

**BEFORE THE FLORIDA  
PUBLIC SERVICE COMMISSION**

**DOCKET NO. 130001-EI  
FLORIDA POWER & LIGHT COMPANY**

**APRIL 5, 2013**

**IN RE: LEVELIZED FUEL COST RECOVERY  
AND CAPACITY COST RECOVERY**

**AUGUST 2012 THROUGH DECEMBER 2012  
HEDGING ACTIVITY TRUE-UP REPORT**

**REDACTED**

**TESTIMONY & EXHIBITS OF:**

**GERARD J. YUPP**

DOCUMENT NUMBER-DATE

01731 APR-5 2013

FPSC-COMMISSION CLERK

1                   **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2                                   **FLORIDA POWER & LIGHT COMPANY**

3   **TESTIMONY OF GERARD J. YUPP**

4   **DOCKET NO. 130001-EI**

5   **APRIL 5, 2013**

6  
7   **Q.     Please state your name and address.**

8   A.     My name is Gerard J. Yupp. My business address is 700 Universe  
9           Boulevard, Juno Beach, Florida, 33408.

10 **Q.     By whom are you employed and what is your position?**

11 A.     I am employed by Florida Power & Light Company (FPL) as Senior  
12           Director of Wholesale Operations in the Energy Marketing and  
13           Trading Division.

14 **Q.     Have you previously testified in the predecessors to this**  
15 **docket?**

16 A.     Yes.

17 **Q.     What is the purpose of your testimony?**

18 A.     The purpose of my testimony is to present data on FPL's hedging  
19           activities, by month, for calendar year 2012. This data is required  
20           per Item 5 of the Resolution of Issues in Docket 011605-EI  
21           approved by the Commission per Order No. PSC-02-1484-FOF-EI,  
22           which states:

23                                   "5. Each investor-owned utility shall provide, as part of its

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

11

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

16 **Q. Are you sponsoring an exhibit for this proceeding?**

17 A. Yes. I am sponsoring Exhibit GJY-1 – August through December  
18 2012 Hedging Activity True-Up.

19 **Q. Please describe FPL’s hedging objectives.**

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

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

7 **Q. Please summarize FPL’s 2012 hedging activities.**

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

12  
13 Actual 2012 natural gas prices declined from the forward prices that  
14 were in effect when FPL was executing its natural gas hedges for  
15 2012. As would be expected under the approved hedging  
16 approach, this decline in natural gas prices resulted in reported  
17 natural gas hedging costs for the year, as shown on Exhibit GJY-1.  
18 Conversely, heavy oil prices increased from the forward prices that  
19 were in effect when FPL was executing its heavy oil hedges for  
20 2012. As shown on Exhibit GJY-1, this resulted in reported heavy  
21 oil hedging savings for the year.

22

1 **Q.** Does your Exhibit GJY-1 provide the detail on FPL's 2012  
2 hedging activities required by Item 5 of the Resolution of  
3 Issues?

4 **A.** Yes.

5 **Q.** Does this conclude your testimony?

6 **A.** Yes, it does.

	A	B	C	D	E	F
			FPL NATURAL GAS PROCUREMENT			
			VOLUME (MMBTU)			
	<u>PERIOD</u>	<u>INSTRUMENT</u>	<u>PURCHASES</u>	<u>SALES</u>	<u>OPTION PREMIUMS</u>	<u>SAVINGS/(COSTS)</u>
1						
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4	YEAR-TO-DATE	FIXED PRICE TRANSACTIONS				
5	(JAN - DEC) 2012	SWAPS				
6		SWING SWAPS				
7		OVER-THE-COUNTER OPTIONS				
8		BROKER FEES				
9						\$ (671,819,795)
10						
11						
12		AVERAGE PERIOD OF HEDGE (Days) - FINANCIAL				

