

State of Florida



# Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD  
TALLAHASSEE, FLORIDA 32399-0850

**-M-E-M-O-R-A-N-D-U-M-**

**DATE:** June 16, 2016

**TO:** Julie I. Brown, Chairman  
Lisa Polak Edgar, Commissioner  
Art Graham, Commissioner  
Ronald A. Brisé, Commissioner  
Jimmy Patronis, Commissioner

**FROM:** Andrew L. Maurey, Director, Division of Accounting & Finance  
Rosanne Gervasi, Senior Attorney, Office of the General Counsel

**RE:** Docket No. 150171-EI - In re: petition for issuance of nuclear asset-recovery financing order by Duke Energy Florida, Inc. d/b/a Duke Energy.

RECEIVED-FPSC  
2016 JUN 20 AM 9:05  
COMMISSION CLERK  
ALMA  
MF

Pursuant to Order No. PSC-15-0537-FOF-EI, issued November 19, 2015, in Docket No. 150171-EI, the Commission will have an opportunity to consider the Issuance Advice Letter filed by Duke Energy Florida pursuant to Ordering Paragraph 73 and the opinion letter from the Commission's financial advisor required pursuant to Ordering Paragraph 74 in determining whether the structuring, marketing, and pricing of the nuclear asset-recovery bonds achieved: (1) the statutory cost objectives; (2) the lowest nuclear asset-recovery charges consistent with prevailing market conditions at the time of pricing, terms and conditions of the Financing Order, and other applicable law; and (3) the greatest possible customer protections.

If the Commission does not issue a stop order, the Commission, without the need for further action and pursuant to its authority under the Financing Order, shall have determined that the requirements of Section 366.95, Florida Statutes, and the Financing Order have been satisfied.

cc: Braulio Baez, Executive Director  
Keith Hetrick, General Counsel  
Mark Futrell, Deputy Executive Director, Technical  
April Lynn, Deputy Executive Director, Administrative

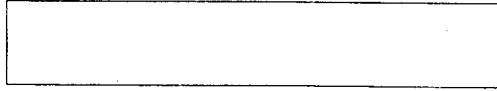
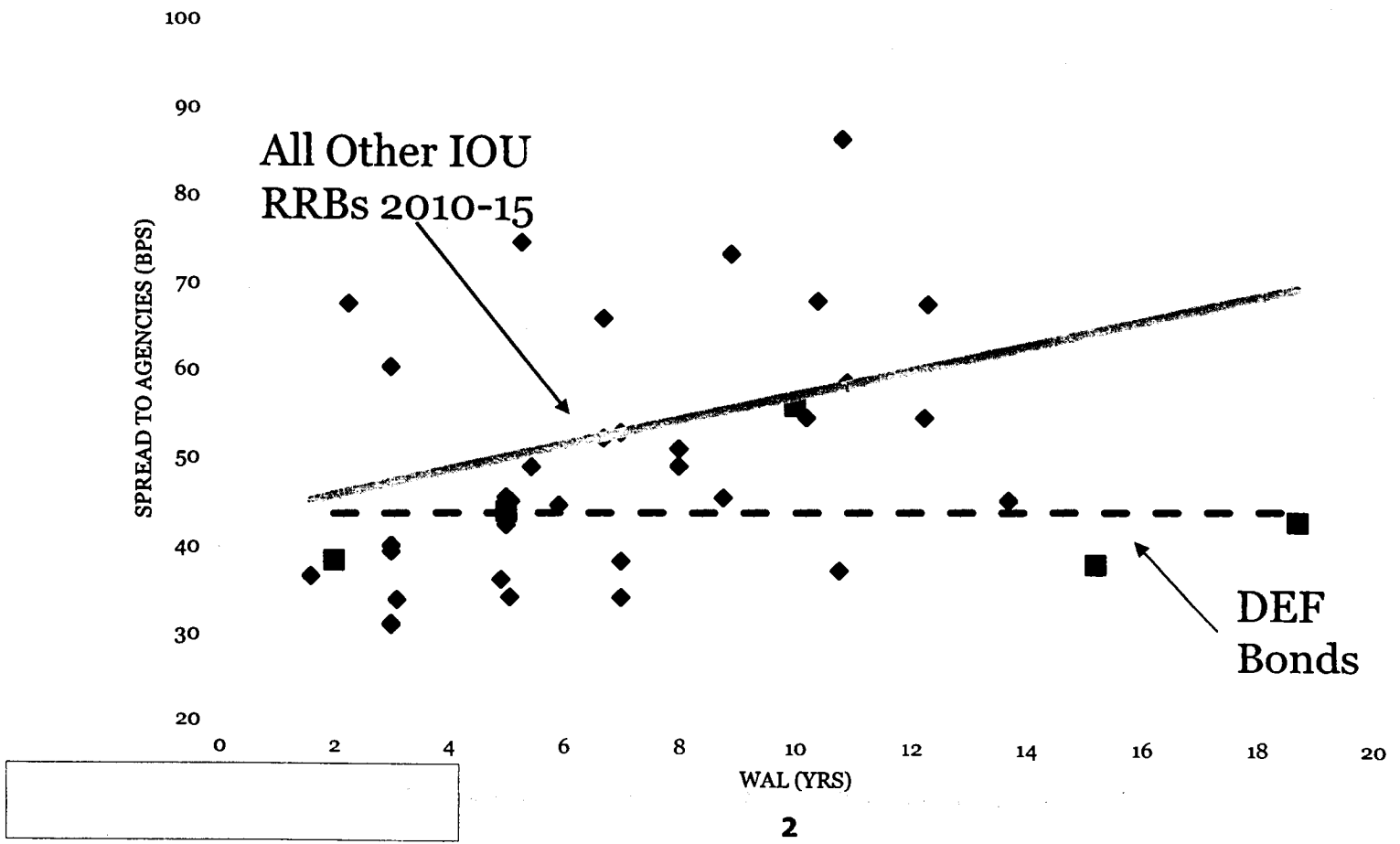
## Summary Duke Energy Florida Financing

