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Case Study:
The 2017 US Congressional Tax Law and the 2005 Florida State Legislature's Storm Recovery Financing Act (Section 366.8260 Florida Statutes)

Potential Customer Savings Using a Storm Recovery Bond Securitization versus Tax Savings for the Recovery of Florida Power & Light (FPL) (NYSE: NEE) Hurricane Irma Costs

1. *EXECUTIVE SUMMARY*

- Very significant added ratepayer savings - approximately $250 million or more - are available today because of the Florida State legislature, FPL and the Commission foresight and leadership in 2005 in the Storm Recovery Financing Act. However, it is not being used.

- In Senate Bill #1366c3[1], signed into law in 2005 by Governor Jeb Bush, the state made securitization - the ability to sell top-rated AAA ratepayer-backed bonds – available for customers to repay investor-owned utilities' costs from any hurricane/storm infrastructure damage.[2] The Storm Recovery Financing Act has no expiration date and FPL successfully used it in 2007.[3] A similar version of the legislation was adopted and used 10 years later for nuclear plant retirement costs. Specifically, securitization is currently an available option to finance FPL's Hurricane Irma costs.

- The Florida Commission approved FPL's rates for electric service to allow FPL to recover its costs, including Federal income tax, expected to be imposed at the rate of 35%. The recently enacted Federal tax bill generally reduces the Federal corporate income tax rate from 35% to 21% effective January 1, 2018. Rather than using securitization to finance Hurricane Irma

[1] See http://www.leg.state.fl.us/cgi-bin/view_page.pl?Tab=session&Submenu=1&FT=D&File=sb1366c3.html&Directory=session/2005/Senate/bills/billtext/html/

[2] See Section 366.8260, Florida Statutes

[3] See FPL Recovery Funding LLC Series A Senior Secured Storm Recovery Bonds http://www.investor.nexteraenergy.com/phoenix.zhtml?c=88486&p=irol-securitization

recovery costs, FPL proposes to recover these Irma related costs from excess revenues it expects to receive by reason of the recent reduction in the income tax rate.

- A focused financial analysis shows that there is a significantly better result available for FPL customers if FPL does not bundle the tax reduction windfall with Irma recovery costs. The best solution for the ratepayer is to receive a standalone rate reduction for the tax savings and employ securitization to achieve a triple A debt rate to pay for Irma recovery costs.

- To compare the proposals on an "apples to apples" basis. we have analyzed FPL's proposal and alternative proposals with storm recovery bond securitization on a net present value basis (NPV). Instead of FPL's current proposal, if FPL credits tax savings directly back to the customers on their bill and uses storm recovery bonds to finance Hurricane Irma costs, this would create large savings in today's dollars for its customers.

- Net present value savings for FPL customers from using securitization versus FPL's current tax crediting proposal, described above, range from **$181 million** with a 7-year securitization to **$329 million** with 20-year securitization, using FPL's standard regulatory 8% discount rate.

- More specifically, if FPL simply did exactly the storm recovery bond offering for ratepayers today that it did in 2007,[4] i.e., 12-year storm recovery bond, along with crediting tax savings back to the ratepayer, ratepayers would save an *added* **$250 million NPV versus FPL's tax crediting proposal.**

- Changes in interest rates and credit spreads do not eliminate or materially change the potential ratepayer savings. Even if all interest rates were to rise by 100 basis points (1.00%), ratepayer savings would still be in the range of an added **$140-246 million NPV compared to FPL's proposal solely to use tax savings instead of RRBs for Irma cost recovery.**

2. *METHODOLOGY*

- Saber's did its analysis based on publicly available information. Where complete information was not available (such as the carrying charge rate for capitalized unrecovered costs), we used our best estimate.

- Our **Base Case (Case #0)** was the proposal by FPL to add a $4 surcharge on the customer's bill, which they proposed prior to passage of the new Federal tax bill. This case calibrated our assumptions with known information.

- The analysis considers various alternatives for Hurricane Irma cost recovery as well as for use of income tax savings from the new law.

- Since the amount of tax savings depends on the amount of pre-tax earnings, we have assumed earnings will grow from the 2017 reported amount at a growth rate like recent prior years.

- Securitization (rate reduction bond (RRB)) interest rates demanded by investors are low and expected to rise over time, but the order of magnitude ratepayer savings does not change

[4] See FPL Recovery Funding LLC Series A Senior Secured Storm Recovery Bonds http://www.investor.nexteraenergy.com/phoenix.zhtml?c=88486&p=irol-securitization

materially with a material rise in interest rates. This is because the cost of securitization is so much less than FPL's weighted average cost of capital, even though transaction costs are higher costs. Those costs return substantial NPV benefit larger than any traditional financing technique.

- Likewise, we have assumed all scenarios begin at the same point in time. However, securitization would take at least 6 to 9 months to complete. This, however, does not materially affect the order of magnitude of customer savings.

3. ALTERNATIVES AND CASES EXAMINED

- **Case #1 i**s our understanding of FPL's proposal following passage of the new tax law. It assumes that FPL will use tax savings in the first 3 years, beginning in 2018, and a very small bit of the 4th year, to "pay down" the current unrecovered balance of storm costs. Then, consistent with FPL's recent earnings press release, it will use the next two year's tax savings to defer a planned rate case until 2023. After that, we assumed that in all cases, FPL rates will reflect the new tax rates in the rate case results.

