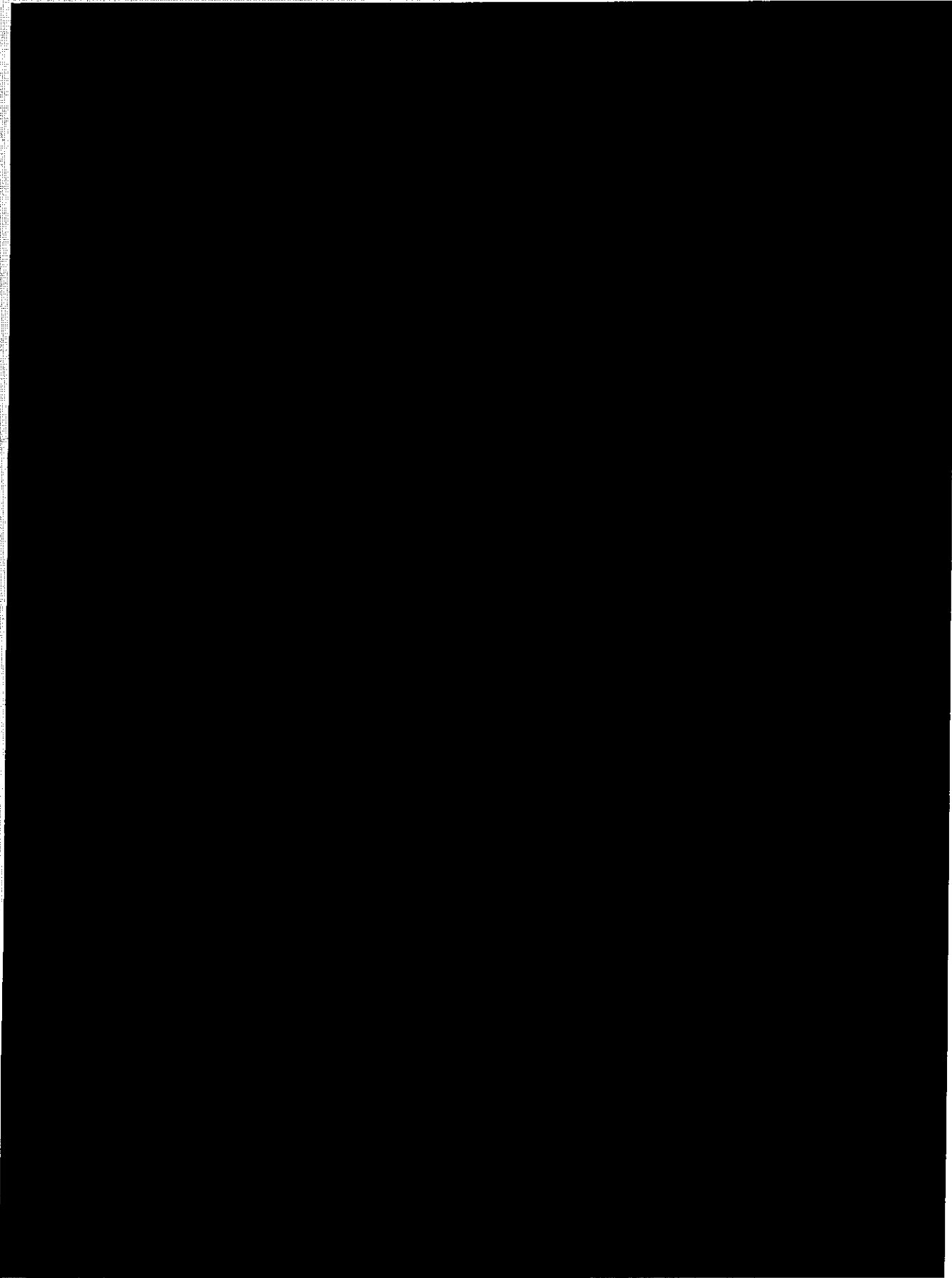


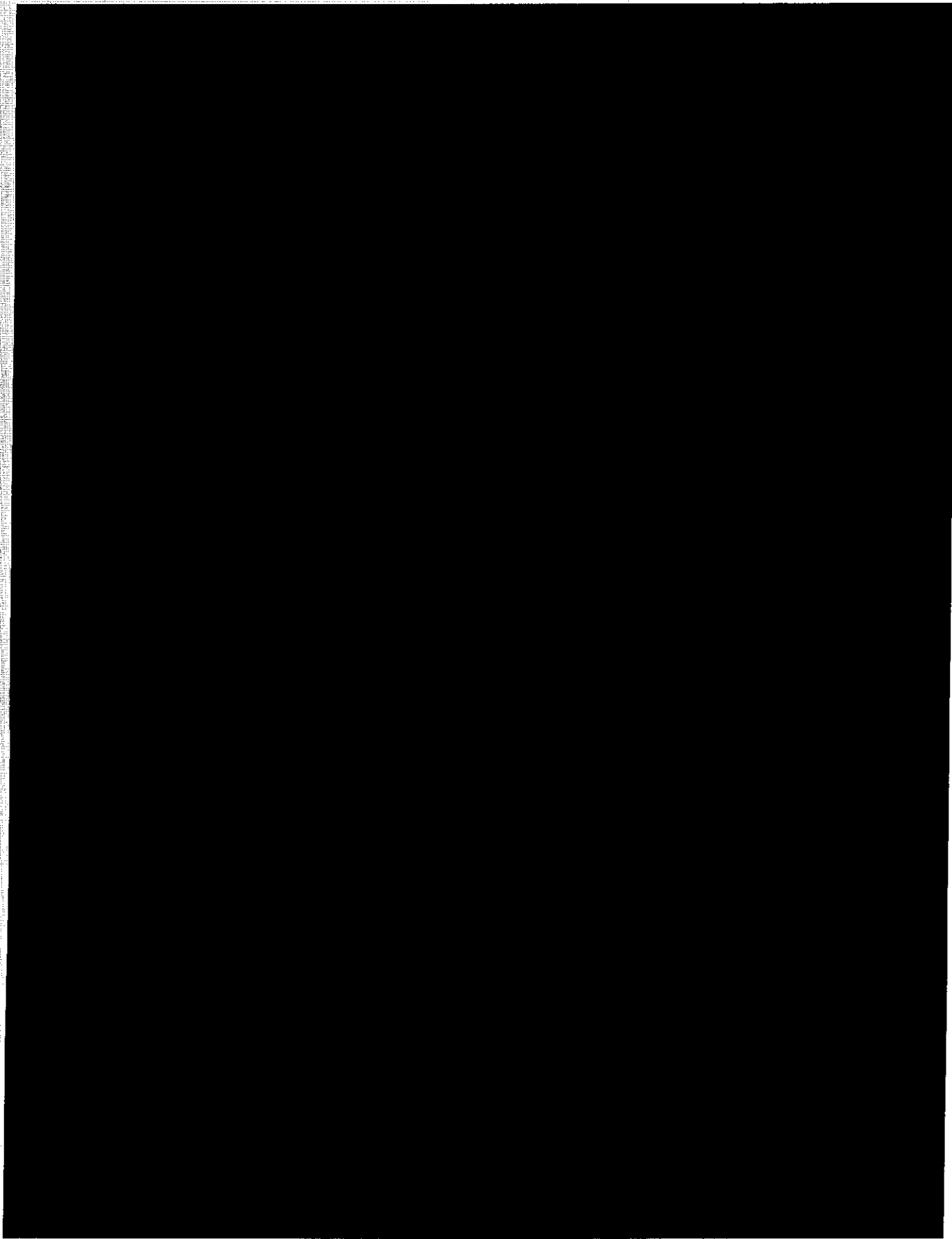


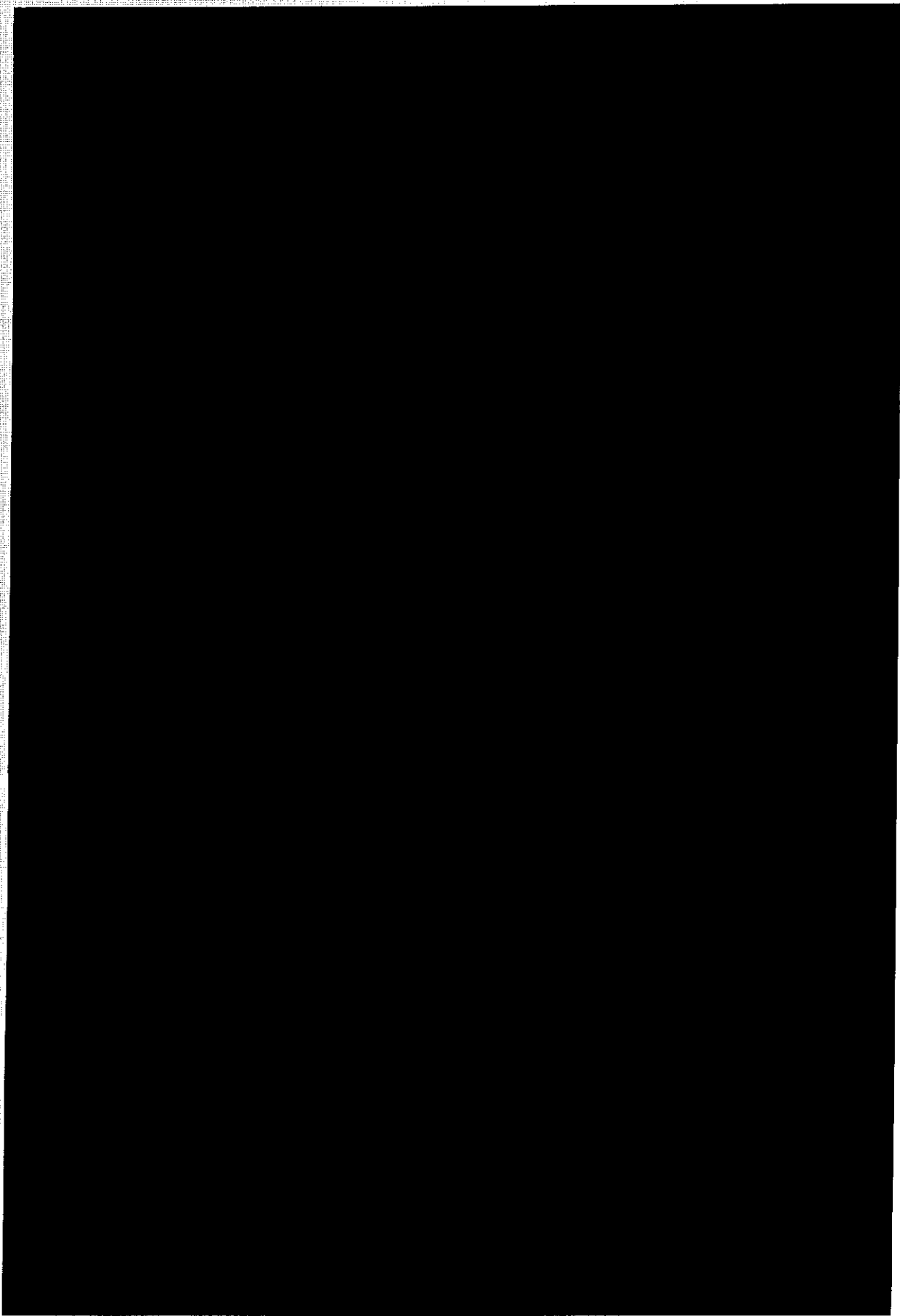


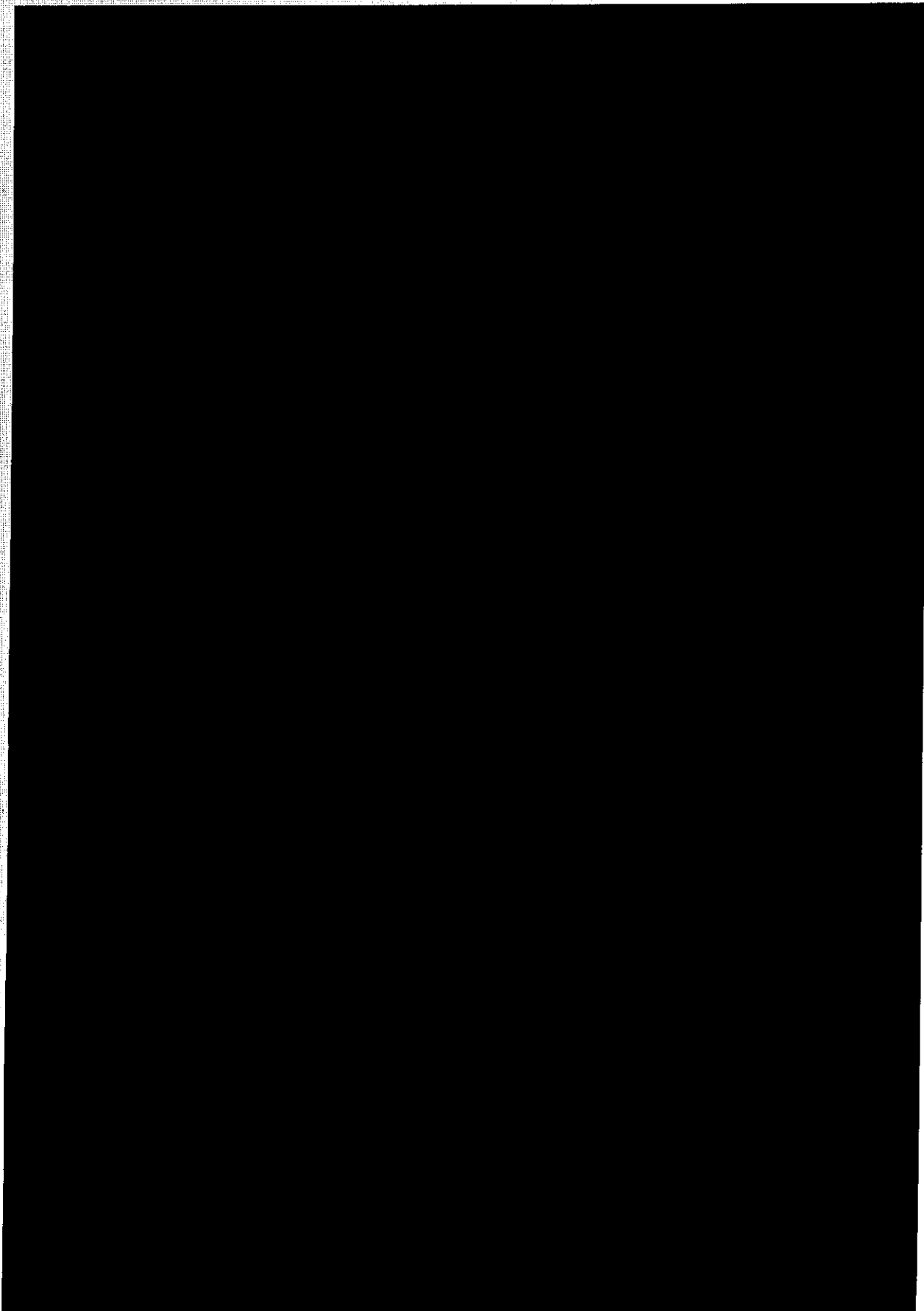


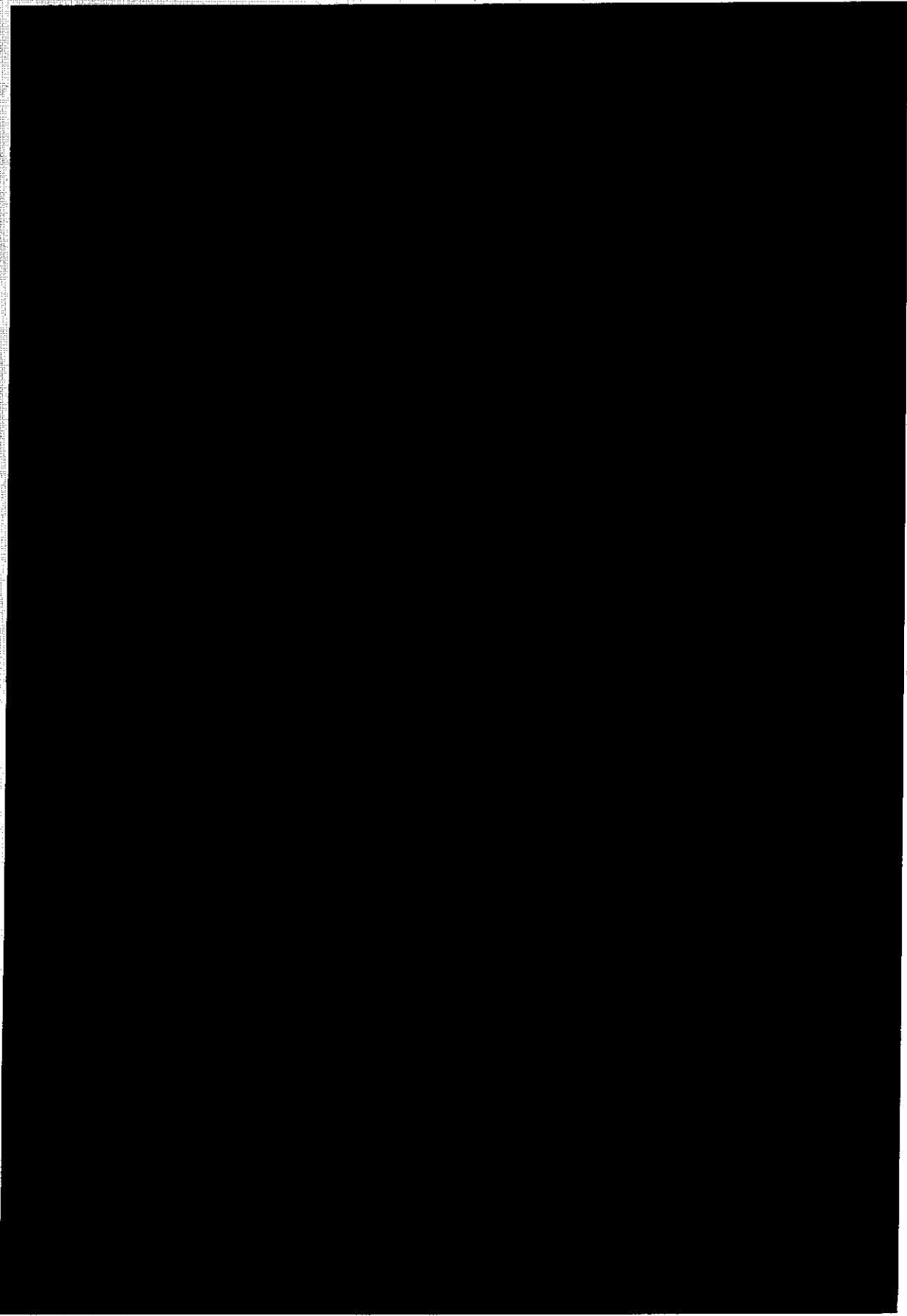


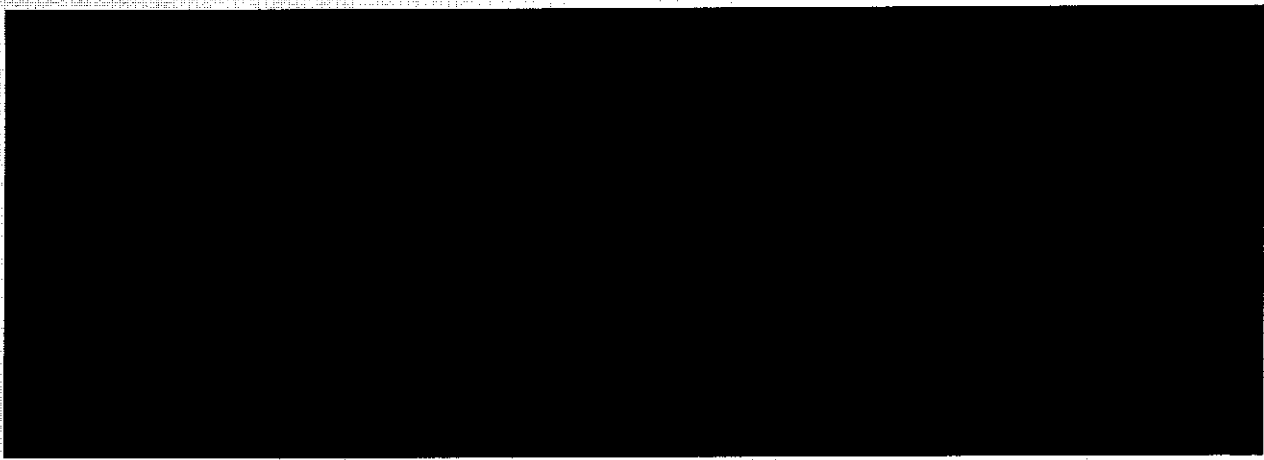


