080001-EI

Exhibit B

Redacted Documents

COM ___
ECR 1
GCL ___
OPC ___
RCP ___
SSC ___
SGA ___
ADM ___
CLK ___

Florida Power and Light Company (FPL)
2009 Risk Management Plan

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

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

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

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

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

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

This Risk Management Plan includes supplemental information in response to recommendations in Staff's recent *Review of Fuel Procurement Hedging Practices of Florida's Investor-Owned Electric Utilities.*

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

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

Fuel Procurement Risks (TFB-4, Item 3)

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

Market Risk

The risk of changes in economic fair value due to fluctuations in market prices, volatility, correlation, and interest rates will have a direct impact on any open or unhedged energy positions. The utility determines acceptable levels of risk for fuel procurement by performing various analyses that include forecasted/expected levels of activity, forecasted price levels and price changes, price volatility, and Value-at-Risk (VaR) calculations. The analyses are then presented to the Exposure Management Committee (EMC) for review and approval. The EMC is comprised of executive and senior management and has responsibility for developing and approving the company's risk strategies and objectives, including the overall hedging strategy. Approval is given to remain within specified VaR limits.

Credit Risk

Credit risk management includes appropriate creditworthiness review and monitoring processes, the request for collateral if deemed necessary, and the inclusion of contractual risk mitigation terms and conditions whenever possible. Such credit risk mitigations include collateral threshold amounts, cross default amounts, payment netting, and set-off agreements.

Liquidity Risk

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

Short-Term Funding Liquidity: Changes in underlying market parameters may impact movements of cash in relation to business activities. Positions that are balanced for fair value purposes, but unbalanced for cash flow purposes, may give rise to large swings in cash balances.

Operational Risk

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

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

FPL provides its fuel procurement activities with independent oversight.

The President of FPL is responsible for authorizing all hedging activities. Changes in strategies and any deviations from the program are approved by the President of FPL prior to execution. In the absence of the President of FPL, the Chief Operating Officer (COO) or the Chief Financial Officer (CFO) of FPL Group may also authorize any changes in strategies and deviations from the program. Program activity is included in the Monthly Operations Performance Review (MOPR) chaired by the Chief Executive Officer (CEO). In addition, the EMC meets monthly to review performance and discuss current procurement/hedging activities and monitors daily results of procurement activity.

The utility has a separate and independent middle office Risk Management department that provides oversight of fuel procurement activities. FPL has formal Policy and Procedures documents, signed by all employees, which include controls specifically related to the fuels hedging program. The Risk Management department ensures that the approved execution strategies are followed for each program. Daily, weekly, and monthly reporting is performed by the Risk Management department and distributed to a wide audience, including executive management. Credit reviews are performed by the Risk Management department and included in the reporting mentioned above. Execution strategies must be approved prior to the execution of any transactions and documented as a Planned Position Strategy (PPS). All hedge transactions are to be addressed within this strategy document. FPL is attaching two PPS documents with this plan; (1) a PPS that details FPL's hedging strategy for 2009; and (2) a PPS that details FPL's re-balancing strategy for 2009. FPL considers its PPS documents to be confidential. FPL has not created PPS documents for 2010 at this point.

Policy and Procedures

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

FPL's corporate risk Policy delineates individual and group transaction limits and authorizations for all fuel procurement activities.

The Policy sets out FPL Group's approach to energy risk and the management of risk, as follows:

- Identification and definition;
- Quantification and measurements;

- Reporting;
- Authority to transact; and
- Ownership and roles and responsibilities.

The Procedures provide guidance that will promote efficient and accurate processing of transactions, effective preparation and distribution of information relating to trading and marketing activities, and efficient monitoring of the portfolio of risks, all within a well-controlled environment.
The Procedures define VaR and duration limits for all forward activity, by portfolio. In addition, individual procurement strategies must be documented and approved by front and middle office management prior to deal execution.