- **Case #s 2,3 and 4** assume securitizations over 7, 12 and 20-year amortization, respectively. Case #3 is what FPL did in 2007[5], and Case #4 is what Duke Energy Florida did in 2016 for costs associated with the early retirement of a nuclear plant.

- **Case #s 2,3 and 4** also assume that during the first 5 years, tax savings would be fully credited back DIRECTLY to customers. In FPL's current proposal, customers do get some of the value of the tax savings in years 1-3 and part of year 4 by paying for storm cost without a surcharge and in the remainder of year 4 and all of year 5 by deferring a rate case, but it is not clear that the ratepayer will get the full benefit. In any event, this is the least efficient use of tax savings for customers when a storm bond securitization is considered.

- The chart on attachment page 7 shows current interest rates for US Treasuries and assumed rates for RRBs of various expected final maturities and level amortization of principal.

4. OTHER OBSERVATIONS TO CONSIDER

- There is a large unmet investor demand for these types of securitized bonds because there are very few AAA bond issuers, not even the United States Government. Strong demand by institutional investors keeps AAA bond prices high, and thereby keeps interest costs very low for the issuer.

- While $50 billion investor-owned utility securitization bonds have been issued in the last 21 years, less than $9 billion still are outstanding. The 2016 Duke Energy Florida offering showed, especially on longer maturities, how low credit spreads could go to help ratepayers and satisfy investors with a storm recovery bond offering.

[5] FPL Recovery Funding LLC See https://www.sec.gov/Archives/edgar/data/1396530/000090514807003876/0000905148-07-003876-index.htm

- The rating agencies have issued reports saying that using securitization should be credit-positive or credit-neutral to the sponsoring utility so long as securitized charges do not exceed about 20% of the monthly electric bill as is the case in Florida.[6]

- Using a storm bond offering now in Florida does not prevent using it again should another storm occur with significant costs. Louisiana and Texas utilities sold multiple securitization bond issuances within the last 10-years without any market access issues.

- Storm recovery securitization charges do not complicate an FPL customers' bills. There is no requirement for the storm recovery charge that services each bond issue to appear as a separate line item on the bill. There is no "pancaking" effect from storm recovery bond issuances. There are only lower customer bills than would have been the case without using securitization compared to all other alternatives.

- By using securitization, and not FPL's balance sheet, this proposal improves FPL's credit profile. Rating agencies and investors would view this favorably as improving the regulatory-customer relationship.

- The 2005 legislation explicitly states "The commission may not order or otherwise directly or indirectly require an electric utility to use storm-recovery bonds to finance any project, addition, plant, facility, extension, capital improvement, equipment, or any other expenditure, unless the electric utility has filed a petition under paragraph (2)(a) to finance such expenditure using storm-recovery bonds. The commission may not refuse to allow an electric utility to recover costs for storm-recovery activities in an otherwise permissible fashion, or refuse or condition authorization or approval pursuant to s. 366.04 of the issuance and sale by an electric utility of securities or the assumption by it of liabilities or obligations, solely because of the potential availability of storm-recovery financing."[7]

- The preferred and traditional analysis used to make financial decision is to evaluate all costs and benefits and to choose the one that creates the greatest value in today's dollars also known as 'net present value."

5. CONCLUSION

- FPL has consistently proven how deeply it cares for its customers. Indeed, in 2005, working with the legislature, the Commission and its advisors, FPL led the nation in showing how securitization could successfully be applied to other investor-owned utility costs to help ratepayers and respect shareholder interests. Other states followed Florida's lead.

- The 2017 tax law, combined with the 2005 Florida legislation, create a unique opportunity for Florida customers not currently available in other states.

- FPL could, therefore, pursue a storm recovery bond securitization as it did in 2007 to LOWER at once customer bills with existing tax credits and achieve large ratepayer savings of more than

[6] In meetings on rating investor-owned securitization bonds and at industry gatherings, all three agencies have made comments like these.

[7] See 366.8260 (3) EXCEPTIONS TO COMMISSION JURISDICTION, (b)

$250 million NPV through a storm recovery bond securitization. This would further show FPL's commitment to its customers and generate added good will for FPL.

- A storm recovery bond securitization also gives FPL significant cash flow sooner which can help their rate base and earnings.

- While Florida's first securitization transactions - as a first of their kind offerings (storm recovery and nuclear asset recovery) – were laborious, all outstanding issues were resolved. The Florida securitization "wheel" does not need to be reinvented. FPL and the Commission (through the established and innovative "Bond Team" approach) can use the most recent Duke Energy Florida securitization financing order and related items as a proven template. This structure has been proven in the market and with securities regulators (SEC) and investors since the 2008-2009 credit crisis. The new Bond Team therefore can quickly access the market to give an infusion of cash to FPL and lower electricity bills to FPL customers.

- The best solution for FPL customers is to receive a standalone rate reduction now for the newly created tax savings and employ a storm recovery bond securitization to achieve a triple A debt rate to pay for Hurricane Irma costs.

6. Frequently Asked Questions

Q: This proposal would pass tax savings on to customers by lowering rates and then add a Storm Recovery Bond charge to the bill. Even though overall customer rates would be lower, wouldn't this bond charge just add another layer to the bill like a stack of pancakes? Shouldn't such "pancaking" be avoided?