1. Total financing cost of 2.72% represents the **LOWEST COST** in the history of Investor-Owned Utility Project Finance securitizations
2. **LARGEST** financing with the **LONGEST** maturity of this type to have come to market to date
3. Investors bought Duke Energy Florida's Project Finance bonds at interest rate levels that were in line with US Agency securities such as TVA, FNMA and FHLB and some of the largest, highest rated (Aaa) global corporations such as Johnson and Johnson and Exxon.
4. The transaction benefited from an extensive investor education which included over 110 investors and where Duke Energy and Saber and Commission Staff were actively involved with the discussions



# DEF vs 2010-2015 RRBs: Interest Rate Spread To AAA/Aaa US Agencies Interest Rate Curve

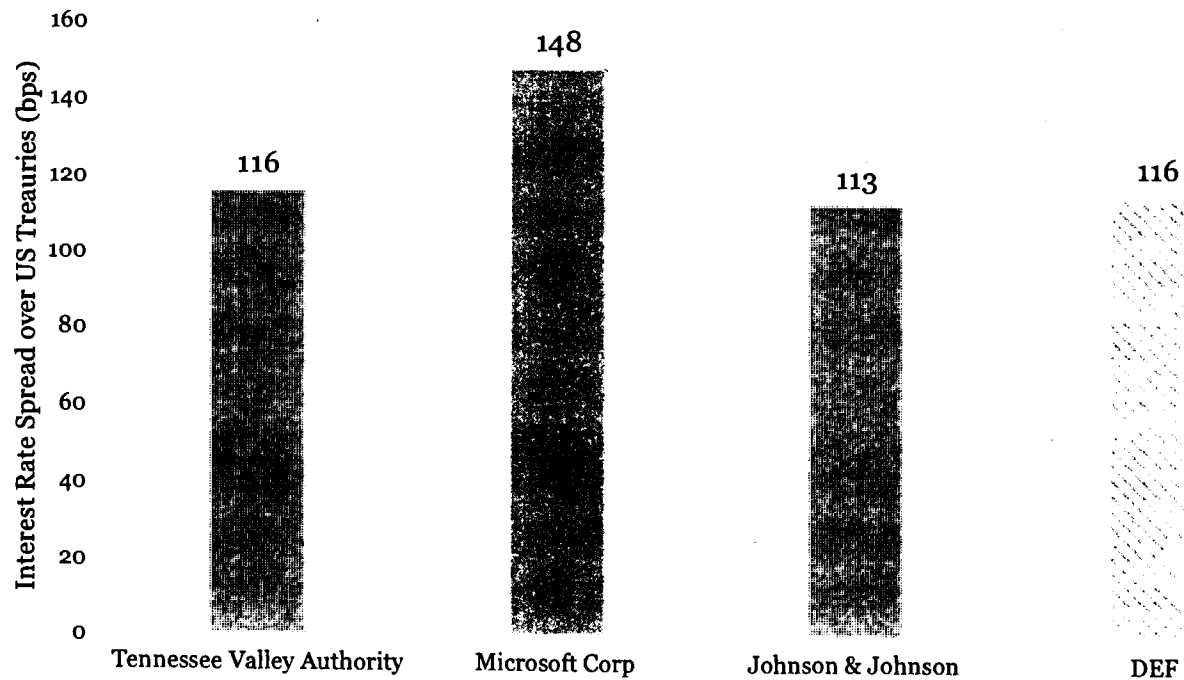
- All five DEF Series are **BELOW** the historical average RRB spreads to US Agencies, a common AAA comparable security for investor-owned utility RRBs



