**John T. Butler**
**Assistant General Counsel – Regulatory**
**Florida Power & Light Company**
**700 Universe Boulevard**
**Juno Beach, FL  33408-0420**
**(561) 304-5639**
**(561) 691-7135 (Facsimile)**
**John.Butler@fpl.com**

April 6, 2016

**-VIA ELECTRONIC FILING -**

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

            **Re:     Docket No. 160001-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 2015 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. Consistent with FPL's July 31, 2015 letter to your office in Docket No. 150001-EI, FPL has included the information required by Gas Reserves Guidelines II.A and II.B.

    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.)

Florida Power & Light Company

700 Universe Boulevard, Juno Beach, FL 33408

**BEFORE THE FLORIDA
PUBLIC SERVICE COMMISSION**


**DOCKET NO. 160001-EI
FLORIDA POWER & LIGHT COMPANY**


**APRIL 6, 2016**



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



**AUGUST 2015 THROUGH DECEMBER 2015
HEDGING ACTIVITY TRUE-UP REPORT**



**TESTIMONY & EXHIBITS OF:**

**GERARD J. YUPP**

**Q.**　**Please state your name and address.**

A.　My name is Gerard J. Yupp.  My business address is 700 Universe Boulevard, Juno Beach, Florida, 33408.

**Q.**　**By whom are you employed and what is your position?**

A.　I am employed by Florida Power & Light Company (FPL) as Senior Director of Wholesale Operations in the Energy Marketing and Trading Division.

**Q.**　**Please summarize your educational background and professional experience.**

A.　I graduated from Drexel University with a Bachelor of Science Degree in Electrical Engineering in 1989. I joined the Protection and Control Department of FPL in 1989 as a Field Engineer where I was responsible for the installation, maintenance, and troubleshooting of protective relay equipment for generation, transmission and distribution facilities. While employed by FPL, I earned a Masters of Business Administration degree from Florida Atlantic University in 1994. In 1996, I joined the Energy Marketing and Trading Division

1    (EMT) of FPL as a real-time power trader. I progressed through

2    several power trading positions and assumed the lead role for power

3    trading in 2002. In 2004, I became the Director of Wholesale

4    Operations and natural gas and fuel oil procurement and operations

5    were added to my responsibilities. I have been in my current role

6    since 2008. On the operations side, I am responsible for the

7    procurement and management of all natural gas and fuel oil for FPL,

8    as well as all short-term power trading activity. My regulatory

9    responsibilities include the preparation of testimony for all fossil fuel,

10   interchange, and hedging-related areas for the Fuel and Capacity

11   Cost Recovery Clauses, including the preparation of Discovery and

12   audit responses. Finally, I am responsible for the oversight of FPL's

13   optimization activities associated with the Incentive Mechanism.

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 2015. This data is required

20        per Item 5 of the Resolution of Issues that was approved by the

21        Commission in Order No. PSC-02-1484-FOF-EI, issued on October

22        30, 2002, which states:

23            5. Each investor-owned utility shall provide, as part of its final

1    true-up filing in the fuel and purchased power cost recovery

2    docket, the following information: (1) the volumes of each

3    fuel the utility actually hedged using a fixed price contract or

4    instrument; (2) the types of hedging instruments the utility

5    used, and the volume and type of fuel associated with each

6    type of instrument; (3) the average period of each hedge;

7    and (4) the actual total cost (e.g. fees, commissions, options

8    premiums, futures gains and losses, swaps settlements)

9    associated with using each type of hedging instrument.

10   The requirement for this data was further clarified in Section III of the

11   Hedging Order Clarification Guidelines that were approved by the

12   Commission in Order No. PSC-08-0667-PAA-EI, issued on October

13   8, 2008.

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

15   A.    Yes.  I am sponsoring Exhibit GJY-2 – August through December

16        2015 Hedging Activity True-Up (Pages 1 through 15).

17   **Q.    Does your Exhibit GJY-2 provide the detail on FPL's 2015**

18   **hedging activities required by Item 5 of the Resolution of**

19   **Issues?**

20   A.    Yes.  All hedging activity details required by Item 5 of the Resolution

21        of Issues are included on pages 1 through 13 of Exhibit GJY-2.

