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April 3, 2017

-VIA ELECTRONIC FILING -

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

Re: Docket No. 170001-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 2016 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-3 to Mr. Yupp's testimony contains confidential information. This electronic filing includes only the redacted version of Exhibit GJY-3. 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.)

CERTIFICATE OF SERVICE
Docket No. 170001-EI

I **HEREBY CERTIFY** that a true and correct copy of the foregoing has been furnished by electronic service on this 3rd day of April 2017 to the following:

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By: s/ John T. Butler
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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

**DOCKET NO. 170001-EI
FLORIDA POWER & LIGHT COMPANY**

APRIL 3, 2017

**LEVELIZED FUEL COST RECOVERY
AND CAPACITY COST RECOVERY**

**JANUARY 2016 THROUGH DECEMBER 2016
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. 170001-EI**

5 **APRIL 3, 2017**

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 this docket?**

15 A. Yes.

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

17 A. The purpose of my testimony is to present data on FPL's hedging
18 activities, by month, for calendar year 2016. This data is required
19 per Item 5 of the Resolution of Issues that was approved by the
20 Commission in Order No. PSC-02-1484-FOF-EI, issued on October
21 30, 2002, which states:

22 5. Each investor-owned utility shall provide, as part of its final
23 true-up filing in the fuel and purchased power cost recovery

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

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

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

14 A. Yes. I am sponsoring Exhibit GJY-3 –2016 Hedging Activity True-
15 Up (Pages 1 through 13).

16 **Q. Does your Exhibit GJY-3 provide the detail on FPL's 2016**
17 **hedging activities required by Item 5 of the Resolution of**
18 **Issues?**

19 A. Yes. All hedging activity details required by Item 5 of the Resolution
20 of Issues are included on pages 1 through 13 of Exhibit GJY-3.

21 **Q. Please describe FPL's hedging objectives.**

22 A. Consistent with the guiding principles described in Section IV of the
23 Hedging Order Clarification Guidelines, the primary objective of

1 FPL's hedging program is to reduce the impact of fuel price volatility
2 in the fuel adjustment charges paid by FPL's customers. FPL does
3 not execute speculative hedging strategies aimed at "out guessing"
4 the market. For natural gas purchases in 2016, FPL implemented a
5 well-disciplined, well-defined and well-controlled hedging program in
6 compliance with FPL's 2015 Risk Management Plan that was
7 approved by the Commission in Order No. PSC-14-0701-FOF-EI
8 issued on December 19, 2014.

9 **Q. Please summarize FPL's 2016 hedging activities.**

10 A. Consistent with its approved 2015 Risk Management Plan, FPL
11 hedged a portion of its natural gas fuel portfolio for 2016 utilizing
12 financial swaps.

13
14 Overall, actual 2016 natural gas prices settled, on average,
15 approximately \$0.62 per MMBtu lower than the forward prices that
16 were in effect when FPL was executing its financial swaps for 2016.
17 As would be expected under the approved hedging approach, this
18 decrease in natural gas prices resulted in reported natural gas
19 hedging costs for the year of \$223,649,160, as shown on Exhibit
20 GJY-3.

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

22 A. Yes, it does.

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3	<u>PERIOD</u>	<u>INSTRUMENT</u>	VOLUME (MMBTU)	FPL NATURAL GAS PROCUREMENT	OPTION PREMIUMS	SAVINGS/(COSTS)
4	YEAR-TO-DATE	FIXED PRICE TRANSACTIONS	PURCHASES	SALES		
5	(JAN - DEC) 2016	SWAPS				
6		OVER-THE-COUNTER OPTIONS				
7		BROKER FEES				
8						
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10						
11		AVERAGE PERIOD OF HEDGE (Days) - FINANCIAL				
12						\$ (223,649,160)