A: There is no need to separate the charge on the customer's bill. The legislation authorizes the commission to allow storm recovery charges to be incorporated in the aggregate rate for customers[8].

A customer's bill is the aggregation of many items into a per kilowatt-hour charge. A minor storm recovery charge would be a very, very small part of the aggregate bill. And when combined with the tax savings as already proposed by FPL (and announced to customers in a recent email) the bill would be LOWER than the current bill. Should another storm occur, there would still be room for added charges because of the 2005 legislation and the bill would likely still be lower than today, all other things being equal.

Q: The Storm Recovery bond charge would last 12 years or longer on a customers' bills. Why should future FPL customers (another generation) pay for storm damage repairs if they were not customers when the damages occurred (current generation)?

A: There is no single correct way to decide which ratepayers in time should pay rates designed to recover significant, unforeseen storm costs. The Florida state legislature, the Florida Public Service Commission and FPL have all agreed on what is fair and proper recovery period for storm recovery costs across customer "generations": 7-12 years.

[8] See (Section 366.8260(4)(a)) "The commission shall determine whether to require electric utilities to include such information or amounts owed with respect to the storm-recovery property as a separate line item on individual electric bills."

- Seven years is the allowed storm surcharge duration and
- 12 years (FPL Storm Recovery Bond duration in 2007).

Both recovery periods were explicitly approved by authorizing legislation, Commission action and FPL petitions. We are not aware of an agreed upon public policy by the legislature or the commission that a shorter period is better.

Consequently, giving up $180 of customer value by shortening the period to 2-3 years from 7 years as the base case seems an unreasonably high and imprudent cost to pay considering these Florida precedents.

Q: If FPL lowers rates now because it would be passing tax savings onto customers directly, and then must raise rates even a little bit for the Storm Recovery bond charge, doesn't that create unstable customer rates? Stable rates are good for customers.

A: Wild swings in a customer's bill should be avoided. However, stable higher rates are *not* preferred over lower *long-term rates*. Passing on the tax savings directly and adjusting for a legislative storm recovery bond securitization charge would result in a stable lower rate for customers.

FPL just announced that it was lowering customers' bills and passing along federal tax savings. Announcing a storm recovery bond petition as part of the "passing on of [its] federal tax savings" would allow for further decline in customer rates and be consistent with its policy just announced.

Q: Why doesn't the Commission just order the Storm Recovery Bond since it is the best interests of ratepayers?

A: The legislation specifically prohibits this.

The 2005 legislation states *"The commission may not order or otherwise directly or indirectly require an electric utility to use storm-recovery bonds to finance any project, addition, plant, facility, extension, capital improvement, equipment, or any other expenditure, unless the electric utility has filed a petition under paragraph (2)(a) to finance such expenditure using storm-recovery bonds. The commission may not refuse to allow an electric utility to recover costs for storm-recovery activities in an otherwise permissible fashion, or refuse or condition authorization or approval pursuant to s. 366.04 of the issuance and sale by an electric utility of securities or the assumption by it of liabilities or obligations, solely because of the potential availability of storm-recovery financing."*[9]

Whether or not to use the Storm Recovery Finance Act or not is the choice of FPL.

Attachment

[9] See 366.8260 (3) EXCEPTIONS TO COMMISSION JURISDICTION, (b)

Calculation of ADDITIONAL Ratepayer Benefits from Using Legislature's Approved Securitization of Hurricane Irma Cost Recovery Considering Federal Tax Savings

Note: Tax savings based on FP&L 2017 GAAP Net Inc.+ Growth Factor

($ millions)

Net Present Value (NPV) Discount Rate:	**8.00%** [1]				
	Federal Income Tax Rate	**35%**	**21%**	**Projected 2017 Tax Savings**	
Pre-tax Income		**2,986**	**2,986**		
State & Other Taxes		**94**	**94**		**State and Other Taxes:** **3.14%**
Federal Income Tax		**1,012**	**607**		
Net Income		**1,880**	**2,285**	**(405)**	
FPL Earnings Growth Factor:	**7.40%**				

Year		Hurricane Irma Amortization ($ millions)		Annual Ratepayer Tax Savings Credit ($ millions)	Net Savings ($ millions)
Case #0 - Base Case				***Initial Surchage Proposal + No Tax Savings***	
			$4 surcharge on		
			5 million retail customers		
Year	0		$1,250 NPV	divided by 5 million retail ratepayers	
2018	1	$ 240		= $250 per ratepayer	$ 240
2019	2	$ 240			$ 240
2020	3	$ 240			$ 240
2021	4	$ 240			$ 240
2022	5	$ 240			$ 240
2023	6	$ 240			$ 240
2024	7	$ 240			$ 240
2025	8	$ -			$ -
Nominal total		$ 1,680		Nominal difference to Pre-Irma/Tax Law	$ 1,680
Case #1				***FPL Current Proposal***	
Year	0		$1,250 NPV		
2018	1	$ 435		$ (435)	$ -
2019	2	$ 467		$ (467)	$ -
2020	3	$ 502		$ (502)	$ -
2021	4	$ 66		$ (539)	$ (473) tax rate savings applied to defer rate case
2022	5	$ -		$ (579)	$ (579)
2023	6	$ -		$ -	$ - new tax rate reflected in new kwh rate
2024	7	$ -		$ -	$ -
2025	8	$ -		$ -	$ -
				Nominal difference to Pre-Irma/Tax Law	$ (1,051) $ (1,051) $ (1,051) $ (1,051)
Nominal Total		$ 1,470		NPV Difference (Savings) Cost to Pre-Irma/Tax Law	$ (741) $ (741) $ (741) $ (741)