	A	B	C	D	E	F
			FPL HEAVY FUEL OIL PROCUREMENT			
			VOLUME (BARRELS)			
	<u>PERIOD</u>	<u>INSTRUMENT</u>	<u>PURCHASES</u>	<u>SALES</u>	<u>OPTION PREMIUMS</u>	<u>SAVINGS/(COSTS)</u>
1						
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4	YEAR-TO-DATE	FIXED PRICE TRANSACTIONS				
5	(JAN - DEC) 2012	SWAPS				
6		SWING SWAPS				
7		OVER-THE-COUNTER OPTIONS				
8		BROKER FEES				
9						\$ 2,677,666
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11						
12		AVERAGE PERIOD OF HEDGE (Days) - FINANCIAL				

	A	B	C	D	E	F
			FPL NATURAL GAS PROCUREMENT			
			VOLUME (MMBTU)			
	<u>PERIOD</u>	<u>INSTRUMENT</u>	<u>PURCHASES</u>	<u>SALES</u>	<u>OPTION PREMIUMS</u>	<u>SAVINGS/(COSTS)</u>
1						
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4	January-2012	FIXED PRICE TRANSACTIONS				
5		SWAPS				
6		SWING SWAPS				
7		OVER-THE-COUNTER OPTIONS				
8		BROKER FEES				
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	A	B	C	D	E	F
			FPL HEAVY FUEL OIL PROCUREMENT			
			VOLUME (BARRELS)			
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4	January-2012	FIXED PRICE TRANSACTIONS				
5		SWAPS				
6		SWINGSWAPS				
7		OVER-THE-COUNTER OPTIONS				
8		BROKER FEES				
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			FPL NATURAL GAS PROCUREMENT			
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	<u>PERIOD</u>	<u>INSTRUMENT</u>	<u>PURCHASES</u>	<u>SALES</u>	<u>OPTION PREMIUMS</u>	<u>SAVINGS/(COSTS)</u>
1						
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4	February-2012	FIXED PRICE TRANSACTIONS				
5		SWAPS				
6		SWINGSWAPS				
7		OVER-THE-COUNTER OPTIONS				
8		BROKER FEES				
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			VOLUME (BARRELS)			
	<u>PERIOD</u>	<u>INSTRUMENT</u>	<u>PURCHASES</u>	<u>SALES</u>	<u>OPTION PREMIUMS</u>	<u>SAVINGS/(COSTS)</u>
1						
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4	February-2012	FIXED PRICE TRANSACTIONS				
5		SWAPS				
6		SWING SWAPS				
7		OVER-THE-COUNTER OPTIONS				
8		BROKER FEES				
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			FPL NATURAL GAS PROCUREMENT			
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	<u>PERIOD</u>	<u>INSTRUMENT</u>	<u>PURCHASES</u>	<u>SALES</u>	<u>OPTION PREMIUMS</u>	<u>SAVINGS/(COSTS)</u>
1						
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4	March-2012	FIXED PRICE TRANSACTIONS				
5		SWAPS				
6		SWING SWAPS				
7		OVER-THE-COUNTER OPTIONS				
8		BROKER FEES				
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			VOLUME (BARRELS)			
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4	March-2012	FIXED PRICE TRANSACTIONS				
5		SWAPS				
6		SWING SWAPS				
7		OVER-THE-COUNTER OPTIONS				
8		BROKER FEES				
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1						
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4	April-2012	FIXED PRICE TRANSACTIONS				
5		SWAPS				
6		SWING SWAPS				
7		OVER-THE-COUNTER OPTIONS				
8		BROKER FEES				
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4	April-2012	FIXED PRICE TRANSACTIONS				
5		SWAPS				
6		SWING SWAPS				
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4	May-2012	FIXED PRICE TRANSACTIONS				
5		SWAPS				
6		SWINGSWAPS				
7		OVER-THE-COUNTER OPTIONS				
8		BROKER FEES				
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4	May-2012	FIXED PRICE TRANSACTIONS				
5		SWAPS				
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4	June-2012	FIXED PRICE TRANSACTIONS				
5		SWAPS				
6		SWING SWAPS				
7		OVER-THE-COUNTER OPTIONS				
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4	June-2012	FIXED PRICE TRANSACTIONS				
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4	July-2012	FIXED PRICE TRANSACTIONS				
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4	August-2012	FIXED PRICE TRANSACTIONS				
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4	September-2012	FIXED PRICE TRANSACTIONS				
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4	November-2012	FIXED PRICE TRANSACTIONS				
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