

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Application for authority to issue and sell securities during calendar year 2006, pursuant to Section 366.04, F.S., and Chapter 25-8, F.A.C., by Florida Power & Light Company.

DOCKET NO. 050700-EI  
ORDER NO. PSC-05-1154-FOF-EI  
ISSUED: November 18, 2005

The following Commissioners participated in the disposition of this matter:

BRAULIO L. BAEZ, Chairman  
J. TERRY DEASON  
RUDOLPH "RUDY" BRADLEY  
LISA POLAK EDGAR  
ISILIO ARRIAGA

FINAL ORDER GRANTING APPROVAL FOR  
AUTHORITY TO ISSUE AND SELL SECURITIES

BY THE COMMISSION:

Florida Power & Light Company (FPL) filed an application on October 4, 2005, seeking authority pursuant to Section 366.04, Florida Statutes, and Chapter 25-8, Florida Administrative Code, to issue and sell securities. Notice of FPL's application was given in the Florida Administrative Weekly on October 21, 2005.

Proposed Transactions

FPL is a Florida corporation and was incorporated in 1925. FPL seeks authority to issue and sell and/or exchange any combination of long-term debt and equity securities and/or to assume liabilities or obligations as guarantor, endorser or surety in an aggregate amount not to exceed \$4.5 billion during calendar year 2006. In addition, FPL seeks permission to issue and sell short-term securities during calendar years 2006 and 2007 in an amount or amounts such that the aggregate principal amount of short-term securities outstanding at the time of and including any such sale shall not exceed \$2 billion.

FPL advises that the long-term debt securities may include first mortgage bonds, medium-term notes, extendible commercial notes, debentures, convertible or exchangeable debentures, notes, convertible or exchangeable notes, or other straight debt or hybrid debt securities, whether secured or unsecured, including renewals and extensions thereof, with maturities ranging from one to one-hundred years. FPL may issue long-term debt securities by extending the maturity of short-term securities. FPL may enter into warrants, options, rights, interest rate swaps or other derivative instruments. FPL may also enter into debt purchase contracts, obligating holders to purchase from FPL, and obligating FPL to sell, debt securities at a future date or dates. In addition, FPL may enter into forward refunding or forward swap

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contracts during calendar year 2006. In conjunction with these forward contracts, FPL may issue and sell long-term debt through December 31, 2006, which FPL would commit to deliver under these forward contracts. Moreover, FPL may enter into installment purchase and security agreements, loan agreements, or other arrangements with political subdivisions of the States of Florida, Georgia, or New Hampshire or pledge debt securities or issue guarantees in connection with such political subdivisions' issuance, for the ultimate benefit of FPL, of pollution control revenue bonds, solid waste disposal revenue bonds, industrial development revenue bonds, variable rate demand notes or other "private activity bonds" with maturities ranging from one to forty years, bond anticipation notes or commercial paper. Such obligations may or may not bear interest exempt from federal tax.

Contemplated to be included as long-term or short-term debt securities, as appropriate, are borrowings from banks and other lenders under FPL's credit facilities, as those may be entered into and amended from time to time. As of October 15, 2004, FPL entered into a 5-year revolving credit facility with banks and other lenders and modified its existing 3-year revolving credit facility. Borrowings under both facilities are available for general corporate purposes, including support of FPL's commercial paper program and to provide additional liquidity in the event of a transmission and distribution property loss. The 5-year revolving credit facility provides for, in addition to direct borrowings thereunder, the issuance of letters of credit up to \$750 million in aggregate amount at any one time outstanding for general corporate purposes. The aggregate principal amount at any one time outstanding under the 5-year revolving credit facility and the 3-year revolving credit facility will not exceed \$1 billion and \$500 million, respectively (\$1.5 billion total).

In addition, FPL has established an uncommitted credit facility with a bank. The bank may, at its discretion upon the request of FPL, make a short-term loan or loans to FPL in an aggregate amount determined by the bank, which is subject to change at any time. The terms of specific borrowings under the uncommitted credit facility, including maturities, are set at the time borrowing requests are made by FPL. Borrowings under the uncommitted facility may be used for general corporate purposes.