+100 bps +200 bps +300 bps

Year	Hurricane Irma Amortization ($ millions)	Annual Ratepayer Tax Savings Credit ($ millions)	Net Savings ($ millions)

Case #2 ***(Match Current FPL Proposed Amortization)*** ***7-yr. Securitization [3] at 3.1% + Tax Savings Bill Credit Compared to Current FPL Proposal***

$1,069 NPV

SENSITIVITY ANALYSIS 1,250 Upfront net proceeds

Year	0	IF SECURITIZATION RATES INCREASE		+100 bps	+200 bp	+300 bps				+100 bps	+200 bps	+300 bps
2018 [2]	1	$	205	213	221	229	$	(435)	$ (229)	$ (222)	$ (214)	$ (206)
2019	2	$	205	213	221	229	$	(467)	$ (262)	$ (254)	$ (246)	$ (238)
2020	3	$	205	213	221	229	$	(502)	$ (296)	$ (288)	$ (280)	$ (272)
2021	4	$	205	213	221	229	$	(539)	$ (333)	$ (326)	$ (318)	$ (310)
2022	5	$	205	213	221	229	$	(579)	$ (373)	$ (365)	$ (357)	$ (349)
2023	6	$	205	213	221	229	$	-	$ 205	$ 213	$ 221	$ 229
2024	7	$	205	213	221	229	$	-	$ 205	$ 213	$ 221	$ 229
2025	8	$	-				$	-	$ -	$ -	$ -	$ -
							Nominal difference to Pre-Irma/Tax Law		$ (1,083)	$ (1,028)	$ (973)	$ (916)
	Nominal Total	$	1,438				NPV Difference to Pre-Irma/Tax Law		$ (922)	$ (881)	$ (840)	$ (798)

Securitization Bond Savings vs. Company Proposal

Nominal (Savings) or Cost	$ 32	$ (23)	$ (78)	$ (135)
ADDITIONAL Ratepayer NPV (Savings) or Cost from Securitization versus Company Proposal	**$ (181)**	**$ (140)**	**$ (99)**	**$ (57)**

Case #3 ***(Match FPL 2007 Storm Recovery Bond Structure)*** ***12-year Securitization [3] at 3.6% + Tax Savings Bill Credit Compared to Current FPL Proposal***

SENSITIVITY ANALYSIS 1,250 Upfront net proceeds

Year	0	IF SECURITIZATION RATES INCREASE		+100 bps	+200 bp	+300 bps				+100 bps	+200 bps	+300 bps
2018	1	$	133	141	149	157	$	(435)	$ (302)	$ (294)	$ (286)	$ (278)
2019	2	$	133	141	149	157	$	(467)	$ (334)	$ (326)	$ (318)	$ (310)
2020	3	$	133	141	149	157	$	(502)	$ (369)	$ (361)	$ (353)	$ (345)
2021	4	$	133	141	149	157	$	(539)	$ (406)	$ (398)	$ (390)	$ (382)
2022	5	$	133	141	149	157	$	(579)	$ (446)	$ (438)	$ (430)	$ (422)
2023	6	$	133	141	149	157	$	-	$ 133	$ 141	$ 149	$ 157
2024	7	$	133	141	149	157	$	-	$ 133	$ 141	$ 149	$ 157
2025	8	$	133	141	149	157	$	-	$ 133	$ 141	$ 149	$ 157
2026	9	$	133	141	149	157	$	-	$ 133	$ 141	$ 149	$ 157
2027	10	$	133	141	149	157	$	-	$ 133	$ 141	$ 149	$ 157
2028	11	$	133	141	149	157	$	-	$ 133	$ 141	$ 149	$ 157
2029	12	$	133	141	149	157	$	-	$ 133	$ 141	$ 149	$ 157
							Nominal difference to Pre-Irma/Tax Law		$ (928)	$ (833)	$ (736)	$ (636)
							NPV Difference to Pre-Irma/Tax Law		$ (991)	$ (931)	$ (870)	$ (807)

12-year Securitization Bond Savings vs. Company Proposal

Nominal (Savings) or Cost	$ 123	$ 218	$ 315	$ 416
ADDITIONAL Ratepayer NPV (Savings) or Cost from Securitization versus Company Proposal	**$ (250)**	**$ (190)**	**$ (129)**	**$ (66)**

Year	Hurricane Irma Amortization ($ millions)	Annual Ratepayer Tax Savings Credit ($ millions)	Net Savings ($ millions)

Case #4 ***(Match Duke 2016 Securitization Bond Structure)*** ***20-year Securitization [3] at 3.9% + Tax Savings Bill Credit Compared to Current FPL Proposal***