## DEF 2035 Series (18.7yr WAL): Current Market Aaa Comparables

- Investors bought Duke Energy Florida Project Finance's bonds at this maturity at interest rate levels that were in line with US Agency securities such as FNMA and FHLB and some of the largest, highest rated global corporations such as Johnson and Johnson and Exxon.

2035 Series Comparables (18.7yr WAL)



\* All comparables spreads to interpolated US Treasuries interest rate curve (G-Curve)



**Legislative Process:**

(\$ millions)

	<b>2013 Settlement (20 yr)</b>	<b>Securitization (20 yr) January 2016 Closing 1/31/15 Int. Rates</b>	<b>Securitization (20 yr) January 2016 Closing 1% Int. Rate Sensitivity</b>
<b>Projected CR3 Regulatory Asset Recovery:</b>			
Principal	1,350 (A)	1,350 (A)	1,350 (A)
Equity Return (Pretax)	884 (B)		
Interest on Financing	426 (B)	449 (C)	614 (D)
Securitization Servicing Fees		60	60
<b>Total Amount Recovered From Customer</b>	<b>2,660</b>	<b>1,859</b>	<b>2,024</b>
<b>Customer Savings compared to 2013 Settlement (nominal)</b>		<b>(802)</b>	<b>(636)</b>
<b>Customer Savings compared to 2013 Settlement (NPV)</b>		<b>(608)</b>	<b>(504)</b>
<b>Revenue - Yr 1</b>	<b>177</b>	<b>93</b>	<b>101</b>
<b>Residential Rate (\$/mwh) - Yr 1</b>	<b>\$5.33</b>	<b>\$2.91</b>	<b>\$3.16</b>
<b>Residential Rate (\$/mwh) - Yr 1 Savings Compared to 2013 Settlement</b>		<b>(\$2.42)</b>	<b>(\$2.17)</b>

- (A) Projected CR3 Regulatory Asset balance was a high level early estimate of the balance at December 2015.
- (B) Assumes recovery per the terms of the 2013 Revised and Restated Stipulation and Settlement Agreement
- (C) 20 Year securitization assumes 1/31/15 interest rates averaging 2.625% on 4 tranches with varying maturities
- (D) 20 Year securitization with 1% sensitivity assumes interest rates averaging 3.625% on 4 tranches with varying maturities

**June 15, 2016 Final Pricing / June 22, 2016 Bond Issuance:**

(\$ millions)

	<b>2013 Settlement (20 yr)</b>	<b>Securitization (20 yr)</b>
<b>CR3 Regulatory Asset Balance</b>	\$1,278 (E)	\$1,278 (E)
<b>Recovery:</b>		
Principal	\$1,278	\$1,278
Equity Return (Pretax)	\$839 (F)	
Interest on Financing	\$404 (F)	\$397 (G)
Upfront Financing Costs		\$16
Securitization Servicing Fees		\$22
<b>Total Amount Recovered From Customer</b>	\$2,522	\$1,714
<b>Customer Savings compared to 2013 Settlement (nominal)</b>		(\$808)
<b>Customer Savings compared to 2013 Settlement (NPV)</b>		(\$684)
<b>Revenue - Yr 1</b>	\$168	\$85 (H)
<b>Residential Rate (\$/mwh) - Initial Charge Jul'16 - Feb'17</b>		\$2.87
<b>Residential Rate (\$/mwh) - Second Charge Mar'17 - Aug'17</b>		\$2.73
<b>Residential Rate (\$/mwh) - Yr 1 Average</b>	\$4.95	\$2.84
<b>Residential Rate (\$/mwh) - Yr 1 Avg. Savings Compared to 2013 Settlement</b>		(\$2.11)

(E) CR3 Regulatory Asset balance is as of June 20, 2016 (reflects \$35.9 million reduction approved in Order No. PSC-16-0138-FOF-EI)

(F) Assumes recovery per the terms of the 2013 Revised and Restated Stipulation and Settlement Agreement

(G) 20 Year securitization with interest rates averaging 2.720% on 5 tranches with varying maturities

(H) Under securitization, 1st year has 2 extra months due to timing of bond pmts, therefore, used year 2 for revenue