

090001-EI REDACTED

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Q. Staff is asking for the following information to determine if FPL's hedging activities were prudent. Specifically, staff needs to understand and be satisfied that FPL essentially paid market prices for swaps, options, and any other hedging instruments for each fuel type.

A. For realized (actual) hedging gains and losses for the twelve months beginning August 1, 2008 and ending July 31, 2009 associated with swap contracts for natural gas, please provide the following information: (1) the transaction date (the date the swap was entered into) for the swap; (2) the fixed price for the swap; (3) the month or period in the future the swap is covering; and (4) the corresponding NYMEX futures price for the future month or period for natural gas on the transaction date of the swap. If you will do so, please provide your responses in a schedule format.

B. For realized (actual) hedging gains and losses for the twelve months beginning August 1, 2008 and ending July 31, 2009 associated with swap contracts for fuel oil, please provide the following information: (1) the transaction date (the date the swap was entered into) for the swap; (2) the fixed price for the swap; (3) the month or period in the future the swap is covering; and (4) the corresponding NYMEX futures price for the future month or period for fuel oil on the transaction date of the swap. If you will do so, please provide your responses in a schedule format.

C. For interrogatories 1A. and 1B. above, please explain any difference between the swap fixed price and the corresponding futures or forward price for the future period (the period being hedged) that is greater than 5 percent of the swap fixed price.

D. For realized (actual) hedging gains or losses for the twelve months beginning August 1, 2008 and ending July 31, 2009 associated with options for natural gas prices, please provide the following information: (1) the transaction date for the option; (2) the option price or premium; (3) the type of option; (4) the time to expiration; and (5) the corresponding futures price, forward price, or comparable market price for the period on the transaction date of the option. If you will do so, please provide your responses in a schedule format.

E. For realized (actual) hedging gains or losses for the twelve months beginning August 1, 2008 and ending July 31, 2009 associated with options for fuel oil prices, please provide the following information: (1) the transaction date for the option; (2) the option price or premium; (3) the type of option; (4) the time to expiration; (5) and the corresponding futures price, forward price, or comparable market price for the period on the transaction date of the option. To the extent necessary, please distinguish between residual fuel oil and distillate fuel oil. If you will do so, please provide your responses in a schedule format.

F. For interrogatories 1D. through 1E. above, please explain any difference between the option price and the corresponding futures price, forward price, or comparable market price for the future period (the period being hedged) that is greater than 5 percent of the option price.

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- 1 A. A. A schedule of natural gas hedging transactions, incorporating the transaction date,
2 fixed price, transaction period, and NYMEX price is included as Attachment I to this response.
- 3 B. A schedule of fuel oil hedging transactions, incorporating the transaction date, fixed price,
4 transaction period, and NYMEX price is included as Attachment II to this response.
- 5 C. FPL executed a total of [REDACTED] hedge transactions for the period from August 1, 2008 to July 31,
6 2009. Three of those transactions were executed at intra-day prices that were greater than 5% of the
7 end-of-day settlement price. The three transactions were for fuel oil swaps. FPL executes all
8 hedging transactions at market prices. However, markets can and do fluctuate considerably on an
9 intra-day basis. FPL does not independently track all NYMEX oil transactions throughout the day,
10 but rather relies on NYMEX-published information. While NYMEX does not publish intra-day high
11 and low prices for fuel oil, it does publish intra-day high and low prices for crude oil, which has a
12 strong correlation with fuel oil. Attachment III, included as part of this response, includes both fuel
13 oil and crude oil settlement prices for the three days where hedging transactions were executed at
14 intra-day prices that were greater than 5% of the end-of-day settlement price. The table also
15 includes intra-day high and low prices for crude oil. A calculation showing the intra-day price
16 change, as a percentage of the end-of-day settlement price, has been made to use as a comparison to
17 the "FIXED PRICE vs NYMEX PRICE" shown in responses 1A and 1B. FPL is certain that these
18 fuel oil hedges were executed within the fuel oil price range for the day, as fuel oil prices would
19 have exhibited similar intra-day volatility as crude oil prices.
- 20 D. FPL's hedging / risk management program for both 2008 and 2009 did not include options
21 for natural gas.
- 22 E. FPL's hedging / risk management program for both 2008 and 2009 did not include options
23 for heavy fuel oil.
- 24 F. Not Applicable. Please refer to the responses provided for interrogatories 1D and 1E above.

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Docket No. 090001-EI**

**Staff's 5th Set of Interrogatories
Interrogatory No. 48**

Attachment I

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**Staff's 5th Set of Interrogatories
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Attachment II

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Attachment III

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