SENSITIVITY ANALYSIS 1,250 Upfront net proceeds

Year	0	IF SECURITIZATION RATES INCREASE	+100 bps	+200 bp	+300 bps			+100 bps	+200 bps	+300 bps
2018	1	$ 94	102	111	120	$ (435)	$ (341)	$ (333)	$ (324)	$ (315)
2019	2	$ 94	102	111	120	$ (467)	$ (373)	$ (365)	$ (356)	$ (347)
2020	3	$ 94	102	111	120	$ (502)	$ (408)	$ (399)	$ (390)	$ (381)
2021	4	$ 94	102	111	120	$ (539)	$ (445)	$ (436)	$ (428)	$ (418)
2022	5	$ 94	102	111	120	$ (579)	$ (485)	$ (476)	$ (467)	$ (458)
2023	6	$ 94	102	111	120	$ -	$ 94	$ 102	$ 111	$ 120
2024	7	$ 94	102	111	120	$ -	$ 94	$ 102	$ 111	$ 120
2025	8	$ 94	102	111	120	$ -	$ 94	$ 102	$ 111	$ 120
2026	9	$ 94	102	111	120	$ -	$ 94	$ 102	$ 111	$ 120
2027	10	$ 94	102	111	120	$ -	$ 94	$ 102	$ 111	$ 120
2028	11	$ 94	102	111	120	$ -	$ 94	$ 102	$ 111	$ 120
2029	12	$ 94	102	111	120	$ -	$ 94	$ 102	$ 111	$ 120
2030	13	$ 94	102	111	120	$ -	$ 94	$ 102	$ 111	$ 120
2031	14	$ 94	102	111	120	$ -	$ 94	$ 102	$ 111	$ 120
2032	15	$ 94	102	111	120	$ -	$ 94	$ 102	$ 111	$ 120
2033	16	$ 94	102	111	120	$ -	$ 94	$ 102	$ 111	$ 120
2034	17	$ 94	102	111	120	$ -	$ 94	$ 102	$ 111	$ 120
2035	18	$ 94	102	111	120	$ -	$ 94	$ 102	$ 111	$ 120
2036	19	$ 94	102	111	120	$ -	$ 94	$ 102	$ 111	$ 120
2037	20	$ 94	102	111	120	$ -	$ 94	$ 102	$ 111	$ 120
						Nominal difference to Pre-Irma/Tax Law	$ (645)	$ (475)	$ (298)	$ (114)
						NPV Difference to Pre-Irma/Tax Law	$ (1,070)	$ (987)	$ (900)	$ (809)

20-year Securitization Bond Savings vs. Company Proposal

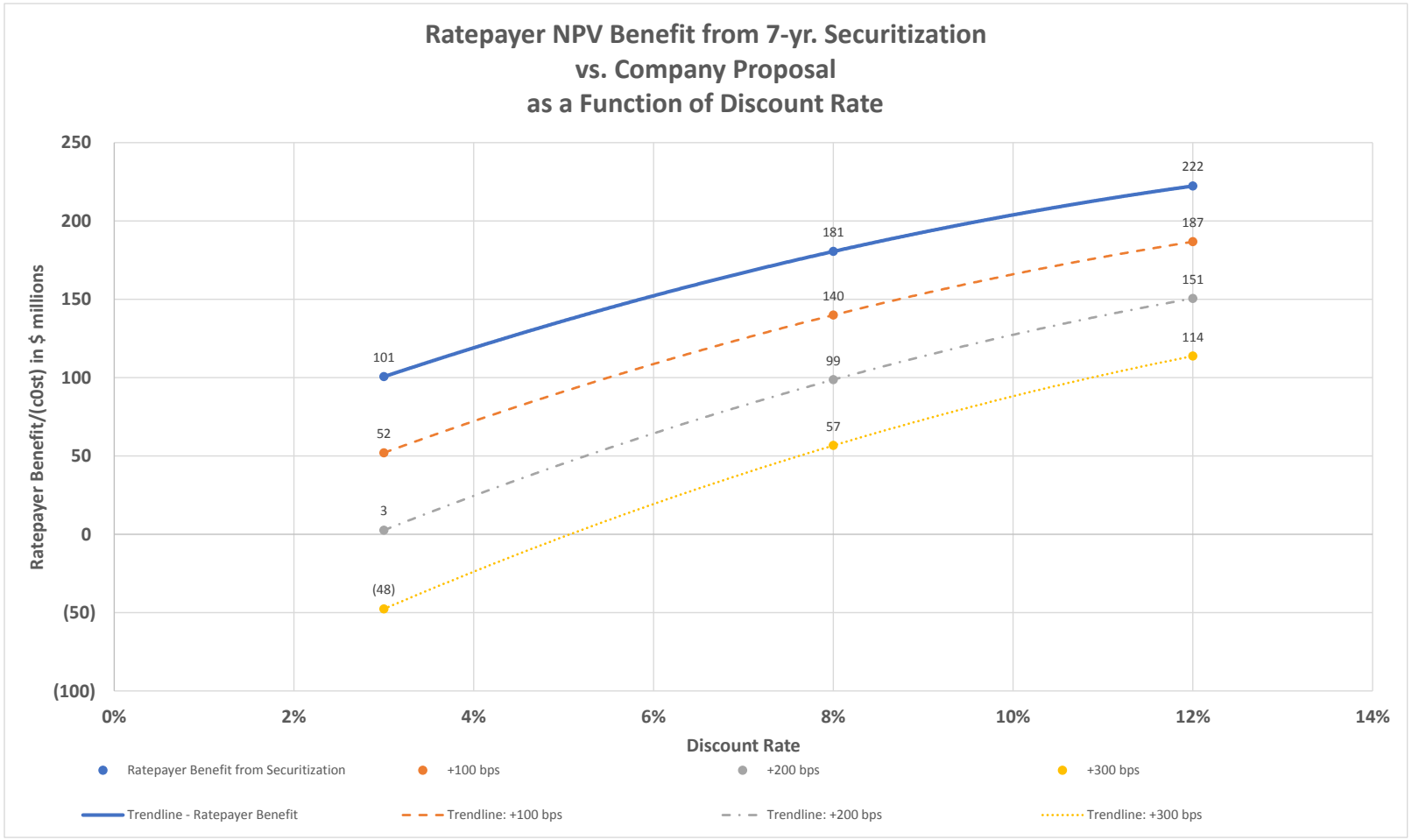
Nominal (Savings) or Cost	$ 407	$ 576	$ 753	$ 937
ADDITIONAL Ratepayer NPV (Savings) or Cost from Securitization versus Company Proposal	**$ (329)**	**$ (246)**	**$ (159)**	**$ (68)**