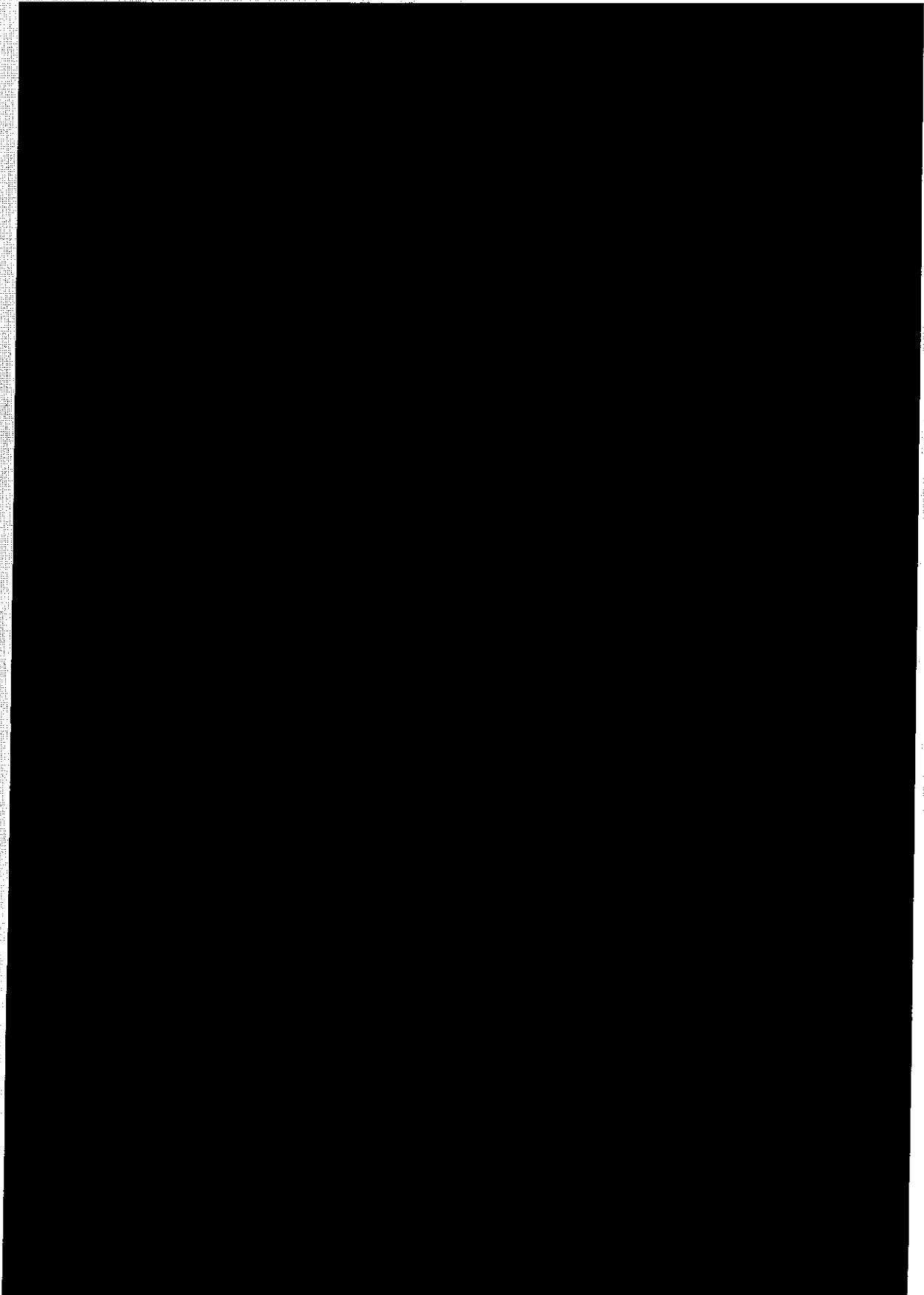




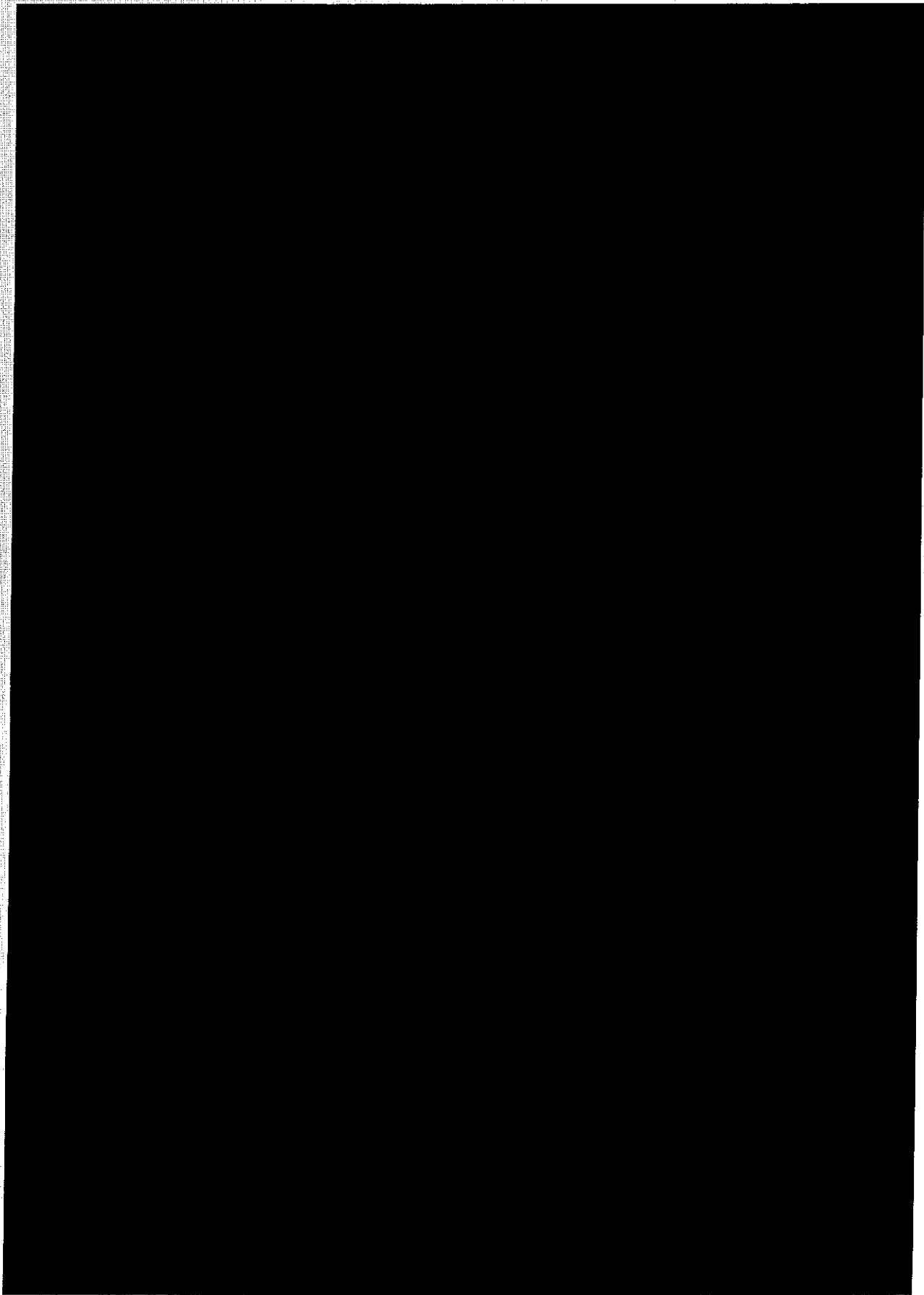


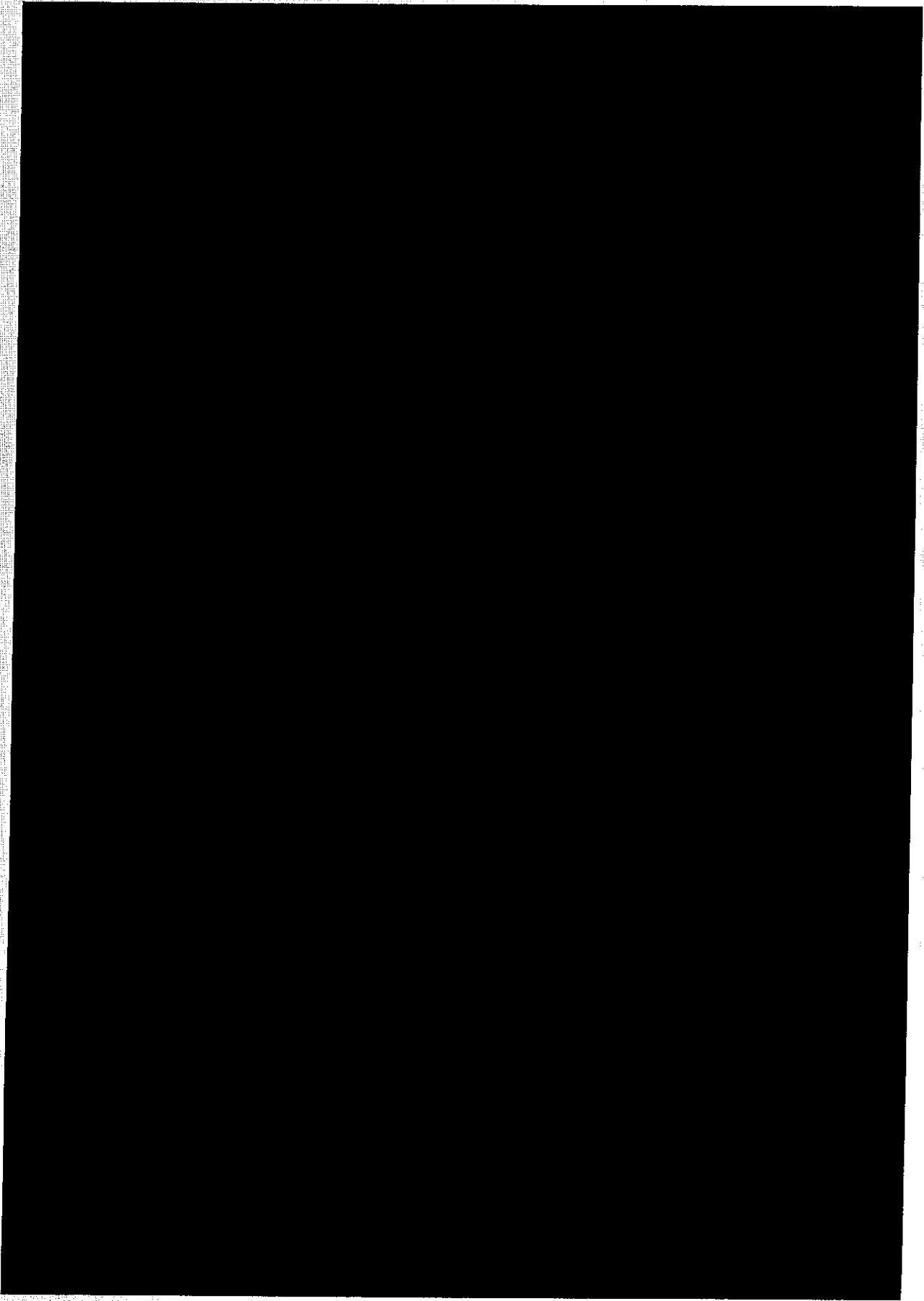


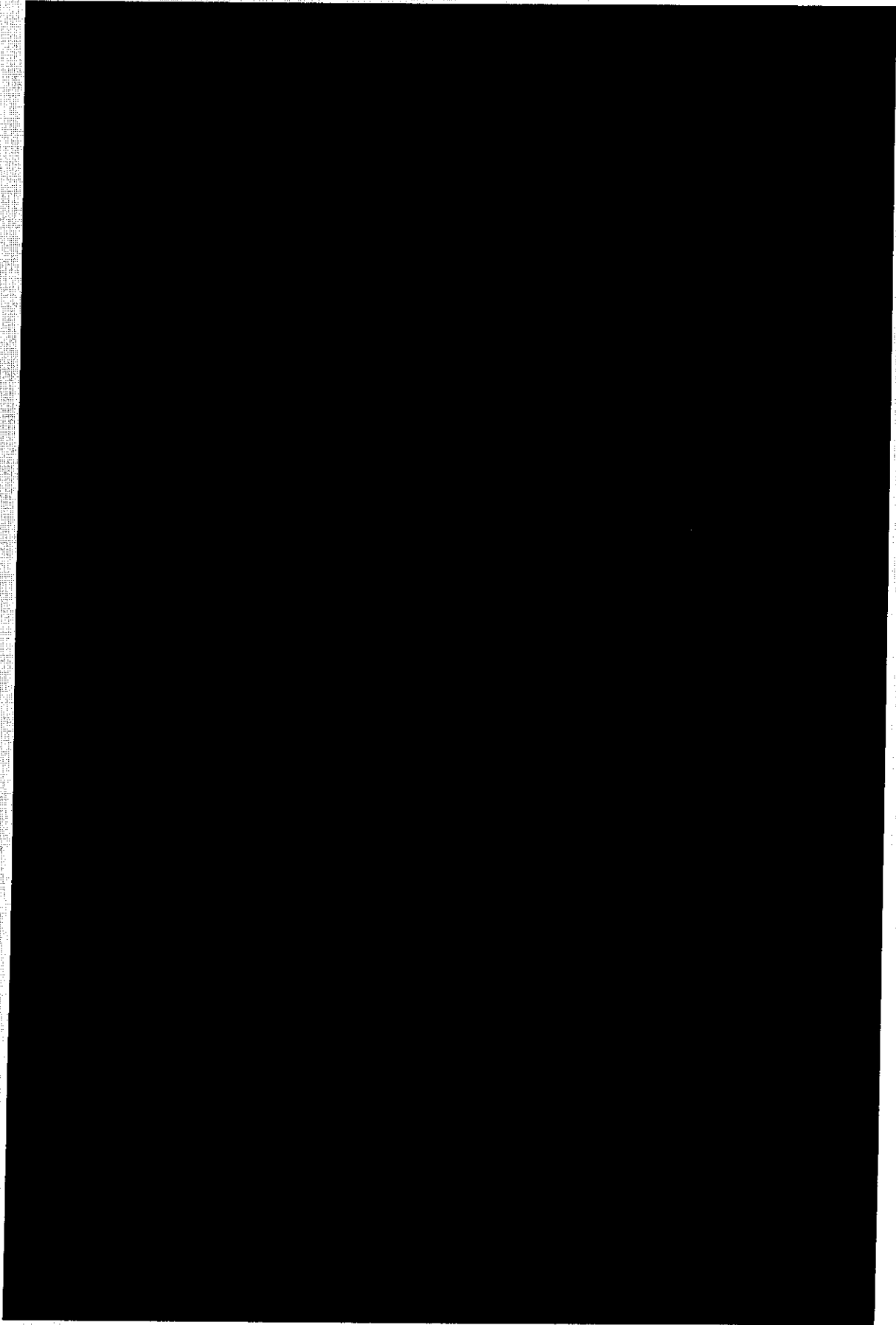


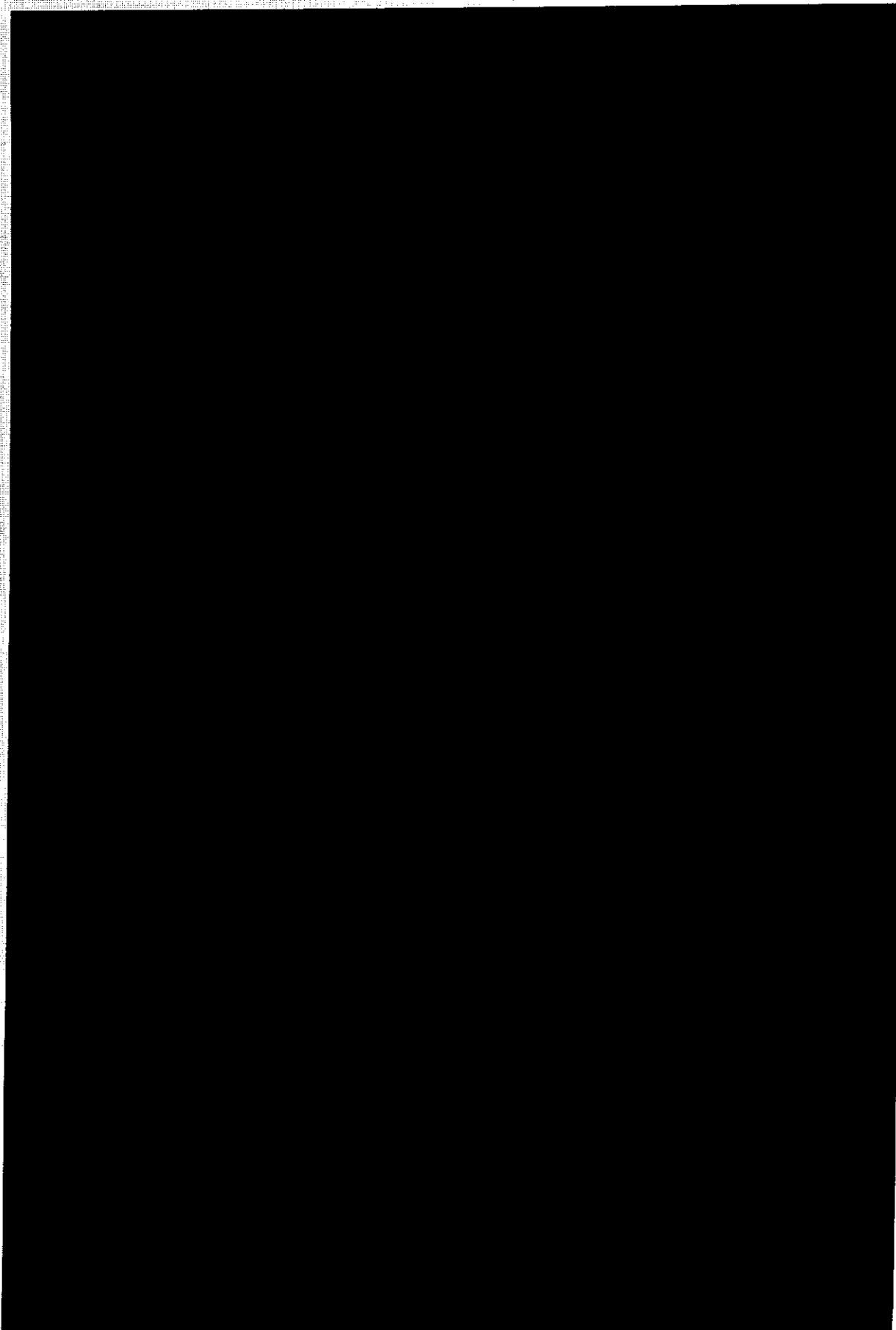


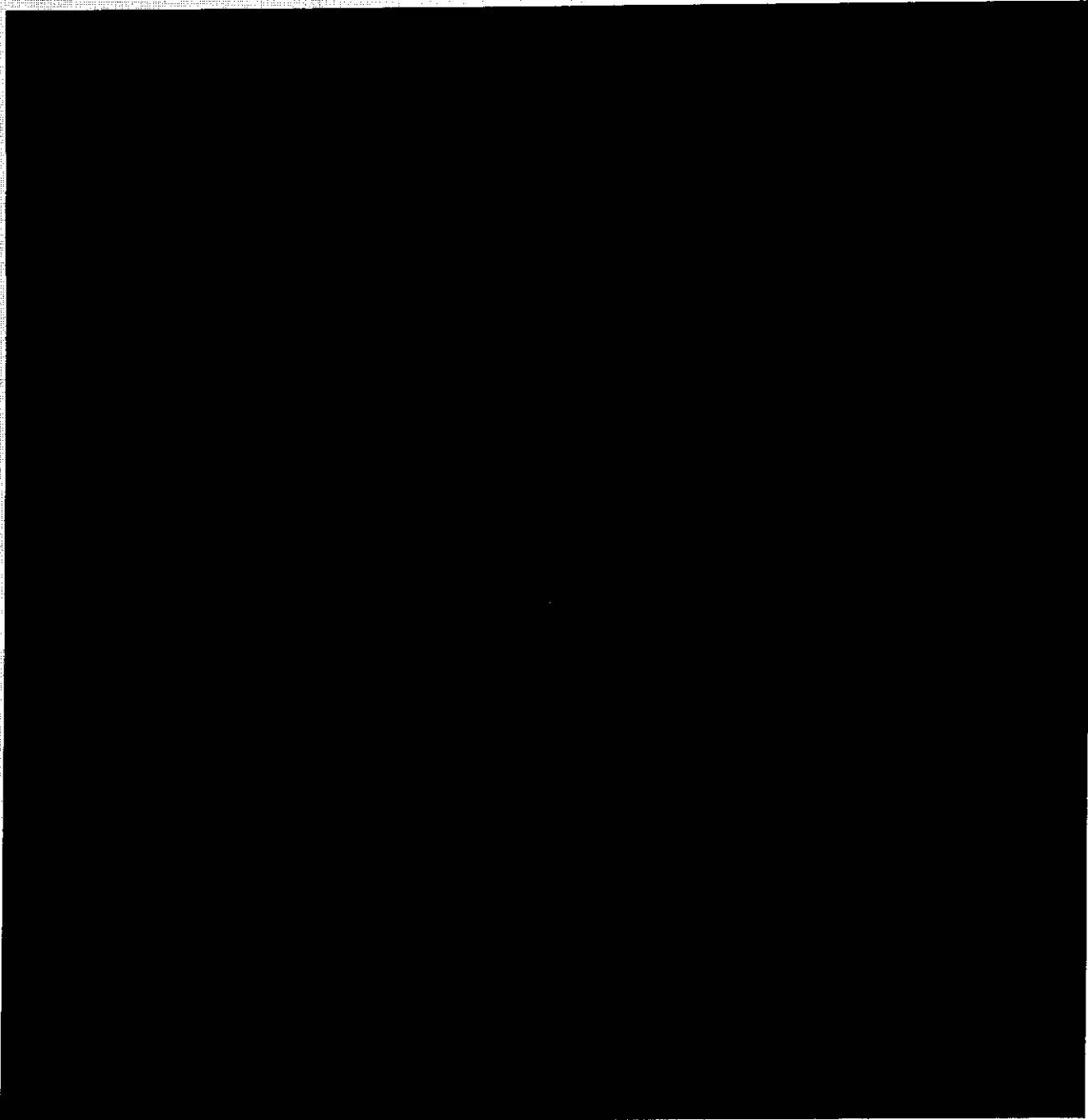