22

23

1  **Q.    Does your Exhibit GJY-2 include the details of the Woodford**

2         **Gas Reserves Project ("Woodford Project") that was approved**

3         **in Order No. PSC-15-0038-FOF-EI issued on January 12, 2015?**

4  A.    Yes.  The results of the Woodford Project are included on pages 1

5         through 13 of Exhibit GJY-2.

6  **Q.    Does your Exhibit GJY-2 provide the information required by**

7         **Gas Reserves Guidelines II.A and II.B that were approved in**

8         **Order No. PSC-15-0284-FOF-EI issued on July 14, 2015?**

9  A.    Yes.  Consistent with FPL's July 31, 2015 letter to the Commission

10       Clerk's office, the information required by Gas Reserves Guidelines

11       II.A and II.B is on pages 14 and 15 of Exhibit GJY-2.

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

13  A.    Consistent with the guiding principles described in Section IV of the

14       Hedging Order Clarification Guidelines, the primary objective of

15       FPL's hedging program is to reduce the impact of fuel price volatility

16       in the fuel adjustment charges paid by FPL's customers.  FPL does

17       not execute speculative hedging strategies aimed at "out guessing"

18       the market.  For natural gas purchases in 2015, FPL implemented a

19       well-disciplined, well-defined and well-controlled hedging program in

20       compliance with FPL's 2014 Risk Management Plan that was

21       approved by the Commission in Order No. PSC-13-0665-FOF-EI

22       issued on December 18, 2013.

23

1 **Q.** **Please summarize FPL's 2015 hedging activities.**

2 A. Consistent with its approved 2014 Risk Management Plan, FPL

3     hedged a portion of its natural gas fuel portfolio for 2015 utilizing

4     financial swaps. FPL's hedging activities for 2015 also incorporated

5     the estimated output of gas reserves from the Woodford Project

6     beginning in March 2015. As described in the 2014 Risk

7     Management Plan, FPL did not hedge heavy fuel oil for 2015,

8     primarily due to the significant drop in heavy oil consumption

9     projections.

10

11     Overall, actual 2015 natural gas prices settled, on average,

12     approximately $1.44 per MMBtu lower than the forward prices that

13     were in effect when FPL was executing its financial swaps for 2015

14     and, on average, approximately $1.75 per MMBtu lower than the

15     gas price forecast utilized in the original Woodford Project filing. As

16     would be expected under the approved hedging approach, this

17     decrease in natural gas prices resulted in reported natural gas

18     hedging costs for the year, as shown on Exhibit GJY-2.

19 **Q.** **For the Woodford Project, are there additional factors beyond**

20     **the market price of natural gas that can have an impact on**

21     **hedging results and projected savings?**

22 A. Yes. While the market price of natural gas is the most significant

23     driver of hedging results and projected savings for the Woodford

1   Project, there are two other factors that play a role: the cost of

2   production and the volume of gas produced.  Unlike the market price

3   of natural gas that is completely outside of FPL's control, the cost of

4   production and the volumes produced can be managed.  As seen

5   on page 14 of Exhibit GJY-2, the updated economic evaluation of

6   the Woodford Project shows that decreased production costs

7   coupled with higher expected production volumes are projected to

8   provide an additional $39.5 million in customer savings for the life of

9   the project compared to FPL's original projections.  In other words,

10  for the factors that are within its control, FPL is successfully

11  delivering even better value for customers from the Woodford

12  Project than was originally estimated.

13  **Q.   What is FPL now projecting as the overall impact to customers'**

14  **fuel bills related to the Woodford Project?**

15  A.   As shown on page 14 of Exhibit GJY-2, the updated economic

16  evaluation indicates a $15.3 million impact to customers' fuel bills

17  over the life of the Woodford Project assuming that future natural

18  gas prices track the projections used in the analysis.  Of course, if

19  that happens, then customers will benefit substantially from savings

20  on overall fuel costs.