According to FPL, the equity securities may include common stock, preferred stock, preference stock, convertible preferred or preference stock, or warrants, options or rights to acquire such securities, or purchase contracts obligating holders to purchase such securities, or other equity securities, with such par values, terms and conditions and relative rights and preferences as deemed appropriate by FPL and as are permitted by its Restated Articles of Incorporation, as amended and as they may be amended from time to time.

FPL also states that it may also enter into preferred securities financings, whereby FPL would establish and make an equity investment in a special purpose limited partnership, limited liability company, statutory trust or other entity. FPL, or a wholly-owned subsidiary of FPL, would act as or appoint the general partner, managing member, sponsor, or other managing member of the entity. The entity would offer preferred securities to the public and use the proceeds to acquire debt securities from FPL. FPL would issue debt securities to the entity equal to the aggregate of its equity investment and the amount of preferred securities sold to the public.

FPL may also guarantee, among other things, the distributions to be paid by the affiliated entity to the preferred securities holders. Payments by FPL on the debt securities sold to the entity would be used by that entity to make payments on the preferred securities as well as on FPL's equity investment. Consequently, in the event of such a financing, to avoid double counting, FPL would only count the total amount of debt securities issued to the entity, and would not count the preferred securities or related guaranties against the total amount of proposed long-term debt and equity securities.

The exchange of FPL's securities may be by way of an exchange of a security of FPL for another security or securities of FPL or of one of its subsidiaries or affiliates, or the exchange of a security of FPL or of one of its subsidiaries or affiliates for the security or securities of another entity.

The manner of issuance and sale and/or exchange of securities will be dependent upon the type of security being offered, the type of transaction in which the securities are being issued and sold and/or exchanged and market conditions at the time of the issuance and sale and/or exchange.

FPL also states that the short-term securities will have maturities of not more than twelve months and may be secured or unsecured. FPL may enter into warrants, options, rights, interest rate swaps or other derivative instruments relating to, as well as contracts for the purchase of, short-term securities. Consistent with Securities and Exchange Commission "no-action" letters, FPL may issue and sell commercial paper without compliance with the registration requirements of the Securities Act of 1933, as amended, subject to certain conditions.

The interest rate that FPL could pay on debt securities will vary depending on the type of debt instruments and the terms thereof, including specifically the length of maturity as well as market conditions. On September 30, 2005, a new issue of 30-year first mortgage bonds of FPL would have carried a yield to maturity of about 5.45%. On September 30, 2005, a new issue of 40-year preferred trust securities of a trust established by FPL, and the related 40-year junior subordinated debentures of FPL, would have carried a yield of about 6.00%. The dividend rate for preferred or preference stock is similarly affected by the terms of the offering. On September 30, 2005, a new issue of preferred stock of FPL would have carried a dividend yield of about 5.75%.

In addition, FPL states that it may from time to time enter into nuclear fuel leases, issue instruments of guaranty, collateralize debt and other obligations, issue other securities, and arrange for the issuance of letters of credit and guaranties, in any such case to be issued (i) by FPL or by one or more of its subsidiaries or affiliates for the benefit of FPL's utility operations, (ii) by non-affiliates (including employees) in connection with FPL's utility operations, (iii) by FPL or by or on behalf of one or more of its subsidiaries or affiliates in connection with FPL customers' installations of energy efficiency measures, and/or (iv) in connection with other financings by FPL or on its behalf. To the extent that FPL enters into nuclear fuel leases, issues instruments of guaranty, collateralizes debt or other obligations, issues other securities or arranges for the issuance of letters of credit or guaranties by FPL or by or on behalf of one or

more of its subsidiaries, affiliates or non-affiliates to benefit its utility operations, FPL will clearly demonstrate such benefits.