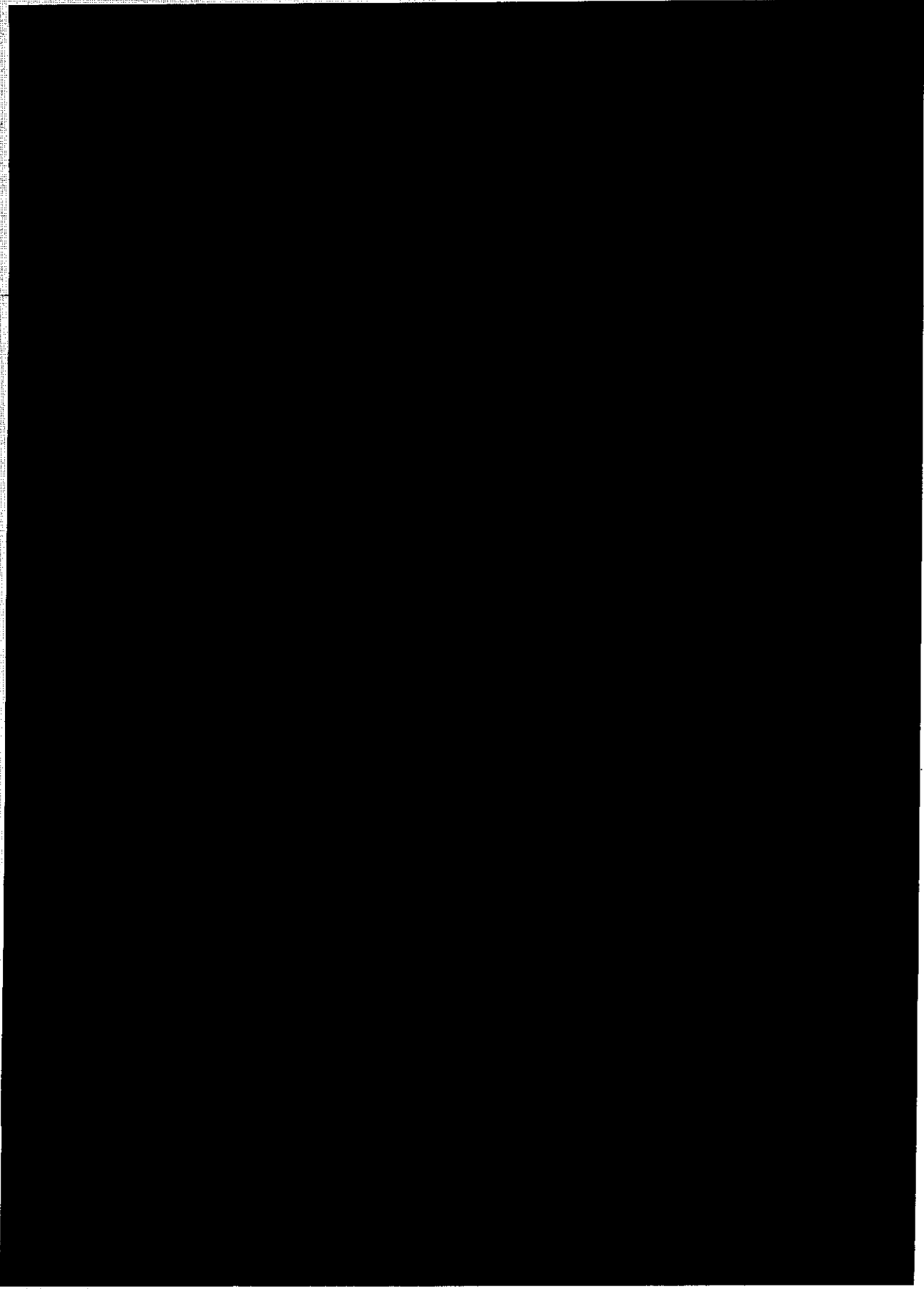






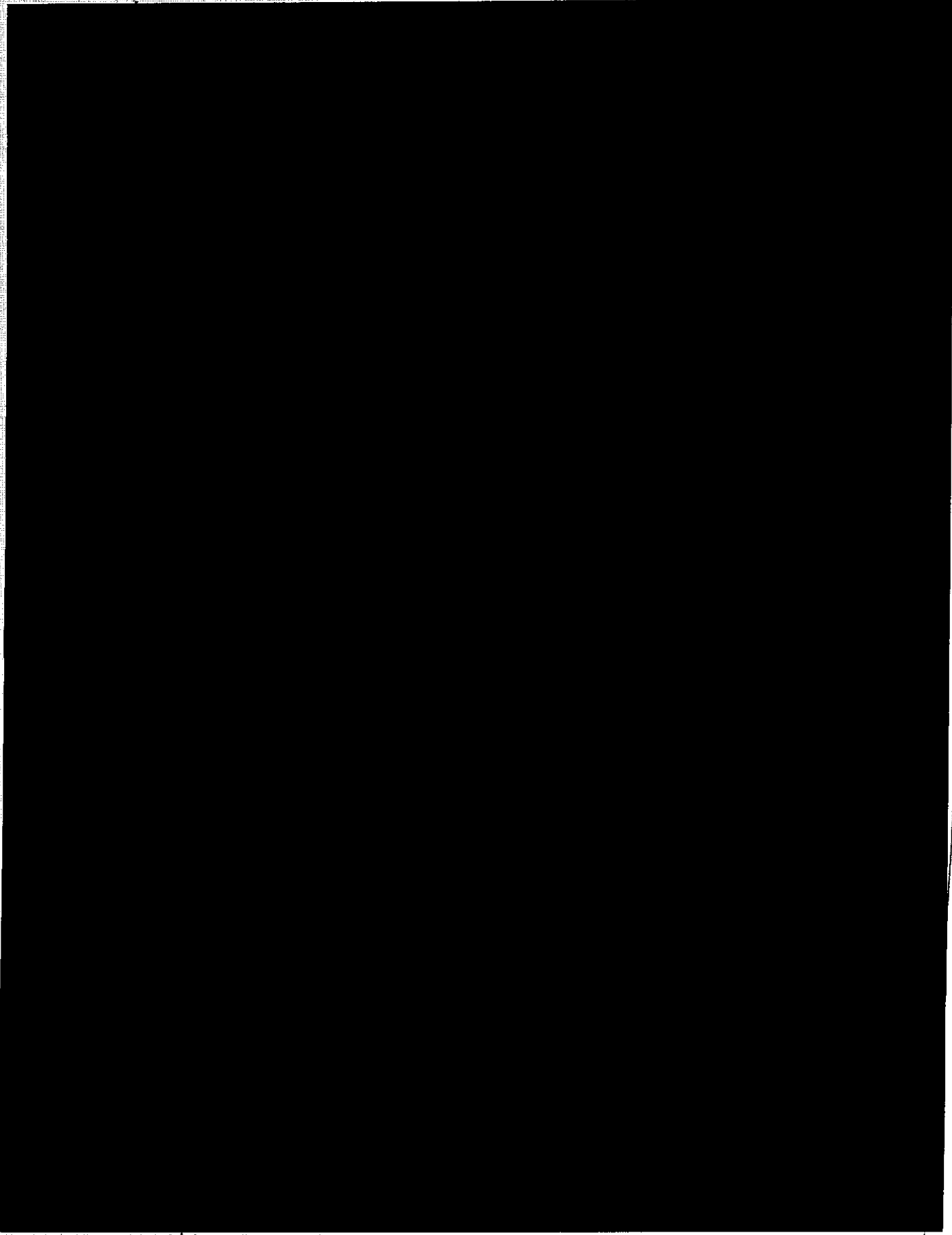


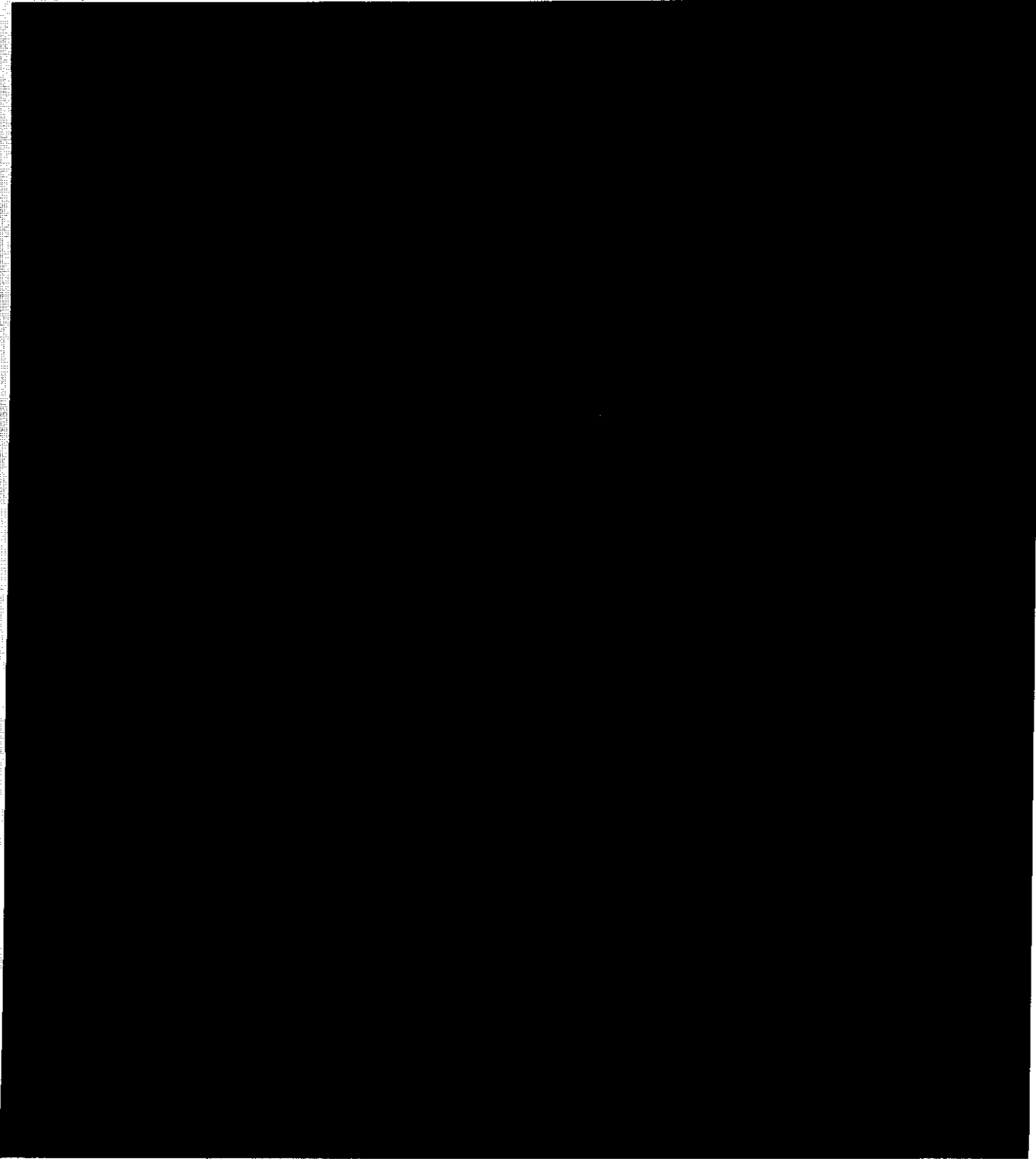


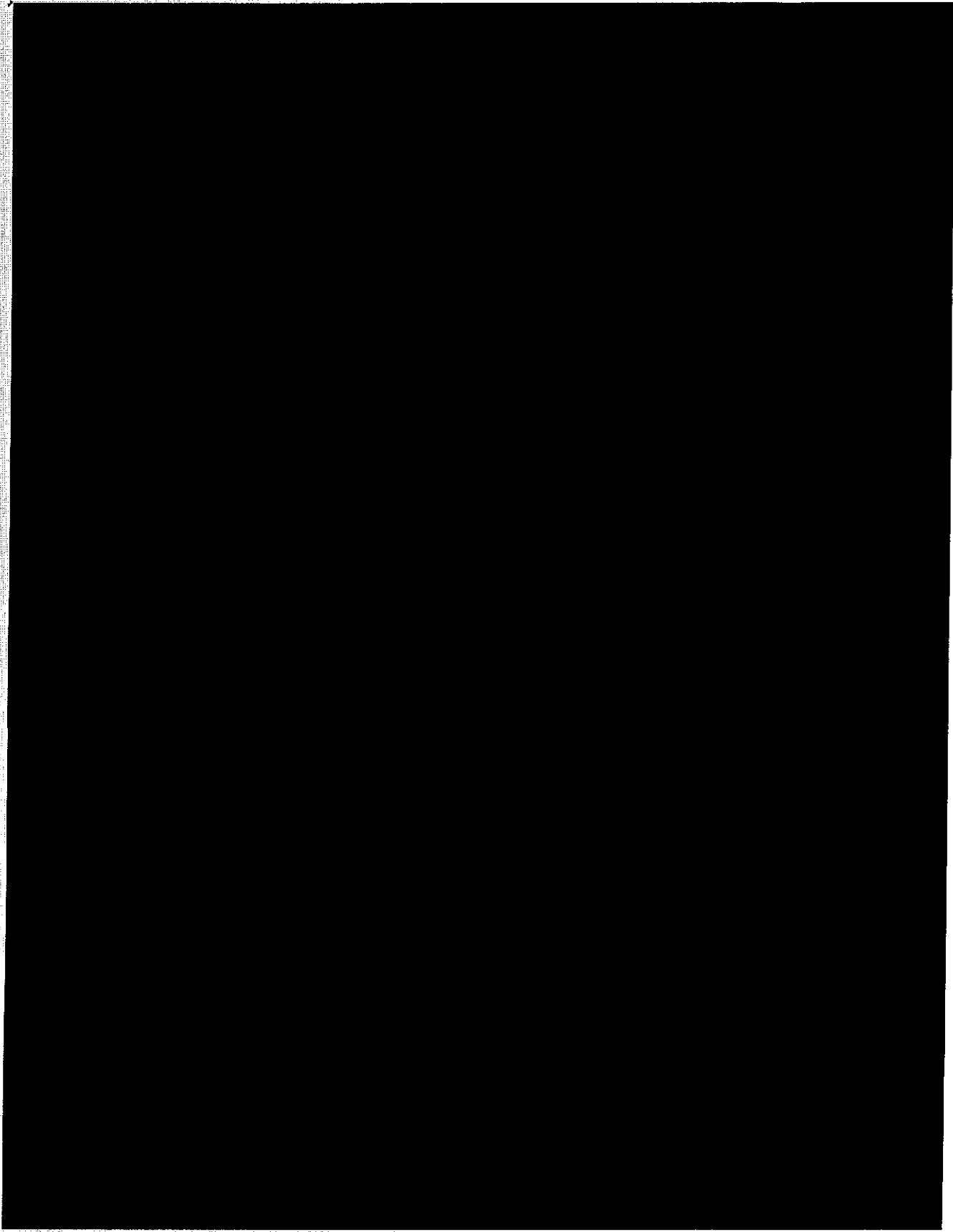


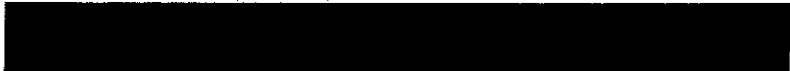
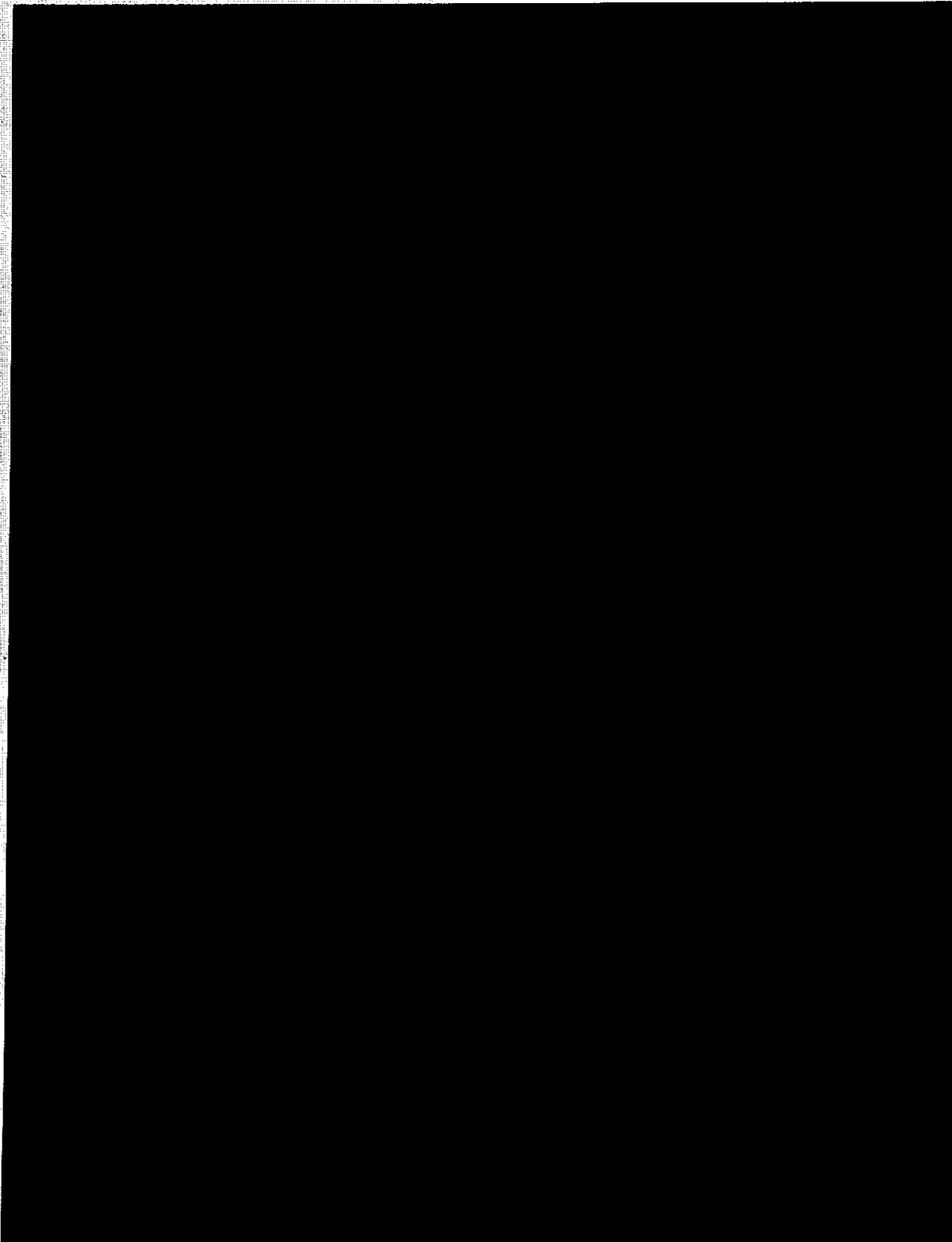