21

22

23

1  **Q.**  **What would be the impact of the significant decrease in**

2  **projected natural gas prices on FPL's overall natural gas costs**

3  **that are passed through to customers?**

4  A.  The projected decrease in future natural gas prices would have a

5  substantial impact on FPL's overall natural gas costs and

6  customers' fuel bills.  For example, since the original Woodford

7  Project filing, gas prices have fallen $2.91 per MMBtu for gas

8  delivered in 2018.  Applying this drop to FPL's approximate annual

9  natural gas requirement of 600 billion cubic feet, yields a reduction

10  in natural gas costs of over $1.7 billion for 2018 alone.

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

12  A.  Yes, it does.

| | A | B | C | D | E | F |
|---|---|---|---|---|---|---|
| | | | **FPL NATURAL GAS PROCUREMENT** | | | |
| 1 | | | | | | |
| 2 | | | VOLUME (MMBTU) | | | |
| 3 | **PERIOD** | **INSTRUMENT** | **PURCHASES** | **SALES** | **OPTION PREMIUMS** | **SAVINGS/(COSTS)** |
| 4 | YEAR-TO-DATE | GAS RESERVES | | | | |
| 5 | (JAN - DEC) 2015 | SWAPS | | | | |
| 6 | | OVER-THE-COUNTER OPTIONS | | | | |
| 7 | | BROKER FEES | | | | |
| 8 | | | | | | $ (504,393,229) |
| 9 | | | | | | |
| 10 | | | | | | |
| 11 | AVERAGE PERIOD OF HEDGE (Years) - GAS RESERVES | | | | | |
| 12 | AVERAGE PERIOD OF HEDGE (Days) - FINANCIAL | | | | | |

| | A | B | C | D | E | F |
|---|---|---|---|---|---|---|
| | | | | **FPL NATURAL GAS PROCUREMENT** | | |
| 1 | | | | | | |
| 2 | | | **VOLUME (MMBTU)** | | | |
| 3 | **PERIOD** | **INSTRUMENT** | **PURCHASES** | **SALES** | **OPTION PREMIUMS** | **SAVINGS/(COSTS)** |
| 4 | January-2015 | GAS RESERVES | | | | |
| 5 | | SWAPS | | | | |
| 6 | | OVER-THE-COUNTER OPTIONS | | | | |
| 7 | | BROKER FEES | | | | |
| 8 | | | | | | |
| 9 | | | | | | |
| 10 | | | | | | |
| 11 | | | | | | |
| 12 | | | | | | |

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| | | | FPL NATURAL GAS PROCUREMENT | | |
| | | | VOLUME (MMBTU) | | |
| A | B | C | D | E | F |
|---|---|---|---|---|---|
| **PERIOD** | **INSTRUMENT** | **PURCHASES** | **SALES** | **OPTION PREMIUMS** | **SAVINGS/(COSTS)** |
| February-2015 | GAS RESERVES | | | | |
| | SWAPS | | | | |
| | OVER-THE-COUNTER OPTIONS | | | | |
| | BROKER FEES | | | | |

| | A | B | C | D | E | F |
|---|---|---|---|---|---|---|
| | | | | **FPL NATURAL GAS PROCUREMENT** | | |
| 1 | | | | | | |
| 2 | | | **VOLUME (MMBTU)** | | | |
| 3 | **PERIOD** | **INSTRUMENT** | **PURCHASES** | **SALES** | **OPTION PREMIUMS** | **SAVINGS/(COSTS)** |
| 4 | March-2015 | GAS RESERVES | | | | |
| 5 | | SWAPS | | | | |
| 6 | | OVER-THE-COUNTER OPTIONS | | | | |
| 7 | | BROKER FEES | | | | |
| 8 | | | | | | |
| 9 | | | | | | |
| 10 | | | | | | |
| 11 | | | | | | |
| 12 | | | | | | |