### Purposes

According to FPL, the net proceeds to be received from the issuance and sale and/or exchange of additional long-term debt and equity securities (with the exception of the proceeds of the issuance and sale of any pollution control revenue bonds, solid waste disposal revenue bonds, industrial development revenue bonds, variable rate demand notes or other "private activity bonds" or similar securities which will be used for specific purposes) will be added to FPL's general funds and will be used to finance the acquisition or construction of additional electric facilities; to reacquire, by redemption, purchase, exchange or otherwise, any of its outstanding debt securities or equity securities; to repay all or a portion of any maturing long-term debt obligations; to satisfy FPL's obligations under guarantees or under the nuclear fuel leases; to repay all or a portion of short-term bank borrowings and commercial paper outstanding at the time of such transactions; and/or for other corporate purposes. Excess proceeds, if any, may be temporarily invested in short-term instruments pending their application to the foregoing purposes. During the period 2006-2007, \$135 million of FPL's long-term debt will mature that was issued by a non-affiliated (but consolidated for financial statement purposes) company (the Fuel Company) that leases nuclear fuel to FPL. As discussed below, FPL has provided an unconditional payment guarantee of that debt.

FPL maintains a continuous construction program, principally for electric generation, transmission, and distribution facilities. FPL estimates that construction expenditures under its 2006-2007 construction program will approximate \$3.5 billion, including Allowance for Funds Used During Construction (AFUDC). Construction expenditures in the 2006-2007 period include one project that required a determination of need. FPL's most recent Ten Year Site Plan filed with the Commission shows the addition of a new generating unit at the Turkey Point site in mid-2007. The proposed unit, Turkey Point Unit 5, is a 1,150 megawatt (summer) natural gas-fired generating unit. The estimated construction cost is \$580.3 million for Turkey Point Unit 5 including AFUDC and transmission interconnection costs. Construction expenditures for Turkey Point Unit 5 began in 2005. As of June 30, 2005, development, design, and construction costs including AFUDC and transmission interconnection costs expended on Turkey Point Unit 5 was \$106.1 million.

Under future market conditions, the interest rate on new issue long-term debt or the dividend rate on new issue preferred or preference stock of FPL may be such that it becomes economically attractive to reacquire a portion or all of certain of its long-term debt securities or equity securities, providing an opportunity for FPL to reduce interest or dividend expense even after accounting for such other considerations as the (i) reacquisition premium, (ii) other associated reacquisition expenses, and (iii) related income tax effects. This reduction would be beneficial to FPL's customers and, with proper regulatory treatment, would not be detrimental to FPL's common shareholder. Other important considerations in making such a decision would include an assessment of anticipated future interest and dividend rates and FPL's ability to raise

enough new capital to finance its construction program while concurrently pursuing any refinancing opportunities.

The forward refunding contracts would be for the purpose of refunding long-term debt (including refunding pollution control revenue bonds, solid waste disposal revenue bonds and industrial development revenue bonds) which may be issued on FPL's behalf and which can be callable. Under federal tax law, pollution control revenue bonds, solid waste disposal revenue bonds and industrial development revenue bonds cannot be refunded with tax-exempt bonds issued more than 90 days prior to the redemption or retirement of the outstanding issue. However, through a forward refunding contract, FPL could lock-in prevailing tax-exempt fixed rates for refunding pollution control revenue bonds, solid waste disposal revenue bonds and industrial development revenue bonds which would be issued 90 days prior to a call date of the outstanding issue. Alternatively, FPL could enter into a forward swap contract, to become effective on a call date of the outstanding issue, to lock-in prevailing tax-exempt fixed rates. Under future market conditions, it may be economical to enter into forward refunding or forward swap contracts, and any anticipated savings generated by such forward transactions would be spread over the combined life of the outstanding bonds and the refunding bonds starting with the execution of the forward contract.