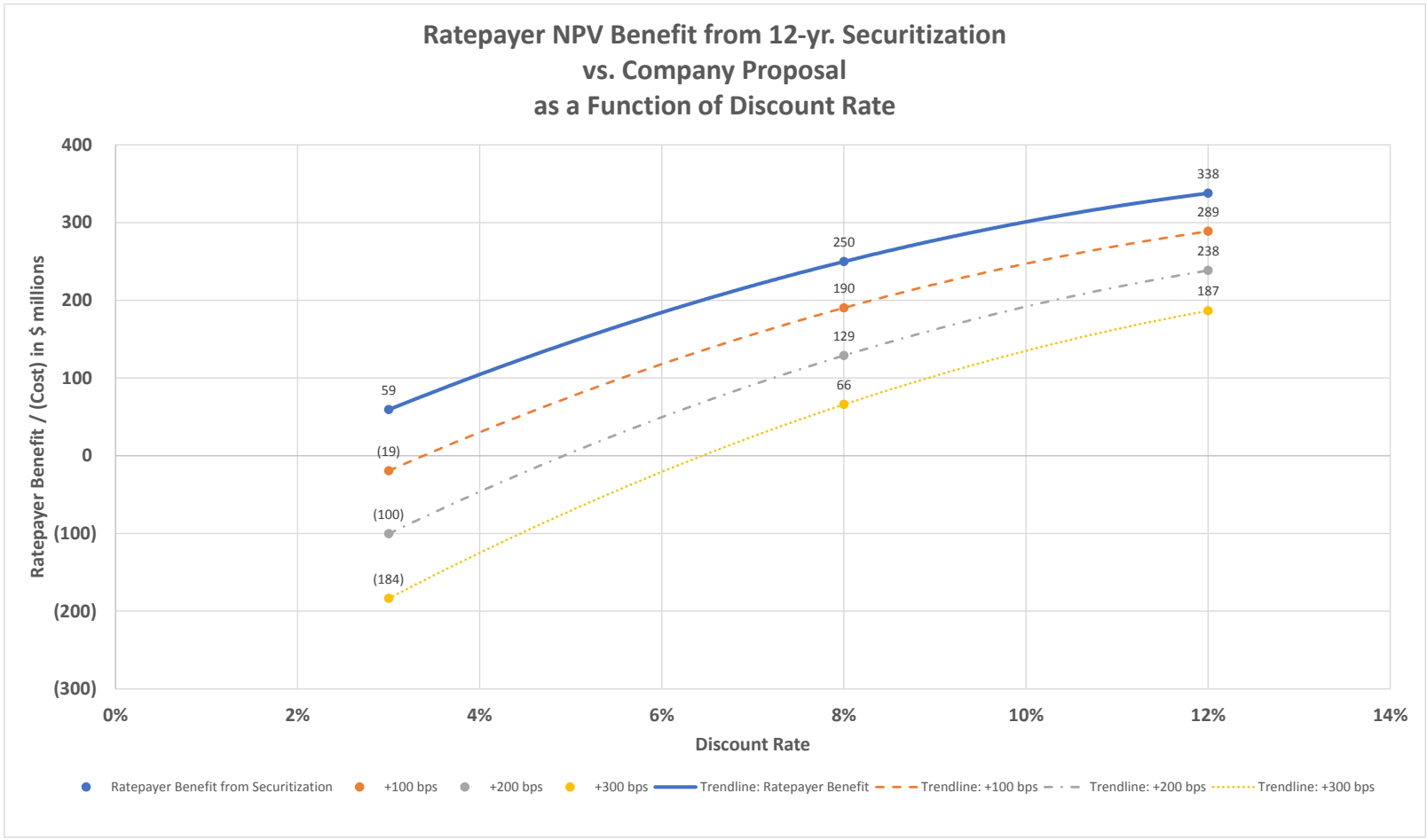
Note:

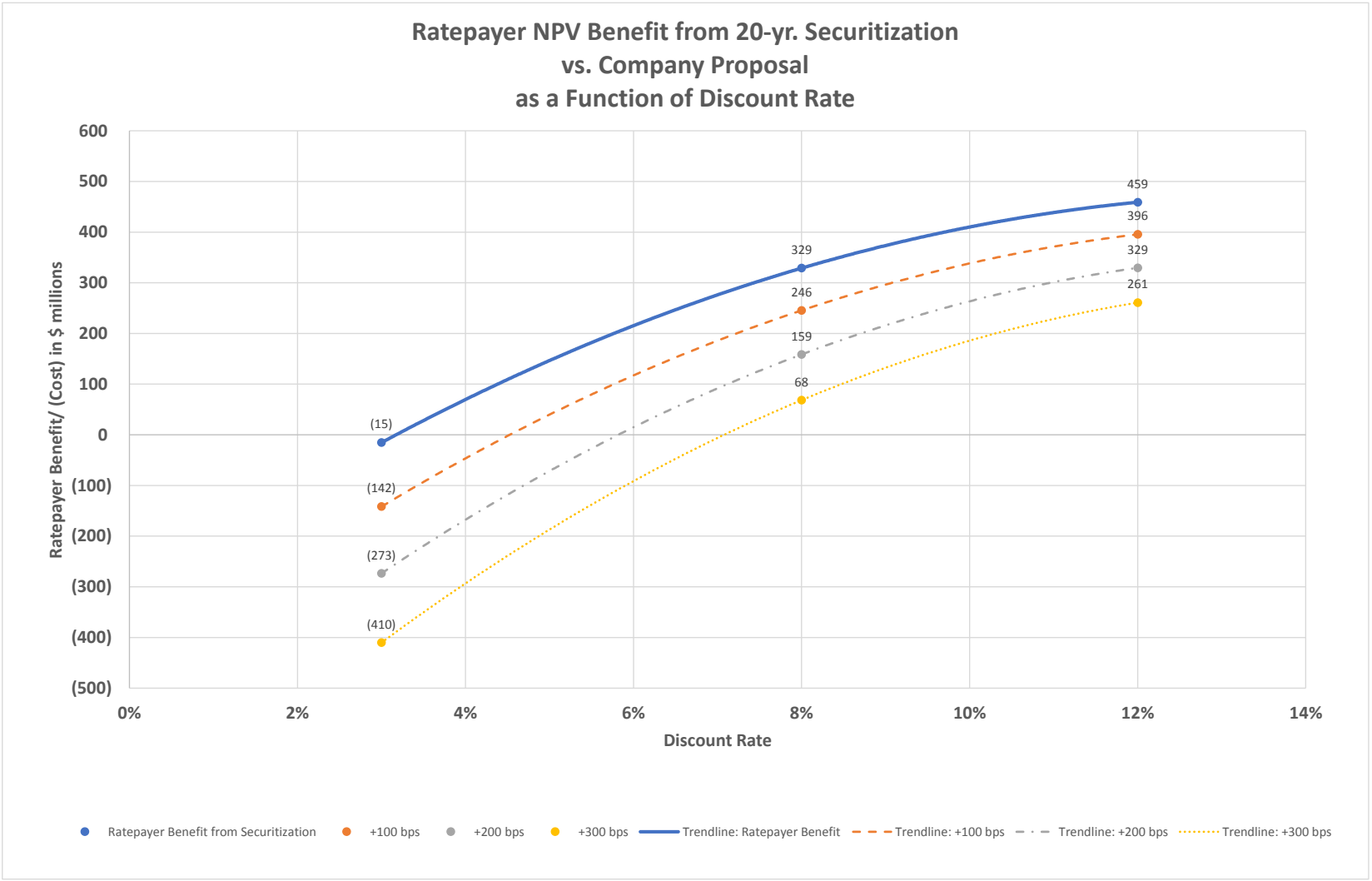
(1) **Discount rate is to be FPL's weighted average cost of capital (WACC) which is also to be the capitalization rate for unrecovered costs**