**CONFIDENTIAL**

| | A | B | C | D | E | F |
|---|---|---|---|---|---|---|
| | | | | FPL NATURAL GAS PROCUREMENT | | |
| 1 | | | | | | |
| 2 | | | | VOLUME (MMBTU) | | |
| 3 | **PERIOD** | **INSTRUMENT** | **PURCHASES** | **SALES** | **OPTION PREMIUMS** | **SAVINGS/(COSTS)** |
| 4 | April-2015 | GAS RESERVES | | | | |
| 5 | | SWAPS | | | | |
| 6 | | OVER-THE-COUNTER OPTIONS | | | | |
| 7 | | BROKER FEES | | | | |
| 8 | | | | | | |
| 9 | | | | | | |
| 10 | | | | | | |
| 11 | | | | | | |
| 12 | | | | | | |

| | A | B | C | D | E | F |
|---|---|---|---|---|---|---|
| | | | | FPL NATURAL GAS PROCUREMENT | | |
| 1 | | | | VOLUME (MMBTU) | | |
| 2 | | | | | | |
| 3 | PERIOD | INSTRUMENT | PURCHASES | SALES | OPTION PREMIUMS | SAVINGS/(COSTS) |
| 4 | May-2015 | GAS RESERVES | | | | |
| 5 | | SWAPS | | | | |
| 6 | | OVER-THE-COUNTER OPTIONS | | | | |
| 7 | | BROKER FEES | | | | |
| 8 | | | | | | |
| 9 | | | | | | |
| 10 | | | | | | |
| 11 | | | | | | |
| 12 | | | | | | |

|  | A | B | C | D | E | F |
|---|---|---|---|---|---|---|
| 1 | | | | **FPL NATURAL GAS PROCUREMENT** | | |
| 2 | | | | **VOLUME (MMBTU)** | | |
| 3 | **PERIOD** | **INSTRUMENT** | **PURCHASES** | **SALES** | **OPTION PREMIUMS** | **SAVINGS/(COSTS)** |
| 4 | June-2015 | GAS RESERVES | | | | |
| 5 | | SWAPS | | | | |
| 6 | | OVER-THE-COUNTER OPTIONS | | | | |
| 7 | | BROKER FEES | | | | |
| 8 | | | | | | |
| 9 | | | | | | |
| 10 | | | | | | |
| 11 | | | | | | |
| 12 | | | | | | |

| | A | B | C | D | E | F |
|---|---|---|---|---|---|---|
| | | | | **FPL NATURAL GAS PROCUREMENT** | | |
| 1 | | | | | | |
| 2 | | | **VOLUME (MMBTU)** | | | |
| 3 | **PERIOD** | **INSTRUMENT** | **PURCHASES** | **SALES** | **OPTION PREMIUMS** | **SAVINGS/(COSTS)** |
| 4 | July-2015 | GAS RESERVES | | | | |
| 5 | | SWAPS | | | | |
| 6 | | OVER-THE-COUNTER OPTIONS | | | | |
| 7 | | BROKER FEES | | | | |
| 8 | | | | | | |
| 9 | | | | | | |
| 10 | | | | | | |
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| 12 | | | | | | |

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| | | | FPL NATURAL GAS PROCUREMENT | | |
| | | | VOLUME (MMBTU) | | |
| | | A | B | C | D | E | F |
| 1 | | | | | | |
| 2 | | | | | | |
| 3 | **PERIOD** | **INSTRUMENT** | **PURCHASES** | **SALES** | **OPTION PREMIUMS** | **SAVINGS/(COSTS)** |
| 4 | August-2015 | GAS RESERVES | | | | |
| 5 | | SWAPS | | | | |
| 6 | | OVER-THE-COUNTER OPTIONS | | | | |
| 7 | | BROKER FEES | | | | |
| 8 | | | | | | |
| 9 | | | | | | |
| 10 | | | | | | |
| 11 | | | | | | |
| 12 | | | | | | |

|   | A | B | C | D | E | F |
|---|---|---|---|---|---|---|
| | | | | FPL NATURAL GAS PROCUREMENT | | |
| 1 | | | | | | |
| 2 | | | VOLUME (MMBTU) | | | |
| 3 | **PERIOD** | **INSTRUMENT** | **PURCHASES** | **SALES** | **OPTION PREMIUMS** | **SAVINGS/(COSTS)** |
| 4 | September-2015 | GAS RESERVES | | | | |
| 5 | | SWAPS | | | | |
| 6 | | OVER-THE-COUNTER OPTIONS | | | | |
| 7 | | BROKER FEES | | | | |
| 8 | | | | | | |
| 9 | | | | | | |
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| 12 | | | | | | |