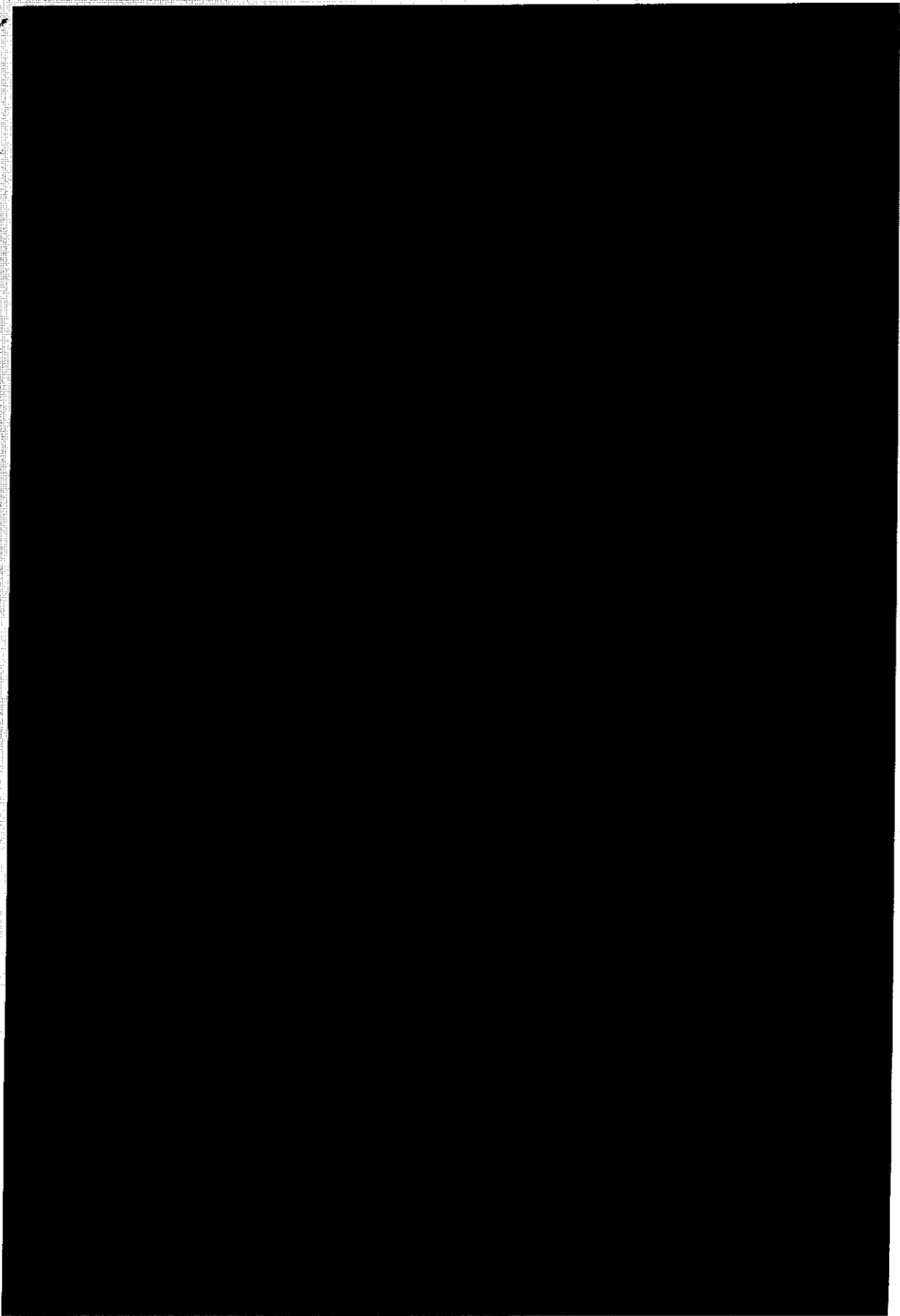


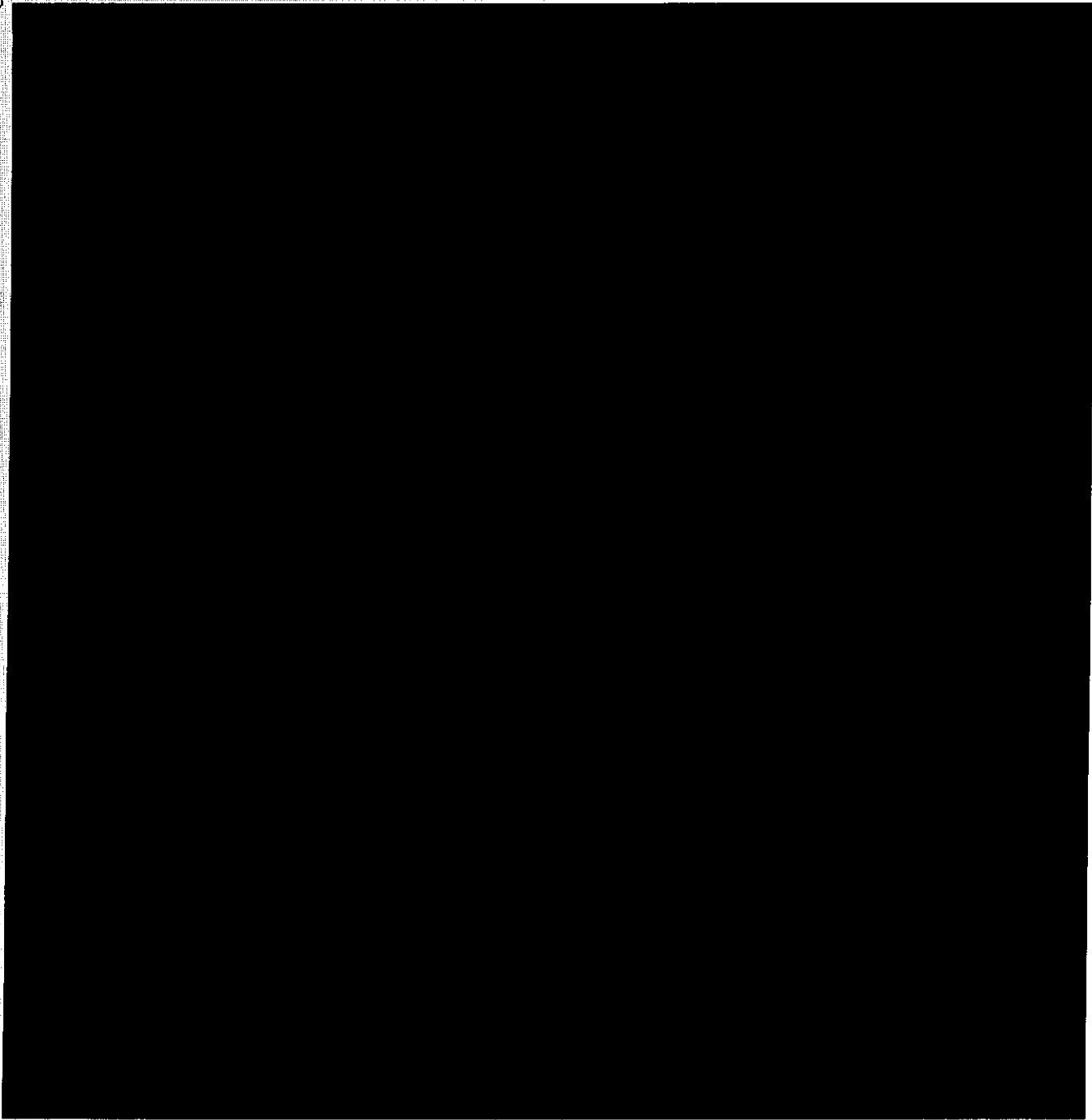




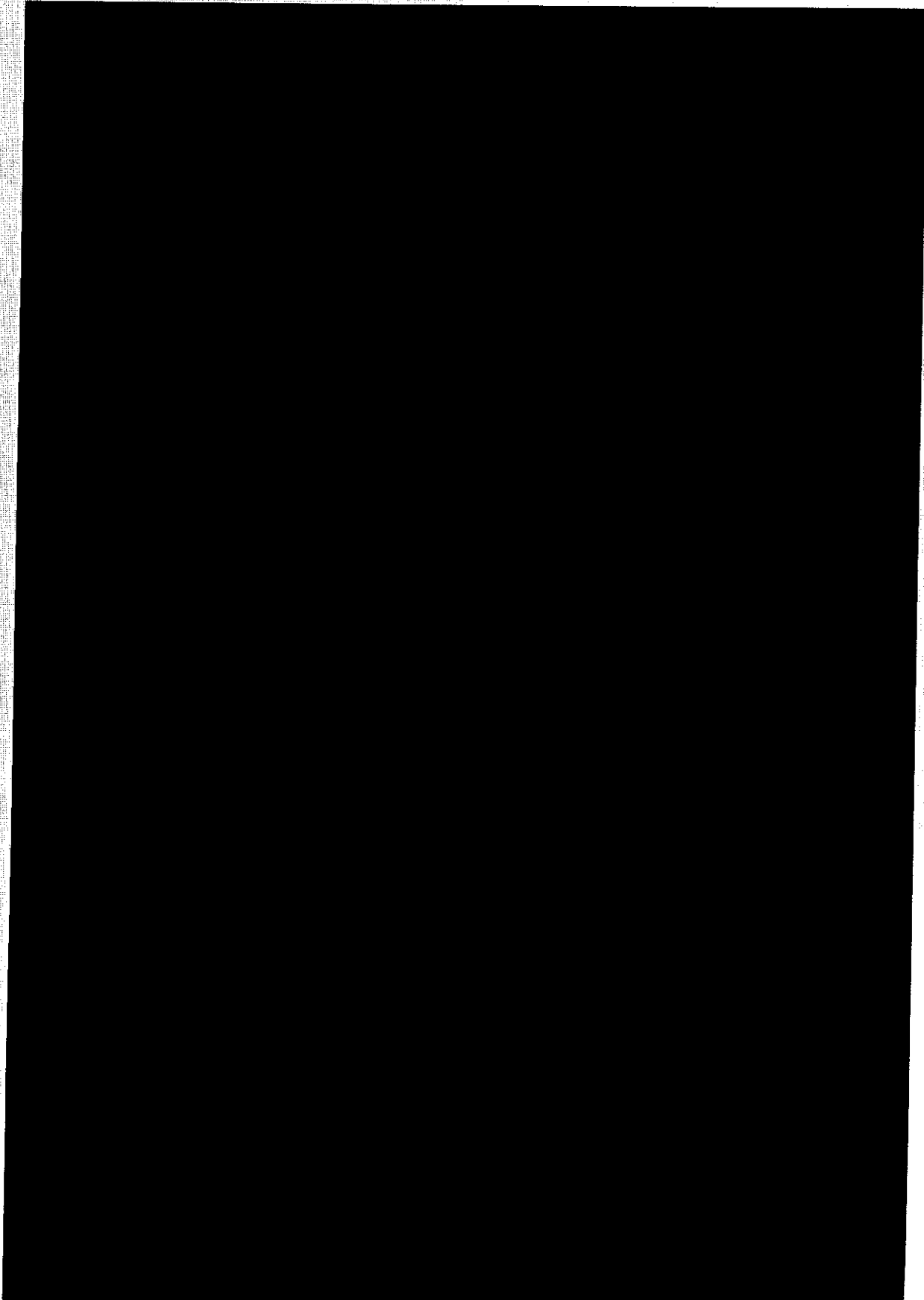


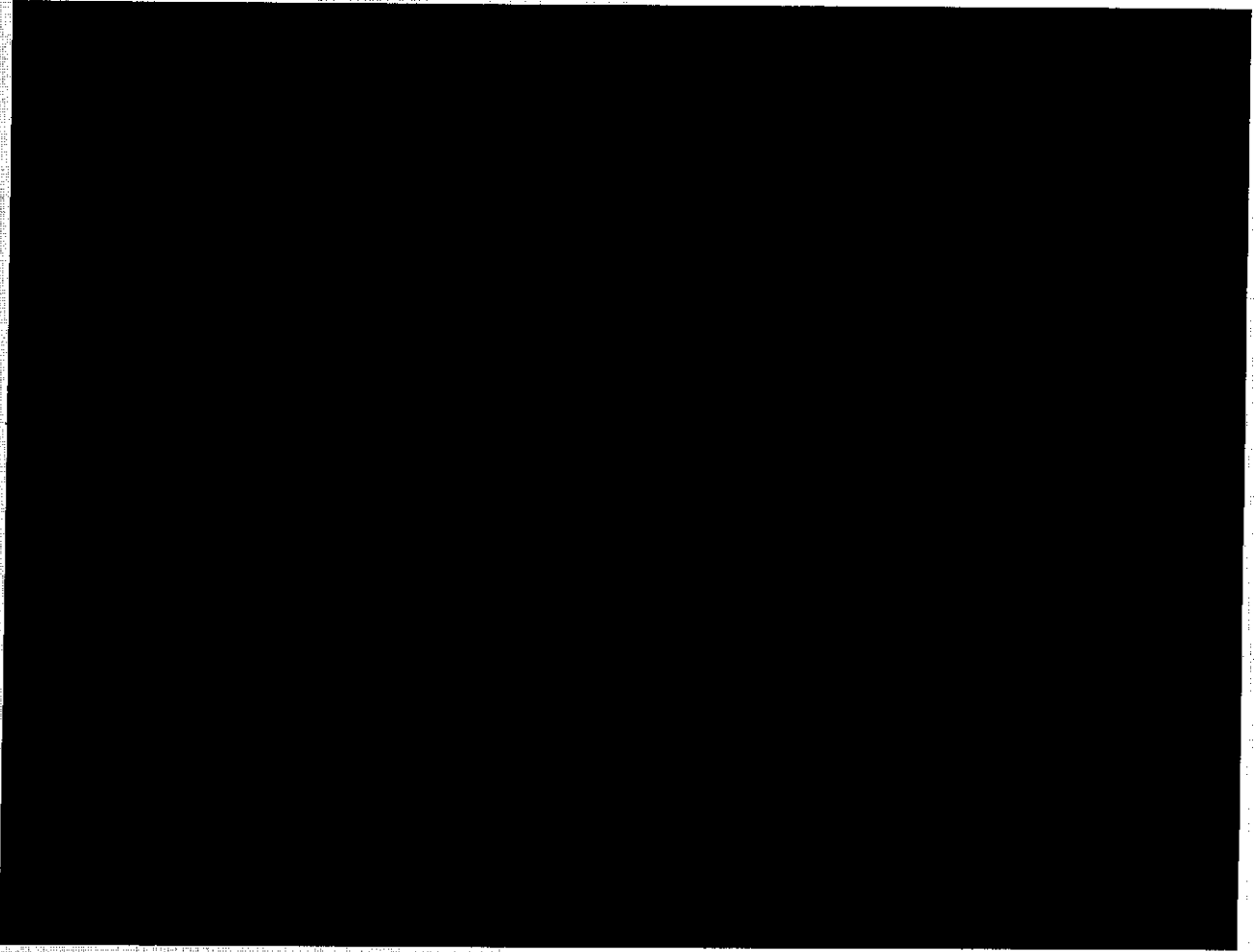


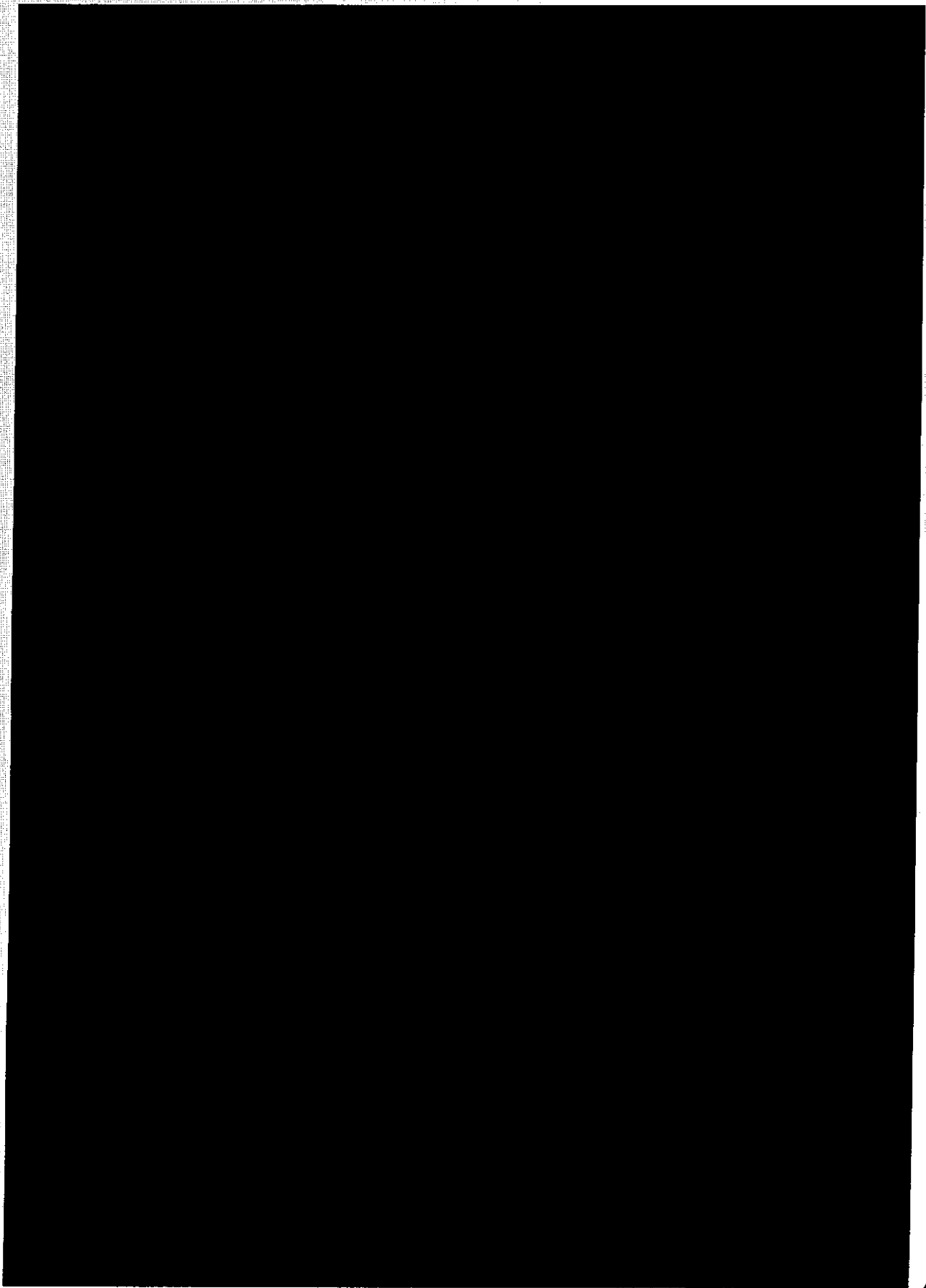


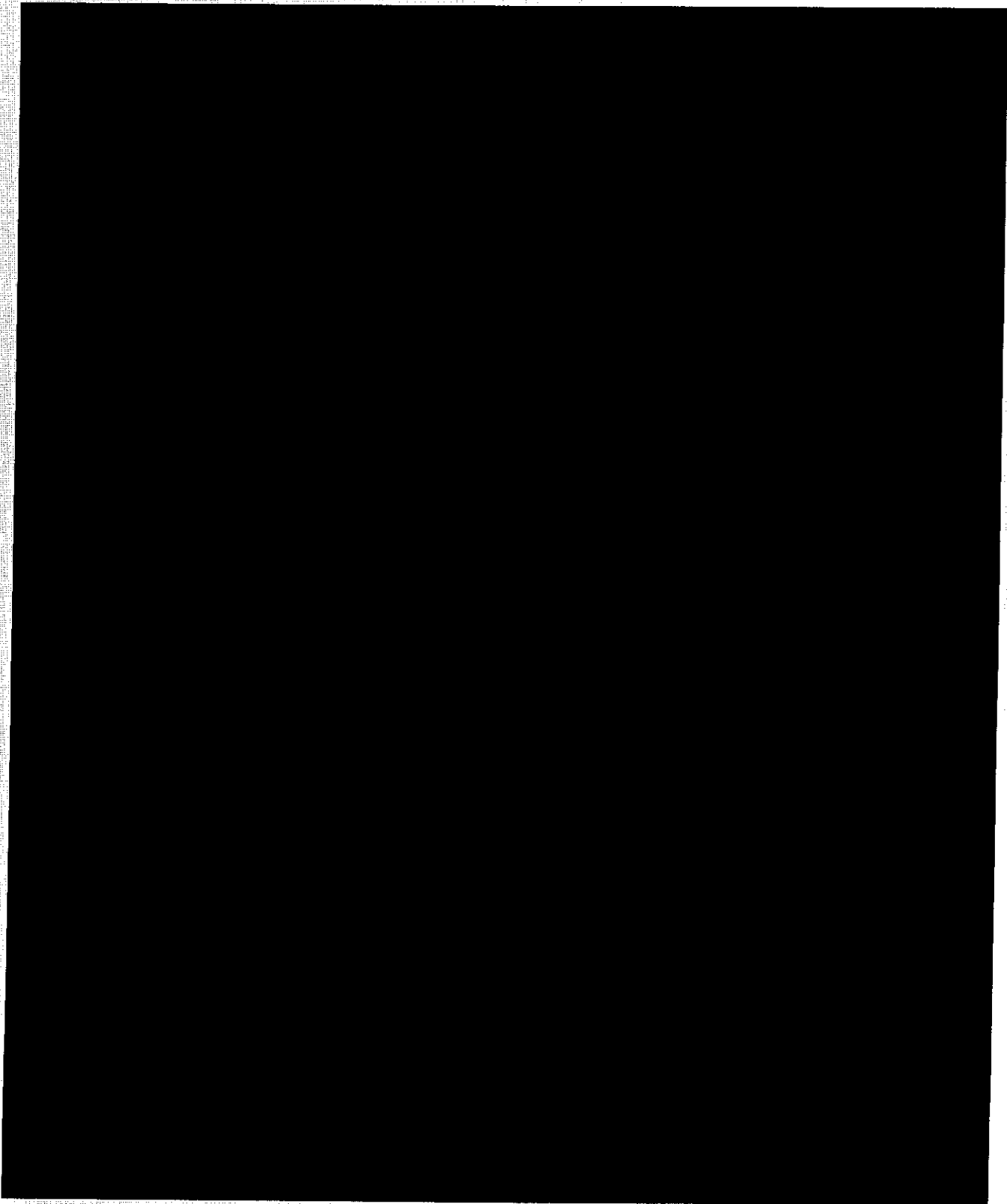


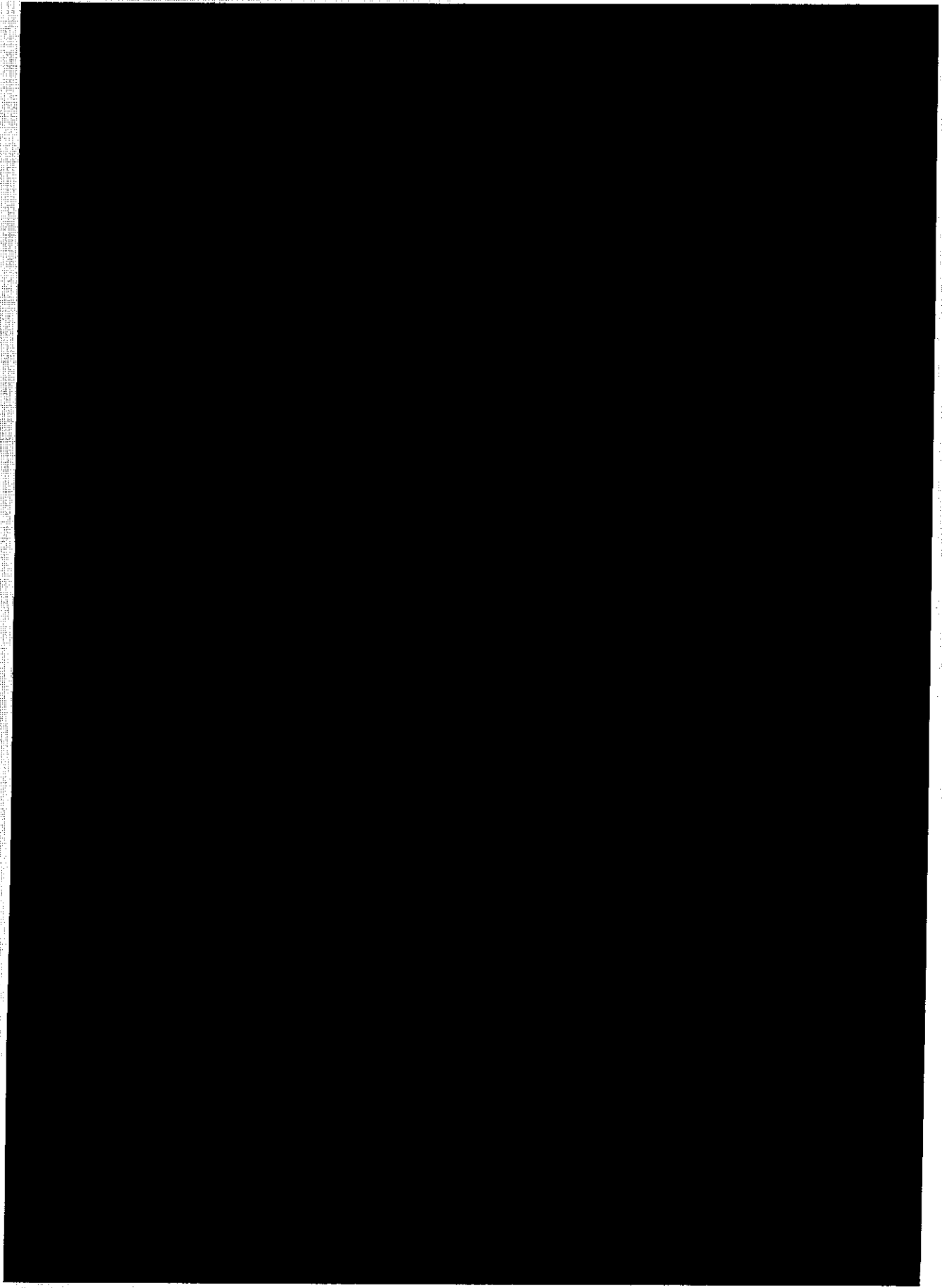
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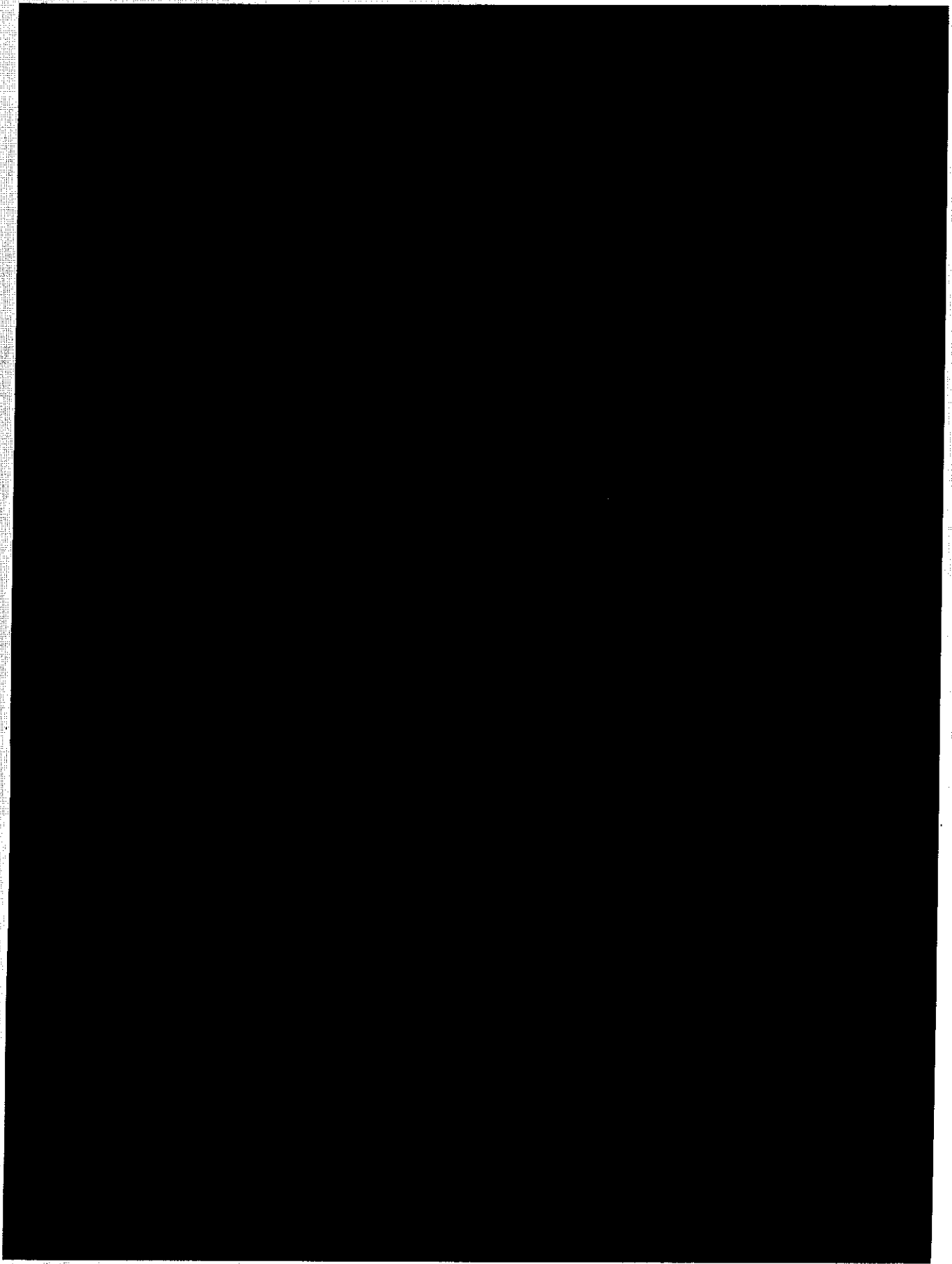


