REDACTED

090001-EI

# EXHIBIT B

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

Q.

**Please supply a comparison of Florida Power & Light Company's (FPL's) Risk Management Plans for 2009 and 2010. Please explain or describe any changes between 2009 and 2010.**

A.

| A | B |
|---|---|
| **2009 Risk Management Plan** | **2010 Risk Management Plan** |
| Submitted in 2008 | Submitted in 2009 |
| Describes 2009 hedging plan for projected fuel requirements in 2010. Explains risk management/hedging plan for 2009. | Describes 2010 hedging plan for projected fuel requirements in 2011. Explains risk management/hedging plan for 2010. |
| Hedge execution window: [redacted] | Hedge execution window: [redacted] |
| Natural Gas hedge target: [redacted] | Natural Gas hedge target: [redacted] |
| Heavy Oil hedge target: [redacted] | Heavy Oil hedge target: [redacted] |

Q.

**Since January 1, 2008, has FPL stopped engaging in hedging transactions with a particular counter-party due to credit risk concerns? Please identify the counter-party and explain.**

A.

FPL executes hedge transactions with only investment grade counterparties, subject to a counterparty risk analysis. The counterparty risk analysis includes evaluating risk potential through a review of financial statements, credit ratings from recognized rating agencies, and other current market information that would influence the liquidity and creditworthiness of the counterparty. The credit risk profile of each counterparty is monitored on a daily basis and when drastic changes are observed, trading is restricted or prohibited, depending on risk severity.

During 2008, FPL stopped engaging in hedging transactions with the following counterparties due to credit risk concerns:

1) Lehman Brothers: Lehman Brothers was one of the entities FPL identified that would require increased focus and review in the first quarter of 2008 due to market events. In June of 2008, Lehman and FPL agreed to a reciprocal reduction in their respective unsecured credit limits which effectively minimized FPL's exposure to Lehman. As news events transpired regarding the impending bankruptcy filing by Lehman Brothers, FPL made a decision to prohibit all trading with Lehman Brothers on Sunday September 14, 2008 and this was communicated on Monday morning (September 15, 2008) to all transaction personnel via email and trade floor announcements. Lehman Brothers filed for bankruptcy on September 15, 2008.

2) [redacted] had a negative ratings impact in September 2008 due to the announcement of its [redacted] Standard & Poor's lowered its ratings for [redacted] on credit watch with negative implications. In light of these developments, FPL decided to stop hedging with [redacted] due to concerns over counterparty credit quality. This restriction was subsequently removed in December 2008, after the [redacted] was completed.

3) [redacted] In August 2008, Moody's downgraded [redacted] long-term debt. In October, Fitch also downgraded the counterparty. In light of these downgrades and continued economic turmoil and concerns over counterparty credit quality, FPL decided to impose a trading prohibition with [redacted] in October 2008. This prohibition was subsequently removed in November 2008 after credit quality concerns abated.

**Q.**

**Has FPL experienced any default by a counterparty since August 1, 2008? As part of this response, please respond to the following:**

**a. Please identify each default(s), the counterparty(ies) and explain or describe the reason for the default.**

**b. Please explain the monetary impact of the default in detail.**

**c. Please explain whether FPL complied with its Risk Management Plan in effect regarding the transaction that defaulted. As part of this response, please explain and reference the Commission order that approved the Risk Management Plan.**

**A.**

a. FPL has experienced a default by only one counterparty since August 1, 2008. Lehman Brothers Commodity Services, Inc. (Lehman) declared bankruptcy on September 15, 2008 and became a defaulting party under the ISDA Master Agreement executed by Lehman and FPL.

b. Yes. FPL experienced a default by Lehman Brothers Commodity Services, Inc. (Lehman) in September 2008 when Lehman declared bankruptcy and became a defaulting party under the ISDA Master Agreement executed by Lehman and FPL. FPL terminated its hedging transactions with Lehman Brothers Commodity Services, Inc. (Lehman) on September 17, 2008, and replaced those volumes on that date with transactions executed with other counterparties. FPL calculated an early termination settlement estimate in accordance with the terms of the ISDA Master Agreement. Mark-to-market values were calculated for all of the terminated Lehman transactions and for all of the replacement transactions based on the September 26, 2008 forward curve. The mark-to-market value for all of the terminated Lehman transactions was [redacted] The mark-to-market value for all of the replacement transactions calculated was [redacted] The mark-to-market value of the replacement transactions was then subtracted from the mark-to-market value of the Lehman transactions to determine the dollar amount owed to Lehman. This calculation results in a net dollar amount of [redacted] The net mark-to-market forward amount of [redacted] was then discounted in order to account for the time value of the theoretical future settlement payments. The discounted mark-to-market forward value for the total portfolio of Lehman transactions and replacement transactions was [redacted] In effect, this calculation methodology ensured that FPL's actions to replace the Lehman transactions did not result in additional costs.

As legal and financial issues related to the Lehman bankruptcy continued beyond September 17, 2008, FPL applied an assumed 5% annual interest rate to its estimated early termination settlement estimate of [redacted] Interest amounts were accrued and charged through the fuel cost recovery clause quarterly through June 2009. On August 7, 2009 FPL Group made a payment to Lehman pursuant to a negotiated letter agreement. That payment included the net estimated amount due to Lehman from FPL for the time period from September 17, 2008 through February 9, 2009. The estimated value payable to Lehman as of February 9, 2009 was calculated using an assumed 5% annual interest rate, for 145 days, applied to the September 17, 2008 discounted mark-to-market value of [redacted] The total payment made to Lehman was [redacted] which reflects the assumed 5% interest only through February 9th. This payment is less than the principal and interest that has been charged to the fuel clause to-date (primarily because FPL had continued to accrue interest after February 9th on the expectation that it might have to pay that interest to Lehman in settlement). The amount that FPL collected above the settlement payment is being credited back to customers through the fuel clause. Lehman and FPL Group have agreed to continue to work together in good faith to complete a final settlement with respect to claims under the Master Agreements.

