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FPL.

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November 25, 2014

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VIA HAND DELIVERY

REDACTED

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

Re: Docket No. 140001-EI, In re: Fuel and Purchased Power Clause with Generating Performance Incentive Factor

Dear Ms. Stauffer:

Enclosed for filing in the above described docket are an original and seven (7) copies of Florida Power & Light Company's ("FPL's") Request for Confidential Classification of the Deposition Transcript of Sam Forrest. The original includes Exhibits A, B (two copies), C and D. The seven copies do not include copies of the Exhibits.

Exhibit A consists of the confidential material that FPL asserts is entitled to confidential treatment and has been highlighted. Exhibit B is an edited version of Exhibit A, in which the information FPL asserts is confidential has been redacted. Exhibit C is a justification table in support of FPL's Request for Confidential Classification. Exhibit D contains one affidavit in support of FPL's Request for Confidential Classification. Also included in this filing is a compact disc containing FPL's Request for Confidential Classification and Exhibit C, in Microsoft Word format.

Please contact me if you or your Staff has any questions regarding this filing.

Sincerely,

Scott A. Goorland

Enclosure
cc: Counsel for Parties of Record (w/Request for Confidential Classification)

COM ____
AFD 2 +CD +Redacted
APA 1
ECO 1
ENG 1
GCL 1
IDM 1
TEL ____
CLK ____

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Fuel and Purchased Power Clause with Generating Performance Incentive Factor	Docket No: 140001-EI Date: November 25, 2014

FLORIDA POWER AND LIGHT COMPANY'S REQUEST FOR CONFIDENTIAL CLASSIFICATION OF THE DEPOSITION TRANSCRIPT OF SAM FORREST

Pursuant to Section 366.093, Florida Statutes (2013), and Rule 25-22.006, Florida Administrative Code (2013), Florida Power & Light Company ("FPL") submits its Request for Confidential Classification of the certain material provided in the deposition transcript of the November 13-14, 2014 deposition of FPL witness Sam Forrest in this proceeding (the "deposition transcript"). In support of its request, FPL states as follows:

1. On November 20, 2014, FPL filed with the Clerk of the Florida Public Service Commission ("Commission") the deposition transcript. The deposition transcript contains information of a confidential nature, which is proprietary confidential business information within the meaning of Section 366.093(3), Florida Statutes. As such, also On November 20, 2014, FPL filed a Notice of Intent to Request Confidential Classification of the deposition transcript. Pursuant to Rule 25-22.006(3)(a), Florida Administrative Code, FPL has 21 days from the date of the Notice of Intent to file a formal request for confidential classification. Accordingly, FPL is filing this Request for Confidential Classification to maintain continued confidential handling of the information contained in the deposition transcript.

2. The following exhibits are included with, and made part of this request:

a. Exhibit A consists of a copy of the confidential material on which all information that FPL asserts is entitled to confidential treatment has been highlighted.

b. Exhibit B consists of the confidential material, on which all information that FPL asserts is entitled to confidential treatment has been redacted.

c. Exhibit C is a table containing a column-by-column and line-by-line identification of the information for which confidential treatment is sought and references to the specific statutory basis or bases for the claim of confidentiality and to the affidavits in support of the requested classification.

d. Exhibit D consists of the affidavit of Sam Forrest.

3. FPL submits that the highlighted information in Exhibit A is proprietary and confidential business information within the meaning of Section 366.093(3). F.S. This information is intended to be and is treated by FPL as private, and its confidentiality has been maintained. Pursuant to Section 366.093, F.S., such information is entitled to confidential treatment and is exempt from the disclosure provisions of the public records law. Thus, once the Commission determines that the information in question is proprietary confidential business information, the Commission is not required to engage in any further analysis or review such as weighing the harm of disclosure against the public interest in access to the information.

4. As the affidavit included in Exhibit D indicates, the documents and materials included in Exhibits A and B, and identified in Exhibit C contain proprietary confidential

business information, including information concerning bids or other contractual data. Disclosure of this information would violate nondisclosure provisions of FPL's contracts with certain vendors and impair the efforts of FPL or its affiliates to contract for goods or services on favorable terms. This information is protected by Section 366.093(3)(d), F.S. In addition, this information relates to competitive interests, the disclosure of which would impair the competitive business of FPL, its affiliates or its vendors. Specifically, the documents contain information regarding gas reserves estimates, projected economics and other terms. The disclosure of this proprietary confidential business information would provide other participants in the fuel and financial markets insight into FPL's hedging practices that would allow them to anticipate FPL's trading decisions and impair FPL's ability to negotiate for these commodities, to the detriment of FPL and its customers. Disclosure of this information would also place FPL at a competitive disadvantage when coupled with other information that is publicly available. Such information is protected pursuant to Section 366.093(3)(e), F.S.