**CONFIDENTIAL**

| | A | B | C | D | E | F |
|---|---|---|---|---|---|---|
| | | | | FPL NATURAL GAS PROCUREMENT | | |
| 1 | | | | | | |
| 2 | | | VOLUME (MMBTU) | | | |
| 3 | PERIOD | INSTRUMENT | PURCHASES | SALES | OPTION PREMIUMS | SAVINGS/(COSTS) |
| 4 | October-2015 | GAS RESERVES | | | | |
| 5 | | SWAPS | | | | |
| 6 | | OVER-THE-COUNTER OPTIONS | | | | |
| 7 | | BROKER FEES | | | | |
| 8 | | | | | | |
| 9 | | | | | | |
| 10 | | | | | | |
| 11 | | | | | | |
| 12 | | | | | | |

**FPL NATURAL GAS PROCUREMENT**

|  | A | B | C | D | E | F |
|---|---|---|---|---|---|---|
| 1 | | | | | | |
| 2 | | | VOLUME (MMBTU) | | | |
| 3 | **PERIOD** | **INSTRUMENT** | **PURCHASES** | **SALES** | **OPTION PREMIUMS** | **SAVINGS/(COSTS)** |
| 4 | November-2015 | GAS RESERVES | | | | |
| 5 | | SWAPS | | | | |
| 6 | | OVER-THE-COUNTER OPTIONS | | | | |
| 7 | | BROKER FEES | | | | |
| 8 | | | | | | |
| 9 | | | | | | |
| 10 | | | | | | |
| 11 | | | | | | |
| 12 | | | | | | |

| | A | B | C | D | E | F |
|---|---|---|---|---|---|---|
| | | | | **FPL NATURAL GAS PROCUREMENT** | | |
| 2 | | | | VOLUME (MMBTU) | | |
| 3 | **PERIOD** | **INSTRUMENT** | **PURCHASES** | **SALES** | **OPTION PREMIUMS** | **SAVINGS/(COSTS)** |
| 4 | December-2015 | GAS RESERVES | | | | |
| 5 | | SWAPS | | | | |
| 6 | | OVER-THE-COUNTER OPTIONS | | | | |
| 7 | | BROKER FEES | | | | |
| 8 | | | | | | |
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| 12 | | | | | | |