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

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

Deal Execution Details
FPL traders receive daily credit reports and credit watch lists from the Risk Management department to ensure that FPL does not enter into a trade with an unauthorized counterparty. FPL traders then select counterparties from this list to transact with as the hedging program is executed. FPL uses a market comparison approach to execute financial hedges. For natural gas, real-time prices can be observed by FPL through electronic tools, such as ICE (InterContinental Exchange), FutureSource, or over-the-counter brokers. Residual fuel oil swaps are not an exchange traded commodity and hence competing prices from counterparties, over-the-counter broker quotes, along with observed trends in crude oil prices, and estimated price differentials to crude oil prices, are used to determine the market value.

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

<u>2008 Hedging Strategy (TFB-4, Items 2 and 8)</u>

The principal focus of this Risk Management Plan, as will be the case for future plans, is on the hedging strategy that FPL intends to implement in the upcoming year for placing hedges on fuel purchases in the year or years thereafter. For example, as discussed below, FPL is presenting its 2009 hedging strategy that will apply to hedging FPL's projected 2010 fuel oil and natural gas requirements. However, for transitional purposes FPL is also including in this year's plan information pertaining to its 2008 hedging strategy for projected 2009 natural gas and heavy fuel oil requirements.

FPL plans to hedge a portion of its projected 2009 residual fuel oil and natural gas requirements during 2008. Absent special circumstances (e.g. a hurricane that FPL concludes will substantially impair market functions). FPL is implementing its 2008 hedging program within the following parameters:

Natural Gas

1) FPL will hedge approximately [redacted] of its projected 2009 natural gas requirements within the Hedging Window during 2008. This hedge percentage is within FPL's system base load requirements. FPL will hedge approximately [redacted] of each individual month's projected natural gas requirements.

2) FPL will utilize [redacted] to hedge its projected natural gas requirements.

3) FPL will execute its natural gas hedges for 2009 from [redacted] through [redacted] as shown below:

Hedging Window

[redacted]

During each month of the Hedging Window, FPL will hedge the percentages shown of its projected 2009 natural gas requirements. FPL will have flexibility within any given month to determine the appropriate timing for executing hedges.

4) Re-balancing will be executed per the attached PPS. Once the initial monthly target volumes have been hedged, rebalancing will be executed to maintain the hedge percentages inside approved tolerance bands. The monthly tolerance bands for natural gas are +/- [redacted]. Therefore, the minimum and maximum monthly hedge percentages are [redacted] and [redacted] respectively.

Heavy Fuel Oil

1) FPL will hedge approximately [redacted] of its projected 2009 heavy fuel oil requirements. This represents a lower hedge percentage compared with previous years and is primarily driven by FPL's fuel switching capability. FPL dispatches its system based on real-time fuel prices which allows FPL to burn the lowest cost fuel at its dual-fired facilities on a daily basis. This fuel switching capability has caused significant variances in projected versus actual heavy fuel oil burns, particularly in the shoulder months (November – March). Therefore, FPL believes that a lower hedge percentage for fuel oil is appropriate to help mitigate the potential for being "over hedged". FPL will hedge approximately [redacted] of each individual month's projected heavy fuel oil requirements.

2) FPL will utilize [redacted] to hedge its projected heavy fuel oil requirements.

3) FPL will execute its heavy fuel oil hedges for 2009 from [redacted] through [redacted] as shown below:

Hedging Window

[redacted]

During each month of the Hedging Window, FPL will hedge the percentages shown of its projected 2009 heavy fuel oil requirements. FPL will have flexibility within any given month to determine the appropriate timing for executing hedges.

4) Re-balancing will be executed per the attached PPS. Once the initial monthly target volumes have been hedged, rebalancing will be executed to maintain the hedge percentages inside approved tolerance bands. The monthly tolerance bands for heavy fuel oil are +/- [redacted]. Therefore, the minimum and maximum monthly hedge percentages are [redacted] and [redacted] respectively.

2009 Hedging Strategy (TFB-4, Items 2 and 8)

FPL plans to hedge a portion of its projected 2010 residual fuel oil and natural gas requirements during 2009. Absent special circumstances (e.g. a hurricane that FPL concludes will substantially impair market functions). FPL will implement its hedging program within the following parameters:

Natural Gas

1) FPL will hedge approximately [redacted] of its projected 2010 natural gas requirements within the Hedging Window during 2009. This hedge percentage is consistent with 2009 hedge levels and is within FPL's

system base load requirements. FPL will hedge approximately [redacted] of each individual month's projected natural gas requirements.