In addition to the principal and interest amounts described, FPL has incurred legal fees associated with the Lehman bankruptcy. The legal fees charged to FPL through September 2009 are approximately $6,000.

c. Yes. FPL fully complied with the Commission-approved Risk Management Plan in effect during 2008 when, as discussed in part a, Lehman Brothers Commodity Services, Inc. (Lehman) declared bankruptcy, and became a defaulting party under the ISDA Master agreement executed by Lehman and FPL. Lehman Brothers was one of the entities that FPL identified which would require increased focus and review in the first quarter of 2008 due to market events. FPL and Lehman executed various transactions, with volumes to settle in each month of 2008 and 2009. In June of 2008, Lehman and FPL agreed to a reciprocal reduction in their respective unsecured credit limits which effectively minimized FPL's exposure to Lehman. As news events transpired regarding the impending bankruptcy filing by Lehman Brothers, FPL made a decision to prohibit all trading with Lehman Brothers on Sunday September 14, 2008 and this was communicated on Monday morning (September 15, 2008) to all transaction personnel via email and trade floor announcements. Lehman Brothers filed for bankruptcy on September 15, 2008. FPL has also fully complied with the Commission-approved Risk Management Plan in effect during 2009. While the Lehman bankruptcy default took place in September 2008, a court-approved settlement has not yet been finalized.

As part of the Commission's Order No. PSC-02-1484-FOF-EI regarding risk management for fuel procurement, each utility was directed to file a risk management plan at the time of its projection filing in the fuel and purchased power cost recovery docket each year, which would allow the Commission and the parties to monitor each IOU's practices and transactions in this area. Commission Order No. PSC-08-0667-PAA-EI provided further detail about the risk management plans, as summarized in the Hedging Order Clarification Guidelines. FPL's Risk Management Plan(s) were submitted, in accordance with these orders, for Commission approval at the annual Levelized Fuel Cost Recovery and Capacity

d. FPL Group and Lehman Brothers Commodity Services, Inc. (Lehman) have not reached a final settlement related to Lehman's bankruptcy filing and concurrent default under the ISDA Master Agreements executed by FPL Group and Lehman. FPL Group made a payment of [redacted] to Lehman pursuant to a letter agreement on August 7, 2009. That payment, based upon mark-to-market calculations for all original Lehman deals and their replacement transactions, represented the net estimated amount due to Lehman from FPL Group. The letter agreement provided for the release of the letters of credit held in favor of Lehman for the accounts of FPL/EMT and NextEra Energy Power Marketing, LLC. Lehman and FPL Group have agreed to continue to work together in good faith to complete a final settlement with respect to claims under the Master Agreements.

# LEHMAN BROTHERS

August 6, 2009

FLORIDA POWER & LIGHT COMPANY
P.O. Box 14000
Juno Beach, Florida 33408

Ladies and gentlemen,

Re: The Bank of Nova Scotia, New York Agency, Letter of Credit No. 10050004/80085 and Letter of Credit No. 10090121/80085

We refer to the ISDA Master Agreement dated as of August 14, 2006 between Lehman Brothers Commodity Services Inc. ("Lehman") and Florida Power & Light Company ("FPL"), as amended (the "FPL Master Agreement") and that certain Irrevocable Non-Transferable Standby Letter of Credit No. 10050004/80085 established by The Bank of Nova Scotia, New York Agency on July 25, 2007 in favor of Lehman for the account of FPL, as amended (the "FPL Letter of Credit"). We also refer to the ISDA Master Agreement dated as of January 30, 2007 between Lehman Brothers Commodity Services Inc. and NextEra Energy Power Marketing, LLC ("NEPM"), formerly known as FPL Energy Power Marketing, Inc. as amended (the "NEPM Master Agreement" and together with the FPL Master Agreement, the "Master Agreements") and that certain Irrevocable Non-Transferable Standby Letter of Credit No. 10090121/80085 established by The Bank of Nova Scotia, New York Agency on June 12, 2008 in favor of Lehman for the account of NEPM, as amended (the "NEPM Letter of Credit" and together with the FPL Letter of Credit, the "Letters of Credit").

On the same date of the receipt of payment from FPL in the amount of [redacted] representing the net settlement amount and interest calculated by FPL and NEPM, Lehman agrees to release the Letters of Credit by faxing to The Bank of Nova Scotia, New York Agency at facsimile number 212-225-6464 and sending by overnight mail to One Liberty Plaza, New York, NY 1006 Attn: Sandra Edwards, phone number 212-225-5424, a duly authorized signed statement, Referencing Letters of Credit No. 10050004/80085 and 10090121/80085, that Lehman has no claims against the Letters of Credit with a request to The Bank of Nova Scotia, New York Agency that it cancel the Letters of Credit.

Lehman, FPL and NEPM agree to continue to work together in good faith to complete a settlement with respect to claims under the Master Agreements.

Other than the release of the Letters of Credit, this letter agreement is made without prejudice or limitation to any rights or remedies Lehman or its affiliates may have under any agreement(s) or other document(s) related to the Master Agreements or the transactions thereunder or applicable law and Lehman hereby reserves all rights and remedies under such agreement(s), document(s) and applicable law. Nothing herein shall be construed as an admission of any fact or the establishment of any position by or on