5. Upon a finding by the Commission that the information highlighted in Exhibit A, and referenced in Exhibits B, C and D is proprietary confidential business information, the information should not be declassified for a period of at least eighteen (18) months and should be returned to FPL as soon as it is no longer necessary for the Commission to conduct its business. *See* § 366.093(4), Fla. Stat.

WHEREFORE, for the above and foregoing reasons, as more fully set forth in the supporting materials and affidavits included herewith, Florida Power & Light Company respectfully requests that its Request for Confidential Classification be granted.

Respectfully submitted this 25th day of November, 2014.

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and General Counsel - FPL
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By: Nanci Nesmith
for Scott A. Goorland
Florida Bar No. 0066834

CERTIFICATE OF SERVICE
Docket No. 140001-EI

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by hand delivery (**) or electronic service on this 25th day of November, 2014 to the following:

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By: Janice NeSmith
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EXHIBIT B

REDACTED COPIES

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 140001-EI

FILED: October 25, 2014

IN RE: FUEL AND PURCHASED POWER
COST RECOVERY CLAUSE WITH
GENERATING PERFORMANCE INCENTIVE
FACTOR
_______________________________/

Florida Power & Light Company
700 Universe Blvd.
Juno Beach, Florida
November 13, 2014
2:10 p.m. - 6:15 p.m.

CONFIDENTIAL DEPOSITION OF SAM FORREST

VOLUME 1

Taken on behalf of the Alice Teslicko before Alice J. Teslicko, RMR, Notary Public in and for the State of Florida at Large, pursuant to a Notice of Taking Deposition in the above cause.

We do have a little bit of flexibility in terms of how we do that from a timing perspective. Nothing prescribes that we have to buy this much gas today. So we have a little bit of flexibility within a month, depending on what circumstances may be existing in the marketplace at a given time.

If we have a hurricane in the Gulf of Mexico, it's probably not the greatest time to be hedging. So we're paying attention to what's happening to prices. It's just, again, layering in.

So we got a very prescribed hedge at [redacted] percent of our volumes for a given year and within that [redacted] percent, again, we sort of layer it in as the year goes by. So that's the hedging program we have today.

The variability is sort of the timing of when you are purchasing those hedges, the fixed price piece of it. That's the product we're using. We're using a fixed price swap.

Q. Okay. Now, just to clarify what is a rather simplistic question, but I'm going to put it on the record anyway, when you pay whatever the dollar is for the amount of gas, isn't the amount of gas fixed to that price?

Say it's $5 for X amount. If you don't pay, in terms of your high level review of the project.

A. Sure. So with respect to the Woodford project itself, if we're analyzing an individual well to determine whether we want to consent or not consent into that well, if costs have been increasing, the rights that we have within the contract obviously would allow us to non-consent to a given well if cash price -- or excuse me, if the production costs have grown to a level that we're no longer comfortable with or it no longer shows as being economical against the forward curve. We could non-consent to that.

If there's [redacted] we would be let out of kind of the non-consent, if you will, in terms of maintaining this obligation to have 15 minimum wells.

So there are some constructs built into the contract which allow us some leeway in terms of Petroquest managing this contract appropriately.

With respect to the overall project, you know, as we view it today under a number of different scenarios, we view this as being beneficial for customers. The first couple of wells that have been proposed actually have come in at a lower cost, at least on a proposed basis, than what was originally incredibly beneficial for customers to drill that well.

So I don't think there's a black and white response to the question. It has to be really done on a case-by-case basis to understand the circumstances at the time the decision is made.

Q. Do you anticipate under the proposed guideline -- is FPL going to restrict itself to looking at projects where it has the consent/non-consent options like it does under Woodford or is that not an absolute requirement?

A. [redacted]

I don't think any two transactions will be identical. It's two counter parties negotiating, and so there are no guarantees in that, but [redacted]

Q. In the Woodford project again as a whole, are the production levels of natural gas fixed or guaranteed in any way?

A. The production levels?

Q. Yes.

to help offset that risk.

