

090001-EI

**EXHIBIT B**  
**Redacted Document**

**COM** \_\_\_\_\_  
**ECR**   1   \_\_\_\_\_  
**GCL** \_\_\_\_\_  
**OPC** \_\_\_\_\_  
**RCP** \_\_\_\_\_  
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**ADM** \_\_\_\_\_  
**CLK** \_\_\_\_\_

DOCUMENT NUMBER-DATE

10737 OCT 21 88

FPSC-COMMISSION CLERK

	A	B	C	D	E	F	G	H	I	J	K	L	M
		Counterparty	Price	Volume/Day	No. of Days	Volume/Mos	Total Volume	NYMEX Settlement Price	MTM	TOTAL MTM	Discount Factor	Discounted MTM	TOTAL DISCOUNTED MTM
2	LEHMAN TRANSACTIONS												
3	OCTOBER 2008												
4		LEHMAN						7.472					
5								7.472					
6								7.472					
7								7.472					
8								7.472					
9								7.472					
10								7.472					
11								7.472					
12								7.472					
13								7.472					
14								7.472					
15								7.472					
16								7.472					
17								7.472					
18								7.472					
19								7.472					
20								7.472					
21								7.472					
22								7.472					
23								7.472					
24								7.472					
25								7.472					
26								7.472					
27	NOVEMBER 2008												
28								7.628					
29								7.628					
30								7.628					
31								7.628					
32								7.628					
33								7.628					
34								7.628					
35								7.628					
36								7.628					
37								7.628					
38								7.628					
39								7.628					
40								7.628					
41								7.628					
42								7.628					
43								7.628					
44								7.628					
45								7.628					
46								7.628					

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10737 OCT 21 08

FPSC-COMMISSION CLERK

	A	B	C	D	E	F	G	H	I	J	K	L	M
		Counterparty	Price	Volume/Day	No. of Days	Volume/Mos	Total Volume	NYMEX Settlement Price	MTM	TOTAL MTM	Discount Factor	Discounted MTM	TOTAL DISCOUNTED MTM
1													
2		LEHMAN TRANSACTIONS											
3		DECEMBER 2008							8.015				
4									8.015				
5									8.015				
6									8.015				
7									8.015				
8									8.015				
9									8.015				
10									8.015				
11									8.015				
12									8.015				
13									8.015				
14									8.015				
15									8.015				
16									8.015				
17									8.015				
18									8.015				
19									8.015				
20									8.015				
21									8.015				
22									8.015				
23									8.015				
24									8.015				
25		JANUARY 2009							8.238				
26									8.238				
27									8.238				
28									8.238				
29									8.238				
30									8.238				
31									8.238				
32									8.238				
33									8.238				
34		FEBRUARY 2009							8.278				
35									8.278				
36									8.278				
37									8.278				
38									8.278				
39									8.278				
40									8.278				
41									8.278				
42									8.278				
43									8.278				
44									8.278				

	A	B	C	D	E	F	G	H	I	J	K	L	M
	Counterparty	Price	Volume/Day	No. of Days	Volume/Mos	Total Volume	NYMEX Settlement Price	MTM	TOTAL MTM	Discount Factor	Discounted MTM	TOTAL DISCOUNTED MTM	
1													
2	LEHMAN TRANSACTIONS												
3	MARCH 2009						8.158						
4							8.158						
5							8.158						
6							8.158						
7							8.158						
8							8.158						
9							8.158						
10							8.158						
11							8.158						
12							8.158						
13	APRIL 2009						7.973						
14							7.973						
15							7.973						
16							7.973						
17							7.973						
18							7.973						
19							7.973						
20							7.973						
21							7.973						
22	MAY 2009						8.021						
23							8.021						
24							8.021						
25							8.021						
26							8.021						
27							8.021						
28							8.021						
29							8.021						
30							8.021						
31	JUNE 2009						8.126						
32							8.126						
33							8.126						
34							8.126						
35							8.126						
36							8.126						
37							8.126						
38							8.126						
39							8.126						
40	JULY 2009						8.243						
41							8.243						
42							8.243						
43							8.243						
44							8.243						
45							8.243						
46							8.243						
47							8.243						
48							8.243						