FPL's nuclear fuel leases obligate FPL to purchase portions of the nuclear fuel from the Fuel Company at the net investment value of such fuel, if required to enable the Fuel Company to pay maturing notes or other borrowings. Also, upon the occurrence of certain events which constitute a default by FPL under such nuclear fuel leases or give rise to termination of such fuel leases, FPL may be required to purchase all of the Fuel Company's interest in such leased nuclear fuel at a purchase price equal to (i) the net investment value of such fuel, plus (ii) such additional amounts as are sufficient to enable the Fuel Company to retire all of its debt obligations and any other charges or fees under the appropriate financing agreements which correspond to such fuel leases and to which the Fuel Company is a party. As of June 30, 2005, the net investment value of the nuclear fuel outstanding under both nuclear fuel leases was approximately \$168 million, and FPL estimates that if it had been required to repurchase all of the outstanding nuclear fuel on such date, the cumulative lease termination payment would have been approximately \$168 million.

FPL also directly guarantees the obligations of the Fuel Company under its debt agreements. The outstanding balances under the debt agreements were approximately \$175 million at June 30, 2005. The guaranteed obligations duplicate FPL's obligations under the nuclear fuel leases, such that FPL's satisfaction of its obligations under the nuclear fuel leases will discharge the guaranteed indebtedness and conversely, direct payment on the guarantees reduces the amounts due under the nuclear fuel leases.

FPL presently has an affiliate which promotes the installation of energy efficiency measures by contracting with customers to guarantee the anticipated energy savings. To facilitate FPL's customers' installations of energy efficiency measures, FPL may issue instruments of guaranty, collateralize debt or other obligations, issue other securities, or arrange

for the issuance of letters of credit or guaranties to promote energy efficiency savings contracted for by FPL or FPL subsidiaries or affiliates with FPL customers.

The short-term securities are to provide funds to temporarily finance portions of FPL's construction program and capital commitments and for other corporate purposes. Significant parts of FPL's construction program may temporarily be financed through the sale of short-term securities from time to time. Also, during the 2006-2007 period, FPL may need short-term financing capabilities for seasonal fuel requirements, for contingency financing such as fuel adjustment underrecoveries or storm restoration costs, and for the temporary funding of maturing or called long-term debt or equity securities.

In connection with this application, FPL confirms that the capital raised pursuant to the application will be used in connection with the activities of FPL and not the unregulated activities of its affiliates.

Having reviewed the application, it is the finding of this Commission that the transactions described in the application will not impair the ability of FPL to perform the services of a public utility. These transactions are for such lawful purposes within FPL's corporate powers and, as such, the application is granted.

Our approval of the proposed issuance of securities by FPL does not indicate specific approval of any rates, terms, or conditions associated with the issuance. Such matters are properly reserved for review by the Commission within the context of a rate proceeding.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the application of Florida Power & Light Company to issue and sell securities be approved. It is further

ORDERED that Florida Power & Light Company's request to issue and sell and/or exchange any combination of long-term debt and equity securities and/or to assume liabilities or obligations as guarantor, endorser, or surety in an aggregate amount not to exceed \$4.5 billion during calendar year 2006 is granted. It is further

ORDERED that Florida Power & Light Company's request for authority to issue and sell short-term securities during calendar years 2006 and 2007 in an amount or amounts such that the aggregate principal amount of short-term securities outstanding at the time of and including any such sale shall not exceed \$2 billion. It is further

ORDERED that Florida Power & Light Company's request for authority to enter into forward refunding or forward swap contracts during calendar year 2006, as set forth in the body of this Order, is granted. It is further

ORDERED that Florida Power & Light Company shall file a consummation report in compliance with Rule 25-8.009, Florida Administrative Code, within 90 days of the end of any fiscal year in which it issues any securities authorized by this Order. It is further

ORDERED that this docket shall remain open to monitor the issuance and/or sale of securities until Florida Power & Light Company submits and we have reviewed the Consummation Report, at which time it shall be closed administratively.

By ORDER of the Florida Public Service Commission this 18th day of November, 2005.



BLANCA S. BAYO, Director  
Division of the Commission Clerk  
and Administrative Services

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Any party adversely affected by the Commission's final action in this matter may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or 2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water and/or wastewater utility by filing a notice of appeal with the Director, Division of the Commission Clerk and Administrative Services and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.