The other type of risk they deal with is the fact that gas prices can and do move up and down over time. We're hedging out right now through the end of 2015. Again, we've hedged about [redacted] percent of our supply for 2015. Our customers are in pretty good shape. So if gas prices increase, we have a good percentage of the fuel hedged and so they've got protection. But if gas prices increase in '16 and '17 and '18, there is no protection for them.

So, you know, as you look at what's happening with gas prices over time, our customers have a hundred percent exposure to whatever those prices do in the long run, and so with that we approach the Woodford project and projects like it, as we have looked at this for the last couple of years, with the intent of trying to diversify our price portfolio away from just market prices that tend to fluctuate, in some cases extreme, and decouple that and tie it closer to the cost of production.

Q. So that was the current risk FPL's customers face regarding fuel. Again, when you were preparing the testimony both for direct and rebuttal for this Woodford project, did you realize there could be

I started back in 2011. We looked at a number of different opportunities over the last several years in an effort to sort of further this idea of investing in gas reserves.

We first heard about a transaction back in 2011 that piqued our interest in terms of a way to diversify our portfolio and so we began to have discussions with a number of counter parties. Those counter parties ranged in size from, you know, we'll call it [redacted] at the top and you know, very small -- you know, [redacted] and other smaller players at the bottom and several in between.

Some of those counter parties we had very constructive conversations with, exchanged a lot of information back and forth. A lot of data was provided.

We did some analysis on it, determined ultimately that the transaction wasn't feasible or we had a third party petroleum engineering firm review the reserve information and maybe there was a disconnect and how that worked. We also had a number of counter parties that just weren't willing to go through this regulatory process and wait for the regulatory lag.

Our affiliate, U.S. Gas -- I'll just call companies.

So you know, at various times any one of those individuals could have been having a conversation, again, with anybody from [redacted] on down about potential opportunities for gas reserves.

Q. But it was just your unit? In that story the "we" was your --

A. Right, energy Marketing and Trading.

Q. So in terms of the "we", to use a bad analogy, you are essentially the top dog of that "we" that was going around talking to other groups?

A. I think it was a great analogy.

Q. It doesn't read well in the record.

A. No, that's accurate.

Q. When did FPL first consider the Woodford project?

I'm speaking about FPL specifically, not USG. When did it come on FPL's radar, so to speak?

A. I don't know that I can recall a specific time frame. Earlier this year, in probably the late first quarter time frame, give or take. I can't remember specifically when it was.

I'm sorry, we're talking about the Petroquest?

Q. Yes, the Petroquest Woodford project

A. We would have very happily have gone to the Commission with the -- the company was [redacted]. We would have happily gone to the Commission with [redacted], but at very last minute -- and I do mean at the last minute -- at their board approval one board member was unwilling to vote for the transaction and started to gain some consensus on the board.

I wasn't there, so I'm not sure how it occurred, but they decided not to sign the agreement with us and I mean, it stopped immediately thereafter.

Q. Now, you just said you weren't there. Did you get briefed on what happened? Did you have any understanding at all?

A. Just a very quick briefing that there was a particular board member that was not supportive of the transaction, and that was that.

Q. Was it [redacted] who was the board member who was not supportive of the proposal; do you know that?

A. I don't believe it was [redacted].

Q. With [redacted], had you begun to prepare draft testimony, exhibits, a Forrest A. Garb type analysis? Did you have that in the works at the time that fell through?

A. I'd have to go back and check my records in terms of the timing of all of that. We had put together some very high level thoughts around how a petition and how a supporting discovery -- or excuse me, supporting testimony would look, but I'm not sure where we stood in that process.

Q. Given [redacted] as an example, why should the Commission not have a concern that there could be an excessive risk in the stability of the exploration and production partners that FPL chooses or even the situation itself?

So given that predicate, it was almost through the door, we didn't make it through the door and switched to another one, why should the Commission not have a concern that that could happen frequently?

A. Well, I guess I would say that I don't think that decisions made at the boards are necessarily -- you know, are only with smaller companies. They happen with bigger companies all the time.

I think that perhaps the [redacted] transaction not happening may have been a good thing, may have been a blessing in disguise, for all we know. But you know, the truth of the matter is once the transaction is approved and we're all committed, then we're moving forward.

I'm not sure there's a risk that the Commission should have with respect to that type of thing happening after the fact, and in fact, if it does, we do have step-in rights and other remedies within the contract to insert a new operator should something happen there.

So there are rights within the contract that we have negotiated that give us the protection that we need in order to ensure that the agreement moves forward.