	A	B	C	D	E	F	G	H	I	J	K	L	M
	Counterparty	Price	Volume/Day	No. of Days	Volume/Mcs	Total Volume	NYMEX Settlement Price	MTM	TOTAL MTM	Discount Factor	Discounted MTM	TOTAL DISCOUNTED MTM	
2	<b>REPLACEMENT TRANSACTIONS</b>												
3	<b>OCTOBER 2008</b>							7.472					
4								7.472					
5	<b>NOVEMBER 2008</b>							7.628					
6	<b>DECEMBER 2008</b>							8.015					
7								8.015					
8	<b>JANUARY 2009</b>							8.238					
9								8.238					
10								8.238					
11								8.238					
12								8.238					
13								8.238					
14	<b>FEBRUARY 2009</b>							8.278					
15								8.278					
16								8.278					
17								8.278					
18								8.278					
19								8.278					
20	<b>MARCH 2009</b>							8.158					
21								8.158					
22								8.158					
23								8.158					
24								8.158					
25								8.158					
26	<b>APRIL 2009</b>							7.973					
27								7.973					
28								7.973					
29								7.973					
30								7.973					
31								7.973					
32	<b>MAY 2009</b>							8.021					
33								8.021					
34								8.021					
35								8.021					
36								8.021					
37								8.021					
38	<b>JUNE 2009</b>							8.126					
39								8.126					
40								8.126					
41								8.126					
42								8.126					
43								8.126					

	A	B	C	D	E	F	G	H	I	J	K	L	M
	Counterparty	Price	Volume/Day	No. of Days	Volume/Mos	Total Volume	NYMEX Settlement Price	MTM	TOTAL MTM	Discount Factor	Discounted MTM	TOTAL DISCOUNTED MTM	
1													
2	<b>REPLACEMENT TRANSACTIONS</b>												
3	<b>JULY 2009</b>												
4							8.243						
5							8.243						
6							8.243						
7							8.243						
8							8.243						
9	<b>AUGUST 2009</b>												
10							8.328						
11							8.328						
12							8.328						
13							8.328						
14							8.328						
15	<b>SEPTEMBER 2009</b>												
16							8.361						
17							8.361						
18							8.361						
19							8.361						
20							8.361						
21	<b>OCTOBER 2009</b>												
22							8.441						
23							8.441						
24							8.441						
25							8.441						
26							8.441						
27	<b>NOVEMBER 2009</b>												
28							8.731						
29							8.731						
30							8.731						
31							8.731						
32							8.731						
33	<b>DECEMBER 2009</b>												
34							9.101						
35							9.101						
36							9.101						
37							9.101						
38							9.101						
39													
40	<b>(B) TOTAL FOR PERIOD - REPLACEMENT</b>												
41													
42	<b>(A-B) NET EARLY SETTLEMENT CALCULATION VALUE (SEPTEMBER 17, 2009)</b>												
43													
44													
45	NOTE: NYMEX Settlement Price represents NYMEX Henry Hub gas futures contract prices for September 25, 2009												

Q.

Please provide the amounts by month included in the 2008 and 2009 hedging filing related to the Lehman Brothers bankruptcy.

A.

1 The following amounts related to the Lehman Brothers bankruptcy were included in the  
2 hedging filings for 2008 and January through July 2009. On August 7, 2009 FPL Group  
3 made a payment to Lehman pursuant to a negotiated letter agreement, as more fully described  
4 in Interrogatory No. 61, in Staff's Seventh Set of Interrogatories to Florida Power & Light  
5 Company in Docket No. 090001-EI. Since the payment amount was less than the net value  
6 of previously calculated charges, adjustments will be made to true-up the hedging results.  
7 The true-up, also included below, will be reflected in the April 2010 Hedging Activity filing.  
8 The true-up adjustments have also been included in the fuel cost recovery clause. They were  
9 credited back to customers in the periods as noted in the schedule below.

10	Month	Amount Included in Hedging Results
11	September 2008	[REDACTED]
12	October 2008	[REDACTED]
13	November 2008	[REDACTED]
14	December 2008	[REDACTED]
15	January 2009	[REDACTED]
16	February 2009	[REDACTED]
17	March 2009	[REDACTED]
18	April 2009	[REDACTED]
19	May 2009	[REDACTED]
20	June 2009	[REDACTED]
21	July 2009	[REDACTED]
22	August 2009	[REDACTED]
23	September 2009	[REDACTED]
24	October 2009	[REDACTED]

25 Please see FPL's response to Interrogatory No. 67 for the impact of the Lehman Brothers  
26 bankruptcy on FPL and its customers.

Q.

Please explain the effect of the Lehman Brothers bankruptcy on FPL's rate payers.

