

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-**

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**DATE:** September 24, 2020

**TO:** Office of Commission Clerk (Teitzman)

**FROM:** Division of Accounting and Finance (Hightower, D. Buys, Cicchetti) *MC* *ALM*  
Office of the General Counsel (Lherisson, Schrader) *JSC*

**RE:** Docket No. 20200188-EI – Application for authority to issue and sell securities during calendar years 2020 and 2021, pursuant to Section 366.04, F.S., and Chapter 25-8, F.A.C., by Florida Power & Light Company and Florida City Gas.

**AGENDA:** 10/06/20 – Regular Agenda – Final Action – Interested Persons May Participate

**COMMISSIONERS ASSIGNED:** All Commissioners

**PREHEARING OFFICER:** Administrative

**CRITICAL DATES:** None

**SPECIAL INSTRUCTIONS:** Please place this item after the item for Docket No. 20200187-EI on the Agenda

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## Case Background

Florida Power & Light Company (FPL or Company) seeks authority to issue and sell and/or exchange any combination of long-term debt and equities; and issue and sell short-term debt securities during 2021. As part of this application, Florida City Gas (FCG) requests authorization to make long-term and short-term borrowings from FPL. In addition, FPL and its affiliate, Gulf Power Company (Gulf), currently have a merger application pending before the Federal Energy Regulatory Commission (FERC). Contingent upon the closing of the merger, the regulated activities and operations of Gulf acquired by FPL as a result the merger will be financed by FPL.<sup>1</sup>

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<sup>1</sup> The companion securities docket for Gulf, Docket No. 20200187-EI, *In re: Application for authority to issue and sell securities during calendar year 2021, pursuant to Section 366.04, F.S., and Chapter 25-8, F.A.C., by Gulf Power Company*, is scheduled to be presented at the October 6, 2020, Agenda Conference along with this docket.

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This recommendation addresses the authorization to issue and sell securities. The Commission has jurisdiction over this matter pursuant to Section 366.04, Florida Statutes.

## Discussion of Issues

**Issue 1:** Should the FPL application for authority to issue and sell securities be approved?

**Recommendation:** Yes, FPL's application for authority to issue and sell securities during calendar year 2021 should be approved. (Hightower)

**Staff Analysis:** FPL seeks authority to issue and sell and/or exchange any combination of long-term debt and equities; and issue and sell short-term debt securities during 2021. The amount of equity securities issued and the maximum principal amount of long-term debt securities issued, will not, in aggregate, exceed more than \$6.35 billion during the calendar year 2021. The maximum aggregate principal amount of short-term debt at any one time will total not more than \$4.1 million during the calendar year 2021.

FCG seeks Commission approval to make long-term borrowings from FPL in an aggregate amount not to exceed \$300 million in principal at any one time during 2021 and make short-term borrowings from FPL in an aggregate amount not to exceed \$150 million in principal at any one time during calendar years 2021. These amounts are included in the long-term and short-term amount totals requested by FPL discussed above.

Only FPL is actually issuing securities to the public. FCG is not issuing any securities but instead is borrowing directly from FPL. The authority FPL is requesting, the aggregate amount of equity and debt securities, is inclusive of the amount it will lend to FCG.

Contingent upon the FERC's approval of the merger of Gulf and FPL, as discussed below, FPL requests to (i) issue and sell and/or exchange any combination of the long-term debt and equity securities described below and/or to assume liabilities or obligations as guarantor, endorser or surety, together with the aggregate principal amount of long-term debt and equity securities issued by Gulf and liabilities and obligations assumed by Gulf as guarantor, endorser or surety, in each case issued or assumed by Gulf during calendar year 2021 prior to the effectiveness of the merger, in an aggregate principal amount not to exceed \$1.50 billion, and (ii) issue and sell short-term securities during calendar year 2021 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 should not exceed \$800 million. If approved, these amounts would be incremental to the long-term and short-term amount totals requested by FPL discussed in the first paragraph.

**Table 1.1  
 Proposed Transactions:**

	<b>FPL, including FCG</b>	<b>Florida City Gas, stand alone</b>	<b>Gulf, stand alone</b>	<b>FPL, contingent upon FPL/Gulf merger (01/01/2021)</b>
Long-term securities	\$6.35 billion	\$300 million	\$ 1.50 billion	\$7.85 billion
Short-term securities	\$4.1 billion	\$150 million	\$ 800 million	\$4.9 billion

Subject to FERC approval, on January 1, 2021, Gulf will cease to exist as a separate legal entity and therefore there will be no remaining authority under the Gulf Securities Application and the Gulf regulated activities would be financed by FPL as set forth in this Securities Application. Upon the effectiveness of the merger, the Utility should provide prompt notice to the Commission that the authority granted under the Gulf Order in Docket No. 20200187-EI should be terminated as of the effective date of the merger.

In connection with this application, FPL confirms that the capital raised pursuant to this application will be used in connection with the regulated activities of FPL and FPL's subsidiaries and affiliates, including FCG and Gulf, and not the nonregulated activities of its subsidiaries or affiliates.

Staff has reviewed the Company's projected capital expenditures. The amount requested by the Company, contingent upon the merger, (\$12.8 billion, of which \$450 million is for FCG) exceeds its expected capital expenditures (\$8.25 billion in 2021). The additional amount requested exceeding the projected capital expenditures allows for financial flexibility for unexpected events such as hurricanes, financial market disruptions and other unforeseen circumstances. Staff believes the requested amounts are reasonable. Staff recommends FPL's application for authority to issue and sell securities during calendar year 2021 be approved.

For monitoring purposes, this docket should remain open until May 7, 2022, to allow the Company time to file the required Consummation Report.

**Issue 2:** Should this docket be closed?

**Recommendation:** No, this docket should remain open. (Lherisson, Schrader)

**Staff Analysis:** For monitoring purposes, this docket should remain open until May 7, 2022, to allow the Company time to file the required Consummation Report.