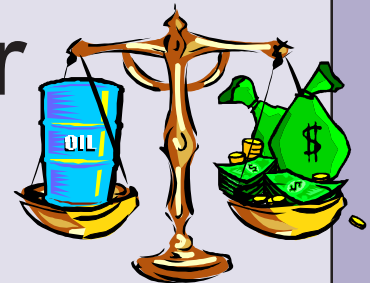




Florida Public Service Commission

Consumer Bulletin

Braulio L. Baez, Chairman



FUEL PRICE HEDGING

In recent years, electric utilities have experienced sharp fluctuations in the prices of certain fuels, especially natural gas and oil, which utilities use to generate electric power for their customers. In particular, the price of natural gas has recently become more volatile than in past years due to a combination of factors. Because these significant fuel price fluctuations have led to price uncertainty for the utilities and their customers alike, utilities and regulators have become more interested in the topic of "fuel price hedging."

Fuel price hedging refers to actions taken by an electric utility seeking to protect its customers against an anticipated rise in future prices. As is the case with every other investment, there are a number of risks associated with fuel investments and transactions in the marketplace. Because of this, the Florida Public Service Commission (PSC) is taking the time to explore these issues so that Florida's electric customers are minimally affected when sharp fuel price increases take place.

The PSC has encouraged Florida's investor-owned electric utilities to hedge their fuel prices where appropriate. At present time, the PSC is monitoring whether each investor-owned electric utility is taking reasonable steps to manage the price risk associated with a number of fuel transactions. This issue is particularly important at this time given the recent history of price fluctuations in the natural gas industry.

Overall, the PSC is taking an active role to ensure that Florida's consumers can benefit by receiving electric service in a safe, reliable, and affordable manner. Ultimately, the PSC has a difficult balancing act to undertake. While consumers seek protection from volatile price increases, utilities seek the freedom to explore options as they manage the risks associated with the acquisition of fuels used to meet daily needs. This balancing act is consistent with the overall role of the PSC as a regulatory agency, which is to balance the needs of the utilities and their shareholders with the needs of consumers.

If you require additional information about the energy industry or are interested in learning how to conserve energy safely and efficiently, please contact the PSC's Division of Regulatory Compliance and Consumer Assistance toll-free at **1-800-342-3552**, or by e-mail at contact@psc.state.fl.us. The PSC's Web site is located at www.floridapsc.com and offers information on a range of energy topics. Please feel free to visit this Web site to review our many brochures and reports about electric safety, electric reliability, and conservation education.

Braulio L. Baez is the Chairman of the Florida Public Service Commission. The PSC sets the rates regulated utility companies charge for natural gas, electric and telephone service within the state. In 36 counties, it sets the price you pay for the water you drink, if your water company is privately owned.