A.

1 FPL experienced a default by Lehman Brothers Commodity Services, Inc. (Lehman) in  
2 September 2008 when Lehman declared bankruptcy and became a defaulting party under the  
3 ISDA Master Agreement executed by Lehman and FPL. FPL terminated its hedging  
4 transactions with Lehman Brothers Commodity Services, Inc. (Lehman) on September 17,  
5 2008, and replaced those volumes on that date with transactions executed with other  
6 counterparties. FPL calculated an early termination settlement estimate in accordance with  
7 the terms of the ISDA Master Agreement. Mark-to-market values were calculated for all of  
8 the terminated Lehman transactions and for all of the replacement transactions based on the  
9 September 26, 2008 forward curve. The mark-to-market value for all of the terminated  
10 Lehman transactions was [REDACTED]. The mark-to-market value for all of the  
11 replacement transactions was [REDACTED]. The mark-to-market value of the replacement  
12 transactions was then subtracted from the mark-to-market value of the Lehman transactions  
13 to determine the dollar amount owed to Lehman. This calculation results in a net dollar  
14 amount of [REDACTED]. The net mark-to-market forward amount of [REDACTED] was  
15 then discounted in order to account for the time value of the theoretical future settlement  
16 payments. The discounted mark-to-market forward value for the total portfolio of Lehman  
17 transactions and replacement transactions was [REDACTED]. In effect, this calculation  
18 methodology ensured that FPL's actions to replace the Lehman transactions did not result in  
19 additional costs.

20 As legal and financial issues related to the Lehman bankruptcy continued beyond September  
21 17, 2008, FPL applied an assumed 5% annual interest rate to its estimated early termination  
22 settlement estimate of [REDACTED]. Interest amounts were accrued and charged through the  
23 fuel cost recovery clause quarterly through June 2009. On August 7, 2009 FPL Group made  
24 a payment to Lehman pursuant to a negotiated letter agreement. That payment included the  
25 net estimated amount due to Lehman from FPL for the time period from September 17, 2008  
26 through February 9, 2009. The estimated value payable to Lehman as of February 9, 2009  
27 was calculated using an assumed 5% annual interest rate, for 145 days, applied to the  
28 September 17, 2008 discounted mark-to-market value of [REDACTED]. The total payment  
29 made to Lehman was [REDACTED] which reflects the assumed 5% interest only through  
30 February 9th. This payment is less than the principal and interest that has been charged to the  
31 fuel clause to-date (primarily because FPL had continued to accrue interest after February 9th  
32 on the expectation that it might have to pay that interest to Lehman in settlement). The  
33 amount that FPL charged above the settlement payment is being credited back to customers  
34 through the fuel clause.

35 Transactions related to FPLES were included in the total FPL Group calculations. The total

1 mark-to-market and payment amounts must be adjusted for these transactions to arrive at the  
2 net amount charged to the fuel cost recovery clause. The payment adjustment for FPLES  
3 related transactions, which are executed and then sold to FPLES with exactly the same terms  
4 and conditions, is [REDACTED]. The resulting net total cost to FPL's customers is then  
5 [REDACTED]. The mark-to-market adjustment for FPLES related  
6 transactions is [REDACTED]. The resulting net total mark-to-market forward value for all of the  
7 terminated Lehman transactions is then [REDACTED]. The net  
8 impact to FPL's customers is the difference between the net total cost and net total  
9 mark-to-market forward value, which is [REDACTED]. In addition to the amounts described,  
10 FPL has incurred legal fees associated with the Lehman bankruptcy. The legal fees charged  
11 to FPL through September 2009 are approximately \$6,000. Since a final settlement has not  
12 yet been established, FPL is unable to predict whether subsequent adjustments may be  
13 required by the bankruptcy court. However, Lehman and FPL Group have agreed to continue  
14 to work together in good faith to complete a final settlement with respect to claims under the  
15 Master Agreements.

Q.

**Regarding the Lehman Brothers bankruptcy and FPL's hedging transactions:**

**A. What, in any, amount did FPL pay as a settlement in the Lehman Brothers bankruptcy?**

**B. How was the amount calculated?**

**C. Please explain what this payment represents.**

**D. Did the settlement payment accelerate hedging losses that FPL would have experienced had Lehman Brothers not filed for bankruptcy? Please explain.**

**E. Please explain in detail the effect the Lehman Brothers bankruptcy has had on FPL's fuel filing in Docket No. 090001-EI including dollars amounts for 2008, 2009, and 2010 reflected in E Schedules. Include indirect effects such as the cost of any replacement swap transactions.**

A.