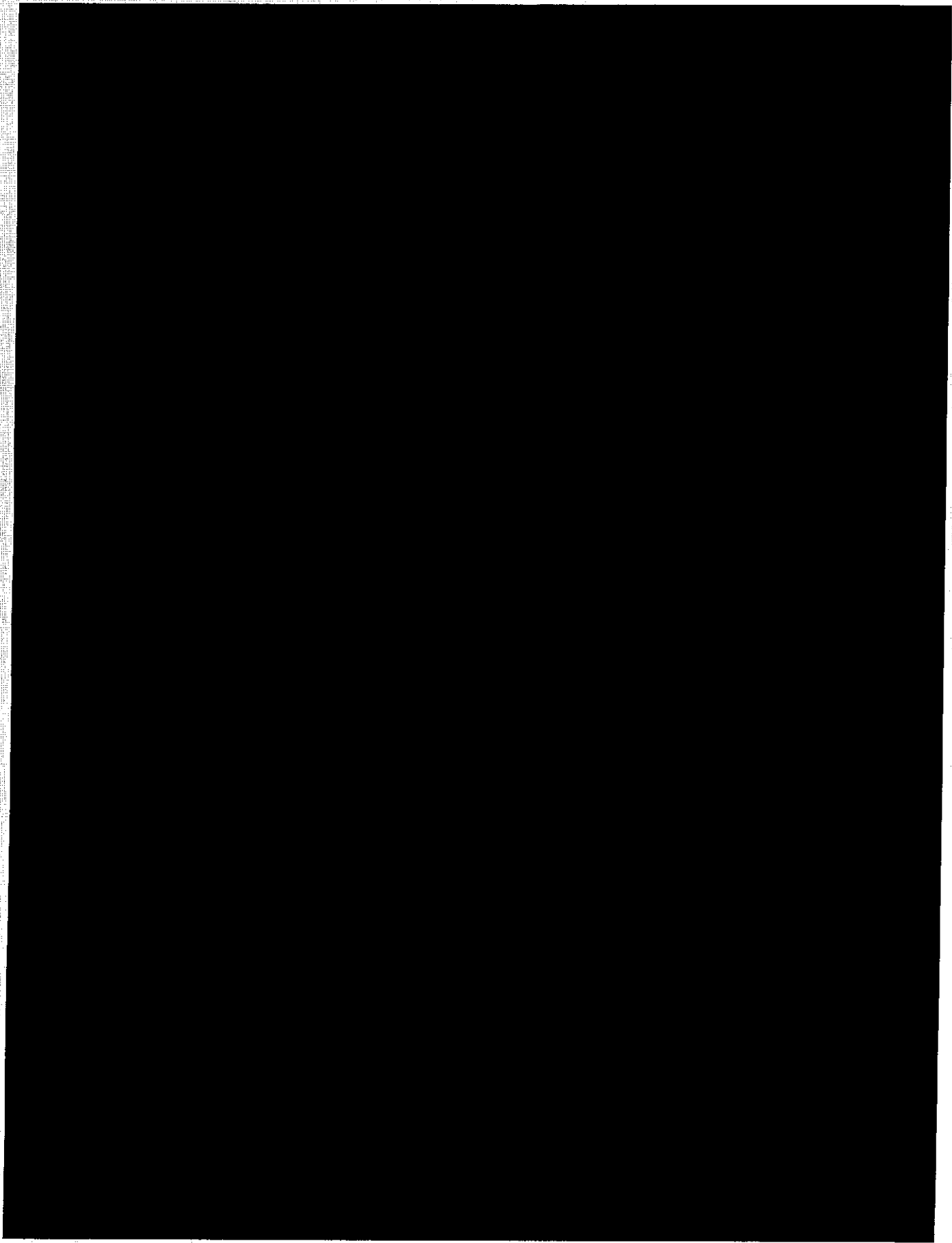


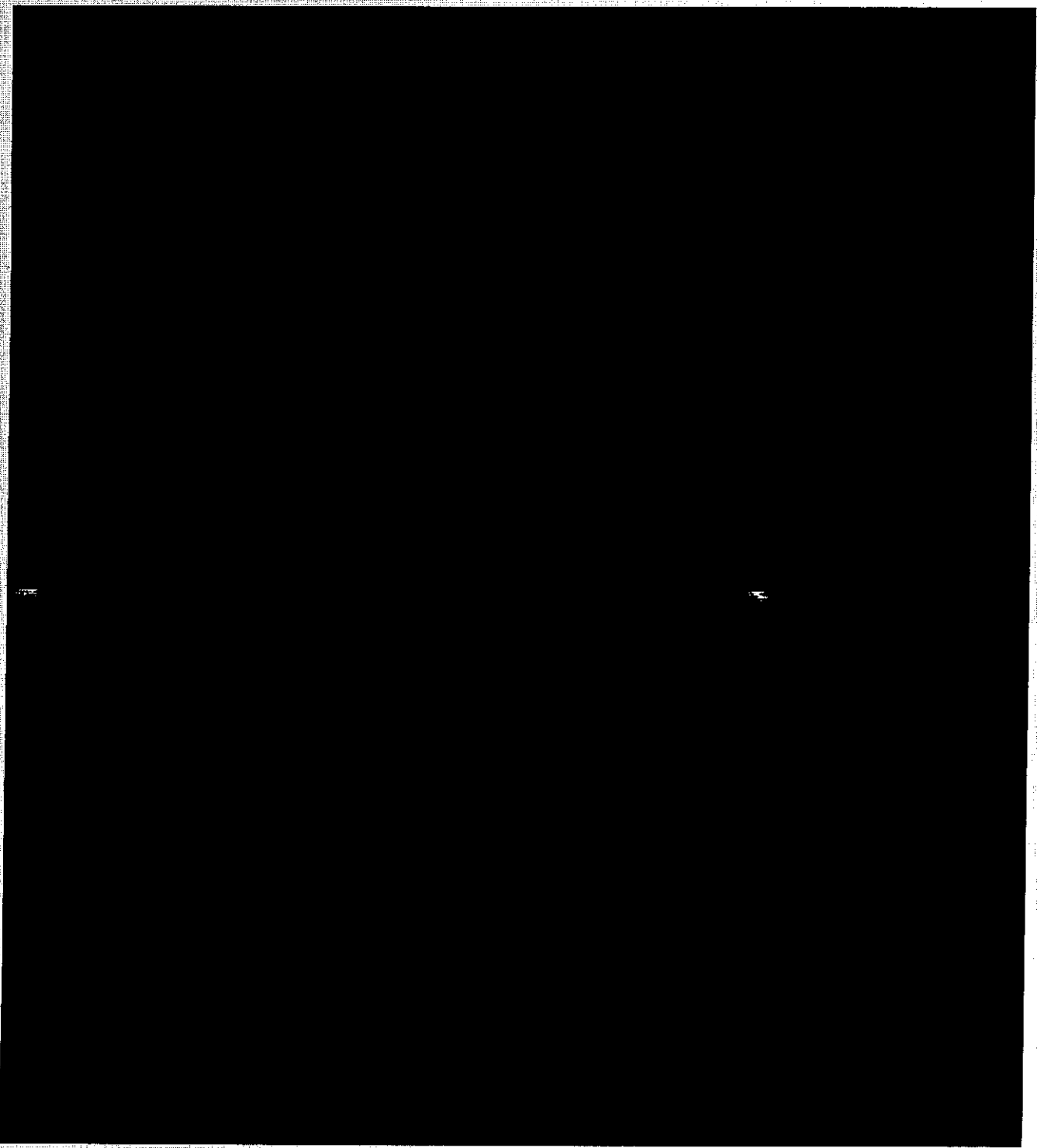


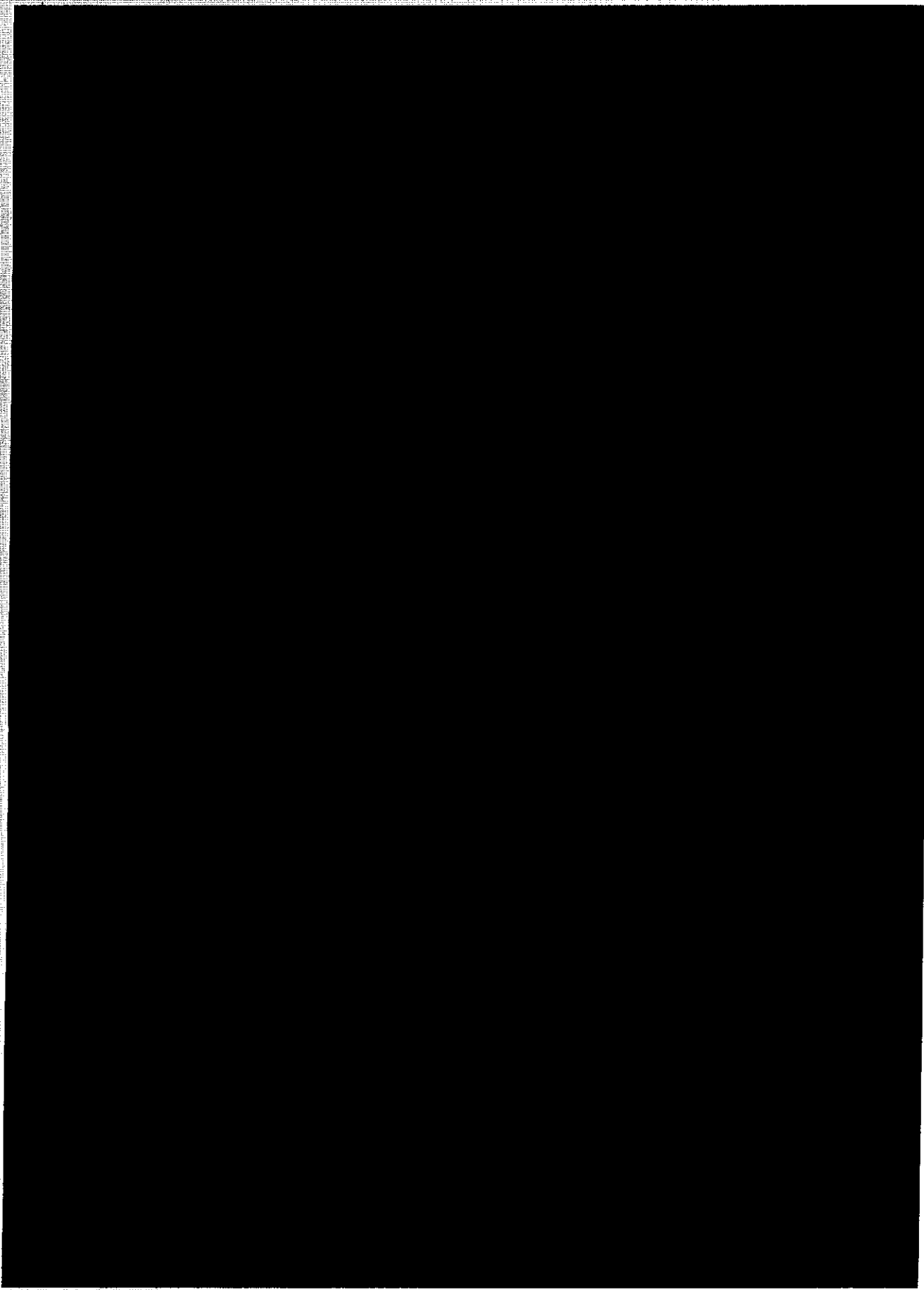


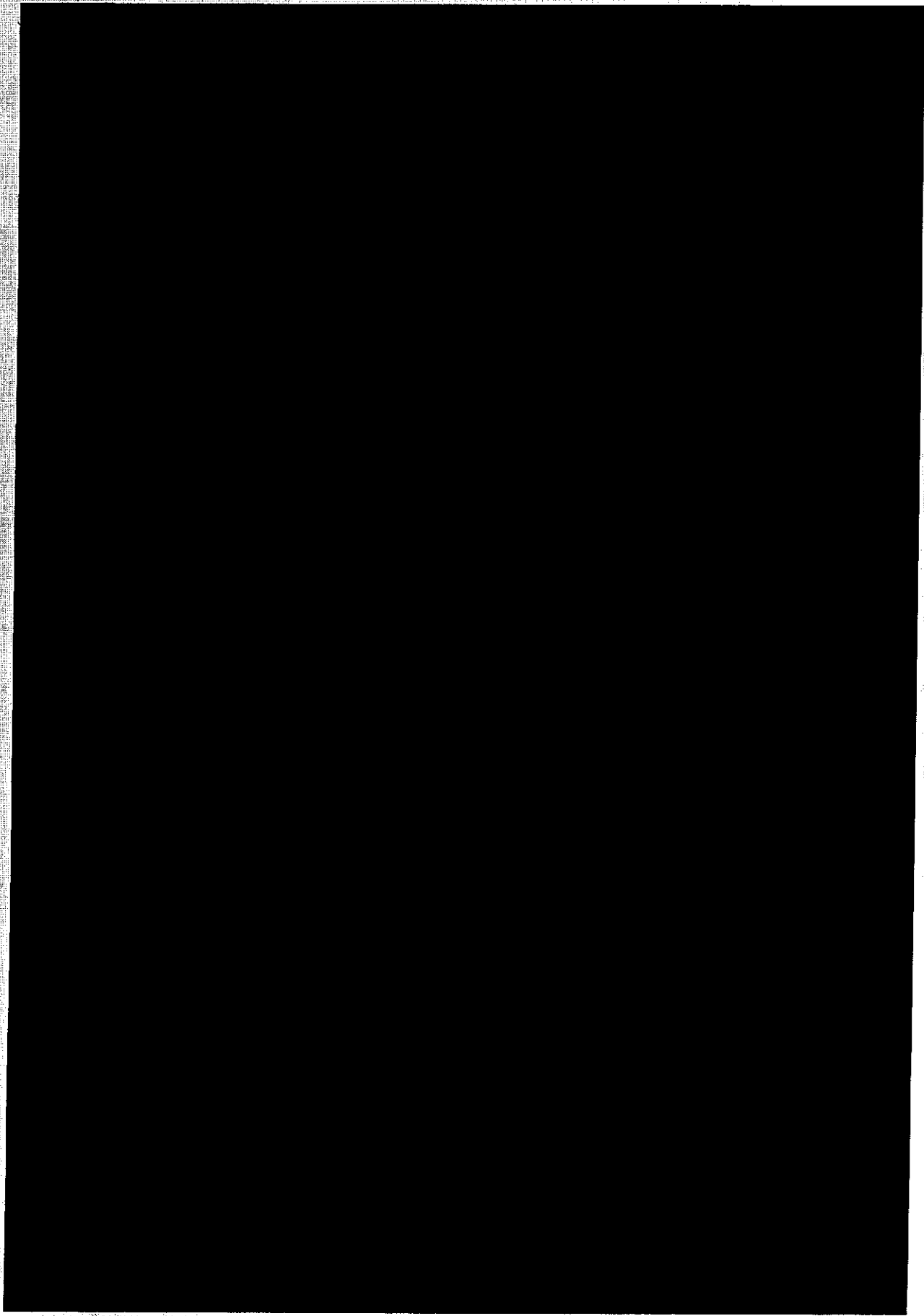


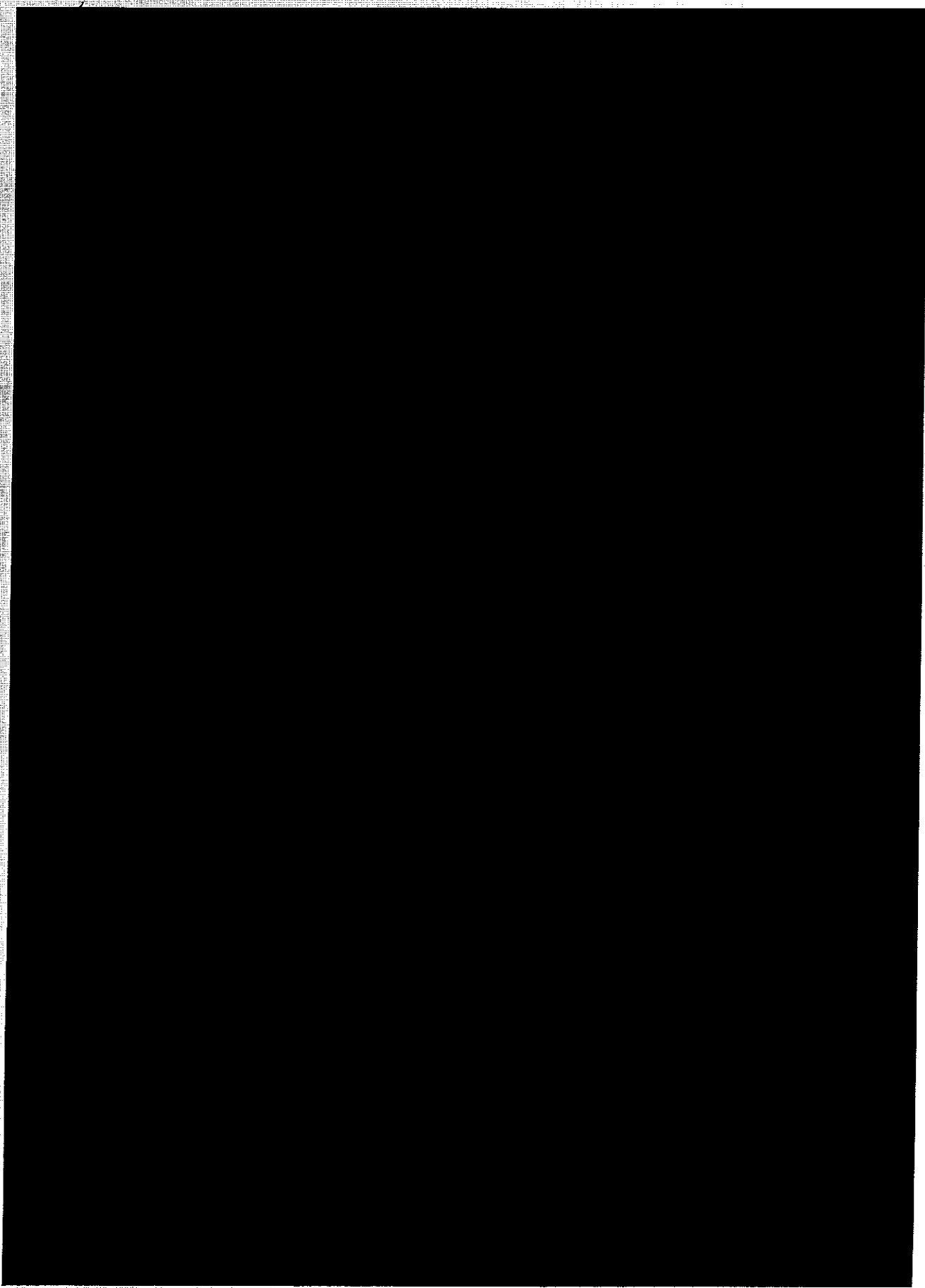


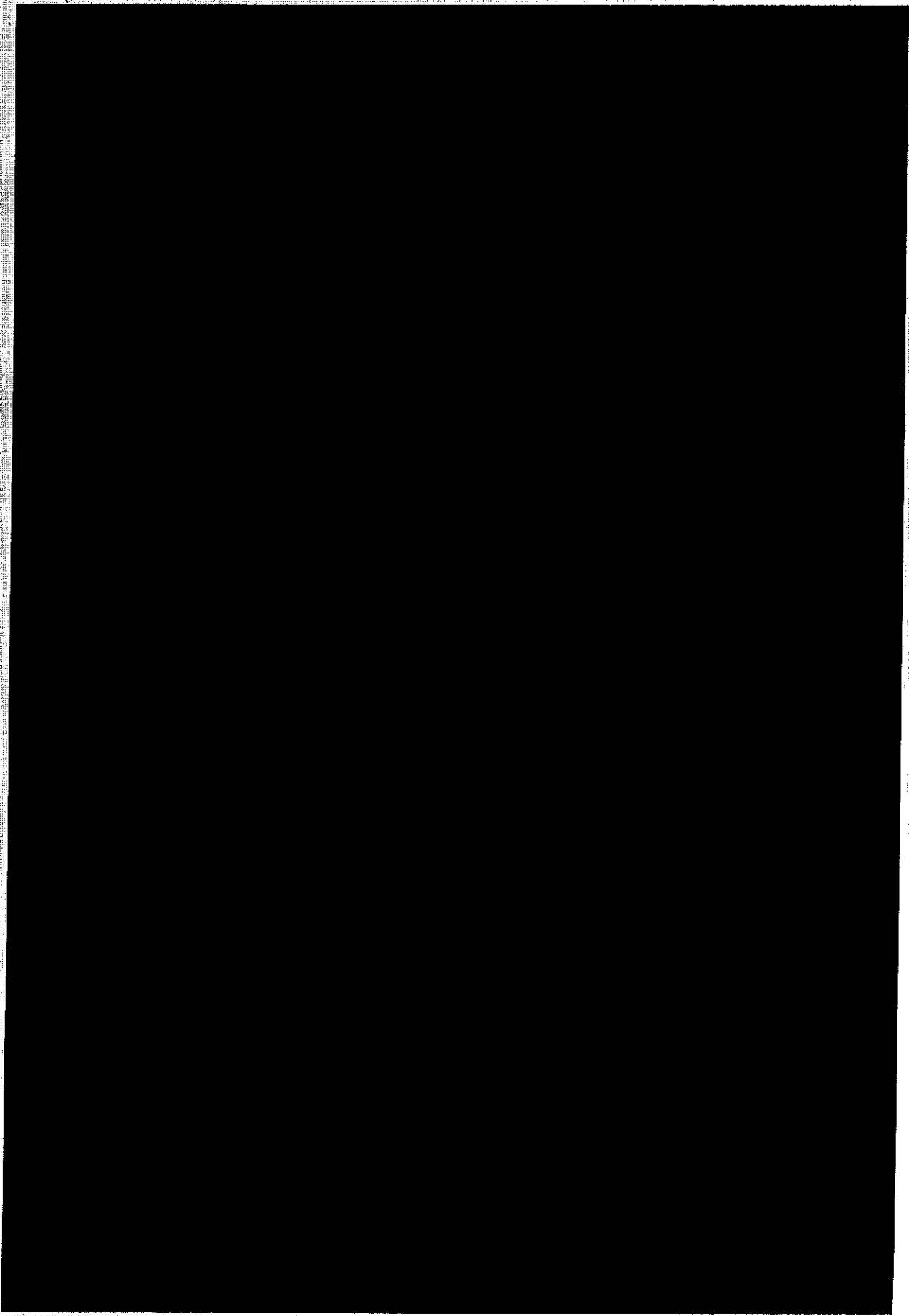


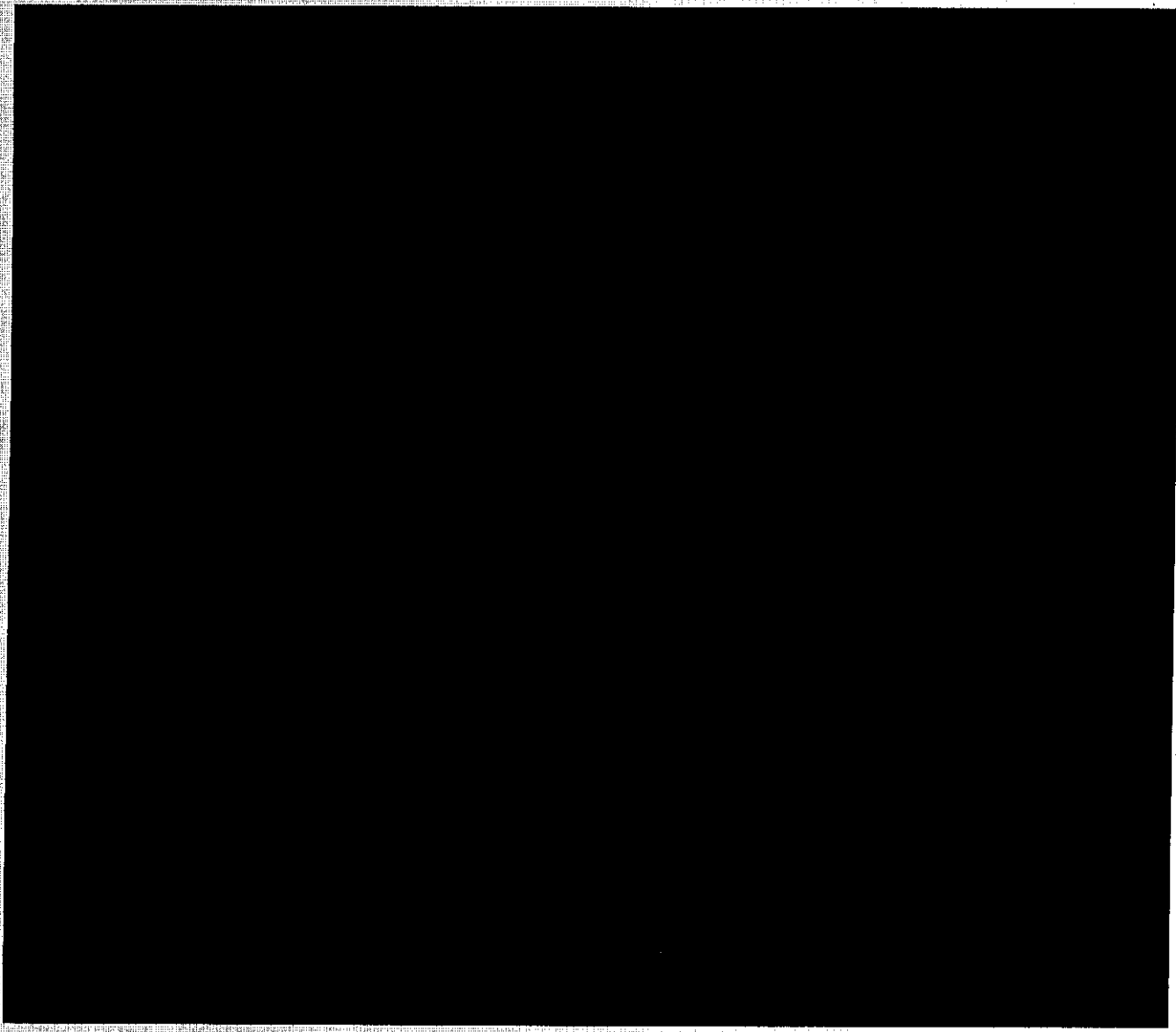


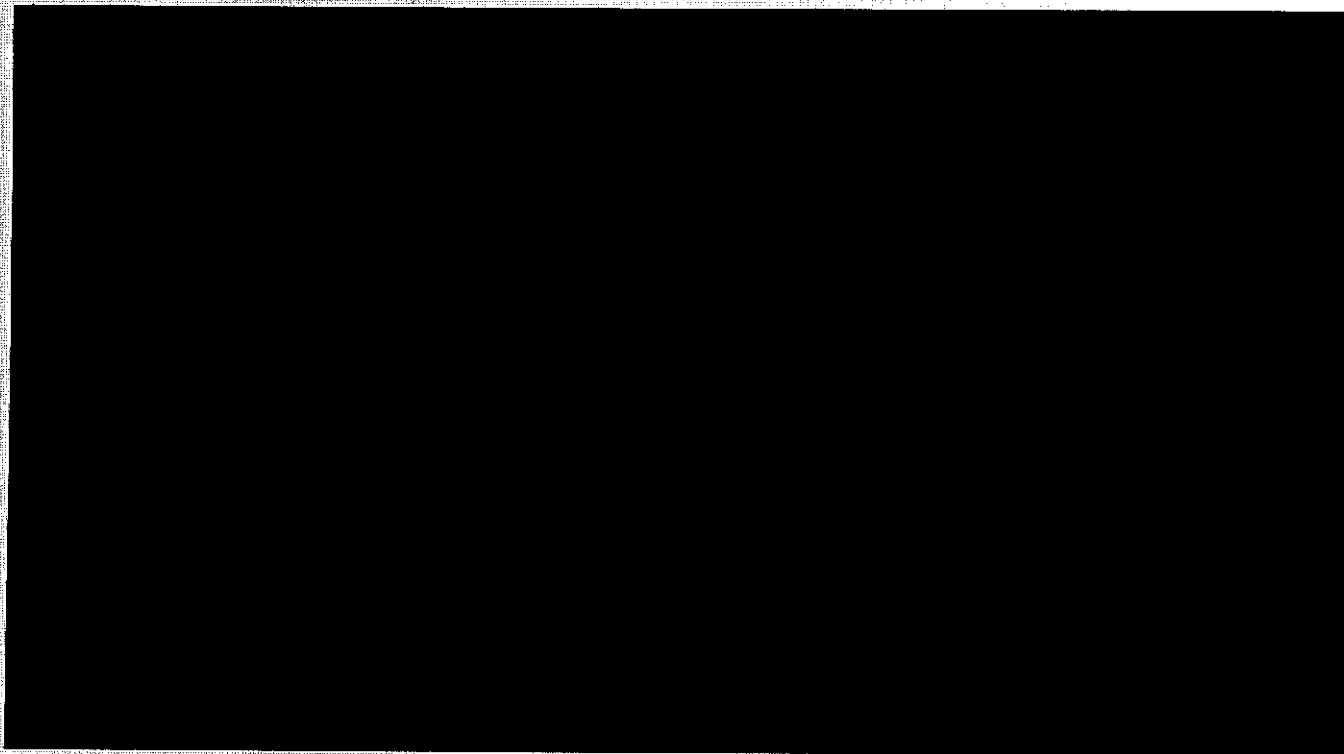


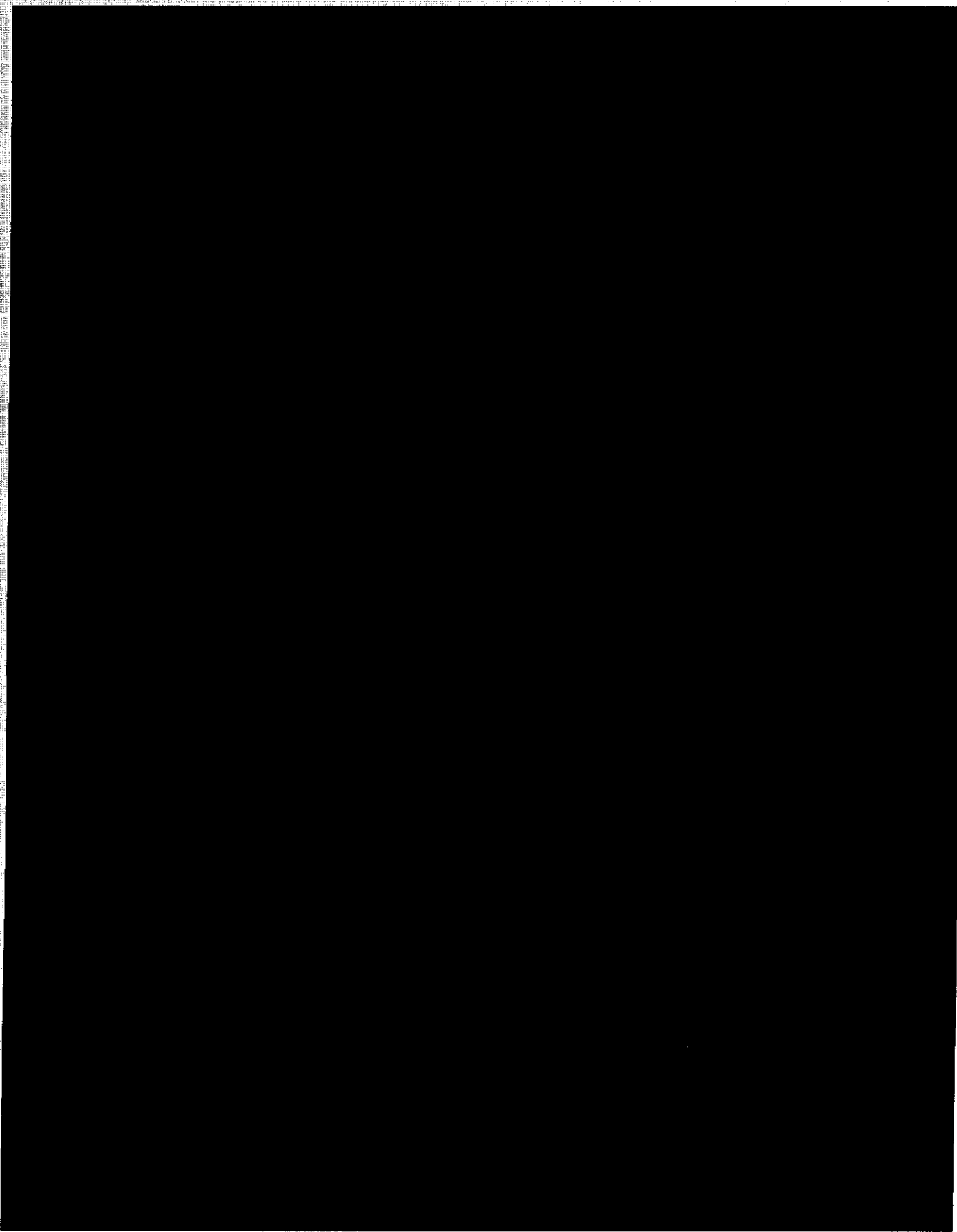


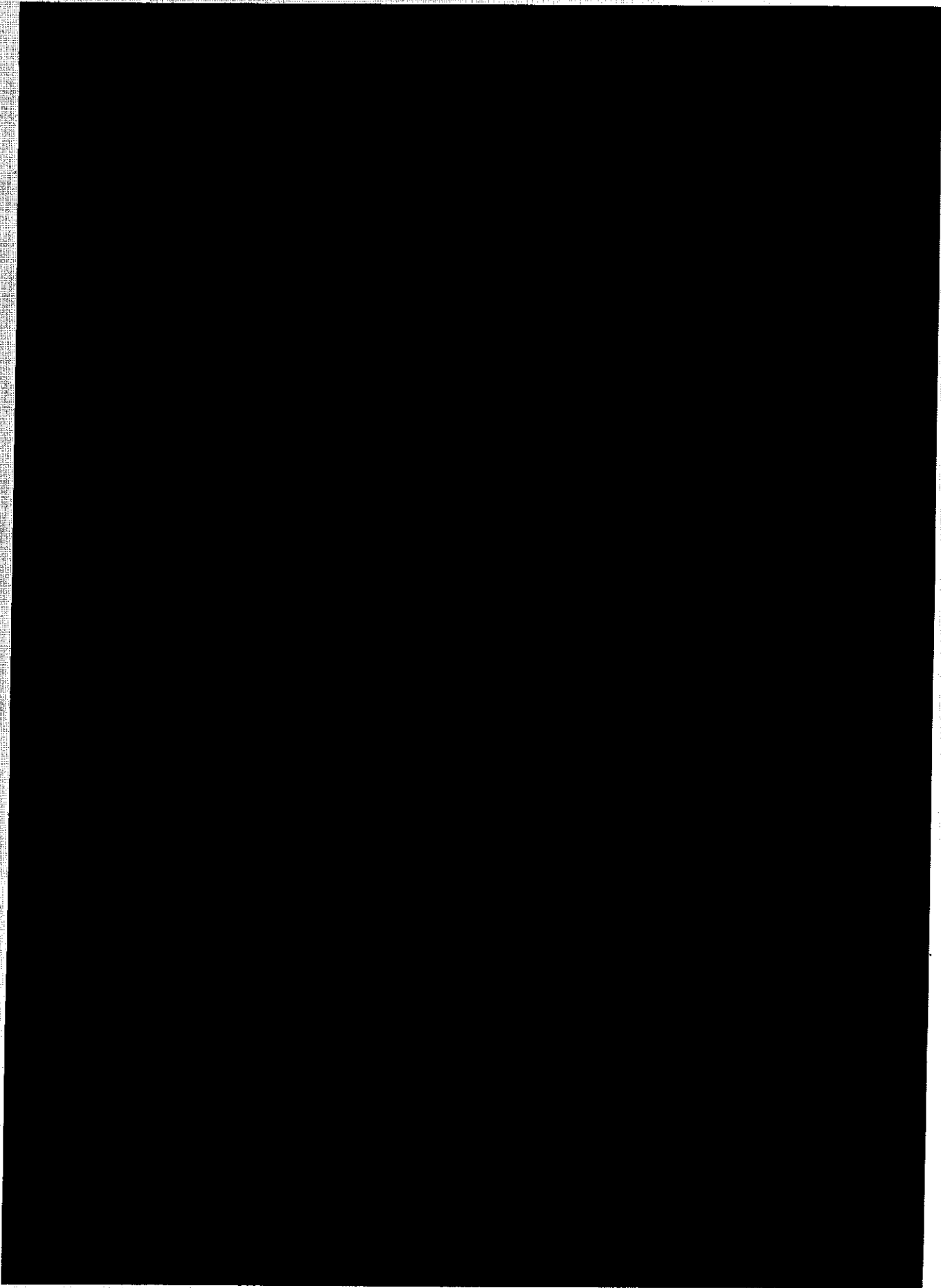


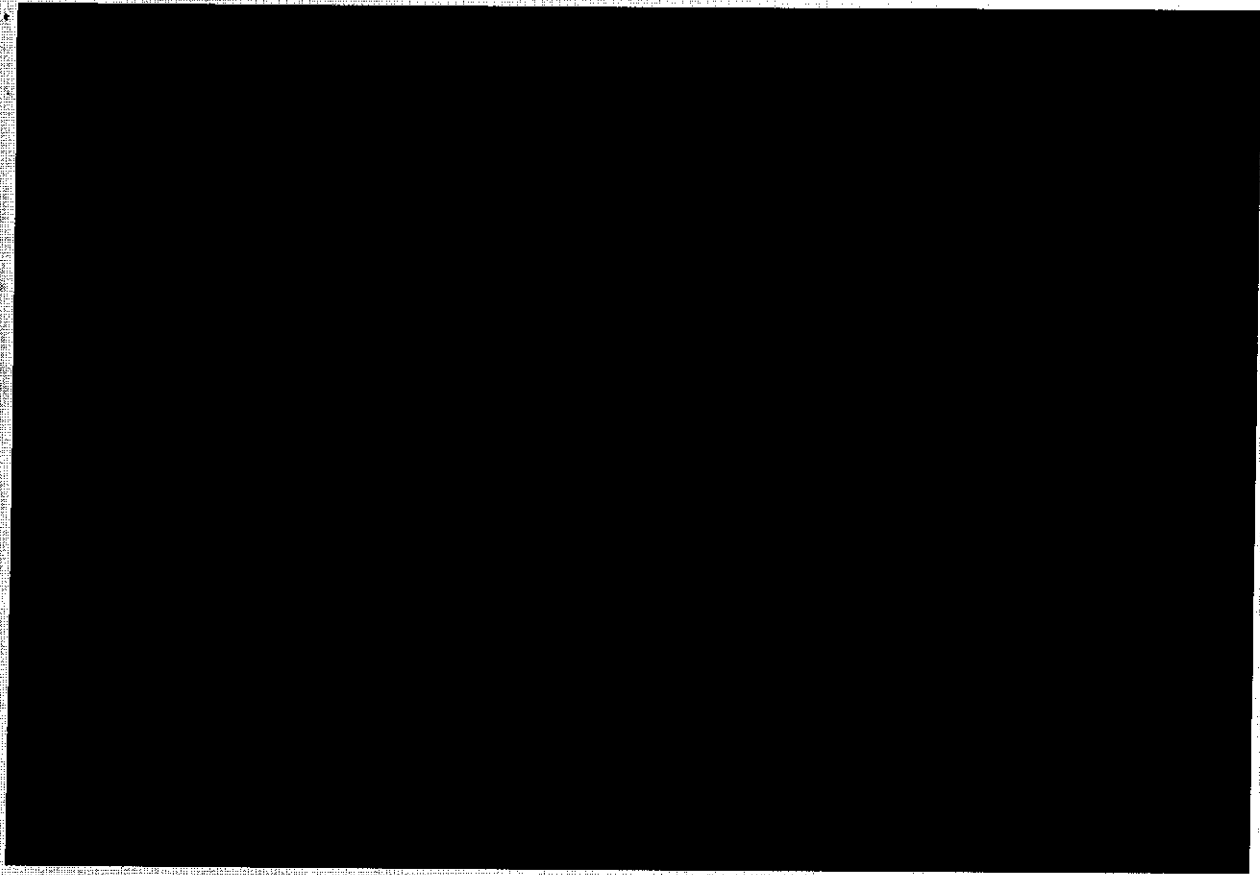


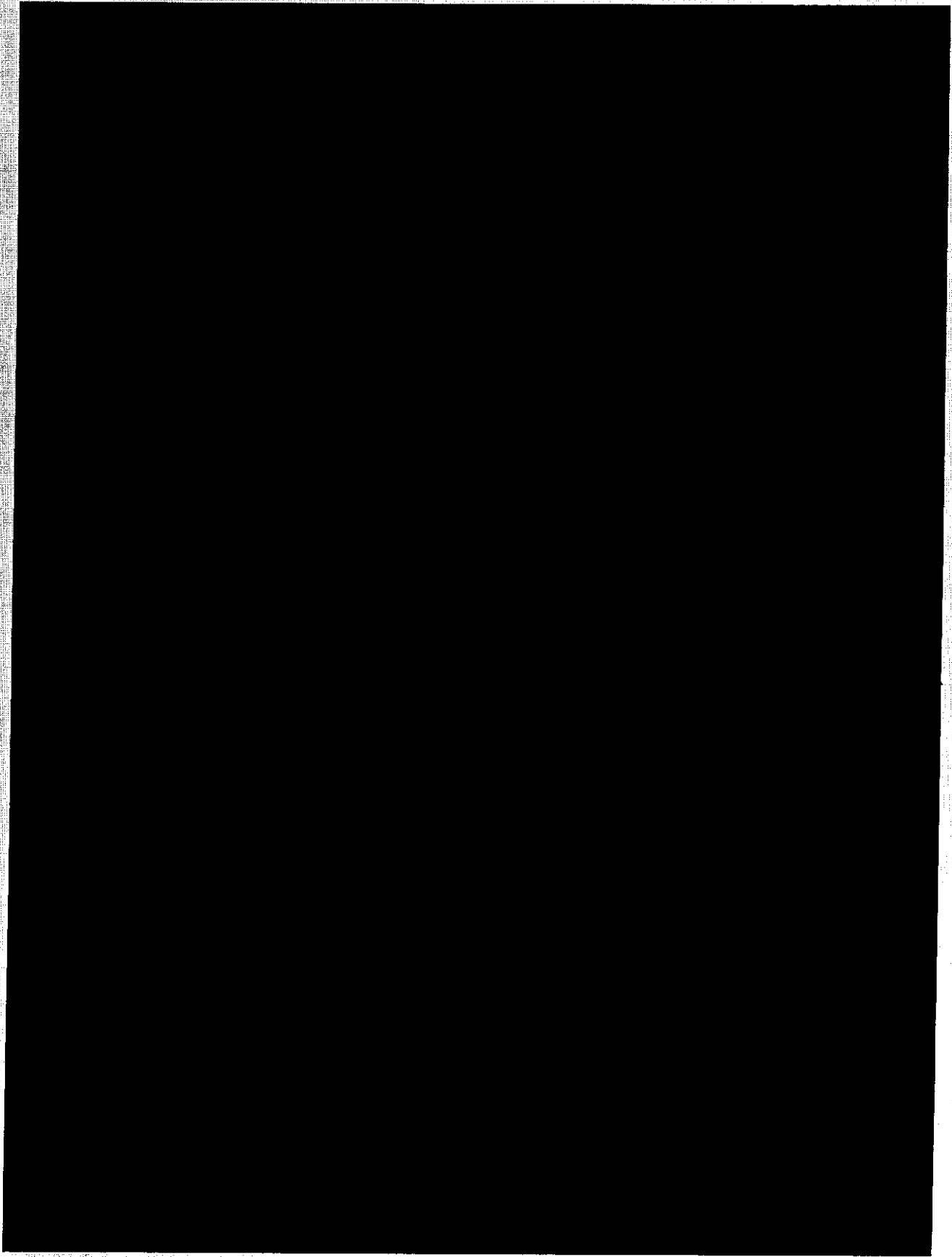


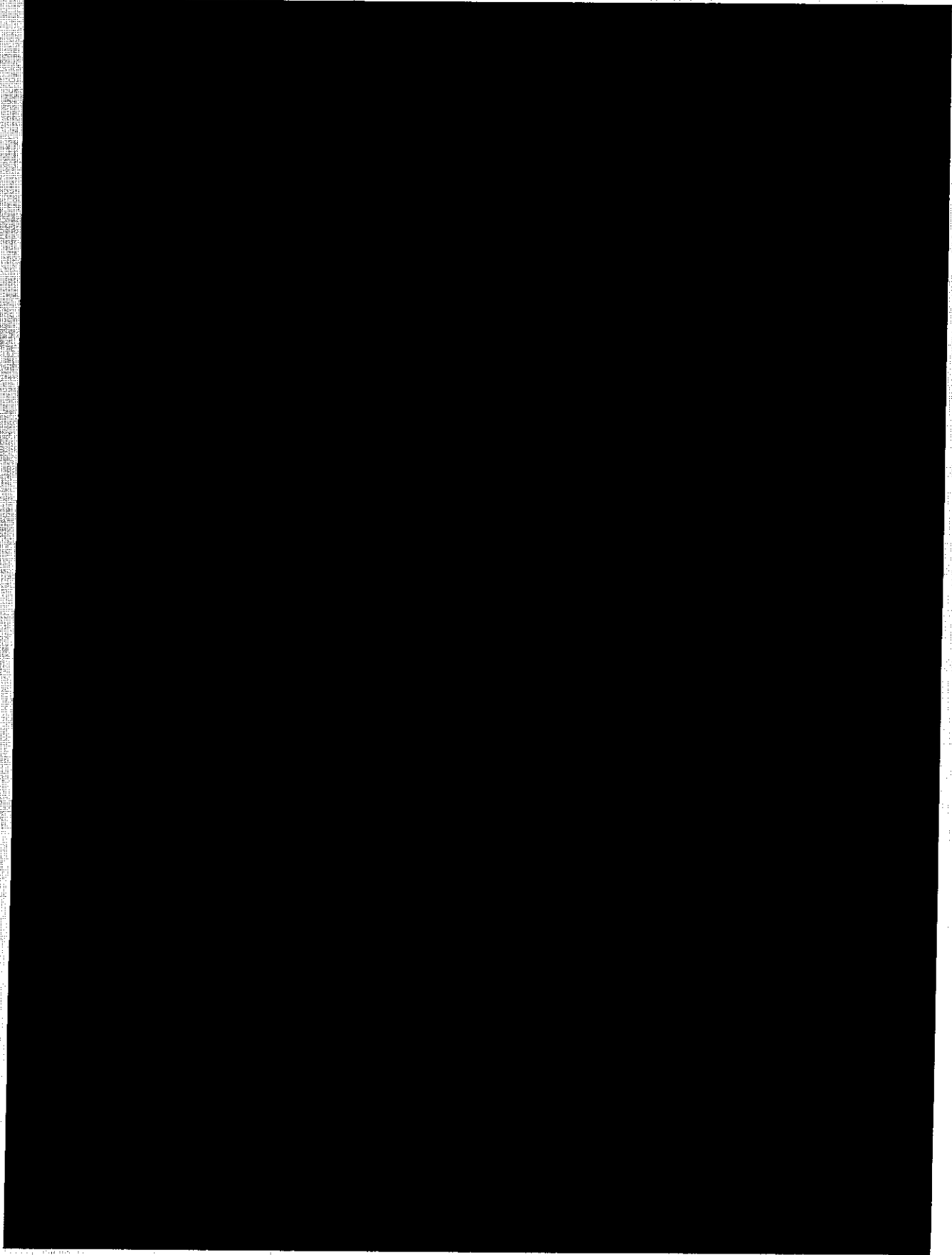












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Bureau of Regulatory Review Workplan
Fuel Hedging Programs of Florida's Investor-Owned Electric Utilities

Ref No.	Audit Areas	Audit Task/Questions	Audit Notes	Finding
B	What are the current and historical fuel procurement hedging strategies and objectives?	Objectives should be to manage price volatility in the fuel and purchased power it purchases.	FP&L engages in hedging strategies aimed at reducing fuel price volatility.	
C	What volume of each fuel type has been hedged for the period 2002-2007?	Identify types of hedging instruments used, and the volume and type of fuel associated with each type of instrument. See Order No. PSC-02-1484 for data reporting requirements.	Percent of Fuel Hedged to Forecasted Burn: [REDACTED]	2003 [REDACTED] hedging program was not fully implemented.
D	Does the fuel procurement hedging program operate in a manner that is non-speculative and where the fuel and other related costs are prudently incurred?	<p>The utility should have in place policies and procedures that ensure its associates and management are effectively evaluating all fuel purchasing options in a non-speculative and unbiased manner, while remaining focused on limiting unnecessary costs; as directed in Commission Rules.</p> <p>The utility should not be hedging more fuel than needed to meet generation demand and sales to other utilities.</p>	<p>FP&L does not engage in speculative fuel hedging strategies aimed at guessing the market in the hopes of potentially returning fuel savings to customers. FP&L agrees with the description of "speculative" as defined in the Commission's Hedging Order--- "speculative refers to physically and/or financially purchasing more of a commodity than one [purchases or] owns."</p> <p>FP&L added that speculative fuel trading involves executing transactions with the intent of profiting from an anticipated movement in fuel prices.</p>	Staff believes that FP&L operates its hedging strategy in a non-speculative manner. The company establishes monthly and annual hedging goals that are less than its forecast fuel consumption.

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<p>Date Received: Comments: (i.e., Confidential)</p>	<p>48 months.</p> <p>b. Please describe what factors management considers when determining the number, volume, and cost of fuel procurement hedging transactions initiated in a given year?</p> <p>Summary of Contents: FPL uses a mix of physical purchases and financial fixed price swaps options for both NG and fuel oil to manage fuel price volatility during the past 4 years. Between [redacted] of estimated fuel burns for those fuel. FPL considers: future projections, forward curves, market volatilities, execution costs, liquidity in market, credit margins.</p> <p>Conclusions:</p> <p>Data Request(s) Generated: No. _____ Description: No. _____ Description:</p> <p>Follow-up Required:</p>