Q. Now, is [redacted] still a potential FPL investment partner?

A. I would say no. I can't say that definitively, but I would say not at this point.

Q. Does NextEra have any active working investments with [redacted] now through USG or those affiliate cousin type -- and I know yesterday we looked at the org chart and called them "cousins."

So using that term, does NextEra have any working investments with [redacted] through USG or those types of cousins?

A. I'm not aware of any.

Q. If you don't know, that's fine.

A. I'm not aware of any.

Q. I think you touched on it as part of another

Q. Do you not know at this time or did you ever encounter that kind of information in your analysis and didn't commit it to memory or have you never encountered information regarding that ever?

A. I personally have not had that.

Q. Do you know Petroquest's percentage for completing wells on time?

A. I do not know.

Q. Do you know PetroQuest's percentage for completing jobs in or under budget?

A. I personally do not know that.

Q. I'd like to look at the drilling plan you have as part of your Exhibit SF-4.

A. Okay.

Q. It's listed as Exhibit D. It's technically Pages 60 and 61 of Exhibit SF-4.

A. I have it.

Q. So we've got two charts here, rig one and rig two?

A. Correct.

Q. We have some drill dates. For example, I'm looking at the one for rig one. It's got a drill date, first line, of [redacted] with a completion date of [redacted] and then it goes into other data that tells us when it's rigging.

Is Petroquest on schedule for these two drilling development plans?

A. No, they are not.

Q. Let's just look at -- we'll do one at a time. So I'll do the one on Page 60 first. I guess I'm just going to go down line by line.

Are they on time with the drill date of [redacted]? Were they on time with that one, the first one?

A. I don't believe so.

Q. You don't believe so, okay. I guess I could ask it this way, because I want to be clear on the record.

A. Sure.

Q. In theory, up until today [redacted] wells should have been spudded or started drilling; would you agree with that?

A. That's correct.

Q. Of those [redacted], how many have been started?

A. I believe the answer is [redacted].

Q. [redacted], okay. Do you know which [redacted]?

A. I specifically do not.

Q. So [redacted] out of the [redacted]?

A. Correct.

Q. Now I'm looking at the one on Page 61.

So again, looking at that chart, we've got [redacted] that should have started drilling by today or should have been spudded?

A. Right.

Q. What do you have on those [redacted]; are those on time?

A. They have not started [redacted]. They have not acquired a rig, which I guess I would suggest both in the case of Page 60 and Page 61, [redacted] is due to the fact they're looking for a rig that meets their needs, rather than just going out and acquiring any old rig to go out and start drilling.

They want to make sure they got something that meets their needs in terms of being able to meet efficiently, in stepping through this, in a fashion that is to their standard.

There's some other -- in the case of the delay on rig one, there was also some land issues that they were taking care of which caused a couple-week delay, to my knowledge.

Q. In terms of land issues, could you please tell us any details that you know about whatever caused that delay with land issues?

drill. Under the terms of the DDA or as FPL, you wanted them to drill and you thought they were drilling, now they're not, what are FPL's remedies?

A. [redacted]

Q. [redacted]

A. [redacted]

Q. [redacted]

Q. So the light lines are covering actual production of individual existing wells.

When you look at this chart, what is your understanding of how many years of actual production data we have or you had to rely upon?

A. Well, Dr. Taylor would have been the one that would have relied upon it. My understanding is there would be -- again subject to check -- four or five years or so of actual data from it.

Again, subject to check. I'm not sure of the exact life of those wells.

Q. Now, why do you think it would be four to five years of production data?

A. I'm assuming 17 of the wells were drilled as part of the original agreement -- I believe again subject to check -- between Petroquest and USG, which started in 2010.

Q. So you're basing it on the assumption of the time frame when USG Petroquest started, not some other information you have; is that an accurate statement?

A. Again, yeah, subject to check.

Q. When you looked at the [redacted] project earlier in here, did you rely only on four to five years of production data in that one?

A. I didn't see any of the data with respect to the [redacted] transaction, at least to this level of detail, so I'm not sure what was being relied upon.

We actually utilized another petroleum engineering company called LaRoche to do the initial analysis, if I remember correctly, and then Dr. Taylor was involved as well, but I'm not sure exactly what history of data was used or the quality of data that was.

Q. Now, in your testimony on Page 33 of your direct you mentioned that FPL retained Forrest A. Garb & Associates to do a confirmatory analysis of Dr. Taylor's data, is that correct, starting on Line 9?

