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March 28, 2014

-VIA ELECTRONIC FILING -

Ms. Carlotta S. Stauffer
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Re: Docket No. 140001-EI

Dear Ms. Stauffer:

I enclose for electronic filing in the above docket the prefiled testimony and exhibits of FPL witness Gerard J. Yupp. Mr. Yupp's testimony provides and supports the information on FPL's 2013 fuel hedging results that is required by Item 5 of the Resolution of Issues approved by the Commission in Order No. PSC-02-1484-FOF-EI, Docket No. 011605-EI.

Exhibit GJY-2 to Mr. Yupp's testimony contains confidential information. This electronic filing includes only the redacted version of Exhibit GJY-2. Contemporaneous herewith, FPL will file via hand-delivery a Request for Confidential Classification.

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

Sincerely,

s/ John T. Butler
John T. Butler

Enclosure

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

**BEFORE THE FLORIDA
PUBLIC SERVICE COMMISSION**

**DOCKET NO. 140001-EI
FLORIDA POWER & LIGHT COMPANY**

MARCH 28, 2014

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

**AUGUST 2013 THROUGH DECEMBER 2013
HEDGING ACTIVITY TRUE-UP REPORT**

TESTIMONY & EXHIBITS OF:

GERARD J. YUPP

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **FLORIDA POWER & LIGHT COMPANY**

3 **TESTIMONY OF GERARD J. YUPP**

4 **DOCKET NO. 140001-EI**

5 **MARCH 28, 2014**

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 2013. This data is required
20 per Item 5 of the Resolution of Issues in Docket 011605-EI that was
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-2 – August through December
18 2013 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 2013, FPL implemented a well-disciplined, well-
3 defined and well-controlled hedging program in compliance with
4 FPL’s 2012 Risk Management Plan that was approved by the
5 Commission in Order No. PSC-11-0579-FOF-EI, issued on
6 December 16, 2011.

7 **Q. Please summarize FPL’s 2013 hedging activities.**

8 A. Consistent with its approved 2012 Risk Management Plan, FPL
9 hedged a portion of its fuel portfolio for 2013 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 2013 natural gas prices settled, on average, slightly higher
14 from the forward prices that were in effect when FPL was executing
15 its natural gas hedges for 2013. As would be expected under the
16 approved hedging approach, this increase in natural gas prices
17 resulted in reported natural gas hedging savings for the year, as
18 shown on Exhibit GJY-2. Conversely, heavy oil prices decreased
19 from the forward prices that were in effect when FPL was executing
20 its heavy oil hedges for 2013. As shown on Exhibit GJY-2, this
21 resulted in reported heavy oil hedging costs for the year.

22

1 **Q. Does your Exhibit GJY-2 provide the detail on FPL's 2013**
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.

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	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						
2						
3						
4	YEAR-TO-DATE	FIXED PRICE TRANSACTIONS				
5	(JAN - DEC) 2013	SWAPS				
6		SWING SWAPS				
7		OVER-THE-COUNTER OPTIONS				
8		BROKER FEES				
9						\$ 18,253,045
10						
11						
12		AVERAGE PERIOD OF HEDGE (Days) - FINANCIAL				

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	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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5	YEAR-TO-DATE	FIXED PRICE TRANSACTIONS				
6	(JAN - DEC) 2013	SWAPS				
7		SWING SWAPS				
8		OVER-THE-COUNTER OPTIONS				
9		BROKER FEES				
10						\$ (710,650)
11						
12		AVERAGE PERIOD OF HEDGE (Days) - FINANCIAL				

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	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-2013	FIXED PRICE TRANSACTIONS				
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6		SWING SWAPS				
7		OVER-THE-COUNTER OPTIONS				
8		BROKER FEES				
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CONFIDENTIAL

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			FPL HEAVY FUEL OIL PROCUREMENT			
			VOLUME (BARRELS)			
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4	January-2013	FIXED PRICE TRANSACTIONS				
5		SWAPS				
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7		OVER-THE-COUNTER OPTIONS				
8		BROKER FEES				
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CONFIDENTIAL

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4	February-2013	FIXED PRICE TRANSACTIONS				
5		SWAPS				
6		SWING SWAPS				
7		OVER-THE-COUNTER OPTIONS				
8		BROKER FEES				
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CONFIDENTIAL

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1						
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4	February-2013	FIXED PRICE TRANSACTIONS				
5		SWAPS				
6		SWING SWAPS				
7		OVER-THE-COUNTER OPTIONS				
8		BROKER FEES				
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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-2013	FIXED PRICE TRANSACTIONS				
5		SWAPS				
6		SWING SWAPS				
7		OVER-THE-COUNTER OPTIONS				
8		BROKER FEES				
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4	March-2013	FIXED PRICE TRANSACTIONS				
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6		SWING SWAPS				
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4	April-2013	FIXED PRICE TRANSACTIONS				
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6		SWING SWAPS				
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4	April-2013	FIXED PRICE TRANSACTIONS				
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4	May-2013	FIXED PRICE TRANSACTIONS				
5		SWAPS				
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4	May-2013	FIXED PRICE TRANSACTIONS				
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4	June-2013	FIXED PRICE TRANSACTIONS				
5		SWAPS				
6		SWING SWAPS				
7		OVER-THE-COUNTER OPTIONS				
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4	June-2013	FIXED PRICE TRANSACTIONS				
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4	July-2013	FIXED PRICE TRANSACTIONS				
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4	July-2013	FIXED PRICE TRANSACTIONS				
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4	August-2013	FIXED PRICE TRANSACTIONS				
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4	August-2013	FIXED PRICE TRANSACTIONS				
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4	September-2013	FIXED PRICE TRANSACTIONS				
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4	September-2013	FIXED PRICE TRANSACTIONS				
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4	October-2013	FIXED PRICE TRANSACTIONS				
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6		SWING SWAPS				
7		OVER-THE-COUNTER OPTIONS				
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4	October-2013	FIXED PRICE TRANSACTIONS				
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4	November-2013	FIXED PRICE TRANSACTIONS				
5		SWAPS				
6		SWING SWAPS				
7		OVER-THE-COUNTER OPTIONS				
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4	November-2013	FIXED PRICE TRANSACTIONS				
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6		SWING SWAPS				
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4	December-2013	FIXED PRICE TRANSACTIONS				
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6		SWING SWAPS				
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4	December-2013	FIXED PRICE TRANSACTIONS				
5		SWAPS				
6		SWING SWAPS				
7		OVER-THE-COUNTER OPTIONS				
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