<p>Document # 4: Date Requested: Date Received: Comments: (i.e., Confidential)</p>	<p>Document Title and Purpose of Review:</p> <p>a. Please explain how the company identifies and evaluates the risks associated with its fuel procurement hedging program.</p> <p>b. Please explain what internal controls exist to mitigate the risks associated with a fuel procurement hedging program.</p> <p>c. Please describe what factors management has identified as the inherent limitations of its internal controls in the fuel procurement hedging programs.</p> <p>d. Please describe any current management initiatives to reduce or overcome these limitations?</p> <p>Summary of Contents: FPL identifies market risk, operational risk, and credit risk. FPL maintains independent mid-office trading risk management group that reports to senior management Risk reporting is currently handled manually, using various systems, Risk reporting is in the final stages of an automation project. When complete, it will eliminate potential errors of duplication</p> <p>Conclusions:</p> <p>Data Request(s) Generated: No. _____ Description: No. _____ Description:</p> <p>Follow-up Required:</p>
<p>Document # 5: Date Requested: Date Received: Comments: (i.e., Confidential)</p>	<p>Document Title and Purpose of Review:</p> <p>a. Please describe any specialized systems, software, or tools used by the company to assist in evaluating and executing fuel procurement transactions.</p> <p>b. What factors influenced the company's decision to utilize these specialized tools?</p>

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	Conclusions: Data Request(s) Generated: No. _____ Description: No. _____ Description: Follow-up Required:																								
Document # 3: Date Requested: Date Received: 1/8/08 Comments: (i.e., Confidential) CONFIDENTIAL	Document Title and Purpose of Review: For each of the years 2003 through 2007 please provide: A. The annual percentage of hedge transactions in relation to the annual natural gas forecast projections (Mmbtu, prior to actual burn). B. The annual percentage of hedge transactions in relation to the annual fuel oil forecast projections (#2 and #6, prior to actual burn.) C. The combined annual percentage of hedge transactions in relation to the total fuel forecast projections (both natural gas and oil). Summary of Contents: <table border="1"> <thead> <tr> <th></th> <th>2007</th> <th>2006</th> <th>2005</th> <th>2004</th> <th>2003</th> </tr> </thead> <tbody> <tr> <td>Gas</td> <td colspan="5">[REDACTED]</td> </tr> <tr> <td>Oil</td> <td colspan="5">[REDACTED]</td> </tr> <tr> <td>Combined:</td> <td colspan="5">[REDACTED]</td> </tr> </tbody> </table>		2007	2006	2005	2004	2003	Gas	[REDACTED]					Oil	[REDACTED]					Combined:	[REDACTED]				
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Document # 4: Date Requested: Date Received: 1/8/08 Comments: (i.e., Confidential)	Document Title and Purpose of Review: For each year 2003 through 2007, please provide the annual percentage breakdown of hedging transactions by instrument type: swaps, collars, puts, calls. Example: 2007: 60% swaps 30% option calls 10% collars Summary of Contents:																								