2) FPL will utilize [redacted] to hedge its projected natural gas requirements.

3) FPL will execute its natural gas hedges for 2010 from [redacted] through [redacted] as shown below:

Hedging Window

[redacted]

During each month of the Hedging Window, FPL will hedge the percentages shown of its projected 2010 natural gas requirements. FPL will have flexibility within any given month to determine the appropriate timing for executing hedges.

4) FPL intends to rebalance its natural gas hedge positions during the year based on changes in forecasted market prices, projected unit outage schedules or changes in FPL's load forecast. Once the initial monthly target volumes have been hedged, rebalancing will be executed to maintain the hedge percentages inside approved tolerance bands. The monthly tolerance bands for natural gas are +/- [redacted] Therefore, the minimum and maximum monthly hedge percentages are [redacted] and [redacted] respectively.

Heavy Fuel Oil

1) FPL will hedge approximately [redacted] of its projected 2010 heavy fuel oil requirements. This hedge percentage is consistent with 2009 hedge levels. FPL will hedge approximately [redacted] of each individual month's projected heavy fuel oil requirements.

2) FPL will utilize [redacted] to hedge its projected heavy fuel oil requirements.

3) FPL will execute its heavy fuel oil hedges for 2010 from [redacted] through [redacted] as shown below:

Hedging Window

[redacted]

During each month of the Hedging Window, FPL will hedge the percentages shown of its projected 2010 heavy fuel oil requirements. FPL will have flexibility within any given month to determine the appropriate timing for executing hedges.

4) FPL intends to rebalance its heavy oil hedge positions during the year based on changes in forecasted market prices, projected unit outage schedules or changes in FPL's load forecast. Once the initial monthly target volumes have been hedged, rebalancing will be executed to maintain the hedge percentages inside approved tolerance bands. The monthly tolerance bands for heavy fuel oil are +/- [redacted]. Therefore, the minimum and maximum monthly hedge percentages are [redacted] and [redacted] respectively.

Hedging Window Modification

Market price behaviors are changing constantly [redacted]

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

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

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

Daily Management Report

For each business day there should be a formal report produced in hard copy or electronically, for distribution to business and desk heads and members of the EMC. This report should detail the current energy, spot and forward, unrealized profit and loss, VaR, and position amounts. This report should be published only after proper and thorough discussion between Risk Management and desk heads, if necessary for clarification, and resolution of any issues raised.

Credit Exposure Reporting

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

- Credit exposure against available limits, highlighting instances in which exposure exceeds available limits; and
- Current credit liabilities.

Exposure Management Committee Update

The Vice President Trading & Risk Management will provide a formal update to the EMC on a monthly basis. The agenda for the update will be agreed in advance with the EMC Chairman, but should as a minimum contain the following items:

Minutes of previous EMC update for approval;

- Summary and explanation of significant changes in market risk and fair value, including VaR backtesting results;
- Summary and explanation of significant changes in credit risk; and
- Exception to Risk Management Policy.

Hedge Program Limitations (TFB-4, Item 15)

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

Energy Marketing & Trading

A division of Florida Power & Light Company.

Trading and Risk Management

Procedures Manual

<u>Revision: December 18, 2007</u>

Approved By: ________________

(If the original signature is needed, please contact Risk Management at 304-5710)

Exhibit B
REDACTED VERSION OF CONFIDENTIAL DOCUMENTS

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TRADING AND RISK MANAGEMENT PROCEDURES MANUAL

ENERGY
MARKETING & TRADING
a division of Florida Power & Light Company

FPL Energy
Power Marketing, Inc.