A. I'm sorry, what page are we on?

Q. 33, Line 9, in that answer.

A. Yes.

Q. Was it your decision to use Forrest A. Garb & Associates to analyze the data?

A. It was not my decision, no.

Q. Whose decision was it to pick Forrest A. Garb?

A. It was at the recommendation of USG, given Forrest Garb's experience in the Woodford.

Q. Did FPL consider any other entities or did they go with USG's recommendation?

A. So it's a physical transaction? I do agree that it does provide a long term physical hedge. I do agree with that. I would say that they are -- long term fixed price physical contracts are something that we have not seen in the marketplace.

We have had discussions with counter parties about those types of activities. They are just not something that's readily available. Part of the issue is you have the larger players -- again, I've used [redacted] a couple of times. They're a very large part of our portfolio. [redacted] is somebody that takes prices as they come, so they don't hedge themselves. They don't lock in long term -- my understanding -- long term fixed price contracts.

That's somebody that I would be comfortable with doing a longer term transaction like that with, because they're a great credit counter party.

If you were to look at small players in the marketplace, even somebody of the size of Petroquest to do a long term physical transaction, there is a significant amount of collateral risk in that type of a transaction, in that I've got somebody who has committed to sell me gas at a fixed price over a long term period of time, but I've got to ensure that they are going to be there for the entire point of that delivery.

So that raises the issue of credit and how credit is supported, and smaller companies like that, they just can't afford the collateral requirements that it would require.

Q. And for the Woodford gas reserve project the cost of production would be the price FPL pays for gas?

A. For the Woodford project we effectively are going to calculate revenue requirements. So we'll invest a hundred and -- let's call it within the non-consent case. So in the base case that we presented roughly $191 million of capital. We'll calculate the revenue requirements based on that $191 million.

So based on the depreciation schedule it's roughly, subject to check, somewhere in the neighborhood of about [redacted] or so percent of the overall capital as kind of the first year revenue requirement. So something around [redacted] or $[redacted] million are the first year revenue requirements.

The way that we would calculate the effective cost of that gas would be to look at the amount of gas we're receiving, divided by our revenue requirements. That would give you an effective cost of gas.

So in the case of -- if you look at SF -- sorry, SF-8, if you have that in front of you, I'll kind of walk you through that math.

Q. Yes, I have it.

A. You appear to have the redacted version of that.

Q. Yes, because they don't trust me.

A. I'll walk you through the first line there.

So in the case of annual production, there's 15.6 billion cubic feet of gas to be delivered in year one. Step over to column F, which is the revenue requirement of $[redacted] million, those are the revenue requirements, which is all the operating expenses, the depreciation, return of and return on capital, all right. So you come up with a $[redacted] million revenue requirement in year one.

You take [redacted] -- you would take the $[redacted] million number, you would divide that by the 15.6 billion cubic feet, and that gives you $3.48 as an effective cost, which is Column G.

So when we talk about what's the cost, what we've done is calculated an effective cost. The real cost is the revenue requirement.

Is that clear?

Q. Yes. And the same analysis would be true for the gas reserve projects covered under the guidelines?

A. That is correct, yes.

Q. Is the cost of production from a gas reserve project fixed or can it vary?

A. There can be some variation to it. That variation would be dependent upon obviously production costs, the amount of production that you receive.

So again, if we go back to that same example that I was giving you before and let's say that instead of 15.6 billion cubic feet that you see there in Column B, let's say that in year one it produced 16 billion cubic feet, but all other things being equal, your effective cost would go down by just a little bit, right, because you're dividing now the $[redacted] million revenue requirement by 16 billion cubic feet, which gives you something probably closer to $3.46 or $3.45, wherever that number ends up being.

So there's some potential for a little bit of variation in this, but it's a very stable -- again, understanding the quality of data that we have that was used to assess the Woodford project -- a testimony.

A. Yes, ma'am. Okay, you're talking about direct?

Q. Excuse me one second. Yes, direct, I'm sorry.

Forget that. Strike that.

If you could go to Page 18 of your direct testimony, Lines 22 to 23 and then continuing on to Page 19, Lines 1 and 2. Where it states that:

"Several counter parties were not interested in a joint venture under the terms FPL required to assure savings for FPL customers or were unwilling to wait the time necessary to complete the regulatory process," can you please explain the specific terms FPL required to assure savings for FPL customers?

A. Certainly.

So the Woodford project is probably a good example and we can talk a little bit about how that may apply to other counter parties we were discussing.

So in the Woodford project we're paying effectively [redacted] of the costs to receive [redacted] of the working interest or of the gas. So that [redacted] delta, so the [redacted] to [redacted], that [redacted] delta is considered a carry.