1 2 3 4 5 6 7 8 9 10 11 12	CONFIDENTIAL	<table border="1"> <thead> <tr> <th>YEAR</th> <th>NG Swaps</th> <th>NG Calls</th> <th>NG Collars</th> <th>Oil Swaps</th> <th>Oil Calls</th> <th>Oil Collars</th> </tr> </thead> <tbody> <tr> <td>2007</td> <td colspan="3">[REDACTED]</td> <td colspan="3">[REDACTED]</td> </tr> <tr> <td>2006</td> <td colspan="3">[REDACTED]</td> <td colspan="3">[REDACTED]</td> </tr> <tr> <td>2005</td> <td colspan="3">[REDACTED]</td> <td colspan="3">[REDACTED]</td> </tr> <tr> <td>2004</td> <td colspan="3">[REDACTED]</td> <td colspan="3">[REDACTED]</td> </tr> <tr> <td>2003</td> <td colspan="3">[REDACTED]</td> <td colspan="3">[REDACTED]</td> </tr> </tbody> </table>	YEAR	NG Swaps	NG Calls	NG Collars	Oil Swaps	Oil Calls	Oil Collars	2007	[REDACTED]			[REDACTED]			2006	[REDACTED]			[REDACTED]			2005	[REDACTED]			[REDACTED]			2004	[REDACTED]			[REDACTED]			2003	[REDACTED]			[REDACTED]		
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13 14 15 16	Document # 5: Date Requested: Date Received: 1/8/08 Comments: (i.e., Confidential)	Document Title and Purpose of Review: For each year 2003 through 2007, please provide the percent of the fuel hedged in relation to the total fuel burn for each month (please provide a separate chart for both natural gas and oil). Summary of Contents:																																										
17 18 19 20	CONFIDENTIAL	Chart Provided for each month: <table border="1"> <thead> <tr> <th>Yearly Avg:</th> <th>2007</th> <th>2006</th> <th>2005</th> <th>2004</th> <th>2003</th> </tr> </thead> <tbody> <tr> <td>GAS</td> <td colspan="5">[REDACTED]</td> </tr> <tr> <td>OIL</td> <td colspan="5">[REDACTED]</td> </tr> </tbody> </table>	Yearly Avg:	2007	2006	2005	2004	2003	GAS	[REDACTED]					OIL	[REDACTED]																												
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Document # 6: Date Requested: Date Received: 1/8/08 Comments: (i.e., Confidential)	Document Title and Purpose of Review: For each year 2003 through 2007, please provide: A. The number of financial hedging transactions sold prior to settlement date (for rebalancing purposes). B. The settlement gains or losses associated with the selling of these transactions.																																											

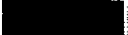
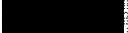
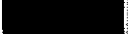
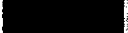
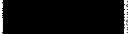
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CONFIDENTIAL	<p>C. A chart showing the number of transactions sold each year, broken down by the number of months out the transaction was sold from the original settlement date. Example: 10 transactions sold 1 month out from settlement date 18 transactions sold 2 months out from settlement date</p>																																																						
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<p>Document # 7: Date Requested: Date Received: 1/8/08</p>	<p>Document Title and Purpose of Review: Does FPL consider an "in the money" option a gain, regardless of the net impact of the premium?</p>																																																						