# Results of FPL's Economic Evaluation[7]
## PetroQuest[1]

| | | A | B | C | D | E | F = C + D + E | G = F / B | H | I = B x (H-G) | J | K = I x J | Change from Original Filing | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Period | Year | Annual Production (Bcf)[8] | Operating Expenses ($MM) | Depreciation ($MM) | Return Rate ($MM)[3] | Revenue Requirement ($MM) | Effective Cost ($/MMBtu) | FPL Market Price Forecast ($/MMBtu)[4] | Undiscounted Customer Savings ($MM) | FPL Discount Factor | Discounted Customer Savings ($MM) | Effective Cost ($/MMBtu)[5] | FPL Market Price Forecast ($/MMBtu)[6] | Discounted Savings Due to Decrease in Costs |
| 1 | 2015 | 6.9 | | | | | $3.90 | $2.27 | ($11.3) | 0.93 | ($10.5) | $0.42 | ($1.75) | $2.7 |
| 2 | 2016 | 17.2 | | | | | $3.03 | $2.40 | ($10.9) | 0.86 | ($9.4) | ($0.53) | ($1.90) | ($7.9) |
| 3 | 2017 | 12.4 | | | | | $3.21 | $2.71 | ($6.3) | 0.80 | ($5.0) | ($0.78) | ($2.00) | ($7.8) |
| 4 | 2018 | 9.2 | | | | | $3.46 | $2.83 | ($5.8) | 0.75 | ($4.3) | ($0.94) | ($2.91) | ($6.4) |
| 5 | 2019 | 7.4 | | | | | $3.86 | $3.51 | ($2.6) | 0.69 | ($1.8) | ($1.10) | ($2.37) | ($5.7) |
| 6 | 2020 | 6.3 | | | | | $4.09 | $3.60 | ($3.1) | 0.64 | ($2.0) | ($0.70) | ($2.43) | ($2.8) |
| 7 | 2021 | 5.5 | | | | | $4.32 | $4.26 | ($0.4) | 0.60 | ($0.2) | ($0.62) | ($1.88) | ($2.0) |
| 8 | 2022 | 4.9 | | | | | $4.49 | $4.52 | $0.1 | 0.56 | $0.1 | ($0.59) | ($1.82) | ($1.6) |
| 9 | 2023 | 4.4 | | | | | $4.64 | $4.83 | $0.9 | 0.52 | $0.5 | ($0.57) | ($1.80) | ($1.3) |
| 10 | 2024 | 4.1 | | | | | $4.79 | $5.42 | $2.6 | 0.48 | $1.2 | ($0.55) | ($1.61) | ($1.1) |
| 11 | 2025 | 3.8 | | | | | $4.71 | $5.41 | $2.6 | 0.45 | $1.2 | ($0.53) | ($1.92) | ($0.9) |
| 12 | 2026 | 3.5 | | | | | $4.78 | $5.39 | $2.1 | 0.42 | $0.9 | ($0.54) | ($2.24) | ($0.8) |
| 13 | 2027 | 3.3 | | | | | $4.85 | $5.56 | $2.3 | 0.39 | $0.9 | ($0.54) | ($2.37) | ($0.7) |
| 14 | 2028 | 3.1 | | | | | $4.91 | $5.74 | $2.5 | 0.36 | $0.9 | ($0.54) | ($2.59) | ($0.6) |
| 15 | 2029 | 2.9 | | | | | $4.99 | $5.92 | $2.7 | 0.33 | $0.9 | ($0.53) | ($2.71) | ($0.5) |
| 16 | 2030 | 2.7 | | | | | $5.07 | $6.11 | $2.8 | 0.31 | $0.9 | ($0.51) | ($2.72) | ($0.4) |
| 17 | 2031 | 2.6 | | | | | $5.15 | $6.30 | $2.9 | 0.29 | $0.8 | ($0.50) | ($2.87) | ($0.4) |
| 18 | 2032 | 2.4 | | | | | $5.22 | $6.50 | $3.1 | 0.27 | $0.8 | ($0.49) | ($3.02) | ($0.3) |
| 19 | 2033 | 2.3 | | | | | $5.32 | $6.70 | $3.1 | 0.25 | $0.8 | ($0.48) | ($3.18) | ($0.3) |
| 20 | 2034 | 2.1 | | | | | $5.41 | $6.84 | $3.0 | 0.23 | $0.7 | ($0.47) | ($3.42) | ($0.2) |
| 21 | 2035 | 2.0 | | | | | $5.51 | $6.98 | $2.9 | 0.22 | $0.6 | ($0.46) | ($3.67) | ($0.2) |
| 22 | 2036 | 1.9 | | | | | $5.61 | $7.21 | $3.0 | 0.20 | $0.6 | ($0.44) | ($3.85) | ($0.2) |
| 23 | 2037-65 | 24.1 | | | | | $7.85 | $10.49 | $63.8 | 0.10 | $6.2 | ($0.04) | ($6.66) | ($0.1) |
| Totals[2] | | 134.9 | $312.6 | $162.8 | $169.1 | $644.5 | | | $60.2 | | ($15.3) | | | ($39.5) |

**Notes:**

(1) Includes actuals through February 2016 and current estimates thereafter.

(2) Totals are for 2015-2065, an assumed 50 year project life. Totals may not add due to rounding.

(3) Return rate includes return on capital and return of capital.

(4) Utilizes FPL's January 2016 long-range forecast.

(5) Decrease in effective cost since filing due primarily to higher gross production estimates and lower cost to produce gas.

(6) Change in Market Price forecast since original filing.

(7) Guidelines IIA and IIB - Supplemental Information attached for additional analysis.

(8) Includes Btu conversion factor based on actual methane content.