That carry is very common in these types of transactions and it's meant to compensate the operator -- in this case Petroquest -- for the actions that they have taken to date. They've acquired the land, they have the expertise, they have further techniques to improve the efficiencies of the drilling activities. They've gone out and hired the talent, they've gone out and acquired the rig. So they're being compensated for everything that they have done to date, as well as to incent them to participate in this process.

Negotiating carry is a very common and standard part of this entire process when somebody like a Florida Power & Light as a non-operator, if you will, is trying to get involved with somebody that's going to operate the activity.

So carry that to some of the other conversations that we had with counter parties. In a lot of cases we may have required a much lower carry, and perhaps it was not a [redacted] cost for [redacted] of the working interest and maybe it was more like [redacted] cost for [redacted] of the working interest, and the math just didn't work for both sides, so they wanted a higher premium. They were looking for [redacted] or [redacted] or whatever the number might be for a [redacted] working interest on our part, and from our perspective it didn't produce the customer savings.

So when I talk about the ultimate terms that we're trying to negotiate, it was around that carry and some of the terms that would impact ultimately our economics and the counter party's economics. So we just couldn't come to an agreement.

In other cases we may have come to an agreement and then brought in a third party independent evaluator like a LaRoche or a Four Star or somebody to evaluate it, and when they began to look at the company's type curves and their seismic data and that kind of stuff it just didn't prove out. It just wasn't -- you know, we just couldn't get comfortable with the data they had provided.

So those are sort of some of the things that we saw along the way as we were negotiating some of these terms. But primarily it was the issue of carry and what the counter parties' expectations were versus what we were willing to pay in order to ensure a meaningful level of customer savings.

Q. Are the customer savings guaranteed under FPL's proposal for its investments in the gas reserve projects?

this amount."

A. I would have to check. Subject to check, I don't know.

Q. Can you get that into a late filed exhibit?

A. So just to make sure I understand your question, ask it again for me, please.

Q. All right. The guideline ID states that: "FPL would not obligate itself to invest more than a certain amount in the aggregate on gas reserve projects over the course of any one calendar year."

A. Right.

Q. What is the relative percentage of capital versus expense in that amount?

A. So if I can partially answer your question, the $750 million is a capital amount. That is meant to be capital. Now, obviously we're not asking for recovery of $750 million in one year. There's revenue requirements associated that would be calculated based on that.

So if you used the Woodford project as an example, you're probably talking, you know, [redacted] -- bear with the math, it's just a sort of a rough example -- but [redacted] million of revenue requirements in that first year.

Now, you have customer savings above and

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 140001-EI

FILED: October 25, 2014

IN RE: FUEL AND PURCHASED POWER
COST RECOVERY CLAUSE WITH
GENERATING PERFORMANCE INCENTIVE
FACTOR
_________________________________/

Florida Power & Light Company
700 Universe Blvd.
Juno Beach, Florida
November 14, 2014
8:05 a.m. - 10:50 a.m.

CONFIDENTIAL DEPOSITION OF SAM FORREST

VOLUME 2

Taken on behalf of the Alice Teslicko before Alice J. Teslicko, RMR, Notary Public in and for the State of Florida at Large, pursuant to a Notice of Taking Deposition in the above cause.

or gross negligence and to the extent that those costs aren't covered by an insurance policy.

So in the case of say personal injury, PetroQuest will have an insurance policy, an individual personal injury policy as well as an umbrella policy that will cover all of the working interest owner rights.

So to the extent that the costs aren't covered through those insurance policies, then yes, they would be passed through.

Q. You would agree the insurance arrangements are set forth in the agreement, correct?

A. The policies themselves which are required are set forth in the agreement. The actual policies themselves I have not seen.

Q. Okay. So on Page 18 of 78 of this document --

A. Correct.

Q. [redacted] would you read into the record that provision, please?

A. Sure. [redacted]

[redacted]

Q. Okay. Where is the applicable operating agreement?

A. They are -- the applicable operating agreement is an attachment to this document that is negotiated between the operator and non-operator to govern operations through drilling and then, you know, for however long is gas is flowing through the operations of that.

Then it does define the joint operating agreement -- does define what types of insurance are required. So it's negotiated after this document.

Q. Would you show it to me, where it is in your agreement in SF-4, please?

A. It is not included in this document.

Q. So the applicable operating agreement is not part of this document?

A. I'll defer to my attorneys. It is. I'm not sure why it's not included here.

Q. Because what I found was on Page 78 of 78, Exhibit G, there's a place that says "Formal operating agreement, see attachment."