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	Option premiums paid for purchased options are included as losses. Option premiums received for sold options are included as gains.												
	Conclusions:												
	Data Request(s) Generated:												
	Follow-up Required:												
<p>Document # 10: Date Requested: Date Received: 1/8/08 Comments: (i.e., Confidential)</p> <p>CONFIDENTIAL</p>	<p>Document Title and Purpose of Review: A. For each year 2003 through 2007, did the put and call premiums associated with the use of collars always offset? B. If not, please provide, annually: 1. The amount of premiums from collar call options. 2. The amount of premiums from collar put options.</p> <p>Summary of Contents: FPL implemented collar hedges as part of the hedge program only in 2007. The premium did not offset because FPL purchased at-the-money calls and sold out-of-the-money puts. Markets are biased towards a higher premium for calls rather than puts.</p> <table border="1" data-bbox="670 883 1212 1024"> <thead> <tr> <th></th> <th>Calls</th> <th>Puts</th> </tr> </thead> <tbody> <tr> <td>Gas</td> <td></td> <td></td> </tr> <tr> <td>Oil</td> <td></td> <td></td> </tr> <tr> <td>Total</td> <td></td> <td></td> </tr> </tbody> </table> <p>Conclusions:</p> <p>Data Request(s) Generated: No. _____ Description: No. _____ Description:</p> <p>Follow-up Required:</p>		Calls	Puts	Gas			Oil			Total		
	Calls	Puts											
Gas													
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Total													
<p>Document # 11: Date Requested: Date Received: 1/8/08 Comments: (i.e., Confidential)</p>	<p>Document Title and Purpose of Review: A. Please provide a listing of all current indices (e.g. NYMEX, Gas Daily, FGT Zone 3) that the company uses to initiate and settle a financial hedge. B. For each year 2003 through 2007, please provide an annual breakdown of the number of financial transactions settled against each index referenced in 11A.</p>												

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	<p>Summary of Contents: Gas: NYMEX Henry Hub Oil: Platts 1% NYH Spot Cargo Mean</p> <p>In 2003, some swaps were purchased that settled against HH Gas Daily. All other swaps for 2003-2007 are NYMEX</p> <p>Conclusions:</p> <p>Data Request(s) Generated: No. _____ Description: No. _____ Description:</p> <p>Follow-up Required:</p>
<p>Document # 12: Date Requested: Date Received: 1/8/08 Comments: (i.e., Confidential)</p> <p>CONFIDENTIAL</p>	<p>Document Title and Purpose of Review: Please provide the annual usage or membership costs associated with accessing external trading databases (i.e., ICE, NYMEX, ISDA memberships, etc).</p> <p>Summary of Contents:</p> <p>2007:  2006:  2005:  2004:  2003: </p> <p>Conclusions:</p> <p>Data Request(s) Generated: No. _____ Description: No. _____ Description:</p> <p>Follow-up Required:</p>
<p>Document # 13: Date Requested:</p>	<p>Document Title and Purpose of Review: For each financial counterparty, please provide a listing of the counterparty's credit rating and the internal</p>

1	Date Received:	trading limits and thresholds set by FPL.
2	Comments: (i.e., Confidential)	Summary of Contents:
3	CONFIDENTIAL	24 Counterparties listed with S&P Ratings, Moody's Rating, Credit Limits, and CTA set by FPL
4		Conclusions:
5		Data Request(s) Generated:
6		No. _____ Description:
7		No. _____ Description:
8		Follow-up Required:
9	Document # 14:	Document Title and Purpose of Review:
10	Date Requested:	Please provide a copy of each active ISDA Master Agreement between the company and a financial
11	Date Received:	counterparty.
12	Comments: (i.e., Confidential)	Summary of Contents:
13	CONFIDENTIAL	FPL provided copies of each ISDA
14		Conclusions:
15		Data Request(s) Generated:
16		No. _____ Description:
17		No. _____ Description:
18		Follow-up Required:
19		Document Title and Purpose of Review:
20	Document # 15:	A. Does FPL have a financial counterparty relationship (i.e., purchases financial hedges) with companies,
21	Date Requested:	or their subsidiaries, that also produce and supply natural gas or oil?
22	Date Received:	B. For each company with a dual relationship, please provide the counterparty name, the number of
23	Comments: (i.e., Confidential)	financial transactions purchased, and the total fuel purchased (Mmbtu) for each year 2003 through 2007.
24	CONFIDENTIAL	Summary of Contents:
25		A. FPL has a financial counterparty relationship with the following companies that also produce and supply
26		gas/oil:
27		[REDACTED]
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	<p>[REDACTED]</p> <p>Spreadsheet provided with breakdown of dual relationships</p> <p>[REDACTED]</p>
	<p>Conclusions:</p>
	<p>Data Request(s) Generated:</p> <p>No. _____ Description:</p> <p>No. _____ Description:</p>
	<p>Follow-up Required:</p>
<p>Document # 16: Date Requested: Date Received: Comments: (i.e., Confidential)</p>	<p>Document Title and Purpose of Review:</p> <p>A. When purchasing a financial product, does the company believe that the price differential within the bid-ask range equates to transaction costs?</p> <p>B. If so, please provide the company's perceived costs associated with the spread differential for each year 2003 through 2007.</p>
<p>CONFIDENTIAL</p>	<p>Summary of Contents:</p> <p>FPL vies the bid-ask range as an indirect cost or hedging premium</p> <p>FPL believes the initial oil hedges bid-ask spread is: [REDACTED] Gas hedge bid-ask spread is: [REDACTED]</p> <p>Overall, the bid-ask cost for 2003-2007 is [REDACTED]</p> <p>The company also provided the yearly estimates.</p>
	<p>Conclusions:</p>
	<p>Data Request(s) Generated:</p> <p>No. _____ Description:</p> <p>No. _____ Description:</p>
	<p>Follow-up Required:</p>
<p>Document # 17: Date Requested: Date Received: Comments: (i.e., Confidential)</p>	<p>Document Title and Purpose of Review:</p> <p>Does the company initiate financial hedges on the gas purchases for its long-term storage facilities? If so, are these hedging transactions included in the company's annual hedging strategy?</p>
	<p>Summary of Contents:</p>

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- Approx. 60%-70% of consumption is natural gas in 08 (increase as a result of environmental/emissions issues).
- Approx. 15% consumption is fuel oil.
- Remaining is coal and nuke.
- Approx. 60%-80% of fuel portfolio is L/T basis (contract for prompt year plus 2 years)
 - L/T gas contracts for up to 3 years.
 - Contracts for firm gas transportation up to 25 years.
 - Pipelines (FGT and Gulfstream)
 - L/T oil contracts for 1 year maximum.
 - Remaining fuel is purchased on a short term basis at a daily index price.
- Bill Murphy and Tim Gerrish negotiate "how much gas to procure"-looking for supply. L/T
- Alex Brinis-Risk Analytics group-analyzes fuel mix
- Gerry Yupp-
- A counterparty make up larger contracts of L/T contracts for baseload.
- Firm contracts w/supplier for the most part. Try to avoid margins.
- More base load in summer under firm contracts.
- Spot purchase process:
 - Hold meetings for fuel projections – a couple of weeks prior to upcoming month. Determine base load volume and burn and remainder to purchased on the spot market.
 - Never have base load volume more than needed.
 - Daily spot for gas- Can get balance to the month (i.e. easier to purchase gas on the spot).
 - Daily spot for fuel oil- Similar to gas, but more complicated.
 - Securing transportation is a challenge for fuel oil.
 - Watching inventories every day. Short in any given month, buy on the spot.
 - Base load more sufficient.

30 Hedging Process:

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- Goal- Reduce volatility. Looking to reduce intra-year volatility.
- FPL hedges for the upcoming year. (i.e., Hedges done in he
- Balance gas against oil (rebalancing)
- Examples:
 - Burn 100 BCF Burn 10 mill/barrels fuel oil
 - Hedge Hedge mill/barrels fuel oil
- Forecasted Burns may vary with volatility of gas and fuel oil prices. (i.e., gas burns may be reduced and fuel oils increased accordingly to adjust for price volatility). As a result, FPL may be overhedged on gas and under on fuel oil. FPL would rebalance the hedges. Sell excessive financial hedges to get back to more online w/rebalancing transactions.
- Financial hedges are directly tied to NYMEX.
- Never intend to rebalance on physical fuel procurements.
- Factors for intra-year hedging (i.e., no hedges are done for more than a year out):
 - Stay close to ECR projection (don't forecast fuel adjustment for over a year).
 - FPL is one of the largest consumers of natural gas and as a result, could corner the market.

- 1 -Percentage hedge goal for 2008: [REDACTED] (No options)
- 2 -2007 – Hedging approximately [REDACTED] swaps and [REDACTED] for options
- 3 -Hedges begin in [REDACTED] of each year:
- 4 [REDACTED] Future prices are
- 5 more stable.
- 6 -FPL sets parameters around volatility of gas prices (PPS)
- 7 -Executive Management Committee meets every month.
- 8 -2006-2007 – Met Objectives of Fuel Hedging Program – “Have to look at it as total fuel cost”
- 9 -“Given market conditions, the program reacted to the market”
- 10 -Cost to Hedging:
- 11 -Rebalancing used to manage cost to customers.

12 **Front-Office (Paul Zhang):**

- 13 -Predetermined price and volume targets. Management approves plan and monitored by Risk
- 14 (Michele’s group).
- 15 -Spread out transactions over time and use 10-15 counterparties to minimize credit risk.
- 16 -Alex’s group will look at weekly fuel forecast and compare to monthly hedge targets.
- 17 -Execute hedging on a calendar cycle.
- 18 Example: May 2, 2008, hedge 10,000 BTUs for 2009. Determine counterparty
- 19 for best offer (use future source for determination, i.e. ICE and NYMEX). ICE- Inter
- 20 Continental Exchange.
- 21 -Approximately 95%-98% hedges with counterparties.
- 22 -Fuel Oil – few counterparties will trade—fuel oil not very liquid (not an exchanged based
- 23 product). Look at spread between fuel oil and crude oil. Spread difference is roughly the price
- 24 for fuel oil. Counterparty provides spread.
- 25 -Benefits to using counterparty as opposed to trading directly on ICE or NYMEX:
- 26 -Swaps (Bilateral agreements that margins would not have to be posted)
- 27 -Direct trades (require margins regardless of credit rating). Margins posted
- 28 w/cash. Market changes could occur if buying directly from market since FPL is one of
- 29 the largest consumers of natural gas. If marketer knows FPL is buying directly on the
- 30 market, n/g prices could rise- hence, FPL is driving the market.
- 31 -Formulate hedging strategy to include the best mix of products to minimize mid-course corrections.

32 **Options:**

- 33 -2005 to 2007, Options were used as an insurance policy.
 - 34 -Example 1: Call (Buy) Option
 - 35 Enter into call option in 2005 for \$9
 - 36 If market settlement price in 2006 is \$10
 - 37 Option premium \$1.50 (cost premiums are paid up front and are tied to strike
 - 38 price)
 - 39 Net Loss .50
 - 40 -Example 2: Sell (Put) Option
 - 41 Enter into put option in 2005 for \$9
 - 42 If market settlement price in 2006 is \$8
 - 43 Option Premium is \$1.50
 - 44 Net Gain .50
 - 45 -Collar – combination of buying a call and selling a put.
 - 46 -FPL only sells put options and buys call options
 - 47 -In 2007- Approximately [REDACTED] million of the [REDACTED] million in hedging losses were option
- premium payments.

- 1
2
- In 2007, approximately [redacted] swaps and [redacted] call options and [redacted] put options.
 - In 2008, FPL will not enter into options.

Rebalancing:

- Hedging band around FCR cost
- Based on burn forecast
- Adjusted to actual burns.

Example:

Estimate 30 BCF burn Jan 09
If goal is to hedge 60 % of burn forecast, 18 BCF would be hedged in Jan 09.
In Dec. 08, adjusted BCF burn is 32 BCF.
18 BCF Hedged only represents 57% of burn.
Need to get back to 60% Hedge target. As a result, need another 1.2 BCF to be hedged.

Enter into hedge of 18 BCF at \$9, settles for \$8.50 (net loss .50)
Enter into hedge of 1.2 BCF at \$8.50, settles for \$8.50 (wash)

Reduced Hedge

Estimate 30 BCF burn Jan 09
If goal is to hedge 60% of burn forecast, 18 BCF would be hedged in Jan 09.
In Dec. 08, adjusted BCF burn is 27 BCF.
18 BCF Hedged represents 62% of burn.
Need to get back to 60% Hedge targets. As a result, need to sell 1. BCF.

Enter into hedge of 18 BCF at \$9, market settles for \$8.75 (.25 loss)
Sell 1 BCF (to get back to 60%) at \$9.50, market settles for \$8.75 (.75 gain)

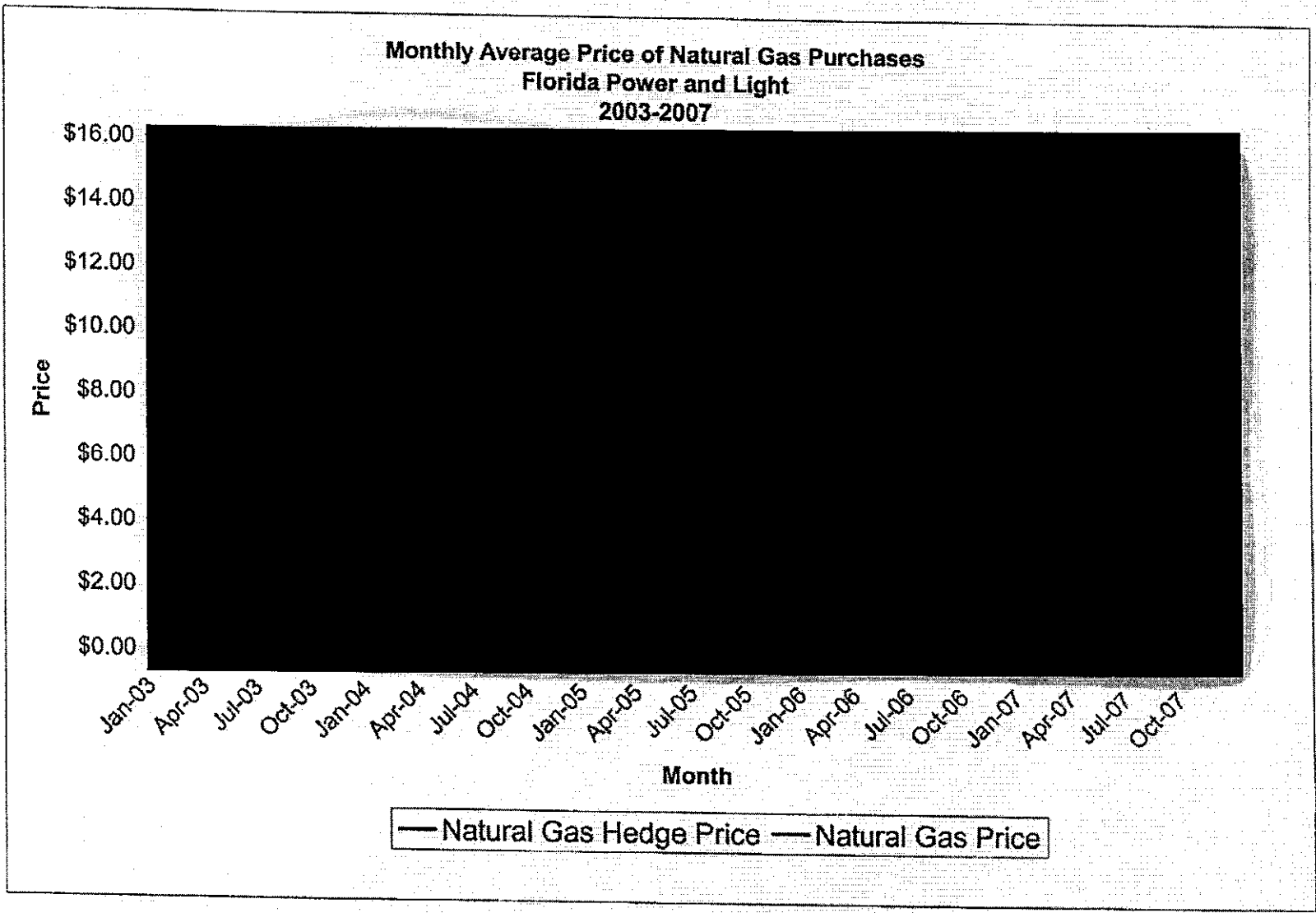
Settlements:

- Settlement occurs three business days before the last business day of the month.
- Settlement price is based on NYMEX Exchange
- Gas Daily Index can be used in situations when hedged is unwound. GPL does not use Gas Daily.

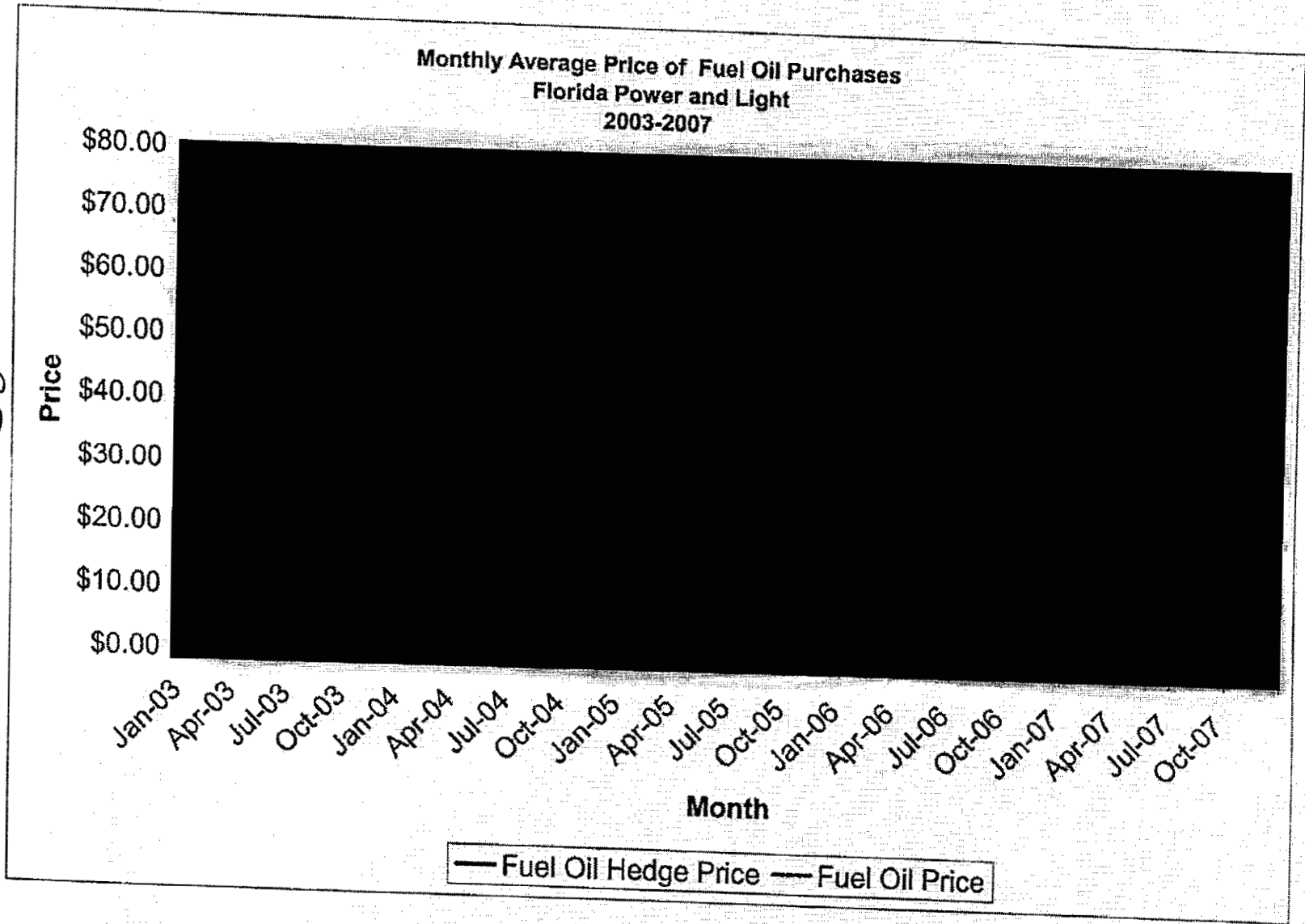
Middle Office (Michele Canino):

- Reports to CFO who chairs Risk Committee
- FPL Group Executive Risk Committee
 - Chief Accounting Officer
 - Treasurer
 - Accounting
 - General Counsel
 - Pres. FPL (Armando)
 - non-voting members: IA, Michele
- Tenor and counterparty limits are approved by Executive Risk Committee
- Limits are set using a VaR equation (Value at Risk). Assessment of Risk—i.e., what does it take to get to the next level of credit downgrade.
- CTA- collateral threshold amount (counterparty credit exposure limits)—determines margin requirements.
- Trading crediting limits are aggregated at the trading level. i.e., trading floor assigned a certain amount.
- Monitor, daily, the credit limits and liquidity risks of the counterparties.

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9B



**Percent of Fuel Hedged to Forecasted Burn
Florida Power & Light
2003-2007**

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