# Results of FPL's Economic Evaluation (Affiliate Transaction - US Gas Assets)

| | A | B | C | D | E | F = C + D + E | G = F / B | H | I = B x (H-G) | J | K = I x J |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Period | Year | Annual Production (Bcf) | Operating Expenses ($MM) | Depreciation ($MM) | Return Rate[2] ($MM) | Revenue Requirement ($MM) | Effective Cost ($/MMBtu)[3] | FPL Market Price Forecast [4] ($/MMBtu) | Undiscounted Customer Savings[3] ($MM) | FPL Discount Factor | Discounted Customer Savings ($MM) |
| 1 | 2015 | 0.2 | | | | | $2.74 | $2.14 | ($0.1) | 0.97 | ($0.1) |
| 2 | 2016 | 2.2 | | | | | $2.56 | $2.44 | ($0.3) | 0.90 | ($0.2) |
| 3 | 2017 | 1.3 | | | | | $2.96 | $2.76 | ($0.3) | 0.84 | ($0.2) |
| 4 | 2018 | 0.9 | | | | | $3.33 | $2.88 | ($0.4) | 0.78 | ($0.3) |
| 5 | 2019 | 0.7 | | | | | $3.72 | $3.57 | ($0.1) | 0.73 | ($0.1) |
| 6 | 2020 | 0.6 | | | | | $3.98 | $3.66 | ($0.2) | 0.67 | ($0.1) |
| 7 | 2021 | 0.5 | | | | | $4.26 | $4.31 | $0.0 | 0.63 | $0.0 |
| 8 | 2022 | 0.4 | | | | | $4.50 | $4.57 | $0.0 | 0.58 | $0.0 |
| 9 | 2023 | 0.4 | | | | | $4.73 | $4.89 | $0.1 | 0.54 | $0.0 |
| 10 | 2024 | 0.4 | | | | | $4.98 | $5.47 | $0.2 | 0.50 | $0.1 |
| 11 | 2025 | 0.3 | | | | | $5.20 | $5.46 | $0.1 | 0.47 | $0.0 |
| 12 | 2026 | 0.3 | | | | | $5.40 | $5.44 | $0.0 | 0.44 | $0.0 |
| 13 | 2027 | 0.3 | | | | | $5.62 | $5.61 | ($0.0) | 0.41 | ($0.0) |
| 14 | 2028 | 0.3 | | | | | $5.83 | $5.79 | ($0.0) | 0.38 | ($0.0) |
| 15 | 2029 | 0.2 | | | | | $6.05 | $5.97 | ($0.0) | 0.35 | ($0.0) |
| 16 | 2030 | 0.2 | | | | | $6.26 | $6.16 | ($0.0) | 0.33 | ($0.0) |
| 17 | 2031 | 0.2 | | | | | $6.47 | $6.35 | ($0.0) | 0.30 | ($0.0) |
| 18 | 2032 | 0.2 | | | | | $6.68 | $6.55 | ($0.0) | 0.28 | ($0.0) |
| 19 | 2033 | 0.2 | | | | | $6.92 | $6.75 | ($0.0) | 0.26 | ($0.0) |
| 20 | 2034 | 0.2 | | | | | $7.16 | $6.89 | ($0.0) | 0.24 | ($0.0) |
| 21 | 2035 | 0.2 | | | | | $7.41 | $7.03 | ($0.1) | 0.23 | ($0.0) |
| 22 | 2036 | 0.2 | | | | | $7.68 | $7.26 | ($0.1) | 0.21 | ($0.0) |
| | 2037-65 | 2.5 | | | | | $14.28 | $10.87 | ($8.5) | 0.06 | ($0.5) |
| | Totals[1] | 13.0 | $55.3 | $12.9 | $10.9 | $79.1 | | | ($9.8) | | ($1.5) |

**Notes:**

(1) Totals are for 2015-2065, an assumed 50 year project life. Totals may not add due to rounding.

(2) Return rate includes return on capital and return of capital.

(3) Average conversion rate of 1 cubic foot = 1,000 btu's

(4) Utilizes FPL's January 2016 long-range forecast.