A. Right.

that's been done to develop the property, the risk that they've taken for the land work they've done, or any previous drilling that they've done on the site to enhance drilling opportunities.

So they've received the carry and they will essentially get [redacted] of the working interests in the property in exchange for essentially [redacted] of the costs.

So for them this is an opportunity for them to drill acreage that they already have that they may not have otherwise focused on as a result of the premium that's being paid. So for them it's just a further expansion of their business, allows them to allocate their capital in other places that may have interest to them as well.

So from their perspective this is right in line with their business model. They are a gas operator.

Q. Would it be fair to say it may help them finance the operations?

A. It may help them finance these operations, as well as others, by being able to deploy their capital elsewhere.

Q. Does it potentially help insulate them from some market risk as well?

We have had conversations previously with counter parties that are not interested in doing it, if we're talking about physical supply.

Q. Right.

A. So if I wanted to buy a long term physical supply position from you at a fixed price, say five years or ten years or whatever that number is, there are very few counter parties out there --

Q. [redacted], we talked about yesterday.

A. [redacted] is somebody that --

Q. Maybe can do it. But also --

A. They can do it, but they have no interest in doing it.

Q. Same question, you were asked about hedges. You said, hey -- as I understood your answer you said people don't do long term hedges at fixed price because of the credit consequences of it, right?

A. Yeah. So to break it into the two components of it, you have a physical fixed price hedge and the financial fixed price hedge.

On the physical side of the marketplace the counter parties that might be willing to do it are counter parties that I would not be comfortable with from a credit profile perspective. You're talking about in some cases a non-investment grade entity.

place to start and then kind of explain why I think it's different.

So if we do a fixed price physical transaction with some counter party, whoever that might be -- again, with the caveat that we haven't found any in the marketplace available and I'm not sure I would do one anyway with a counter party that might be willing to do one, just because of the credit risk. We have added a tremendous amount of risk to the portfolio.

If I did a transaction with you at $4.00 a BTU for a 10-year period and gas prices go to $7.00, you're going to be posting a tremendous amount of collateral to me as a result of that to protect my position, because I'm way into the money and I've got no assurance that you'll be able to deliver that. I mean, you're probably talking about an entity that is a B rated entity. There's a tremendous amount of exposure on that.

Again, I don't think that anybody is willing to offer that, but that's the corollary. The risk is counter party risk in this particular case.

What we are offering our customers is saying let's go to 2016, because in 2015 we've hedged about [redacted] of our overall order flow. So our customers are fairly protected with the vast majority of the market risk that exists. There's still that other [redacted] of the market that can obviously go up and down and will go up and down. 2016 and beyond they're completely exposed to the marketplace.

So for 50 years -- I mean, as far as you can see we're going to be buying natural gas in some form. Over the near term it tends to ramp up. So we're probably projecting about probably 600 billion cubic feet by the end of the decade. They are exposed to every single market move that happens during that period for all of that gas.

Q. "They" being ratepayers?

A. "They" being our customers. They are completely exposed to whatever happens and that's from now until forever, until we stop buying natural gas sometime in the future.

Q. I'm sorry?

A. I was going to say, this is an opportunity for just a small fraction of that.

Again, remember, at the very peak of this production profile it's about 2.7 percent of our daily needs. It ramps up pretty quickly again because of the depletion of the wells. But at the absolute max it's about 2.7 percent of our daily

EXHIBIT C

COMPANY: Florida Power & Light Company
TITLE: Confidential Deposition of Sam Forrest
DOCKET TITLE: Fuel and Purchase Power Cost Recovery Clause and Generating Performance Incentive Factor
DOCKET NO.: 140001-EI
DATE: November 25, 2014

Document	Conf Y/N	Page Number	Line/Column	366.093 (3) F.S.	Affiant
Sam Forrest Deposition	Y	20	Lines 12 - 13	(d), (e)	Sam Forrest
	Y	23	Lines 12 - 14	(d)	Sam Forrest
	Y	25	Lines 12 - 15 Lines 18 - 20	(d)	Sam Forrest
	Y	35	Line 5	(d), (e)	Sam Forrest
	Y	40	Lines 10 - 11	(e)	Sam Forrest
	Y	42	Line 4	(e)	Sam Forrest
	Y	47	Lines 2 - 3 Line 18 Lines 21 - 22	(e)	Sam Forrest
	Y	48	Line 7 Line 20	(e)	Sam Forrest
	Y	49	Line 11 Line 16 Line 20	(e)	Sam Forrest
	Y	52	Lines 23-24	(d)	Sam Forrest
	Y	53	Line 8 Line 15 Lines 19 – 21 Line 23	(d)	Sam Forrest
	Y	54	Line 2 Line 5 Line 7 Lines 9 - 11	(d)	Sam Forrest
	Y	65	Lines 4 - 25	(d)	Sam Forrest