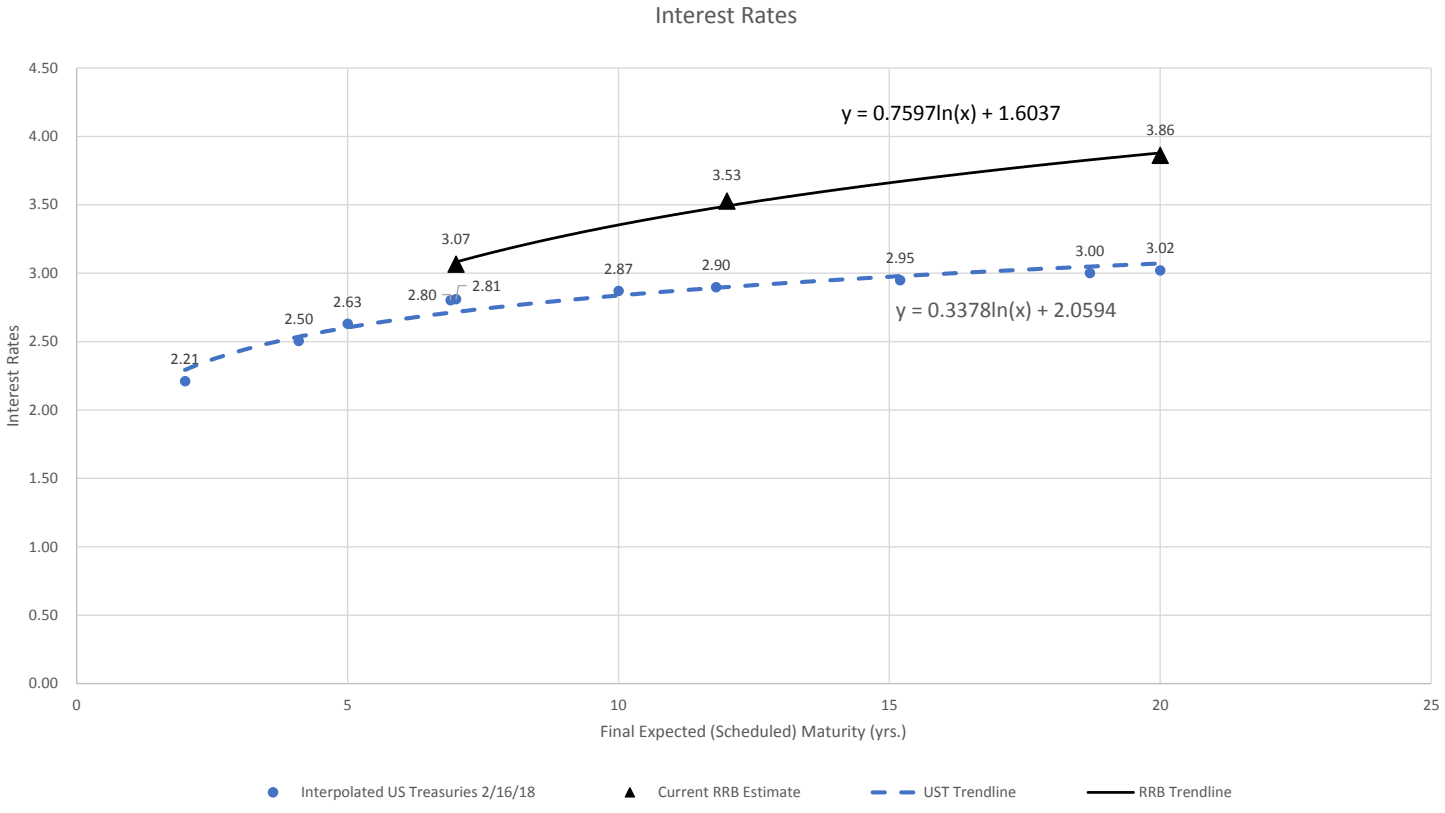
(2) **Most likely, a storm recovery bond offering could not be completed until late 2018 or early 2019, introducing some interest rate risk.**

(3) **Securitization terms (in years) are stated here as term to FINAL scheduled maturity. Scheduled weighted average maturity eould be significantly shorter (earlier). See page 7 for respective weighted average lives (WAL).**


Ratepayer NPV Benefit from 7-yr. Securitization
vs. Company Proposal
as a Function of Discount Rate
Ratepayer Benefit/(cOst) in $ millions
250
200
150
100
50
0
(50)
(100)
0%
2%
4%
6%
8%
10%
12%
14%
Discount Rate
101
181
222
52
140
187
3
99
151
(48)
57
114
Ratepayer Benefit from Securitization
+100 bps
+200 bps
+300 bps
Trendline - Ratepayer Benefit
Trendline: +100 bps
Trendline: +200 bps
Trendline: +300 bps


Ratepayer NPV Benefit from 12-yr. Securitization
vs. Company Proposal
as a Function of Discount Rate
Ratepayer Benefit / (Cost) in $ millions
400
300
200
100
0
(100)
(200)
(300)
0%
2%
4%
6%
8%
10%
12%
14%
Discount Rate
59
250
338
(19)
190
289
(100)
129
238
(184)
66
187
Ratepayer Benefit from Securitization
+100 bps
+200 bps
+300 bps
Trendline: Ratepayer Benefit
Trendline: +100 bps
Trendline: +200 bps
Trendline: +300 bps


Ratepayer NPV Benefit from 20-yr. Securitization
vs. Company Proposal
as a Function of Discount Rate
Ratepayer Benefit/ (Cost) in $ millions
600
500
400
300
200
100
0
(100)
(200)
(300)
(400)
(500)
0%
2%
4%
6%
8%
10%
12%
14%
Discount Rate
459
396
329
329
246
261
159
68
(15)
(142)
(273)
(410)
Ratepayer Benefit from Securitization
+100 bps
+200 bps
+300 bps
Trendline: Ratepayer Benefit
Trendline: +100 bps
Trendline: +200 bps
Trendline: +300 bps



DEF G-SpreadsSpreads - 2016

WAL	Sch. Life	WAL G-Spread	Interpolated G-Spreads
2	3.7	47	47.0
4.1			56.1
5	6.2	60	60.0
6.9			72.5
7			73.2
10	13.2	93	93.0
11.8			96.5
15.2	18.7	103	103.0
18.7	20.2	116	116.0
20			

US Treasuries

UST 2/16/2018	Interpolated UST
2.21	2.21
	2.50
2.63	2.63
	2.80
2.81	2.81
2.87	2.87
	2.90
	2.95
	3.00
3.02	3.02

FPL - RRB Spreads & i-Rates

Sch. Life (yrs.)	Single Tranche WAL (yrs.)	Implied i-rate (%)	**i-Rates Rounded Up**
7	4.1	3.07	**3.1%**
12	6.9	3.53	**3.6%**
20	11.8	3.86	**3.9%**