APPROVED BY THE EMC ON:

December 18 ,2007

(See EMC Meeting Minutes dated December 18 , 2007. Please contact Risk Management at 304-5710)

FPL Group, Inc.
Energy Trading and Risk Management Policy

FPL
Energy Services

Gexa ENERGY

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ENERGY TRADING AND RISK MANAGEMENT POLICY

Exhibit B
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PLANNED POSITIONS STRATEGY

Florida Power & Light Company
Schedule E12 - Capacity Costs

For the Year 2009

Contract	Capacity MW	Term Start	Term End	Contract Type
Cedar Bay	250	1/25/1994	12/31/2024	QF
Indiantown	330	12/22/1995	12/1/2025	QF
Palm Beach Solid Waste Authority	50	4/1/1992	3/31/2010	QF
Broward North - 1987 Agreement	45	4/1/1992	12/31/2010	QF
Broward North - 1991 Agreement	11	1/1/1993	12/31/2026	QF
Broward South - 1987 Agreement	50.6	4/1/1991	8/1/2009	QF
Broward South - 1991 Agreement	3.5	1/1/1993	12/31/2026	QF
Southern Co. - UPS	931	7/20/1988	5/31/2010	UPS
JEA - SJRPP	375	4/2/1982	9/30/2021	JEA

QF = Qualifying Facility
UPS= Unit Power Sales Agreement with Southern Company
JEA = SJRPP Purchased Power Agreements

2009 Capacity in Dollars

	January	February	March	April	May	June	July	August	September	October	November	December	Year-to-date
Cedar Bay	10,413,958	10,413,958	10,413,958	10,413,958	10,413,958	10,413,958	10,413,958	10,413,958	10,413,958	10,413,958	10,413,958	10,413,958	124,967,500
ICL	10,417,923	10,417,923	10,417,923	10,417,923	10,417,923	10,417,923	10,417,923	10,417,923	10,417,923	10,417,923	10,417,923	10,417,923	125,015,074
SWAPBC	2,298,750	2,298,750	2,298,750	2,298,750	2,298,750	2,298,750	2,298,750	2,298,750	2,298,750	2,298,750	2,298,750	2,298,750	27,585,000
BN-SOC	2,018,138	2,018,138	2,018,138	2,018,138	2,018,138	2,018,138	2,018,138	2,018,138	2,018,138	2,018,138	2,018,138	2,018,138	24,217,650
BN-NEG	292,600	292,600	292,600	292,600	292,600	292,600	292,600	292,600	292,600	292,600	292,600	292,600	3,511,200
BS-SOC	2,248,122	2,248,122	2,248,122	2,248,122	2,248,122	2,248,122	2,248,122	0	0	0	0	0	15,736,853
BS-NEG	93,100	93,100	93,100	93,100	93,100	93,100	93,100	93,100	93,100	93,100	93,100	93,100	1,117,200
SoCo	11,965,552	11,965,552	11,965,552	11,965,552	11,965,552	11,965,552	11,965,552	11,965,552	11,965,552	11,965,552	11,965,552	11,965,552	143,586,622
SJRPP	6,678,785	6,678,785	6,678,785	6,678,785	6,678,785	6,678,785	6,678,785	6,678,785	6,678,785	6,678,785	6,678,785	6,678,785	80,145,414
Total	46,426,927	46,426,927	46,426,927	46,426,927	46,426,927	46,426,927	46,426,927	44,178,805	44,178,805	44,178,805	44,178,805	44,178,805	545,882,513

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Contract	Counterparty	Identification	Contract End Date
1	Southern Company (Oleander)	Other Entity	May 31, 2012
2	Reliant Energy Services (Indian River)	Other Entity	December 31, 2009
3	Bear Energy, LP	Other Entity	December 31, 2009
4	Constellation Energy Commodities Group, Inc.	Other Entity	April 30, 2009

Capacity in MW

Contract	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09
1	158	158	158	158	158	158	158	158	158	158	158	158
2	567	567	567	567	567	567	567	567	567	567	567	567
3	106	106	105	106	106	106	106	106	106	106	106	106
4	38	105	-	54	-	-	-	-	-	-	-	-
Total	869	936	830	885	831	831	831	831	831	831	831	831

Capacity in Dollars

Contract	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08
1	[redacted]											
2												
3												
4												
Total	3,933,560	4,117,810	3,490,284	3,643,864	3,495,364	4,454,740	4,454,740	4,454,740	4,454,740	3,495,364	3,495,364	3,829,060

Total Short Term Capacity Payments for 2009	47,319,630	(1)

(1) September 2, 2008 Projection Filing, Appendix III, page 3, line 2