Document	Conf Y/N	Page Number	Line/Column	366.093 (3) F.S.	Affiant
Sam Forrest Deposition	Y	89	Line 22	(e)	Sam Forrest
	Y	90	Line 1	(e)	Sam Forrest
	Y	115	Lines 10 - 11	(e)	Sam Forrest
	Y	116	Line 19 Line 21	(d), (e)	Sam Forrest
	Y	117	Line 14 Lines 18 - 20	(d), (e)	Sam Forrest
	Y	118	Line 18	(d), (e)	Sam Forrest
	Y	122	Lines 22 - 25	(d), (e)	Sam Forrest
	Y	123	Lines 20 - 22 Line 25	(d), (e)	Sam Forrest
	Y	124	Line 1	(d), (e)	Sam Forrest
	Y	145	Line 21 Line 23	(e)	Sam Forrest
	Y	182	Line 19 Lines 21 - 25	(d)	Sam Forrest
	Y	183	Lines 1 - 3	(d)	Sam Forrest
	Y	205	Line 6 Line 8	(d), (e)	Sam Forrest
	Y	221	Lines 9 & 10	(e)	Sam Forrest
	Y	233	Line 25	(d), (e)	Sam Forrest
	Y	234	Line 3	(d), (e)	Sam Forrest

EXHIBIT D

EXHIBIT D
BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

Fuel and purchased power cost recovery clause with generating performance incentive factor

Docket No: 140001-EI

STATE OF FLORIDA)
)
COUNTY OF PALM BEACH)

AFFIDAVIT OF SAM FORREST

BEFORE ME, the undersigned authority, personally appeared Sam Forrest who, being first duly sworn, deposes and says:

1. My name is Sam Forrest. I am currently employed by Florida Power & Light Company ("FPL") as Vice President of the Energy Marketing and Trading ("EMT") Business Unit. My business address is 700 Universe Blvd., Juno Beach, Florida, 33408. I have personal knowledge of the matters stated in this affidavit.

2. I have reviewed Exhibit C and the documents that are included in Florida Power & Light Company's ("FPL") Request for Confidential Classification concerning information provided in my depositions regarding gas reserves for which I am identified on Exhibit C as the affiant. The documents and materials that I have reviewed (Confidential Deposition of Sam Forrest Volumes 1 and 2) contain proprietary confidential business information, including information concerning bids or other contractual data, the disclosure of which would impair the efforts of FPL or its affiliates to contract for goods or services on favorable terms. Disclosure of this information would violate nondisclosure provisions of FPL's contracts with certain vendors and impair the efforts of FPL or its affiliate to contract for goods or service on favorable terms. In addition this information relates to competitive interests, the disclosure of which would impair the competitive business of FPL, its affiliates or its vendors. Specifically, the documents contain information regarding gas reserves estimates, projected economics and other terms. The disclosure of this proprietary confidential business information would provide other participants in the fuel and financial markets insight into FPL's hedging practices that would allow them to anticipate FPL's trading decisions and impair FPL's ability to negotiate for these commodities, to the detriment of FPL and its customers. Disclosure of this information would also place FPL at a competitive disadvantage when coupled with other information that is publicly available. To the best of my knowledge, FPL has maintained the confidentiality of these documents and materials.

3. Consistent with the provisions of the Florida Administrative Code, such materials should remain confidential for a period of not less than eighteen (18) months. In addition, they should be returned to FPL as soon as the information is no longer necessary for the Commission to conduct its business so that FPL can continue to maintain the confidentiality of these documents.

4. Affiant says nothing further.

[signature]
Sam Forrest

SWORN TO AND SUBSCRIBED before me this 25th day of November 2014, by Sam Forrest who is personally known to me or who has produced ——— (type of identification) as identification and who did take an oath.

[signature]
Notary Public, State of Florida

My Commission Expires:

MARITZA MIRANDA-WISE
MY COMMISSION # FF 002868
EXPIRES: May 30, 2017
Bonded Thru Notary Public Underwriters