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3	<u>PERIOD</u>	<u>INSTRUMENT</u>	VOLUME (MMBTU)	FPL NATURAL GAS PROCUREMENT		
4	January-2016	FIXED PRICE TRANSACTIONS	SALES	OPTION PREMIUMS		
5		SWAPS				
6		OVER-THE-COUNTER OPTIONS				
7		BROKER FEES				
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3	<u>PERIOD</u>	<u>INSTRUMENT</u>	VOLUME (MMBTU)	FPL NATURAL GAS PROCUREMENT		
4	February-2016	FIXED PRICE TRANSACTIONS	SALES	OPTION PREMIUMS		
5		SWAPS				
6		OVER-THE-COUNTER OPTIONS				
7		BROKER FEES				
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3	<u>PERIOD</u>	<u>INSTRUMENT</u>	VOLUME (MMBTU)	FPL NATURAL GAS PROCUREMENT		
4	March-2016	FIXED PRICE TRANSACTIONS	SALES	OPTION PREMIUMS		
5		SWAPS				
6		OVER-THE-COUNTER OPTIONS				
7		BROKER FEES				
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3	<u>PERIOD</u>	<u>INSTRUMENT</u>	VOLUME (MMBTU)	FPL NATURAL GAS PROCUREMENT		
4	April-2016	FIXED PRICE TRANSACTIONS	SALES	SALES	OPTION PREMIUMS	SAVINGS/(COSTS)
5		SWAPS				
6		OVER-THE-COUNTER OPTIONS				
7		BROKER FEES				
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3	<u>PERIOD</u>	<u>INSTRUMENT</u>	VOLUME (MMBTU)	FPL NATURAL GAS PROCUREMENT		
4	May-2016	FIXED PRICE TRANSACTIONS	SALES	OPTION PREMIUMS		
5		SWAPS				
6		OVER-THE-COUNTER OPTIONS				
7		BROKER FEES				
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3	<u>PERIOD</u>	<u>INSTRUMENT</u>	VOLUME (MMBTU)	FPL NATURAL GAS PROCUREMENT		
4	June-2016	FIXED PRICE TRANSACTIONS	SALES	OPTION PREMIUMS		
5		SWAPS				
6		OVER-THE-COUNTER OPTIONS				
7		BROKER FEES				
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3	<u>PERIOD</u>	<u>INSTRUMENT</u>	VOLUME (MMBTU)	FPL NATURAL GAS PROCUREMENT		
4	July-2016	FIXED PRICE TRANSACTIONS	SALES	SALES	OPTION PREMIUMS	SAVINGS/(COSTS)
5		SWAPS				
6		OVER-THE-COUNTER OPTIONS				
7		BROKER FEES				
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3	<u>PERIOD</u>	<u>INSTRUMENT</u>	VOLUME (MMBTU)	FPL NATURAL GAS PROCUREMENT		
4	August-2016	FIXED PRICE TRANSACTIONS	SALES	OPTION PREMIUMS		
5		SWAPS				
6		OVER-THE-COUNTER OPTIONS				
7		BROKER FEES				
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	<u>PERIOD</u>	<u>INSTRUMENT</u>	VOLUME (MMBTU)	FPL NATURAL GAS PROCUREMENT	OPTION PREMIUMS	SAVINGS/(COSTS)
1	September-2016					
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3		FIXED PRICE TRANSACTIONS				
4		SWAPS				
5		OVER-THE-COUNTER OPTIONS				
6		BROKER FEES				
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3	<u>PERIOD</u>	<u>INSTRUMENT</u>	VOLUME (MMBTU)	FPL NATURAL GAS PROCUREMENT		
4	October-2016	FIXED PRICE TRANSACTIONS	SALES	OPTION PREMIUMS		
5		SWAPS				
6		OVER-THE-COUNTER OPTIONS				
7		BROKER FEES				
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	<u>PERIOD</u>	<u>INSTRUMENT</u>	VOLUME (MMBTU)	FPL NATURAL GAS PROCUREMENT	OPTION PREMIUMS	SAVINGS/(COSTS)
1	November-2016					
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3		FIXED PRICE TRANSACTIONS				
4		SWAPS				
5		OVER-THE-COUNTER OPTIONS				
6		BROKER FEES				
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	<u>PERIOD</u>	<u>INSTRUMENT</u>	VOLUME (MMBTU)	FPL NATURAL GAS PROCUREMENT	OPTION PREMIUMS	SAVINGS/(COSTS)
1	December-2016					
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3		FIXED PRICE TRANSACTIONS				
4		SWAPS				
5		OVER-THE-COUNTER OPTIONS				
6		BROKER FEES				
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