1 A) On August 7, 2009 FPL Group made a payment to Lehman Brothers Commodity  
2 Services, Inc. (Lehman) pursuant to a negotiated letter agreement. That payment included the  
3 net estimated amount of [REDACTED] due to Lehman from FPL for the time period from  
4 September 17, 2008 through February 9, 2009. Lehman and FPL Group have agreed to  
5 continue to work together in good faith to complete a final settlement with respect to claims  
6 under the Master Agreements. In addition, FPL has incurred legal fees associated with the  
7 Lehman bankruptcy. The legal fees charged to FPL through September 2009 are  
8 approximately \$6,000.

9 B) FPL terminated its hedging transactions with Lehman on September 17, 2008, and  
10 replaced those volumes on that date with transactions executed with other counterparties.  
11 FPL calculated an early termination settlement estimate in accordance with the terms of the  
12 ISDA Master Agreement. Mark-to-market values were calculated for all of the terminated  
13 Lehman transactions and for all of the replacement transactions based on the September 26,  
14 2008 forward curve. The mark-to-market value for all of the terminated Lehman transactions  
15 was [REDACTED]. The mark-to-market value for all of the replacement transactions was  
16 [REDACTED]. The mark-to-market value of the replacement transactions was then  
17 subtracted from the mark-to-market value of the Lehman transactions to determine the dollar  
18 amount owed to Lehman. This calculation results in a net dollar amount of [REDACTED].  
19 The net mark-to-market forward amount of [REDACTED] was then discounted in order to  
20 account for the time value of the theoretical future settlement payments. The discounted  
21 mark-to-market forward value for the total portfolio of Lehman transactions and replacement

1 transactions was [REDACTED]. In effect, this calculation methodology ensured that FPL's  
2 actions to replace the Lehman transactions did not result in additional costs.

3 As legal and financial issues related to the Lehman bankruptcy continued beyond September  
4 17, 2008, FPL applied an assumed 5% annual interest rate to its estimated early termination  
5 settlement estimate of [REDACTED]. The estimated value payable to Lehman as of February  
6 9, 2009 was calculated using an assumed 5% annual interest rate, for 145 days (360 day  
7 year), applied to the September 17, 2008 discounted mark-to-market value of [REDACTED].  
8 The payment is less than the principal and interest that has been charged to the fuel clause  
9 to-date (primarily because FPL had continued to accrue interest after February 9th with the  
10 expectation that it might have to pay that interest to Lehman in settlement). The amount that  
11 FPL charged above the payment is being credited back to customers through the fuel clause

12 C) The payment made to Lehman, pursuant to a negotiated letter agreement, represents the  
13 net estimated amount due to Lehman from FPL for the defaulted transactions that FPL had to  
14 replace with other counterparties when Lehman declared bankruptcy in September 2008.

15 D) The payment made to Lehman did not accelerate Lehman-related hedging losses that FPL  
16 had experienced through September 2008. However, it did accelerate the realization of  
17 unrealized hedging losses attributable to contracts executed for future periods. The payment  
18 calculation was based on the net unrealized mark-to-market value, in September 2008, of  
19 transactions with Lehman for periods from October 2008 through December 2009. If  
20 Lehman had not filed for bankruptcy, FPL would have been responsible for the net  
21 mark-to-market value for contracts with Lehman when they settled for their respective  
22 month. For example, FPL would have been responsible for the mark-to-market value of  
23 January 2009 volumes, in January of 2009.

24 E) FPL's fuel filings for 2008 included a total cost of [REDACTED] for transactions related to  
25 the Lehman bankruptcy. FPL's fuel filings for 2009 included a total cost of [REDACTED]  
26 through July, for transactions related to the Lehman bankruptcy. On August 7, 2009 FPL  
27 Group made a payment to Lehman pursuant to a negotiated letter agreement. Since the  
28 payment amount was less than the net value of previously calculated charges, an  
29 adjustment/credit of [REDACTED] which will also be reflected in FPL's various fuel filings, is  
30 being made to true-up the hedging results. FPL's fuel filing for 2010 is not impacted by the  
31 Lehman bankruptcy. No transactions were executed with Lehman for settlement during  
32 2010.

33 Please see FPL's response to Interrogatory No. 67 for the impact of the Lehman Brothers  
34 bankruptcy on FPL and its customers.